

lundin mining

Management's Discussion and Analysis For the year ended December 31, 2009

This management's discussion and analysis has been prepared as of February 24, 2010 and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2009. Those financial statements are prepared in accordance with Canadian generally accepted accounting principles. The Company's reporting currency is United States dollars. Reference herein of \$ is to United States dollars. Reference of C\$ is to Canadian dollars, reference to SEK is to Swedish krona and € refers to the Euro.

About Lundin Mining

Lundin Mining Corporation ("Lundin", "Lundin Mining" or the "Company") is a diversified Canadian base metals mining company with operations in Portugal, Sweden, Spain and Ireland, producing copper, zinc, lead and nickel. In addition, Lundin Mining holds a development project pipeline which includes expansion projects at its Zinkgruvan and Neves-Corvo mines along with its equity stake in the world class Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo.

Cautionary Statement on Forward-Looking Information

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act or "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 of the United States. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Annual Information Form and in each management discussion and analysis. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of copper, lead, nickel and zinc; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

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Highlights

Operational and Financial Highlights

- Production of all metals exceeded market guidance for the full year. Total production was as follows:

Production Summary

	Years ended December 31				
	2009 Actual	Guidance 09	2008 ¹	2007 ¹	2006
Copper (tonnes)	93,451	91,000	97,944	97,120	24,091
Zinc (tonnes)	101,401	100,000	151,157	151,830	167,422
Lead (tonnes)	43,852	40,000	44,799	44,560	45,106
Nickel (tonnes)	8,029	7,200	8,136	3,270	-
Copper (tonnes) Tenke attributable (24.75%)	17,325	-	-	-	-

- Operating earnings² increased by \$50.0 million from \$323.2 million in 2008 to \$373.2 million in 2009. Cost improvements (\$47.3 million) and favourable exchange rates (\$27.2 million) offset the effect of lower sales volumes (\$34.9 million). Lower metal prices (\$56.2 million) were offset by the difference in price-adjustments between the years. Average metal prices in 2009 were significantly below those in 2008.
- Sales for the year were \$746.0 million compared to sales of \$835.3 million last year. Lower volume from continuing operations (\$29.3 million) and the closures of Galmoy and Storliden (\$58.6 million) account for the difference. Metal price changes and price adjustments, offset each other.
- Cash inflow from operations for the year was \$137.4 million, compared to \$215.0 million for 2008. The reduction relates mainly to: smelter payments made in the first quarter related to sales in the prior year of approximately \$70 million; cash loss on derivatives of \$20.4 million; and payments related to asset retirement obligations which were charged against provisions of \$20.6 million. These offset the higher operating earnings.
- Adjusting for impairment charges, net income from continuing operations was \$105.2 million (\$0.19 per share) compared to \$49.0 million (\$0.12 per share) in 2008. The current year includes an impairment charge of \$37.1 million (net of tax).
- The Galmoy mine achieved a well-controlled closure of mining and milling operations, while generating positive operating earnings and cash flow. Opportunities for the sale of remaining high-grade ore continue to be pursued by the Company.
- Investment in in-mine and near-mine exploration has seen the growth of mineral reserves to replace record ore tonnages mined during the year at both Neves-Corvo and Zinkgruvan.

In addition, at Neves-Corvo there has been an increase of 11 million tonnes (+44%) in measured and indicated copper resources (approximately 160,000 tonnes of contained copper) and 20 million tonnes have been added in inferred copper resources (*See news release dated February 22, 2010*).

¹ Excluding Aljustrel production: 2008 – 16,687 tonnes zinc and 204 tonnes copper; 2007 – 190 tonnes zinc.

² Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 37 of this MD&A for discussion of Non-GAAP measures.

Corporate Highlights

- Construction activities on Phase I of the \$2.0 billion Tenke Fungurume Project (“Tenke”) were completed. Phase 1 name-plate capacity is 115,000 tonnes per annum of copper cathode and 8,000 tonnes per annum of cobalt. By year end, Tenke produced approximately 70,000 tonnes of copper, of which approximately 59,000 tonnes were sold at an average realized price of \$2.85 per pound.

Cash payments of \$56.7 million (2008: \$264.1 million) were made during the year to fund the Company’s share of Tenke expenditures. The Company’s proportionate share of costs for Phase I development for the year of \$166.9 million was funded by Freeport-McMoRan Copper & Gold Inc. (“FCX”) under the Excess Over-run Costs facility (“EOC facility”). The principal balance of the EOC facility at December 31, 2009 was \$223.5 million.

- In February 2009, the Company terminated the plan of arrangement with HudBay Minerals Inc. (“HudBay”) that had been entered into in November 2008.
- The Company completed the sale of the Aljustrel mine on February 5, 2009. While a small gain was reported on disposal, the actual cash effect was an outflow of \$21.0 million, most of which represented an amount to cover environmental rehabilitation and other liabilities.
- On April 27, 2009, the Company closed a bought-deal public offering for total gross proceeds of C\$188.6 million (\$155.8 million). The Company issued 92 million common shares at a price of C\$2.05 per share.
- During April 2009, the Company entered into multiple option collar arrangements to protect against near-term decreases in the price of copper. The contracts established a weighted average floor price of \$1.87 per pound and a weighted average maximum price cap of \$2.39 per pound. The contracts were for approximately 40,000 tonnes of copper, due over a 12 month period at a rate of approximately 3,000 tonnes per month.

In July 2009, the Company extended the copper price protection for a further three months by entering into additional collars for the months of May, June and July 2010. The contracts, for 3,000 tonnes of copper per month, establish a weighted average floor price of \$1.89 per pound and a weighted average price cap of \$2.89 per pound.

No cash premiums were paid or received to establish the contracts under the net zero cost structures. Monthly cash settlements are made where necessary for the contracts.

As at December 31, 2009, contracts representing 22,577 tonnes remained outstanding at a weighted average floor price of \$1.88 and a cap of \$2.61.

- On July 6, 2009, the Company completed the restructuring of its credit facility. The revised terms incorporated in the Third Amending Agreement provided for a three year, fully-revolving credit facility of US\$225 million, at an interest rate of LIBOR plus 4.5% until March 2010 and from April 2010 at LIBOR plus 3.5% to 4.5% depending upon the leverage ratio of the Company, and with financial covenants customarily required for a revolving-term facility, including minimum tangible net worth, interest coverage ratio and leverage ratio.
- On September 18, 2009, the Company completed the sale of its 49% interest in the Ozernoe zinc project in Russia for gross proceeds of \$35.0 million. Proceeds of \$3.5 million were received upon closing, with the balance of \$31.5 million payable over 10 months. This sale terminates all of the Company’s rights and obligations related to the project. After accounting for costs of disposal, the Company recorded a loss of \$18.7 million in current year income.

- The Company made the following senior executive appointments:
 - Ms Marie Inkster was appointed Chief Financial Officer on April 30, 2009.
 - Mr. Paul Conibear was appointed Senior Vice President, Corporate Development on October 29, 2009.
 - Mr. James Ingram was appointed Corporate Secretary on February 24, 2010.
- On February 22, 2010, the Company reported its Mineral Reserve and Resource estimates as at December 31, 2009. The full release can be found on the Company's website at www.lundinmining.com.

Financial Position and Financing

- Net debt¹ at December 31, 2009 was \$49.3 million compared to a net debt position of \$145.5 million at the end of 2008. Cash flow from operations covered all sustaining capital expenditures and all new investment related to the European operations.
The decrease in net debt during the year was attributable to the bought-deal public offering for total gross proceeds of \$155.8 million, offset by Tenke funding obligations of \$56.7 million.
- Cash on hand at December 31, 2009 was \$141.6 million.
- Net debt to equity at December 31, 2009 is 1.7%.
- As at February 22, 2010, cash on hand is approximately \$141.7 million and net debt is \$9.2 million.

Fourth Quarter Results

- All operations performed ahead of, or in-line with, production guidance for 2009.
- Sales revenue for the quarter was significantly higher than the prior year corresponding quarter owing to improved metal prices.
- Operating earnings² of \$152.2 million for the quarter represents an increase of \$218.0 million from a loss of \$65.8 million in the fourth quarter 2008. Virtually all of the improvement in operating earnings was related to improved metal prices and the difference in price adjustments between quarters.

Net income for the quarter included losses on derivative contracts of \$27.4 million (\$0.05 per share), of which \$13.4 million was unrealized. Also included was \$37.1 million (\$0.06 per share) related to impairment on the Salave gold project in northern Spain (*See news release dated February 11, 2010*).

- Cash flow from operations for the quarter was \$97.0 million, compared to \$46.5 million for the corresponding quarter in 2008.

¹ Net debt is a Non-GAAP measure defined as available unrestricted cash less financial debt, including capital leases and other debt-related obligations.

² Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation.

Fourth Quarter Sales

2009 (\$ thousands)	Quarter ended December 31, 2009				
	Copper	Zinc*	Nickel	Lead*	Total
Sales invoiced at shipment date	163,162	39,138	35,352	23,480	261,132
Adjustments for provisionally priced sales settled during the quarter	21,625	1,752	2,299	1,493	27,169
Period end price adjustments for unfixed sales	1,833	985	3,074	(1,202)	4,690
Sales before TC/RC	186,620	41,875	40,725	23,771	292,991
Other metal sales					6,045
Less: TC/RC					(42,333)
Total Net Sales					256,703
Payable Metal (tonnes)	24,779	17,187	2,155	10,357	
Realized prices, \$ per pound	\$ 3.42	\$ 1.11	\$ 8.57	\$ 1.04	
Realized prices, \$ per tonne	\$7,531	\$2,436	\$18,898	\$2,295	

* excludes Galmoy ore sales

2008 (\$ thousands)	Quarter ended December 31, 2008				
	Copper	Zinc	Nickel	Lead	Total
Sales invoiced at shipment date	83,768	37,344	21,199	14,092	156,403
Adjustments for provisionally priced sales settled during the quarter	(43,551)	(16,118)	(8,794)	(3,533)	(71,996)
Period end price adjustments for unfixed sales	(19,445)	1,066	(60)	(1,320)	(19,759)
Sales before TC/RC	20,772	22,292	12,345	9,239	64,648
Other metal sales					8,187
Less: TC/RC					(29,299)
Total Net Sales					43,536
Payable Metal (tonnes)	24,594	27,236	1,935	10,831	
Realized prices, \$ per pound	\$ 0.38	\$ 0.37	\$ 2.89	\$ 0.39	
Realized prices, \$ per tonne	\$ 845	\$ 818	\$ 6,380	\$ 853	

First Quarter 2010 Guidance

Specific issues that may affect earnings in the first quarter of 2010 when considered on a quarter-to-quarter basis are as follows:

- Production for the quarter is expected to be below trend owing to a number of factors including: abnormal weather conditions in Europe hampering ore processing; flooding of the Aguablanca pit, early January and again mid-February, restricting access to higher-grade ore zones; Zinkgruvan has been restricted by a blocked orepass.

Annual guidance is reaffirmed; however, no allowance has been made for the industrial action at Neves-Corvo.

- Average prices in the quarter to date are lower than those used to provisionally value outstanding receivables at December 31, 2009. Depending on price changes and the timing of settlements, the first quarter may see the effect of negative price adjustments.
- Timing of sales during the fourth quarter of 2009 resulted in unusually low concentrate inventory levels at December 31, 2009. It is expected that sales in the first quarter of 2010 will reflect the return to normal inventory levels.

Outlook

- Production targets for 2010 are as follows:

(contained tonnes)		2010 Targets	
		Tonnes	C1 Cost ¹
Neves-Corvo²	<i>Cu</i>	82,000	1.20
	<i>Zn</i>	3,000	
Zinkgruvan	<i>Zn</i>	75,000	0.30
	<i>Pb</i>	36,000	
	<i>Cu</i>	1,000	
Aguablanca	<i>Ni</i>	7,500	5.80
	<i>Cu</i>	7,000	
Galmoy	<i>Zn</i>	14,000	0.30
	(in ore) <i>Pb</i>	4,000	
Total: Wholly-owned operations²	<i>Cu</i>	90,000	
	<i>Zn</i>	92,000	
	<i>Pb</i>	40,000	
	<i>Ni</i>	7,500	
Tenke: 24.75% attributable share³	<i>Cu</i>	28,500	

¹ Cash costs remain dependent upon exchange rates (2010 €/USD: 1.42). Cash cost of nickel is highly leveraged to metal price owing to the price participation formula in smelter terms.

² No allowance has been made for the limited industrial action currently underway. Production that may be lost is currently being assessed and will depend upon a number of factors, including the duration of the action.

³ At design capacity production of copper and cobalt and assuming average cobalt prices of \$10 per pound, average unit net cash costs are targeted to be \$0.50 per pound of copper. Each \$2 per pound change in average prices of cobalt would impact net cash costs by approximately \$0.12 lb/copper.

- Zinc production at Neves-Corvo is expected to resume in 2011 at the rate of 50,000 tpa. An earlier start, at a nominal rate of 25,000 tpa, is under evaluation.
- Studies continue separately on the feasibility of developing the Lombador zinc/copper deposit adjacent to the Neves-Corvo mine. Progress to date is positive and a feasibility study is targeted for completion in early 2011. A preliminary target of 2013 has been set for commencement of full-scale operations from Lombador.
- Capital expenditure for 2010 is expected to be between \$190 and \$250 million. This includes:
 - Sustaining capital in European operations of \$90 million (2009 - \$80 million)
 - New investment in European operations of \$60 million (2009 - \$35 million)
 - Investment in Tenke of \$100 million (2009 - \$56.7 million). The Company estimates this could vary between \$40 million and \$100 million depending on development plans. Final decisions on capital investment levels are made by the operator.
- Expenditure on exploration and resource acquisition is expected to be similar to 2009 levels at \$20 million, of which approximately \$10 million will be spent on exploration drilling to delineate further copper resources at Neves-Corvo.

The market outlook remains volatile and in our view 2010 remains a year of slow recovery prior to a resumption of growth in 2011.

Selected Quarterly and Annual Financial Information

(USD millions, except per share amounts)	Years ended December 31					
	2009 Excluding Impairment	2009	2008 Excluding Impairment	2008	2007 Excluding Impairment	2007
Sales	746.0	746.0	835.3	835.3	1,059.7	1,059.7
Operating earnings¹	373.2	373.2	323.2	323.2	628.5	628.5
Depletion, depreciation & amortization	(170.0)	(170.0)	(202.3)	(202.3)	(175.7)	(175.7)
General exploration and project investigation	(22.6)	(22.6)	(38.9)	(38.9)	(35.4)	(35.4)
Other income and expenses	5.1	5.1	(24.6)	(24.6)	(7.2)	(7.2)
Loss on derivative contracts	(61.5)	(61.5)	(0.1)	(0.1)	(18.0)	(18.0)
Income (loss) from equity investment in Tenke	0.3	0.3	(2.2)	(2.2)	(0.3)	(0.3)
(Loss) gain on sale of investments	(6.7)	(6.7)	(1.3)	(1.3)	74.3	74.3
Impairment charges	-	(53.0)	-	(904.3)	-	(350.0)
Income (loss) from continuing operations before income taxes	117.8	64.8	53.8	(850.5)	466.2	116.2
Income tax (expense) recovery	(12.6)	3.3	(4.8)	130.5	(115.9)	(115.9)
Income (loss) from continuing operations	105.2	68.1	49.0	(720.0)	350.3	0.3
Gain (loss) from discontinued operations	5.6	5.6	(0.7)	(237.1)	(12.6)	(154.5)
Net income (loss)	110.8	73.7	48.3	(957.1)	337.7	(154.2)
Shareholders' Equity		2,915.2		2,603.7		3,541.8
Cash flow from operations		137.4		215.0		373.4
Capital expenditures (incl. Tenke)		185.0		538.5		250.3
Total assets		3,740.1		3,704.5		4,710.8
Net debt² (surplus)		49.3		145.5		(35.8)
Key Financial Data:						
Shareholders' equity per share ³		5.03		5.34		9.02
Basic and diluted income (loss) per share	0.20	0.13	0.12	(2.41)	1.00	(0.46)
Basic and diluted (loss) income per share from continuing operations	0.19	0.12	0.12	(1.82)	1.03	-
Dividends		-		-		-
Equity ratio ⁴		78%		70%		75%
Shares outstanding:						
Basic weighted average		550,000,833		396,416,414		338,643,242
Diluted weighted average		550,045,231		396,416,414		338,643,242
End of period		579,592,464		487,433,771		392,489,131

(\$ millions, except per share data)	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08
Sales	256.7	171.1	194.8	123.4	43.5	191.9	294.1	305.7
Operating earnings	152.2	91.8	91.0	38.2	(65.8)	68.9	137.2	182.9
Impairment charges (after tax)⁵	(37.1)	-	-	-	(651.5)	(201.1)	(152.8)	-
Income (loss) from continuing operations	35.1	3.7	43.5	(14.1)	(707.7)	(190.2)	96.9	81.3
Net income (loss)	35.1	3.7	43.5	(8.6)	(728.5)	(199.0)	(108.4)	78.8
Income (loss) per share from continuing operations, basic and diluted	0.06	0.01	0.08	(0.03)	(1.72)	(0.49)	0.25	0.21
Income (loss) per share, basic⁶ and diluted⁶	0.06	0.01	0.08	(0.02)	(1.77)	(0.51)	(0.28)	0.20
Cash flow from operations	97.0	40.0	63.7	(63.3)	46.5	46.8	118.3	3.5
Capital expenditure (incl. Tenke)	39.0	54.7	57.8	33.6	105.7	146.8	164.7	121.3
Net debt²	49.3	132.2	110.7	259.5	145.5	194.8	95.7	104.2

¹ Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of asset retirement obligation ("ARO") and other provisions, selling, general and administration costs and stock-based compensation.

² Net debt is a Non-GAAP measure defined as available unrestricted cash less financial debt, including capital leases and other debt-related obligations.

³ Shareholders' equity per share is a Non-GAAP measure defined as shareholders' equity divided by total number of shares outstanding at end of period.

⁴ Equity ratio is a Non-GAAP measure defined as shareholders' equity divided by total assets at the end of period.

⁵ Includes impairment from discontinued operations.

⁶ Income (loss) per share is determined for each quarter. As a result of using different weighted average number of shares outstanding, the sum of the quarterly amounts may differ from the year-to-date amount.

See page 37 of this MD&A for a discussion of Non-GAAP measures.

Sales Overview

Sales Volumes by Payable Metal

	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Copper (tonnes)										
Neves-Corvo	82,747	23,126	17,236	22,277	20,108	86,748	23,104	23,087	23,051	17,506
Aguablanca	6,295	1,653	1,281	1,798	1,563	5,905	1,490	1,477	1,669	1,269
Storliden	-	-	-	-	-	1,783	-	255	872	656
	89,042	24,779	18,517	24,075	21,671	94,436	24,594	24,819	25,592	19,431
Zinc (tonnes)										
Neves-Corvo	-	-	-	-	-	19,166	2,977	6,434	5,750	4,005
Zinkgruvan	63,146	17,187	11,167	18,324	16,468	55,985	11,399	14,279	13,475	16,832
Galmoy*	26,035	(88)	1,569	13,283	11,271	46,468	12,860	10,894	11,303	11,411
Storliden	-	-	-	-	-	5,956	-	846	3,090	2,020
	89,181	17,099	12,736	31,607	27,739	127,575	27,236	32,453	33,618	34,268
Lead (tonnes)										
Zinkgruvan	33,729	10,357	7,571	9,275	6,526	31,626	7,549	8,025	9,406	6,646
Galmoy*	7,541	(9)	805	4,967	1,778	11,793	3,282	2,488	3,026	2,997
	41,270	10,348	8,376	14,242	8,304	43,419	10,831	10,513	12,432	9,643
Nickel (tonnes)										
Aguablanca	7,582	2,155	1,616	1,766	2,045	7,210	1,935	1,822	1,850	1,603

* includes payable metal in sales of ore (50% attributable to Galmoy – see MD&A page 19)

With the exception of nickel, sales volumes are lower in 2009 than 2008. Volumes in the final quarter returned to expected levels and processed inventories at the end of the year were very low.

The decrease in sales revenue from 2008 is the result of lower volume from continuing operations (\$29.3 million) and the closures of Galmoy and Storliden (\$58.6 million). Metal price changes and price adjustments offset each other.

Sales Revenue by Mine

(US\$ millions)	Years ended December 31		
	2009	2008	Change
Neves-Corvo	448.7	497.9	(49.2)
Zinkgruvan	137.3	123.5	13.8
Aguablanca	125.2	120.3	4.9
Galmoy	34.8	69.8	(35.0)
Other	-	23.8	(23.8)
	746.0	835.3	(89.3)

Sales are recorded using the metal price received for sales that settle during the reporting period. For sales that have not been settled, an estimate is used based on the month the sale is expected to settle and the forward price of the metal at the end of the reporting period. The difference between the estimate and the final price received is recognized by adjusting gross sales in the period in which the sale (finalization adjustment) is settled.

The finalization adjustment recorded for these sales depends on the actual price when the sale settles. Settlement dates typically are one to four months after shipment.

The average realized prices for 2009 and 2008 remained relatively consistent despite a significant reduction in the LME average prices in 2009 (see MD&A Page 23). The reason for this is the effect of price adjustments, referred to above, shifting significant revenue from one year to the next. Average realized prices for 2009 and 2008 are as follows:

Reconciliation of realized prices

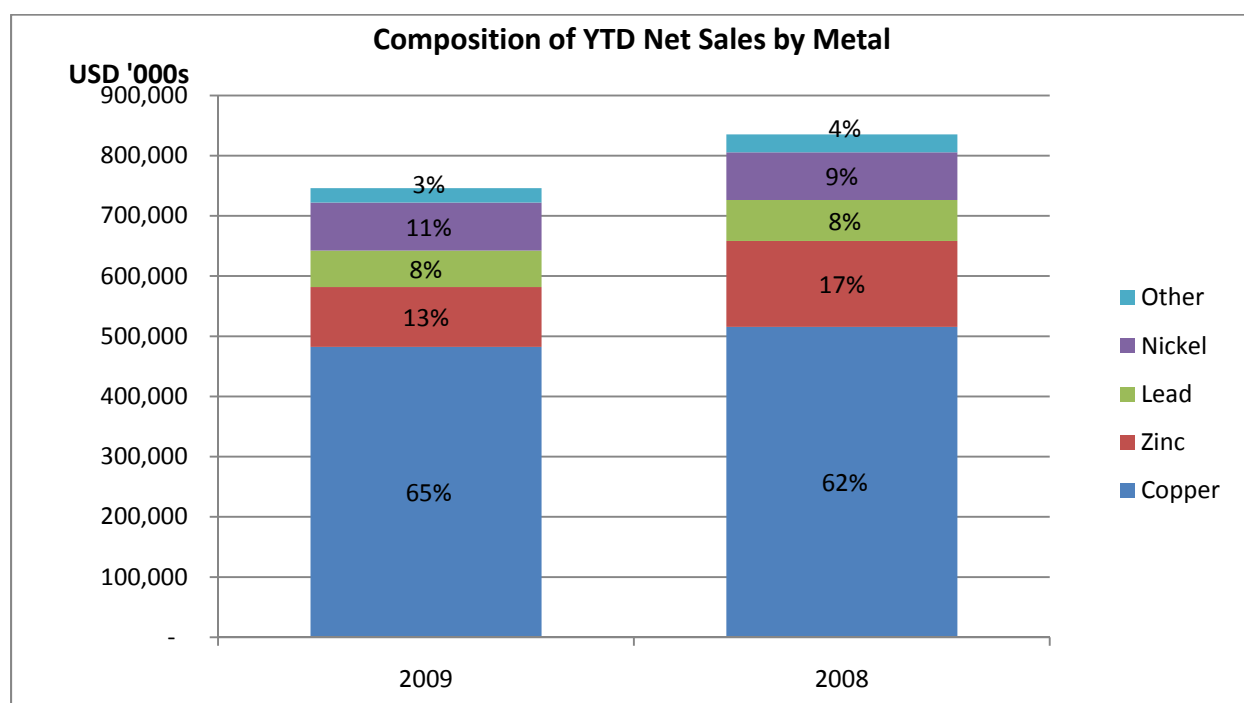
2009 (\$ millions)	Year ended December 31, 2009				
	Copper	Zinc*	Nickel	Lead*	Total
Sales before TC/RC	\$ 525.6	\$ 146.8	\$ 126.8	\$ 73.5	\$ 872.7
Other metal sales					24.1
Less: TC/RC					(150.8)
Total Net Sales					\$ 746.0
Payable Metal (tonnes)	89,042	87,806	7,582	40,381	
Realized prices, \$ per pound	\$ 2.68	\$ 0.76	\$ 7.59	\$ 0.83	
Realized prices, \$ per tonne	\$5,903	\$1,672	\$16,724	\$1,820	

* excludes Galmoy ore sales

2008 (\$ millions)	Year ended December 31, 2008				
	Copper	Zinc	Nickel	Lead	Total
Sales before TC/RC	\$ 559.3	\$ 220.7	\$ 130.9	\$ 86.6	\$ 997.5
Other metal sales					25.3
Less: TC/RC					(187.5)
Total Net Sales					\$ 835.3
Payable Metal (tonnes)	94,436	127,575	7,210	43,419	
Realized prices, \$ per pound	\$ 2.69	\$ 0.78	\$ 8.23	\$ 0.90	
Realized prices, \$ per tonne	\$5,923	\$ 1,730	\$ 18,155	\$ 1,994	

Sales Value by Metal

Copper revenues of \$482.2 million (2008 - \$520.6 million) comprise the largest component of net metal sales. Zinc sales were \$99.5 million (2008 - \$142.6 million) and nickel sales were the third highest contributor to revenues at \$79.5 million (2008 - \$78.6 million). Lead sales were \$60.7 million (2008 - \$68.2 million) while other metals accounted for \$24.1 million (2008 - \$25.3 million).



Operating Results

Operating Costs

Costs of mining operations were \$340.3 million compared with \$436.6 million for the same period in 2008. The decrease resulted from cost reduction at continuing operations of \$16.3 million, and a further savings of approximately \$27.0 million due to the stronger US dollar. In addition, closure of Galmoy at the end of the second quarter of 2009 (\$40.1 million) and the closure of the Storliden mine at the end of 2008 (\$15.4 million) also contributed to the lower overall operating costs in 2009.

Accretion of Asset Retirement Obligations and Other

Accretion of asset retirement obligations and other provisions reduced to \$6.9 million for 2009, compared to \$25.9 million in the prior year. The previous year included charges for provisions established in connection with the decision to close the Galmoy mine. This included \$14.9 million of anticipated severance costs, \$14.6 million of which have subsequently been paid.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization decreased by \$32.3 million to \$170.0 million in 2009, compared with \$202.3 million in 2008. This decrease is primarily attributable to the \$419.0 million reduction in 2008 to the carrying values of long-lived assets and property, plant and equipment at Aguablanca and Galmoy as a result of impairment assessments. This was offset by increase in depreciation for Neves-Corvo reflecting revised estimates as a result of the suspension of zinc production.

Depreciation by operation (\$ millions)	Years ended December 31		
	2009	2008	Change
Neves-Corvo	126.5	94.7	31.8
Zinkgruvan	15.7	20.0	(4.3)
Aguablanca	27.0	63.4	(36.4)
Galmoy	0.1	23.1	(23.0)
Other	0.7	1.1	(0.4)
	170.0	202.3	(32.3)

General Exploration and Project Investigation

General exploration and project investigation costs decreased to \$22.6 million in 2009 from \$38.9 million during 2008 as a result of a reduction in activity. The majority of exploration expenditure now relates to near-mine exploration at Neves-Corvo and is focused on expanding Neves-Corvo's copper resources.

Other Costs

Other costs are as follows:

(\$ millions)	Years ended December 31		
	2009	2008	Change
Selling, general and administrative	20.0	39.6	(19.6)
Stock-based compensation	5.6	9.9	(4.3)
Other income	(5.9)	(4.8)	(1.1)
Interest and bank charges	15.0	14.7	0.3
Foreign exchange (gain) loss	(14.4)	14.7	(29.1)
Loss on derivative contracts	61.5	0.1	61.4
Loss on sale of investments	18.7	-	18.7
Goodwill and long-lived asset impairment	53.0	760.2	(707.2)
Impairment of AFS securities	-	144.1	(144.1)
(Gain) loss on sale of AFS securities	(12.0)	1.3	(13.3)
	141.5	979.8	(838.3)

Selling, General and Administration (“SG&A”)

2008 includes costs associated with changes in the leadership team and the restructuring of the corporate offices. The lower cost in 2009 also reflects the effect of cost reduction initiatives.

Stock-Based Compensation

The reduction in stock-based compensation expense reflects a decrease in the numbers of options granted in 2009 and lower fair values. Only 1.5 million options were granted in 2009, compared to 6.2 million options which were granted in 2008. In addition, there were cancellations of approximately 960,000 unvested options in 2009 which resulted in a recovery of amounts previously expensed of \$2.1 million.

Foreign Exchange (Gain) Loss

The foreign exchange gain relates to US\$ denominated debt held in the Canadian and Swedish group entities. These gains were partly offset by losses on revaluation of cash held in US\$ by the European operations. Average exchange rate in 2009 was \$1.39:€1.00 (2008 – \$1.47:€1.00) and \$1.00:SEK7.65 (2008 – \$1.00:SEK6.60).

Loss on Derivative Contracts

The 2009 loss on derivatives relates to the Company’s copper contracts. Of the \$61.5 million loss recorded in 2009, \$20.4 million was cash-settled and recorded as a realized loss during the year.

Loss on Sale of Investments

During the third quarter of 2009, the Company completed the sale of its 49% interest in the Ozernoe zinc project in Russia for gross proceeds of \$35.0 million, resulting in a loss on sale of the investment of \$18.7 million.

Goodwill and Long-Lived Asset Impairment

The Company regularly reviews its long-lived assets and goodwill for impairment when there is reason to believe that the assets may be impaired.

On February 11, 2010, the Company announced that it has entered into an agreement for the sale of the Salave gold project in northern Spain. The Company has assessed the carrying value in relation to an estimate of the fair value of the proceeds to be received at the date of closing and has recorded a write-

down of \$53.0 million (\$37.1 after tax) to the carrying value to reflect the estimated impairment as at December 31, 2009.

In 2008, the Company recorded goodwill impairments of \$237.4 million and long-lived asset impairments of \$522.8 million for continuing operations. This assessment was as a result of declining economic conditions, including low base metal prices.

Impairment of AFS Securities

In 2008, it was determined that the impairment in the investment portfolio was likely to be other than temporary impairment (“OTTI”). As a result, a loss in the amount of \$144.1 million (\$143.2 million after tax) was recorded related to mark-to-market adjustments recorded in previous years. In 2009, no indications of OTTI were evident.

Current and Future Income Taxes

Current Tax Expense (Recovery) (\$ millions)	Years ended December 31		
	2009	2008	Change
Neves-Corvo	45.4	44.2	1.2
Zinkgruvan	2.2	5.5	(3.3)
Aguablanca	-	(0.7)	0.7
Galmoy	0.3	1.3	(1.0)
Other	3.2	(20.6)	23.8
Current tax expense	51.1	29.7	21.4

The increase in current income tax expense is a reflection of higher taxable earnings.

The corporate tax rates in the countries where the Company has mining operations range from 25% in Ireland to 30% in Spain. To December 31, 2009, the Company has paid a total of \$37.8 million in income taxes, including \$3.2 million paid in Sweden, \$35.2 million paid in Portugal and \$3.8 million paid in Cyprus, offset by a refund of \$4.0 million received in Canada and \$0.4 million received in Ireland.

Future Tax Expense (Recovery) (\$ millions)	Years ended December 31		
	2009	2008	Change
Neves-Corvo	(27.7)	(3.7)	(24.0)
Zinkgruvan	(0.1)	(3.2)	3.1
Aguablanca	(10.8)	(102.9)	92.1
Galmoy	-	5.5	(5.5)
Other	(15.8)	(55.8)	40.0
Future tax recovery	(54.4)	(160.1)	105.7

Future income tax recovery for 2009 was \$105.7 million lower than 2008. Future tax recoveries in 2008 of \$160.1 million included \$135.2 million of recoveries related to asset impairments recognized.

Mining Operations

Production Overview

	YTD 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Copper (tonnes)										
Neves-Corvo	86,462	22,150	19,756	22,189	22,367	89,026	23,297	22,291	20,726	22,712
Aguablanca	6,989	1,718	1,595	1,803	1,873	7,071	1,796	1,878	1,849	1,548
Storliden	-	-	-	-	-	1,847	-	264	903	680
	93,451	23,868	21,351	23,992	24,240	97,944	25,093	24,433	23,478	24,940
Zinc (tonnes)										
Neves-Corvo	501	293	208	-	-	22,567	2,598	6,758	7,419	5,792
Zinkgruvan	70,968	19,598	13,439	17,896	20,035	65,631	15,036	15,844	16,552	18,199
Galmoy*	29,932	120	1,504	14,066	14,242	55,952	14,772	13,470	14,016	13,694
Storliden	-	-	-	-	-	7,007	-	995	3,635	2,377
	101,401	20,011	15,151	31,962	34,277	151,157	32,406	37,067	41,622	40,062
Lead (tonnes)										
Zinkgruvan	36,183	10,289	7,261	8,972	9,661	33,075	7,291	7,043	9,959	8,782
Galmoy*	7,669	104	850	3,506	3,209	11,724	2,626	2,865	2,438	3,795
	43,852	10,393	8,111	12,478	12,870	44,799	9,917	9,908	12,397	12,577
Nickel (tonnes)										
Aguablanca	8,029	2,324	1,784	1,960	1,961	8,136	2,179	2,155	1,954	1,848

* includes payable metal in sales of ore (50% attributable to Galmoy – see MD&A page19)

Overall production targets were achieved for all metals produced. All mine operations generally performed in accordance with, or better than internal expectations.

Cash Cost Overview

	Cash cost / lb (US cents)		Cash cost / lb (local currency)	
	2009	2008	2009	2008
Neves-Corvo (Local in € cents)				
Gross cost	116	122	83	83
By-product **	(2)	(15)	(2)	(10)
Net Cost – Cu/lb	114	107	81	73
Zinkgruvan (Local in SEK)				
Gross cost	69	78	522	508
By-product **	(43)	(48)	(325)	(306)
Net Cost - Zn/lb	26	30	197	202
Aguablanca (Local in € cents)				
Gross cost	713	809	510	548
By-product **	(273)	(259)	(195)	(172)
Net Cost - Ni/lb	440	550	315	376

**By-product is after related TC/RC

Commentary on cash cost performance is included under individual mine operational discussion.

Neves-Corvo Mine

Neves-Corvo is an underground mine, 100 km north of Faro, Portugal, in the western part of the Iberian Pyrite Belt. The mine has been a significant producer of copper since 1989 and in 2006 commenced treating zinc ores. The processing of zinc-rich ores was suspended in November 2008 pending an improvement in zinc prices and the zinc facility was converted to treat copper ore. Zinc production is expected to recommence in 2011.

Operating Statistics

	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Ore mined, copper (tonnes)	2,509,460	633,337	619,567	620,155	636,401	2,395,516	674,207	573,766	577,980	569,563
Ore mined, zinc (tonnes)	-	-	-	-	-	407,046	34,509	106,488	138,728	127,321
Ore milled, copper (tonnes)	2,569,603	632,696	642,605	622,822	671,480	2,409,966	675,599	550,182	588,875	595,310
Ore milled, zinc (tonnes)	-	-	-	-	-	398,985	42,864	114,556	126,669	114,896
Grade per tonne										
Copper (%)	3.9	4.0	3.6	4.3	3.9	4.3	4.0	4.7	4.1	4.4
Zinc (%)	-	-	-	-	-	7.3	7.7	7.6	7.5	6.6
Recovery										
Copper (%)	86	88	84	84	86	86	87	85	85	87
Zinc (%)	-	-	-	-	-	78	78	78	79	77
Concentrate grade										
Copper (%)	24.8	24.9	24.5	25.0	24.8	24.3	24.4	24.5	24.4	23.8
Zinc (%)	-	-	-	-	-	49.2	48.9	49.0	49.7	48.8
Production- tonnes (metal contained)										
Copper	86,462	22,150	19,756	22,189	22,367	89,026	23,297	22,291	20,726	22,712
Zinc	501	293	208	-	-	22,567	2,598	6,758	7,419	5,792
Silver (oz)	722,501	193,345	164,554	168,072	196,530	926,740	232,252	233,077	218,674	242,737
Sales (\$000s)	448,742	163,755	107,757	103,818	73,412	497,936	15,501	119,698	193,575	169,162
Operating earnings (\$000s) ¹	263,361	106,619	66,874	54,645	35,223	291,831	(20,226)	62,639	125,880	123,538
Cash cost (€ per pound) ²	0.81	0.83	0.81	0.80	0.78	0.73	0.79	0.72	0.74	0.67
Cash cost (\$ per pound) ²	1.14	1.22	1.21	1.10	1.01	1.07	1.05	1.06	1.15	1.02

Operating Earnings¹

Operating earnings of \$263.4 million were \$28.5 million lower than 2008. Lower sales volume (\$38.0 million effect) was partially offset by favourable exchange rates (\$9.9 million effect). The lower sales volume reflects lower copper production and the suspension of zinc mining. Average copper prices were significantly below 2008 (\$82 million negative effect); however, this was almost entirely offset by more favourable price adjustments in 2009 compared to 2008.

Production

Record production was achieved in copper ore mined and processed. The increased volume (approximately 6,000 contained metal tonnes additional) largely offset the lower copper head-grade (approximately 8,000 contained metal tonnes lower). In this higher price environment, Neves-Corvo continues to mine lower-grade, out of reserve ores, and this is largely accounting for the observed decrease in average head-grades.

Zinc production was suspended all year and timing of recommencement is dependent on the zinc price.

In June 2009, the RC circuit, designed to recover a proportion of copper and zinc lost to tailings, was commissioned. In the last quarter this plant recovered nearly 1,000 tonnes of copper and 300 tonnes of zinc, twice the amount that was expected, reducing expected payback on this plant to around 12 months.

¹ Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 37 of this MD&A for discussion of Non-GAAP measures.

² Cash cost per pound of payable copper sold is the sum of direct cash costs and inventory changes less by-product credits. See Non-GAAP Performance Measures on page 37 of this MD&A.

Cash Costs

The increase in cash costs per pound of \$0.07 relates entirely to a lower by-product credit. In local currency, the cost per pound of copper is unchanged from 2008 when viewed prior to by-product credits.

Cash costs at \$1.14 for the year are \$0.04 above prior guidance owing to the reallocation of certain one-time charges and other costs as costs of production rather than SG&A and other expenses.

Neves-Corvo Zinc Expansion Project

The zinc expansion project at Neves-Corvo, designed to produce a minimum of 50,000 tonnes per annum of zinc from existing orebodies, was re-started in the third quarter of 2009 and is advancing on schedule and on budget. Production is expected to build up from early 2011 reaching full production rates during the third quarter 2011. The estimated cost of the project is €43 million.

Zinkgruvan Mine

The Zinkgruvan mine is located approximately 250 km south-west of Stockholm, Sweden. Zinkgruvan has been producing zinc, lead and silver on a continuous basis since 1857. The operation consists of an underground mine and processing facility with associated infrastructure and a present nominal production capacity of 1 million tonnes of ore throughput.

Operating Statistics

	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Ore mined (tonnes)	990,655	269,976	205,955	252,971	261,753	900,387	250,638	193,953	212,156	243,640
Ore milled (tonnes)	1,028,234	268,839	225,097	276,747	257,551	895,024	226,167	204,096	237,114	227,647
Grade per tonne										
Zinc (%)	7.5	8.0	6.5	7.0	8.3	7.9	7.2	8.3	7.5	8.5
Lead (%)	4.1	4.5	3.8	3.8	4.4	4.3	3.8	4.0	4.8	4.5
Recovery										
Zinc (%)	92	91	91	92	93	93	93	94	93	94
Lead (%)	85	84	85	85	86	86	84	87	88	86
Concentrate grade										
Zinc (%)	52.6	52.4	52.7	53.0	52.4	53.2	53.5	53.4	53.0	53.0
Lead (%)	74.4	74.5	72.8	74.9	75.3	76.7	77.2	76.3	76.2	77.2
Production – tonnes (metal contained)										
Zinc	70,968	19,598	13,439	17,896	20,035	65,631	15,036	15,844	16,552	18,199
Lead	36,183	10,289	7,261	8,972	9,661	33,075	7,291	7,043	9,959	8,782
Silver (oz)	1,861,029	505,026	414,555	480,077	461,371	1,694,566	373,769	370,932	534,193	415,672
Sales (\$000s)	137,281	52,167	29,800	34,925	20,389	123,508	11,064	29,745	34,066	48,633
Operating earnings (\$000s) ¹	74,775	32,502	16,123	17,841	8,309	57,238	(2,136)	11,437	14,806	33,131
Cash cost (SEK per pound) ²	1.97	1.69	1.36	2.05	2.58	2.02	3.06	2.27	2.03	1.09
Cash cost (\$ per pound) ²	0.26	0.23	0.20	0.26	0.31	0.30	0.40	0.35	0.33	0.18

Operating Earnings¹

Operating earnings of \$74.8 million were \$17.5 million above 2008. The increase is attributable to higher sales volume (\$6.0 million earnings effect) and favourable exchange rates (\$12.0 million earnings effect). Lower zinc and lead prices were offset by favourable price adjustments comparing 2009 to 2008.

Production

Record production levels were reached for ore mined and treated during 2009. Metal production was also at record levels continuing the substantial improvements in output at this mine.

Zinc production in the fourth quarter was lower than expected owing to continued issues with dilution related to localized-faulting in the hanging walls of 2 stopes in the Burkland area. Higher lead production resulted from processing of an intermediate lead product. Remedial plans are underway to address dilution associated with the local faulting.

Cash Costs

Cash costs per pound of zinc have decreased \$0.04 when measured in US dollars as a result of a favourable exchange rate.

Copper Project

The estimated cost of the copper project is \$40 million, and is on track for first production in the second quarter of 2010. Design production of 7,000 tpa of copper is expected to be reached in 2013.

¹ Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 37 of this MD&A for discussion of Non-GAAP measures.

² Cash cost per pound of payable zinc sold is the sum of direct cash costs and inventory changes less by-product credits. See Non-GAAP Performance Measures on page 37 of this MD&A.

Aguablanca Mine

The Aguablanca nickel-copper mine is located in the province of Badajoz, 80 km by road to Seville, Spain, and 140 km from a major seaport at Huelva. The operations consist of an open pit mine and an on-site processing facility (milling and flotation) with a present production capacity of 1.9 million tonnes per annum.

Operating Statistics

	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Ore mined (tonnes)	1,441,903	373,626	361,676	389,364	317,237	1,794,089	480,663	461,477	444,720	407,229
Ore milled (tonnes)	1,912,675	463,175	478,474	486,931	484,095	1,825,212	492,681	475,893	451,265	405,373
Grade per tonne										
Nickel (%)	0.5	0.6	0.5	0.5	0.5	0.6	0.6	0.6	0.5	0.6
Copper (%)	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Recovery										
Nickel (%)	77	78	75	77	78	80	79	81	80	81
Copper (%)	90	90	91	91	89	93	94	93	93	92
Concentrate grade										
Nickel (%)	6.8	7.3	6.7	6.6	6.3	7.0	7.1	7.0	6.9	7.0
Copper (%)	5.9	5.5	6.0	6.1	6.1	6.1	5.9	6.1	6.5	5.9
Production-tonnes (metal contained)										
Nickel	8,029	2,324	1,784	1,960	1,961	8,136	2,179	2,155	1,954	1,848
Copper	6,989	1,718	1,595	1,803	1,873	7,071	1,796	1,878	1,849	1,548
Sales (\$000s)	125,146	41,256	30,281	34,376	19,233	120,280	8,917	24,194	35,864	51,305
Operating earnings (\$000s) ¹	48,854	17,907	11,696	18,468	783	22,231	(13,927)	4,737	2,887	28,534
Cash cost (€ per pound) ²	3.15	2.93	3.49	3.57	2.77	3.76	3.86	3.28	3.23	4.80
Cash cost (\$ per pound) ²	4.40	4.31	4.99	4.89	3.62	5.50	5.07	4.94	5.01	7.24

Operating Earnings¹

Operating earnings of \$48.9 million were \$26.6 million above 2008. The increase is attributable to lower costs (around \$20.0 million earnings effect), higher sales and favourable exchange rates.

Production

Nickel and copper production was down owing to lower recoveries and a marginal reduction in grade. Mill throughput achieved a record high while mined tonnage was deliberately lowered to reduce costs and partially oxidized surface ore stockpiles were blended with ROM production to make up the mill feed. The use of oxidized ore lowered grades and recoveries. Oxidized ore stocks were exhausted during the fourth quarter of 2009 and the mine was returned to full production. Production for the fourth quarter exceeded expectation owing to higher than predicted head-grade.

Cash Costs

Cash costs per pound of nickel improved significantly in 2009 as a direct result of the modified operating plan that was implemented. Costs at \$4.40 were well below guidance of \$5.00 as the ramp-up of mining production at the end of the year, following a decision to resume full-scale operations, occurred slower than expected. As a consequence, while ore mined met expectations, waste mined was approximately 2 million tonnes lower than expected thus accounting for a reduction of \$0.25 per pound of nickel. This tonnage will need to be made up and could occur in 2010 or 2011. 2010 cost guidance remains at \$5.80 and will be reviewed based on progress during the year.

¹ Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 37 of this MD&A for discussion of Non-GAAP measures.

² Cash cost per pound of payable nickel sold is the sum of direct cash costs and inventory changes less by-product credits. During 2008, the numbers reported for cash cost per pound included royalties. In 2009, the Company amended the calculation to remove royalties, as defined in the Brook Hunt model, which is consistent with the method used in the Company's other operations.

Galmoy Mine

The Galmoy underground zinc mine is located in south-central Ireland in County Kilkenny. Operational mining ceased in May 2009 and milling on-site ceased in June 2009. Mining of remnant high-grade ore has recommenced and ore is being shipped to an adjacent mine for processing. Production tonnage is based on a 50% attributable-share to Lundin Mining.

Operating Statistics

	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Total 2008	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Ore mined (tonnes)	172,903	-	-	68,673	104,230	494,860	115,746	131,114	119,590	128,410
Ore milled (tonnes)	190,871	-	-	85,533	105,338	496,953	122,394	112,776	131,768	130,015
Grade per tonne										
Zinc (%)	17.7	-	-	19.8	16.8	13.5	14.5	14.1	12.8	12.9
Lead (%)	5.0	-	-	5.5	4.9	3.5	3.3	3.8	2.9	4.1
Recovery										
Zinc (%)	82	-	-	83	81	83	83	85	83	82
Lead (%)	68	-	-	74	63	67	65	67	64	71
Concentrate grade										
Zinc (%)	52.3	-	-	53.0	51.5	52.5	52.4	51.8	53.4	52.3
Lead (%)	68.0	-	-	70.3	65.7	65.2	66.3	65.8	65.7	63.7
Production- tonnes (metal contained)										
Zinc	28,312	-	4*	14,066	14,242	55,952	14,772	13,470	14,016	13,694
Lead	6,715	-	-	3,506	3,209	11,724	2,626	2,865	2,438	3,795
Silver	56,044	-	-	24,596	31,448	134,120	20,546	27,124	27,344	59,106
Zinc from ore sales**	1,619	119*	1,500							
Lead from ore sales**	954	104*	850							
Sales (\$000s)	34,820	(475)	3,242	21,707	10,346	69,831	7,938	15,549	19,539	26,805
Operating earnings (\$000s) ¹	12,480	373	2,007	9,406	694	(7,218)	(20,347)	1,570	2,005	9,554
Cash cost (€ per pound) ²	0.36	-	-	0.26	0.43	0.48	0.52	0.44	0.49	0.45
Cash cost (\$ per pound) ²	0.48	-	-	0.35	0.56	0.70	0.69	0.66	0.76	0.69

* Final production adjustment

** Estimated production on a 50% attributable-share to Lundin Mining from ore treated at an adjacent mine.

Operating Earnings¹

Operating earnings of \$12.5 million were \$19.7 million above 2008 and reflects selective mining of high-grade areas combined with a carefully managed closure programme. Mining has recommenced to extract remnant high-grade ore for processing at an adjacent mine and thus Galmoy continues to generate earnings despite closure of all processing facilities.

Production

Mining ceased in the second quarter according to plan. Production tonnage from the third quarter onwards comprises ore sales. Contained metal in sales of ore attributable to Lundin is based on a 50% attributable-share.

Closure Costs

The mine closure at Galmoy is progressing as planned and restricted cash on hand has been assessed to be sufficient to meet these obligations. Excluding rehabilitation costs, for which reimbursement is now due from closure funds, Galmoy was cash neutral for the year after meeting all closure and severance payments.

¹ Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 37 of this MD&A for discussion of Non-GAAP measures.

² Cash cost per pound of payable zinc sold is the sum of direct costs and inventory changes less by-product credits. See page 37 for discussion of Non-GAAP Performance Measures.

Tenke Fungurume

(Lundin 24.75%, FCX 57.75%, Gécamines 17.5%)

Tenke Fungurume ("Tenke") is a major new copper-cobalt operation located in the southern part of Katanga Province, Democratic Republic of Congo ("DRC"). Freeport-McMoRan Copper & Gold Inc. ("FCX" or "Freeport") is the operating partner. La Générale des Carrières et des Mines ("Gécamines"), the Congolese state mining company, holds a 17.5% free carried interest in the project. Owing to the carried interest of Gécamines, capital funding is provided by FCX and the Company as to 70% and 30%, respectively.

Production Statistics

100% Basis	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Ore mined (tonnes)	6,219,344	1,890,765	1,676,156	1,615,400	1,037,023
Ore milled (tonnes)	2,111,067	714,738	730,219	620,915	45,195
Grade per tonne					
Copper (%)	3.7	4.2	3.7	3.4	-
Recovery					
Copper (%)	92	95	89	92	-
Production - tonnes					
Copper	70,001	29,201	24,317	16,483	-

The project consists of successive phases of development from the concessions' multiple ore deposits. Construction of the Phase I oxide ore open pit mine and associated process and infrastructure facilities was substantially completed during the first half of the year. Production of copper cathode commenced in the first quarter of 2009 and first saleable cobalt hydroxide was produced in May 2009. The cobalt plant and sulphuric acid plant were commissioned in the third quarter of 2009. Phase 1 name-plate capacity is 115,000 tonnes per annum of copper cathode and 8,000 tonnes per annum of cobalt.

Reserves as at December 31, 2009 (as announced February 22, 2010) are as follows: 135 million metric tonnes grading 3.13 % total copper and 0.33 % total cobalt.

In its first nine months of ramp-up of operations, the mine produced approximately 70,000 tonnes of copper cathode. By year-end, copper recoveries were consistently at, or above, design levels. Some cobalt processing issues remain to be resolved but Tenke is making good progress with these issues and they are expected to be resolved during 2010. Average price realized for copper sales during the year was \$2.85 per pound of cathode sold.

During 2009, the Company contributed \$56.7 million to the project. Company funding of Tenke during 2009 included Lundin's share of working capital, exploration and on-going studies. The Company was protected from cost overruns on the initial Phase I project capital cost, whereby FCX funded certain excess cost overruns starting late in 2008. These costs were funded by FCX through loans to the project. The loans are non-recourse to Lundin and are being repaid from operating cash flows. At December 31, 2009, the principal amount owing to FCX for contributions made on behalf of the Company through the excess overrun cost facility for the completed Phase 1 facilities was \$223.5 million.

In the fourth quarter of 2009, debottlenecking and expansion feasibility studies commenced, potentially increasing production capacity by 50% or greater. The expansion feasibility study is expected to be completed by mid-2010. Capital investment obligations from the Company for the year ahead are uncertain until the results of the feasibility study are received; however the expected range of capital investment by the Company is expected to be in the order of \$40 million for exploration, study work and sustaining capital if expansion does not mobilize in 2010. The Company has estimated for internal planning purposes that its capital obligations for 2010 could increase to the \$100 million range if the expansion progresses according

to an aggressive time frame. This figure is dependent upon the results of the feasibility study and could vary materially depending upon the results received from the study.

The Ministry of Mines, Government of the DRC initiated a review of the mining contracts in the country in 2007. FCX, as operator, has been leading discussions with the government and continues to engage in discussions with representatives of the DRC Government regarding the ongoing contract review. The Company believes that the TFM agreements with the Government of the DRC are legally binding, that all associated issues have been dealt with fully under Congolese law and that the overall fiscal terms previously negotiated and incorporated into the Amended and Restated Mining Convention exceed the requirements of the Congolese Mining Code. Discussions are continuing in a co-operative manner and have not affected mining operations.

The Company accounts for its investment in Tenke using the equity method. Accordingly, the Company's proportionate share of the earnings and losses are recorded in income as "Income from Equity Investment in Tenke" with a corresponding adjustment to the balance sheet investment. The balance sheet investment is increased when the Company makes advances to Tenke and will be decreased by any cash distributions received.

Prior to the commencement of commercial production, operational revenues and expenses are capitalized. The Company considers commercial production to have been reached during the third quarter of 2009 and as such, the Company's share of the operational results are recorded in income for the fourth quarter and the impact on the Company's Statement of Operations in future periods is expected to be material.

Exploration Highlights

Exploration was restricted during the year to high-priority near-mine exploration and limited regional activities.

Continued investment in in-mine and near-mine exploration has seen the growth of mineral reserves to replace ore mined during the year at both Neves-Corvo and Zinkgruvan.

In addition, at Neves-Corvo there has been an increase of 11 million tonnes (+44%) in measured and indicated copper resources (approximately 160,000 tonnes of contained copper) and 20 million tonnes have been added in inferred copper resources (*See news release dated February 22, 2010*).

Neves-Corvo Mine Exploration (Copper, Zinc)

Surface drilling for the year totalled 42,598 metres with 46 individual targets tested. The most significant result for the year was the discovery of a new zone of copper-zinc mineralization (Lombador Mid) located 400 metres to the northwest of the Lombador East deposit. The Lombador East massive sulphide lens was extended 220 metres down-dip during 2009, opening up a large volume for additional resource extensions that will be further drill tested in 2010 as will the potential for connecting the Lombador East and Lombador Mid deposits. Infill drilling into the Lombador East footwall copper zone was also completed, allowing this new copper body to be added to the resource inventory.

Iberian Pyrite Belt Regional Exploration, Portugal (Copper, Zinc)

A JV option agreement, reached in September 2009 with Metallica Mining AS for the exploration of this large regional property portfolio, was terminated just prior to year-end.

Aguablanca Mine Exploration (Nickel, Copper)

No mine exploration was carried out at Aguablanca during 2009.

Zinkgruvan Mine Exploration (Zinc, Lead, Silver)

No surface mine exploration work was carried out in 2009. An initial zinc-lead-silver resource was defined at the deep Dalby zone located immediately to the northwest of the mine. Future resource exploration is expected to be carried out from underground.

Regional Exploration, Sweden (Zinc, Lead, Silver and Copper)

All regional exploration throughout Sweden was curtailed in 2009. In October 2009, a purchase and sale agreement for the Company's 100%-owned Swedish exploration subsidiary company was reached with Kopparberg Mineral AB. The transaction closed in January 2010.

Ireland (Zinc, Lead, Silver)

Exploration activity in Ireland was largely restricted to the Clare JV property in south-western Ireland which is subject to a joint venture option agreement with Belmore Resources. Drilling results continue to be encouraging and drilling will continue in 2010. Lundin Mining has the right to earn an undivided 51% interest in the Clare project by spending €2.7 million by December 2011 and has the option of earning up to a 70% interest by meeting certain additional expenditure commitments by June 2017. It is expected that the initial 51% interest will be vested prior to mid-year 2010.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

Metal prices fell sharply during the first half of 2009 as a consequence of the slow-down of global industrial production. In response, a number of mines announced temporary or permanent closures which, together with production disruptions, reduced metal production during 2009. Metal prices increased during the second half of 2009.

(Average LME Prices)		Three months ended December 31			Twelve months ended December 31		
		2009	2008	Change	2009	2008	Change
Copper	US\$/pound	3.01	1.79	69%	2.34	3.15	-26%
	US\$/tonne	6,643	3,940	69%	5,164	6,952	-26%
Lead	US\$/pound	1.04	0.57	83%	0.78	0.95	-17%
	US\$/tonne	2,292	1,251	83%	1,726	2,085	-17%
Zinc	US\$/pound	1.00	0.54	86%	0.75	0.85	-11%
	US\$/tonne	2,211	1,189	86%	1,659	1,870	-11%
Nickel	US\$/pound	7.96	4.94	61%	6.67	9.54	-30%
	US\$/tonne	17,543	10,885	61%	14,700	21,027	-30%

The LME inventory for copper, zinc, lead and nickel all saw a considerable increase during 2009 and ended the year 48% (copper), 93% (zinc), 224% (lead) and 102% (nickel) higher than the closing levels of 2008.

Annual negotiations for copper treatment charges (“TC”) and refining charges (“RC”) are underway with some settlements being reported at a TC of \$46.50 per dmt of concentrates with a RC of \$0.0465 per payable pound of copper contained. This represents a substantial improvement over the 2009 terms with a TC of \$75 and with a RC of \$0.075.

The spot treatment charges TC for zinc concentrates increased during 2009 from \$165 per dmt in January to \$220-230 per dmt in December. During the fourth quarter 2009, the spot TC for zinc concentrates increased from \$190 per dmt, flat, in the beginning of the quarter to \$220-\$230 per dmt, flat, at the end of the quarter. The main reason for the increase in the spot TC is the increase of the LME zinc price, the differential between the realized TC under annual contracts and the spot TC remained the same during the quarter.

Since most of the zinc smelting capacity which was closed during the first half of 2009 has been reopened during the last quarter of 2009, while most of the zinc mines which closed during the last quarter of 2008 and the first quarter of 2009 remain closed, the Company expects an improvement in the TC under annual contracts in favour of the mines for 2010.

Lead concentrate imports by China have increased by 26% in 2009 compared to 2008. The increase in demand from China had kept the spot treatment charges TC for lead concentrates below the level of the annual contract throughout 2009.

Lead concentrates are mainly produced as a by-product to zinc concentrates and because of the price induced closures of zinc mines, the Company expects the market for lead concentrates to remain tight for 2010 which in turn should lead to lower TC under the annual contracts compared to 2009.

The Company’s nickel concentrates are sold under a multi-year contract which is up for re-negotiation in mid-2010.

Liquidity and Financial Condition

Cash Reserves

Net debt as at December 31, 2009 of \$49.3 million was down from net debt of \$145.5 million at the end of 2008. The Company defines net debt to be available unrestricted cash less financial debt, including capital leases and other debt-related obligations.

Cash and cash equivalents decreased by \$28.1 million to \$141.6 million as at December 31, 2009 from \$169.7 million at December 31, 2008. Net proceeds of \$148.8 million from the bought deal financing in April 2009 and operating cash inflow of \$137.4 million (after \$68.1 million of cash outflows related to the settlement of sales for which provisional payments had been previously received), were offset by the following outlays of cash:

- \$128.3 million in investment in mineral property, plant and equipment;
- \$56.7 million for Tenke funding;
- \$21.0 million on the disposal of Aljustrel, pursuant to terms of the sale agreement; and
- \$124.6 million for repayment of the revolving credit facility.

As at December 31, 2008, the Company received a waiver from the banking syndicate to cure non-compliance with the tangible net worth covenant under its then existing \$575 million revolving line of credit facility.

On July 6, 2009, the Company completed the restructuring of its credit facility by establishing a three year fully-revolving credit facility for US\$225 million, the terms of which include:

- Interest at LIBOR plus 4.5% until March 2010 and from April 2010 at LIBOR plus 3.5% to 4.5% depending upon the leverage ratio at the Company; and
- Financial covenants customarily required for a revolving-term facility, including minimum tangible net work, interest coverage ratio and leverage ratio.

The Company is in compliance with all requirements under the restructured agreement. The total outstanding on the facility at December 31, 2009 is \$141.6 million (excluding a letter of credit of \$11.1 million). The total outstanding is matched by cash on-hand.

Working Capital

At December 31, 2009, there is working capital of \$193.6 million, compared to \$91.7 million at December 31, 2008 (excluding current portion of long-term debt and capital leases). The increase in working capital results reflects a substantial improvement in liquidity, from the reduction in accounts payable and accrued liabilities as a result of lower operating costs, and an increase in receivables which were very low in the prior year owing to low metal prices. The receipt of proceeds from the equity financing, as discussed above, increased cash and aided the reduction in current liabilities.

Deferred Revenues

The Company has agreements with Silver Wheaton Corp. in respect of Zinkgruvan and Neves-Corvo, to sell all future silver production at a price of \$3.90/oz or the market price if it is less than \$3.90/oz. The agreement for Zinkgruvan production is periodically adjusted for inflation. The up-front payments received have been deferred and are realized on the statement of operations when the actual deliveries of silver occur.

Shareholders' Equity

Shareholders' equity was \$2.9 billion at December 31, 2009, compared to \$2.6 billion at December 31, 2008. Share capital was increased by the proceeds of the equity issuance of \$148.8 million. Differences

that result from the translation of the Company's Iberian and Swedish net assets into US dollars will result in increases and decreases to the Company's translated net assets, depending on the strength of the US dollar when compared to the Euro or SEK. These variances related to translation are recorded in Other Comprehensive Income. Translation differences resulted in an increase in other comprehensive income of \$52.3 million for the twelve month period ended December 31, 2009. The change related to the fair value of AFS investments added approximately \$30.0 million.

Contractual Obligations and Commitments

\$US thousands	Payments due by period				Total
	< 1 year	1-3 years	4-5 years	After 5 years	
Long-term debt	1,255	182,320	1,464	1,156	186,195
Capital leases	1,281	2,499	913	-	4,693
Operating leases and other	2,243	3,451	639	1,620	7,953
	4,779	188,270	3,016	2,776	198,841

Off-Balance Sheet Financing Arrangements

The Company has certain protection for cost overruns relating to the development of Phase I of the Tenke copper/cobalt project. Costs above a certain level were funded by Freeport (see page 20 of this MD&A for details.) During the fourth quarter of 2008, capital expenditures on Phase I reached a certain threshold, beyond which the Company was not required to provide cash funding. Freeport contributed the Company's proportionate share of project funding required by advancing amounts to the project on the Company's behalf. The funding is non-recourse to the Company and will be repaid from the operating cash flows of the project with first priority to other shareholder advances and dividends.

Sensitivities

Net income and income per share (EPS) are affected by certain external factors including fluctuations in metal prices and changes in exchange rates between the Euro, the Swedish Krona and the US dollar.

The following table illustrates the sensitivity of the Company's risk on final settlement of its provisionally priced trade receivables:

	Price on December 31, 2009 (\$US/tonne)	Change	Effect on pre-tax earnings (\$millions)
Copper	7,346	+10%	16.1
Zinc	2,570	+10%	4.5
Lead	2,395	+10%	2.9
Nickel	18,480	+10%	6.6

Outstanding receivables (provisionally valued) as of December 31, 2009

Metal	Tonnes payable	Valued at \$ price per lb	Valued at \$ price per tonne
Copper	21,963	3.34	7,362
Zinc	17,642	1.06	2,333
Lead	11,961	1.06	2,338
Nickel	3,584	8.39	18,501

Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standard Boards ("AcSB") confirmed in February 2008 that IFRS will replace Canadian GAAP ("GAAP") for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Company's first mandatory filing under IFRS, which will be the first quarter of 2011, will contain IFRS-compliant financial statements on a comparative basis, as well as reconciliations for that quarter and as at the January 1, 2010 transition date. Although IFRS uses a conceptual framework similar to GAAP, there are significant differences in recognition, measurement and disclosure.

The Company's conversion plan has three phases which are design and planning, assess and quantify and implementation.

During the design and planning phase, the Company established a core team which has developed a detailed change-over conversion plan which marks key milestones and deliverables which will enable the Company to track its progress in order to complete the transition to IFRS. A steering committee has also been put in place to oversee the progress of the IFRS project. In 2008, the Company also undertook an IFRS diagnostic study with a view to assessing the impact of the transition to IFRS. This diagnostic study revealed that there were a number of key accounting areas where IFRS differs from current GAAP and also identified alternatives in those and other key accounting areas. The IFRS diagnostic study also identified key system and business process areas that needed to be addressed as part of the ongoing conversion project.

During 2009, the Company made the following progress on the key elements of its changeover plan:

ACCOUNTING POLICIES

The Company is in the process of completing its detailed review and assessment of IFRS standards, and has preliminarily identified those standards which it believes will have the most material impact on the Company as follows:

Mineral properties, plant and equipment

The Company has recognized impairment losses for mineral properties and plant and equipment in previous years. On conversion, the impairment tests performed under Canadian GAAP will have to be reassessed. In accordance with Canadian GAAP, impairment testing is a two step process. The first step, using undiscounted cash flows is undertaken to determine if impairment exists. If an impairment is identified, then the second step is undertaken whereby a discounted cash flow analysis is used to determine the impairment to be recorded. Under IAS 36, impairment tests are undertaken using discounted cash flows only. The Company is assessing whether this difference will result in adjustments on conversion.

Under IFRS, reverse impairment indicators must be reviewed periodically. To the extent that reverse impairment indicators exist, previously recognized impairments may be reversed. Applying IFRS 1 elections for fair value as deemed cost to certain long-lived assets will limit the requirement to reverse impairments. The Company is still assessing the application of this election.

Componentization is the process in which significant components of individual assets which have different lives are amortized accordingly. The Company is in process of completing its review of componentization.

Foreign Currency

An IFRS 1 election is available which resets cumulative foreign currency translation adjustments to zero on the date of transition. The Company expects to apply this IFRS 1 election.

Asset Retirement Obligations

Under IFRS the ARO must include legal or constructive obligations which may result in an expanded scope. The discount rate applied to the ARO is a current rate updated at each balance sheet date.

The Company expects to apply the IFRS 1 election available for the related ARO asset which provides relief in retroactively reassessing any potential depreciation impacts as a result of conversion adjustments to the ARO. The Company is in the process of completing its assessment on the IFRS conversion adjustments for ARO.

Business Combinations

Certain differences have been identified between IFRS and Canadian GAAP in accounting for business combinations. Under IFRS restructuring costs and other transactions costs are expensed on acquisition. Additionally, on asset acquisitions future tax liabilities recognized for temporary tax differences are not recognized.

An IFRS 1 election is available to apply IFRS 3R to business combinations after the date of transition. On a preliminary basis, the Company expects to apply this election to all business combinations completed prior to the date transition.

IFRS EXPERTISE

The project team has received in-depth training and has provided training for field staff. IFRS training is also being scheduled for the members of the Company's Audit Committee and other Board members to supplement self learning material already provided.

An external advisor has been engaged to assist in the IFRS conversion project.

The transition plan to IFRS has been communicated throughout the Company, including to the various international sites.

The Company continues to monitor standards development as issued by the International Accounting Standards Board and the Canadian Institute of Chartered Accountants Accounting Standards Board, as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of the Company's adoption of IFRS.

The Company will continue to assess resource and training requirements as the project progresses

COMPUTER SYSTEMS

Requirements have been assessed and the implementation of necessary changes has been substantially completed.

INTERNAL CONTROLS

The Company's preliminary assessment is that it does not expect significant changes to disclosure controls and procedures and internal controls over financial reporting.

A Steering Committee has also been established to oversee the progress of the IFRS project.

The overall responsibility for the implementation and success of the Company's change-over conversion plan rests with the Company's senior financial management who report to and are overseen by the Company's Audit Committee.

During 2010, the Company will complete the next phase of its conversion plan, whereby the Company will continue to perform detailed assessments and technical analysis that will result in the conclusion of IFRS transitional adjustments, aid decisions on accounting policy choices and assist in the drafting of accounting policies. The implementation phase is expected to be completed during the second half of 2010.

New Accounting Standards

Effective January 1, 2009, the Company has adopted the following CICA accounting standards:

Section 3064 – Goodwill and Intangible Assets

This new standard replaces the former CICA Section 3062 – Goodwill and Other Intangible Assets and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Adoption of this standard did not have any material effect on the financial statements.

Section 3855 – Financial Instruments

Assessment of embedded derivatives upon reclassification

The CICA amended Section 3855 to clarify that, upon reclassification of a financial instrument out of the held-for-trading category, an assessment of whether an embedded derivative is required to be bifurcated must be completed. In addition, the amendment prohibits the reclassification of a financial instrument out of held-for-trading when the derivative embedded in the financial instrument cannot be separately measured from the host contract. The amendment is applicable to all reclassification occurring after July 1, 2009. Adoption of this standard did not have any material effect on the financial statements.

Financial asset measurement categories and impairment

In August 2009, the CICA issued amendments to Section 3855. The amendments changed the definition of a loan such that certain debt securities may be classified as loans if they do not have a quoted price in an active market and the Company does not have the intent to sell the security immediately or in the near term. As a result, debt securities classified as loans will be assessed for impairment using the incurred credit loss model of Section 3025 to reduce the carrying value of a loan to its estimated realizable amount. Loan impairment accounting requirements are also applied to held-to-maturity financial assets as a result of the amendments. Debt securities that are classified as AFS continue to be written down to their fair-value when the impairment is considered to be other-than-temporary. However, the impairment loss can be reversed if the fair value substantially increases and the increase can be objectively related to an event occurring after the impairment loss was recognized. Adoption of this standard did not have any material effect on the financial statements.

Section 3862 – Financial Instruments Disclosures

The CICA amended Section 3862 to enhance fair value and liquidity disclosures. The standard now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels. Each level is based on the transparency of inputs to the valuation of the financial asset or liability as of the measurement date. Adoption of this standard did not have any material effect on the consolidated financial statements.

EIC-173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued an Emerging Issues Committee Abstract (“EIC”) on Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, EIC-173. This EIC discusses how an entity’s own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. Adoption of this standard did not have any material effect on the financial statements.

EIC-174 – Mining Exploration Costs

In March 2009, the CICA issued EIC-174 on Mining Exploration Costs. This EIC provides guidance on the accounting and the impairment review of mining exploration costs. Adoption of this standard did not have any material effect on the financial statements.

Critical Accounting Estimates

The application of certain accounting policies requires the Company to make estimates based on assumptions that may be undertaken at the time the accounting estimate is made. The Company has determined that the following accounting estimates are critical and could have a material effect on the financial statements of the Company if there is a change in an estimate.

Depreciation, Depletion and Amortization of Mineral Properties, Plant and Equipment

Mineral properties, plant and equipment comprise a large component of the Company's assets and as such, the depreciation, depletion and amortization of these assets have a significant effect on the Company's financial statements. Upon commencement of commercial production, the Company amortizes the mineral property and mining equipment and other assets over the life of the mine based on the depletion of the mine's proven and probable reserves. In the case of mining equipment or other assets, if the useful life of the asset is shorter than the life of the mine, asset is amortized over its expected useful life.

The proven and probable reserves are determined based on a professional evaluation using accepted international standards for the assessment of mineral reserves. The assessment involves the study geological, geophysical and economic data and the reliance on a number of assumptions. The estimates of the reserves may change based on additional knowledge gained subsequent to the initial assessment. This may include additional data available from continuing exploration, results from the reconciliation of actual mining production data against the original reserve estimates, or the impact of economic factors such as changes in the price of commodities or the cost of components of production.

A change in the original estimate of reserves would result in a change in the rate of depreciation and amortization of the related mining assets and could result in an impairment of the mining assets.

The effect of a change in the estimates of reserves would have a relatively greater effect on the amortization of the current mining operations at Aguablanca because of the short mine life of this operation. A short mine life results in a high rate of amortization and depreciation, and mining assets may exist at these sites that have a useful life in excess of the revised life of the related mine. The Neves-Corvo mine in Portugal and the Zinkgruvan mine in Sweden, which have longer mine lives, would be less affected by a change in the reserve estimate.

Valuation of Mineral Properties and Exploration and Development Properties

The Company carries its mineral properties at cost less a provision for impairment. The Company expenses exploration costs, which are related to specific projects, until the commercial feasibility of the project is determinable. The costs of each property and related capitalized development expenditures are amortized over the economic life of the property on a units-of-production basis. Costs are charged for operations when a property is abandoned or when impairment in value that is other than temporary has been determined. General exploration costs are charged to operations as incurred.

The Company undertakes a review of the carrying values of mining properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and

undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, future production and sale volumes, unit sales prices, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mining properties and related expenditures.

The Company, from time to time, acquires exploration and development properties. When a number of properties are acquired in a portfolio, the Company must make a determination of the fair value attributable to each of the properties within the total portfolio. When the Company conducts further exploration on acquired properties, it may determine that certain of the properties do not support the fair values applied at the time of acquisition. If such a determination is made, the property is written down, and could have a material effect on the balance sheet and statement of operations.

Goodwill

The amount by which the purchase price of a business acquisition exceeds the fair value of identifiable assets and liabilities acquired is goodwill. Goodwill is allocated to the reporting units acquired based on management's estimates of the fair value of each reporting unit as compared to the fair value of the assets and liabilities of the reporting unit. Estimates of fair value may be impacted by changes in base metal prices, currency exchange rates, discount rates, level of capital expenditures, interest rate, operating costs and other factors that may be different from those used in determining fair value. Changes in estimates could have a material impact on the carrying value of the goodwill.

For reporting units that have recorded goodwill, the estimated fair value of the unit is compared to its carrying value at least once each year, or when circumstances indicate that the value may have become impaired. If the carrying value exceeds the estimated or implied fair value of goodwill, which is equal to management's estimate of potential value within the reporting unit, any excess of the carrying amount of goodwill over the estimated or implied goodwill is deducted from the carrying value of goodwill and charged to the current period earnings.

Income Taxes

Future income tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary differences"), and losses carried forward.

The determination of the ability of the Company to utilize tax loss carry-forwards to offset future income tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether the Company is "more likely than not" to benefit from these prior losses and other future tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing the losses. In the event that it is determined that certain of the losses are not likely to be utilized, a valuation reserve would have to be recorded against the recognized future tax assets through a charge to income. Conversely, where amounts that are considered not likely to be utilized to reduce future tax payable are determined to be likely to be utilized in the future, the valuation allowances against these losses would be removed by recording a future income tax recovery in the statement of operations.

As at December 31, 2009, the Company has estimated non-capital loss carry-forwards of approximately \$392.9 million, which can be applied to reduce future income taxes payable. Non-capital losses in Spain and Canada will expire between 2010 and 2029. In Sweden and Ireland, non-capital losses do not have an

expiry. The Company may not be able to benefit from a portion of these loss carry-forwards and is uncertain whether they will be utilized in the future. As such, a valuation allowance has been applied against \$290.6 million of the loss carry-forwards.

Stock-Based Compensation

The Company grants stock options to employees of the Company under its incentive stock option plan. The fair value of stock options is estimated using the Black-Scholes option pricing model and are expensed over their vesting periods. In estimating fair value, management is required to make certain assumptions and estimates regarding such items as the life of options and forfeiture rates. Changes in the assumptions used to estimate fair value could result in materially different results.

Mine Closure Provisions

The Company has obligations for site restoration and decommissioning related to its mining properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies.

As the estimate of obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company's policy for recording mine closure provisions is to establish provisions for future mine closure costs at the commencement of mining operations based on the present value of the future cash flows required to satisfy the obligations. The amount of the present value of the provision is added to the cost of the related mining assets and depreciated over the life of the mine. The provision is accreted to its future value over the life of mine through a charge to operating costs.

Managing Risks

Risks and Uncertainties

Metal Prices

Metal prices, primarily zinc, copper and lead are key performance drivers and fluctuations in the prices of these commodities can have a dramatic effect on the results of operations. Prices fluctuate widely and are affected by numerous factors beyond the Company's control. The prices of metals are influenced by supply and demand, exchange rates, inflation rates, changes in global economies, and political, social and other factors. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers and consumers.

If the market prices for metals fall below the Company's full production costs and remain at such levels for any sustained period of time, the Company may, depending on hedging practices, experience losses and may determine to discontinue mining operations or development of a project at one or more of its properties. If the prices drop significantly, the economic prospects of the mines and projects in which the Company has an interest could be significantly reduced or rendered uneconomic. Low metal prices will affect the Company's liquidity, and if they persist for an extended period of time, the Company may have to look for other sources of cash flow to maintain liquidity until metal prices recover.

Credit Risk

The Company is exposed to various counterparty risks. The Company is subject to credit risk through its trade receivables. The Company manages this risk through evaluation and monitoring process such as using the services of credit agencies. The Company transacts with credit worthy customers to minimize credit risk and if necessary, employ provisional payment arrangements and the use of letters of credit, where appropriate, but cannot always be assured of the solvency of its customers and at times will sell to parties whose credit worthiness is not determinable. Credit risk relating to derivative contracts arises from the possibility that a counterparty to an instrument with which the Company has an unrealized gain fails to settle the contracts.

Foreign Exchange Risk

The Company's revenue from operations is received in United States dollars while most of its operating expenses will be incurred in Euro and SEK. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and operating results. The Company does not currently engage in foreign currency hedging activities for regularly occurring operational transactions.

Derivative Instruments

The Company may, from time to time, manage exposure to fluctuations in metal prices and foreign exchange rates by entering into derivative instruments approved by the Company's Board of Directors. The Company does not hold or issue derivative instruments for speculation or trading purposes. These derivative instruments are marked-to-market at the end of each period and may not necessarily be indicative of the amounts the Company might pay or receive as the contracts are settled.

Reclamation Funds and Mine Closure Costs

As at December 31, 2009, the Company had \$60.3 million in a number of reclamation funds that will be used to fund future site restoration and mine closure costs at the Company's various mine sites. The Company will continue to contribute annually to these funds as required, based on an estimate of the future site restoration and mine closure costs as detailed in the closure plans. Changes in environmental laws and regulations can create uncertainty with regards to future reclamation costs and affect the funding requirements.

The Company ceased production at its Galmoy mine during the first half of 2009 but resumed limited mining of ore in late 2009 for treatment at an adjacent mine. Current mining activity does not have a significant effect on closure activities which continue to be carried out.

Rehabilitation programs will be completed at the Storliden mine during 2010 following production shutdown in 2008 and the site will be subject to ongoing monitoring for several years following the completion of closure activities. The Company also has ongoing long-term monitoring programs in place associated with legacy mining operations previously carried on in Honduras and Spain under the ownership of a subsidiary of Rio Narcea Gold Mines Ltd., which was acquired by the Company in 2007.

Closing a mine can have significant impact on local communities and site remediation activities may not be supported by local stakeholders. The Company endeavors to mitigate this risk by reviewing and updating closure plans regularly with external stakeholders over the life of the mine and considering where post-mining land use for mining affected areas has potential benefits to the communities.

In addition to the immediate closure activities, including ground stabilization, infrastructure demolition and removal, top soil replacement, re-grading and re-vegetation, closed mining operations require long-term surveillance and monitoring.

Site closure plans have been developed and amounts accrued in the Company's financial statements to provide for mine closure obligations. Future remediation costs for inactive mines are estimated at the end of each period, including ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised. Actual costs realized in satisfaction of mine closure obligations may vary materially from management's estimates.

Competition

There is competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

Foreign Countries and Regulatory Requirements

The Company's operations in Portugal, Sweden, Ireland and Spain are subject to various laws and environmental regulations. The implementation of new or the modification of existing laws and regulations affecting the mining and metals industry could have a material adverse impact on the Company.

The Company has a significant investment in mining operations located in the DRC. The carrying value of this investment and the Company's ability to advance development plans may be adversely affected by political instability and legal and economic uncertainty. The risks by which the Company's interest in the DRC may be adversely affected include: political unrest; labour disputes; invalidation of governmental orders, permits, agreements or property rights; risk of corruption including violations under U.S. and Canadian foreign corrupt practices statutes; military repression; war; civil disturbances; criminal and terrorist actions; arbitrary changes in laws, regulations, policies, taxation, price controls and exchange controls; delays in obtaining or the inability to obtain necessary permits; opposition to mining from environmental or other non-governmental organizations; limitations on foreign ownership; limitations on the repatriation of earnings; limitations on mineral exports; and high rates of inflation and increased financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization, expropriation or other means without fair compensation. Africa's status as a developing continent may make it more difficult for the Company to obtain any required exploration, development and production financing for its projects.

There can be no assurance that industries which are deemed of national or strategic importance in countries in which the Company has operations or assets, including mineral exploration, production and development, will not be nationalized. The risk exists that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter laws regulating the mining industry could have a material adverse effect on the Company. There can be no assurance that the Company's assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

In addition, in the event of a dispute arising from foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company's operations.

Mining and Processing

The Company's business operations are subject to risks and hazards inherent in the mining industry, including, but not limited to, unanticipated variations in grade and other geological problems, water conditions, surface or underground conditions, metallurgical and other processing problems, mechanical equipment performance problems, the lack of availability of materials and equipment, the occurrence of accidents, labour force disruptions, force majeure factors, unanticipated transportation costs, and weather conditions, any of which can materially and adversely affect, among other things, the development of properties, production quantities and rates, costs and expenditures and production commencement dates.

The Company's processing facilities are dependent upon continuous mine feed to remain in operation. Insofar as the Company's mines may not maintain material stockpiles of ore or material in process, any significant disruption in either mine feed or processing throughput, whether due to equipment failures, adverse weather conditions, supply interruptions, labour force disruptions or other causes, may have an immediate adverse effect on results of operations of the Company.

The Company periodically reviews mining schedules, production levels and asset lives in its life of mine ("LOM") planning for all of its operating and development properties. Significant changes in the LOM Plans can occur as a result of experience obtained in the course of carrying out mining activities, new ore discoveries, changes in mining methods and rates, process changes, investments in new equipment and technology, precious metals price assumptions, and other factors. Based on this analysis, the Company reviews its accounting estimates and in the event of an impairment, may be required to write-down the carrying value of a mine or mines. This complex process continues for the economic life of every mine in which the Company has an interest.

Mine Development Risks

The Company's ability to maintain, or increase, its annual production of zinc, silver, copper, nickel and other metals will be dependent in significant part on its ability to bring new mines into production and to expand existing mines. Although the Company utilizes the operating history of its existing mines to derive estimates of future operating costs and capital requirements, such estimates may differ materially from actual operating results at new mines or at expansions of existing mines. The economic feasibility analysis with respect to any individual project is based upon, among other things, the interpretation of geological data obtained from drill holes and other sampling techniques, feasibility studies (which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed), precious and base metals price assumptions, the configuration of the orebody, expected recovery rates of metals from the ore, comparable facility and equipment costs, anticipated climatic conditions, estimates of labour, productivity, royalty or other ownership requirements and other factors. Some of the Company's development projects are also subject to the successful completion of final feasibility studies, issuance of necessary permits and other governmental approvals and receipt of adequate financing. Although the Company's feasibility studies are generally completed with the Company's knowledge of the operating history of similar ore bodies in the region, the actual operating results of its development projects may differ materially from those anticipated, and uncertainties related to operations are even greater in the case of development projects.

Environmental and Other Regulatory Requirements

All phases of mining and exploration operations are subject to government regulation including regulations pertaining to environmental protection. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their officers, directors and employees. There can be no assurance that possible future charges in environmental regulation will not adversely affect the Company's operations. As well, environmental hazards may exist on a property in which the Company holds an

interest, which were caused by previous or existing owners or operators of the properties and of which the Company is not aware at present. Operations at the Company's mines are subject to strict environmental and other regulatory requirements, including requirements relating to the production, handling and disposal of hazardous materials, pollution controls, health and safety and the protection of wildlife. The Company may be required to incur substantial capital expenditures in order to comply with these requirements. Any failure to comply with the requirements could result in substantial fines, delays in production, or the withdrawal of the Company's mining licenses.

Government approvals and permits are required to be maintained in connection with the Company's mining and exploration activities. Although the Company currently has all the required permits for its operations as currently conducted, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations or additional permits for any possible future changes to the Company's operations, including any proposed capital improvement programs. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, may have a material adverse impact on the Company resulting in increased capital expenditures or production costs, reduced levels of production at producing properties or abandonment or delays in development of properties.

Mineral Resource and Reserve Estimates

The Company's reported Mineral Resources and Mineral Reserves are only estimates. No assurance can be given that the estimated Mineral Resources and Mineral Reserves will be recovered or that they will be recovered at the rates estimated. Mineral Resource and Mineral Reserve estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Mineral Resource and Mineral Reserve estimates may require revision (either up or down) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain Mineral Resources and Mineral Reserves uneconomic and may ultimately result in a restatement of estimated resources and/or reserves. Moreover, short-term operating factors relating to the Mineral Resources and Mineral Reserves, such as the need for sequential development of ore bodies and the processing of new or different ore grades or types, may adversely affect the Company's profitability in any particular accounting period.

Estimation of Asset Carrying Values

The Company annually undertakes a detailed review of the LOM Plans for its operating properties and an evaluation of the Company's portfolio of development projects, exploration projects and other assets. The recoverability of the Company's carrying values of its operating and development properties are assessed by comparing carrying values to estimated future net cash flows from each property.

Factors which may affect carrying values include, but are not limited to, metal prices, capital cost estimates, mining, processing and other operating costs, grade and metallurgical characteristics of ore, mine design and timing of production. In the event of a prolonged period of depressed prices, the Company may be required to take additional material write-downs of its operating and development properties.

Funding Requirements and Economic Volatility

The Company does not have unlimited financial resources and there is no assurance that sufficient additional funding or financing will be available to the Company or its direct and indirect subsidiaries on acceptable terms, or at all, for further exploration or development of its properties or to fulfill its obligations under any applicable agreements. Failure to obtain such additional funding could result in the delay or indefinite postponement of the exploration and development of the Company's properties.

Lundin is a multinational company and relies on financial institutions worldwide to fund its corporate and project needs. Instability of large financial institutions may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. Disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation of financial institutions, reduced alternatives or failures of significant financial institutions could adversely affect the Company's access to the liquidity needed for the business in the longer term.

The Company's access to funds under the Revolving Credit Facility is dependent on the ability of the financial institutions that are parties to the Facility to meet their funding commitments. Those financial institutions may not be able to meet their funding requirements if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests within a short period of time. Moreover, the obligations of the financial institutions under the Revolving Credit Facility are several and not joint and, as a result, a funding default by one or more institutions does not need to be made up by the others. Such disruptions could require the Company to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding for the Company's business needs can be arranged.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, as well as political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against political risks.

No Assurance of Titles or Boundaries

Although the Company has investigated the right to explore and exploit its various properties and obtained records from government offices with respect to all of the mineral claims comprising its properties, this should not be construed as a guarantee of title. Other parties may dispute the title to a property or the property may be subject to prior unregistered agreements and transfers or land claims by aboriginal, native, or indigenous peoples. The title may be affected by undetected encumbrances or defects or governmental actions. The Company has not conducted surveys of all of its properties and the precise area and location of claims or the properties may be challenged.

Partner in the Tenke Fungurume Project

The Company's partner in the Tenke Fungurume copper/cobalt project is Freeport-McMoRan Copper & Gold Inc. There may be risks associated with this partner, including its financial condition, of which the Company is not aware. There is a risk for non-payment by partners of their share of project expenditures, which would adversely affect the Company's financial position and financial results.

Tax

The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The tax systems in certain of these countries are complicated and subject to changes. By this reason, future negative effects on the result of the Company due to changes in tax regulations cannot be excluded. Repatriation of earnings to Canada from other countries may be subject to withholding taxes. The Company has no control over the withholding tax rates in the countries where the operations are carried out.

Employee Relations

A prolonged labour disruption at any of the Company's mining operations could have a material adverse effect on the Company's ability to achieve its objectives with respect to such properties and its operations as a whole.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges and power and water supplies are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage or government or other interference in the maintenance or provision of such infrastructure could adversely affect the activities and profitability of the Company.

During recent years, the water supply has been the object of political debate between the region in which Aguablanca operates and the neighbouring region. The Company is continuing to advance its application with central and regional authorities to obtain all of the water licences required to satisfy all of its supply requirements.

Key Personnel

The Company is depending on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. The Company does not have key person insurance on these individuals.

Share Price Volatility

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Company's securities.

Outstanding Share Data

As at February 22, 2010, the Company had 579,678,242 common shares issued and outstanding and 9,143,925 stock options and 171,360 stock appreciation rights outstanding under its stock-based incentive plans.

Non-GAAP Performance Measures

The Company uses certain performance measures in its analysis. These performance measures have no meaning within GAAP and, therefore, amounts presented may not be comparable to similar data presented by other mining companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with

Canadian GAAP. The following are Non-GAAP measures that the Company uses as key performance indicators.

- Operating earnings

“Operating earnings” is a performance measure used by the Company to assess the contribution by mining operations to the Company’s net income or loss. Operating earnings is defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. The operating earnings are shown on the statement of operations as “Income before undernoted”.

- Cash cost per pound

Zinc, copper and nickel cash costs per pound are key performance measures that management uses to monitor performance. Management uses these statistics to assess how well the Company’s producing mines are performing compared to plan and to assess overall efficiency and effectiveness of the mining operations.

Lundin provides cash cost information as it is a key performance indicator required by users of the Company’s financial information in order to assess the Company’s profit potential and performance relative to its peers. The cash cost figure represents the total of all cash costs directly attributable to the related mining operations after the deduction of credits in respect of by product sales and royalties. Cash cost is not a GAAP measure and, although it is calculated according to accepted industry practice, the Company’s disclosed cash costs may not be directly comparable to other base metal producers. By-product credits, are an important factor in determining the cash costs. The cost per pound experienced by the Company will be positively affected by rising prices for by-products and adversely affected when prices for these metals are falling.

Cash costs can be reconciled to the Company’s operating costs as follows:

Reconciliation of unit cash costs of payable copper, zinc and nickel metal sold to the consolidated statements of operations

	Year ended December 31, 2009				Year ended December 31, 2008			
	Total Tonnes Sold	Pounds (000s)	Cost \$/lb	Cash Operating Costs (000s)	Total Tonnes Sold	Pounds (000s)	Cost \$/lb	Cash Operating Costs (000s)
Operation								
Neves-Corvo (cu)	82,747	182,426	1.14	207,966	86,748	191,245	1.07	204,632
Zinkgruvan (zn)	63,146	139,213	0.26	36,195	55,985	123,425	0.30	37,028
Aguablanca (ni)	7,582	16,715	4.40	73,546	7,210	15,895	5.50	87,422
Galmoy (zn)	24,660	54,366	0.48	26,096	46,468	102,443	0.70	71,710
				343,803				400,792
Add: Byproduct credits				119,866				163,954
Treatment costs				(135,647)				(142,994)
Royalties and other				12,299				14,881
Total Operating Costs				340,321				436,633

	Three months ended December 31, 2009				Three months ended December 31, 2008			
	Total Tonnes Sold	Pounds (000s)	Cost \$/lb	Cash Operating Costs (000s)	Total Tonnes Sold	Pounds (000s)	Cost \$/lb	Cash Operating Costs (000s)
Operation								
Neves-Corvo (cu)	23,126	50,984	1.22	62,200	23,104	50,935	1.05	53,482
Zinkgruvan (zn)	17,187	37,891	0.23	8,715	11,399	25,130	0.40	10,052
Aguablanca (ni)	2,155	4,751	4.31	20,477	1,935	4,266	5.07	21,629
Galmoy (zn)	-	-	-	-	12,860	28,351	0.69	19,562
				91,392				104,725
Add: Byproduct credits				38,498				14,524
Treatment costs				(37,893)				(23,966)
Royalties and other				6,810				(10,479)
Total Operating Costs				98,807				84,804

Management's Report on Internal Controls

Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that they were effective as at December 31, 2009.

Internal control over financial reporting

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP"). However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud.

Management has used the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework in to assess the effectiveness of the Company's internal control over financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting and concluded that it was effective as at December 31, 2009.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the fiscal year ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Other Information

Additional information regarding the Company is included in the Company's Annual Information Form ("AIF") which is filed with the Canadian securities regulators and the United States Securities and Exchange Commission ("SEC"), respectively. A copy of the Company's AIF can be obtained from the Canadian Securities Administrators' website at www.sedar.com or from the SEC website at www.sec.gov.

Management's Report

The accompanying consolidated financial statements of Lundin Mining Corporation and other information contained in the management's discussion and analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, and include some amounts that are based on management's estimates and judgment.

The Board of Directors carries out its responsibility for the financial statements principally through its audit committee, which is comprised solely of independent directors. The audit committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The Company's auditors have full access to the audit committee, with and without management being present. These consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants.

(Signed) Philip J. Wright

President and Chief Executive Officer

Toronto, Ontario, Canada
February 24, 2010

(Signed) Marie Inkster

Chief Financial Officer

Auditors' Report

To the Shareholders of Lundin Mining Corporation

We have audited the consolidated balance sheets of Lundin Mining Corporation as at December 31, 2009 and 2008 and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) PricewaterhouseCoopers LLP

**Chartered Accountants, Licensed Public Accountants
Toronto, Ontario, Canada
February 24, 2010**

Lundin Mining Corporation

CONSOLIDATED BALANCE SHEETS

As at December 31, 2009 and 2008

(in thousands of US dollars)

	2009	2008
ASSETS		
Current		
Cash and cash equivalents (Note 4)	\$ 141,575	\$ 169,698
Accounts receivable	195,370	74,411
Inventories (Note 5)	27,519	40,081
Prepaid expenses	3,541	8,052
	368,005	292,242
Reclamation funds and restricted cash	67,076	58,385
Mineral properties, plant and equipment (Notes 6, 10)	1,310,287	1,351,584
Investment in Tenke Fungurume (Note 7)	1,633,740	1,576,743
Investments and other assets (Note 8)	42,508	66,987
Future income tax assets (Note 11)	68,707	52,102
Goodwill (Notes 9, 10)	249,820	242,519
Assets of discontinued operations (Note 20)	-	63,940
	\$ 3,740,143	\$ 3,704,502
LIABILITIES		
Current		
Accounts payable	\$ 59,473	\$ 151,087
Accrued liabilities (Note 12)	48,235	44,353
Income taxes payable	14,657	1,648
Current portion of long-term debt and capital leases (Note 13)	2,536	306,973
Current portion of asset retirement obligations (Note 18)	5,830	-
Current portion of deferred revenue (Note 15)	5,667	3,465
Derivative contracts (Note 16)	40,557	-
	176,955	507,526
Long-term debt and capital leases (Note 13)	188,352	8,243
Other long-term liabilities (Note 14)	11,936	16,252
Deferred revenue (Note 15)	72,230	75,665
Provision for pension obligations (Note 17)	16,385	14,359
Asset retirement obligations and other provisions (Note 18)	120,954	109,530
Future income tax liabilities (Note 11)	238,089	262,650
Liabilities of discontinued operations (Note 20)	-	106,553
	824,901	1,100,778
SHAREHOLDERS' EQUITY		
Share capital (Note 19)	3,480,487	3,331,309
Contributed surplus	30,415	24,758
Accumulated other comprehensive income	265,051	182,074
Deficit	(860,711)	(934,417)
	2,915,242	2,603,724
	\$ 3,740,143	\$ 3,704,502

Commitments and contingencies (Note 22)

See accompanying notes to consolidated financial statements

Approved by the Board of Directors(Signed) Lukas H. Lundin
Director(Signed) Dale C. Peniuk
Director

Lundin Mining Corporation

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31, 2009 and 2008

(in thousands of US dollars, except for shares and per share amounts)

	2009	2008
Sales	\$ 745,989	\$ 835,294
Operating costs	(340,321)	(436,633)
Accretion of asset retirement obligations and other provisions (Note 18)	(6,918)	(25,931)
Selling, general and administration	(19,960)	(39,556)
Stock-based compensation (Note 19b)	(5,629)	(9,926)
Income from continuing operations before undernoted	373,161	323,248
Depreciation, depletion and amortization	(170,004)	(202,317)
General exploration and project investigation	(22,645)	(38,876)
Interest and bank charges	(15,027)	(14,725)
Foreign exchange gain (loss)	14,430	(14,726)
Loss on derivative contracts (Note 16)	(61,496)	(91)
Income (loss) from equity investment in Tenke Fungurume (Note 7)	297	(2,171)
Goodwill and long-lived assets impairment (Notes 9, 10)	(53,042)	(760,188)
Impairment of available-for-sale ("AFS") securities (Note 8a)	-	(144,077)
Gain (loss) on sale of AFS securities (Note 8a)	11,951	(1,320)
Loss on sale of investment (Note 8b)	(18,661)	-
Other income and expenses	5,900	4,796
Income (loss) from continuing operations before income taxes	64,864	(850,447)
Current income tax expense (Note 11)	(51,106)	(29,677)
Future income tax recovery (Note 11)	54,375	160,130
Income (loss) from continuing operations	68,133	(719,994)
Gain (loss) from discontinued operations, net of income taxes (Note 20)	5,573	(237,067)
Net income (loss)	\$ 73,706	\$ (957,061)
Basic and diluted income (loss) per share from		
Continuing operations	\$ 0.12	\$ (1.82)
Discontinued operations	0.01	(0.60)
Basic and diluted income (loss) per share	\$ 0.13	\$ (2.41)
Weighted average number of shares outstanding		
Basic	550,000,833	396,416,414
Diluted	550,045,231	396,416,414

See accompanying notes to consolidated financial statements

Lundin Mining Corporation

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2009 and 2008

(in thousands of US dollars)

	2009	2008
Net income (loss)	\$ 73,706	\$ (957,061)
Other comprehensive income (loss), net of taxes		
Changes in the fair value of AFS securities	38,274	(128,793)
Reclassification adjustment of gains and losses included in net income (loss)	(8,506)	(263)
Impairment of AFS securities	-	143,222
Cumulative foreign currency translation adjustment	53,209	(103,393)
	<u>82,977</u>	<u>(89,227)</u>
Comprehensive income (loss)	\$ 156,683	\$ (1,046,288)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2009 and 2008

(in thousands of US dollars, except share amounts)

	Number of Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings (Deficit)	Total
Balance, December 31, 2007	392,489,131	\$ 3,233,682	\$ 14,179	\$ 271,301	\$ 22,644	\$ 3,541,806
Exercise of stock options	97,848	920	(301)	-	-	619
Stock-based compensation	-	-	10,880	-	-	10,880
Reclassification adjustment of losses included in net loss	-	-	-	(263)	-	(263)
Changes in the fair value of AFS securities	-	-	-	(128,793)	-	(128,793)
Impairment of AFS securities	-	-	-	143,222	-	143,222
Normal Course Issuer Bid share buyback	(2,150,700)	(14,654)	-	-	-	(14,654)
Private placement	96,997,492	111,361	-	-	-	111,361
Net loss	-	-	-	-	(957,061)	(957,061)
Effects of foreign currency translation	-	-	-	(103,393)	-	(103,393)
Balance, December 31, 2008	487,433,771	\$ 3,331,309	\$ 24,758	\$ 182,074	\$ (934,417)	\$ 2,603,724
Exercise of stock options and SARs	158,693	354	(26)	-	-	328
Stock-based compensation	-	-	5,683	-	-	5,683
Reclassification adjustment of gains included in net income	-	-	-	(8,506)	-	(8,506)
Changes in the fair value of AFS securities	-	-	-	38,274	-	38,274
Issuance of common shares, net of costs	92,000,000	148,824	-	-	-	148,824
Net income	-	-	-	-	73,706	73,706
Effects of foreign currency translation	-	-	-	53,209	-	53,209
Balance, December 31, 2009	579,592,464	\$ 3,480,487	\$ 30,415	\$ 265,051	\$ (860,711)	\$ 2,915,242

See accompanying notes to consolidated financial statements

Lundin Mining Corporation

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2009 and 2008

(in thousands of US dollars)

	2009	2008
Cash provided by (used in)		
Operating activities		
Net income (loss)	\$ 73,706	\$ (957,061)
Items not involving cash		
Accretion of asset retirement obligations	4,984	4,016
Provision for severance and closure costs	1,934	21,915
Stock-based compensation	5,629	9,926
Depreciation, depletion and amortization	170,004	202,317
Unrealized foreign exchange (gain) loss	(33,400)	17,815
Unrealized loss (gain) on derivative contracts	41,059	(10,503)
(Income) loss from equity investment in Tenke Fungurume	(297)	2,171
Goodwill and long-lived asset impairment	53,042	970,660
Impairment of AFS securities	-	144,077
(Gain) loss on sale of AFS securities	(11,951)	1,320
Loss on sale of investment	18,661	-
Future income tax recovery	(54,375)	(134,122)
Gain on disposition of Aljustrel	(5,573)	-
Provision for pension obligations	1,615	1,651
Recognition of deferred revenue	(5,689)	(6,796)
Other	1,048	3,668
Reclamation payments and other closure costs	(20,647)	(3,811)
Reclamation fund contributions	(2,309)	(780)
Pension payments	(790)	(785)
Changes in non-cash working capital items	(99,256)	(50,649)
	137,395	215,029
Investing activities		
Investment in mineral properties, plant and equipment	(128,319)	(274,446)
Investment in Tenke Fungurume	(56,700)	(264,100)
Investments in AFS securities	(2,936)	(4,675)
Proceeds from sale of investments and other assets	23,051	48,904
Cash outlay on disposition of Aljustrel	(20,979)	-
Other	57	10,024
	(185,826)	(484,293)
Financing activities		
Debt repayments	(164,547)	(136,010)
Proceeds from long-term debt	39,483	374,458
Common shares issued	149,258	111,980
Common share buyback	-	(17,974)
Other	(421)	-
	23,773	332,454
Effect of foreign exchange on cash balances	(3,465)	(26,105)
(Decrease) increase in cash and cash equivalents during the year	(28,123)	37,085
Cash and cash equivalents, beginning of year	169,698	133,207
Cash and cash equivalents, discontinued operations	-	(594)
Cash and cash equivalents, end of year	\$ 141,575	\$ 169,698

Supplemental cash flow information (Note 26)

See accompanying notes to consolidated financial statements

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company with operations in Portugal, Sweden, Spain and Ireland, producing copper, zinc, lead and nickel.

The Company's principal operating mine assets include the Neves-Corvo copper/zinc mine, located in Portugal, the Zinkgruvan zinc/lead mine, located in Sweden, the Aguablanca nickel/copper mine, located in Spain, and a 24.75% equity accounted interest in the Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo ("DRC"). In addition, the Company holds development projects at its Zinkgruvan and Neves-Corvo mines.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

The presentation currency of the Company is US dollars. All amounts are in US dollars unless otherwise indicated.

Comparative Figures

Comparative figures have been adjusted to conform to changes in presentation in these consolidated financial statements where required.

Use of Estimates

The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Management exercises significant judgment in the determination of the following estimates:

- the amounts of ore reserves and resources used in the evaluation of carrying values, amortization rates and the timing of cash flows;
- quantities and net realizable value of inventories;
- contingent liabilities;
- tax provisions and future income tax balances;
- useful economic life of plant and equipment;
- costs of asset retirement obligations and other mine closure obligations;
- stock-based compensation measurements;
- financial and derivative instruments valuations;
- assumptions used in impairment testing of all assets;
- determination of reporting units and the valuation of reporting units for goodwill determination; and
- valuation of mineral exploration and development properties.

Actual results could differ from estimates made by management during the preparation of these consolidated financial statements, and those differences may be material.

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

Significant Accounting Policies

The significant accounting policies used in these consolidated financial statements are as follows:

(a) Subsidiaries, variable interest entities and investments

Investments over which the Company holds a controlling interest are consolidated in these financial statements. The Company consolidates subsidiaries and entities that are subject to control on a basis of ownership of a majority of the voting interests, or variable interest entities.

Investments over which the Company has the ability to exercise significant influence are accounted for by the equity method. Under this method, the investment is initially recorded at cost and adjusted thereafter to record the Company's share of post acquisition earnings or loss of the investee as if the investee had been consolidated. The carrying value of the investment is also increased or decreased to reflect the Company's share of capital transactions, including amounts recognized in other comprehensive income, and for accounting changes that relate to periods subsequent to the date of acquisition. When there is a loss in value of an equity accounted investment which is other than temporary, the investment is written down to recognize the loss by a charge included in net income.

(b) Translation of foreign currencies

The accounts of self-sustaining foreign operations are translated into US dollars at year-end exchange rates, and revenues and expenses and cash flows are translated at the average exchange rates. Differences arising from these foreign currency translations are recorded as cumulative foreign currency translation adjustments within other comprehensive income and as accumulated other comprehensive income until they are realized by a reduction in the investment.

For integrated foreign operations, monetary assets and liabilities are translated into US dollars at year-end exchange rates and non-monetary assets and liabilities are translated at historical rates. Revenues, expenses and cash flows are translated at average exchange rates, except for items related to non-monetary assets and liabilities, which are translated at historical rates. Gains or losses on translation of monetary assets and monetary liabilities are included in net income.

The measurement or functional currencies of all material subsidiaries is the local currency.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on deposit with banks, and highly liquid short-term interest bearing investments with a term to maturity at the date of purchase of 90 days or less.

(d) Inventories

Ore stockpile and concentrate stockpile inventories are valued at the lower of production cost and net realizable value. Production costs include direct costs of materials and labour related directly to mining and processing activities, including production phase stripping costs, depreciation and amortization of property, plant and equipment directly involved in the related mining and production process, amortization of any stripping costs previously capitalized and directly attributable overhead costs. Materials and supplies inventories are valued at average cost less allowances for obsolescence.

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

(e) Mineral properties

Mineral properties are carried at cost less accumulated depletion and any accumulated impairment charges. Mineral property expenditures include:

- i. Acquisition costs consist of payments for property rights and leases, including the estimated fair value of exploration properties acquired as part of a business acquisition or the acquisition of a group of assets.
- ii. Exploration and evaluation costs incurred on an area of interest once a determination has been made that a property has potential economically recoverable resources and there is a reasonable expectation that costs can be recovered by future exploitation or sale of the property. Exploration and evaluation expenditures made prior to a determination that a property has economically recoverable resources are expensed as incurred.
- iii. Development costs incurred on an area of interest once management has determined that, based on a feasibility study, a property is capable of economical commercial production as a result of having established a proven and probable reserve, are capitalized as development expenses. Development costs are directly attributable to the construction of a mine. When additional development expenditures are made on a property after commencement of production, the expenditure is deferred as mineral property expenditures when it is probable that additional economic benefit will be derived from future operations.
- iv. Stripping costs represent the cost incurred to remove overburden and other waste materials to access ore. Stripping costs incurred prior to the production phase of a mine are capitalized and included as part of mineral property costs. During the production phase, stripping costs, which represent a betterment of the mineral property, are capitalized. Capitalized stripping costs are amortized on a unit-of-production basis over the proven and probable reserves to which they relate. All other stripping costs incurred during the production phase of a property are accounted for as variable production costs and are included in the cost of inventory produced during the period in which the cost is incurred.
- v. Pre-production expenditures net of the proceeds from sales generated, if any, relating to any one area of interest are capitalized as mineral property expenditures until such time as production rates achieve sustained commercial production levels.

Once a mining operation has achieved commercial production, mineral property for each area of interest is depleted on a unit-of-production basis using proven and probable reserves.

(f) Plant and equipment

Plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment charges. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset, or over the estimated remaining life of the mine if shorter, as follows:

Years

Buildings	20 - 50
Plant and machinery	5 - 20
Equipment	5

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

(g) Mining equipment under capital lease

Leases that transfer substantially all of the property ownership benefits and risks to the Company are accounted for as capital leases. At the time a capital lease is entered into, the asset is recorded together with the related long-term obligation and is amortized on a straight line basis over its estimated useful life but not to exceed the life of mine. The interest portion of the lease payments are charged to net income as incurred.

(h) Impairment assessment

The Company performs impairment tests on its mineral properties, including exploration and development properties, plant and equipment, when events or changes in circumstances indicate that the carrying values of these assets may not be recoverable. These tests require the comparison of the expected undiscounted future cash flows derived from these assets with the carrying value of the assets. If shortfalls exist, the assets are written down to fair value, determined primarily using discounted cash flow methods.

(i) Interest capitalization

Interest and financing costs on debt or other liabilities that can be attributed to specific projects and that are incurred during the development or construction period are capitalized as a cost of the asset under development or construction.

(j) Goodwill

Acquisitions of businesses are accounted for using the purchase method of accounting whereby all identifiable assets and liabilities are recorded at their fair values as at the date of acquisition. Any excess purchase price over the aggregate fair value of net assets plus or minus the amounts recognized for future income taxes is recorded as goodwill. Goodwill is identified and allocated to reporting units by preparing estimates of the fair value of each reporting unit and comparing this amount to the fair value of the assets and liabilities and related future income tax balances of the reporting unit at the date of acquisition. Goodwill is not amortized.

Goodwill is tested annually for impairment or more frequently if current events or changes in circumstances indicate that the carrying value of the goodwill of a reporting unit may exceed its fair value. A two-step impairment test is used to identify potential impairment in goodwill and to measure the amount of goodwill impairment, if any. In the first step, the fair value of a reporting unit is compared with its carrying value, including goodwill. When the fair value of a reporting unit exceeds its carrying value, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is not undertaken. When the carrying value of a reporting unit exceeds its fair value, the fair value of the reporting unit's goodwill (determined on the same basis as the value of goodwill is determined in a business combination) is compared with its carrying value to measure the amount of the impairment loss, if any. When the carrying value of reporting unit goodwill exceeds the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

(k) Derivatives

The Company may enter into derivative instruments to mitigate exposures to commodity price and currency exchange rate fluctuations. Unless the derivative instruments qualify for hedge accounting, and management undertakes appropriate steps to designate them as such, they are designated as held-for-trading and recorded at their fair value with realized and unrealized gains or losses arising from changes in the fair value recorded in the statement of operations. Fair values for derivative instruments held-for-trading are determined using valuation techniques. The valuations use assumptions based on prevailing market conditions on the reporting date. Realized gains and losses are recorded as a component of operating cash flows.

Embedded derivatives identified in non-derivative instrument contracts are recognized separately unless closely related to the host contract.

All derivative instruments, including certain embedded derivatives that are separated from their host contracts, are recorded on the consolidated balance sheets at fair value and mark to market adjustments on these instruments are included in the consolidated statements of operations.

(l) Deferred revenue

Deferred revenue consists of payments received by the Company in consideration for future commitments to deliver silver contained in concentrate at contracted prices. As deliveries are made, the Company records a portion of the deferred revenue as sales, based on a proportionate share of deliveries made compared with the total estimated contractual commitment.

(m) Provision for pension obligations

The Company's Zinkgruvan mine has an unfunded defined benefit pension plan. The cost of the defined benefit pension plan is determined periodically by independent actuaries. The actuarial valuation is based on the projected benefit method pro-rated on service (which incorporates management's best estimate of future salary levels, retirement ages of employees and other actuarial factors). Each year actuarial gains and losses are calculated and accumulated actuarial gains and losses are amortized over the estimated remaining period of services to be received.

Payments to defined contribution plans are expensed when employees render service entitling them to the contribution.

(n) Asset retirement obligations

The Company records the fair value of its asset retirement obligations as a long-term liability as incurred and records an increase in the carrying value of the related asset by a corresponding amount. In subsequent periods, the carrying value of the liability is accreted by a charge to the statement of operations to reflect the passage of time and the liability is adjusted to reflect any changes in the timing or amount of the underlying future cash flows. Charges for accretion and asset retirement obligation expenditures are recorded as operating activities.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of undiscounted cash flows are recognized as an increase or decrease in the asset retirement obligation, and a corresponding change in the carrying value of the related long-lived asset. Upward revisions in the amounts of estimated cash flows are discounted using the credit-adjusted risk-free rate applicable at the time of the revision. Downward revisions in the amount of estimated cash flows are discounted using the historical credit-adjusted risk-free rate when the original liability was recognized.

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

(o) Revenue recognition

Revenue arising from the sale of metals contained in concentrates is recognized when title and the significant risks and rewards of ownership of the concentrates have been transferred to the customer in accordance with the agreements entered into between the Company and its customers. The Company's metals contained in concentrates are provisionally priced at the time of sale based on the prevailing market price as specified in the sales contracts. Variations between the price recorded at the time of sale and the actual final price received from the customer are caused by changes in market prices for the metals sold and result in an embedded derivative in accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as a component of sales.

(p) Stock-based compensation

The Company follows the fair value method with respect to stock-based awards to directors and employees, including options, awards that are direct awards of stock that call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this approach, stock-based awards are recognized as a compensation expense over the vesting period of the options or when the awards or rights are granted, with a corresponding credit to contributed surplus. With respect to options that vest over time, the fair value is amortized using the graded vesting attribution method and expensed on a monthly basis. When the stock options or rights are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(q) Income taxes

The Company accounts for income taxes using the liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax based values. Future income tax assets and liabilities are measured using the tax rates substantively enacted when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in the statement of operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(r) Income (loss) per share

Basic income (loss) per share is calculated using the weighted average number of common shares outstanding during the year. Diluted income per share is calculated using the treasury stock method. In applying the treasury-stock method, the assumed proceeds which would be received upon the exercise of outstanding stock options is used to calculate how many common shares could be purchased at the average market price during the year and cancelled. If the calculated result is dilutive, it is included in the diluted income per share calculation.

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

(s) Financial instruments – recognition and measurement / presentation and disclosure

Financial assets and financial liabilities are recognized on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be measured at fair value on initial recognition except for certain financial instruments that arise in related party transactions. Measurement in subsequent periods is dependent upon the classification of the financial instrument as held-for-trading, available-for-sale (“AFS”), loans and receivables, held-to-maturity, or other financial liabilities. The held-for-trading classification is applied when an entity is “trading” in an instrument or alternatively the standard permits that any financial instrument be irrevocably designated as held-for-trading. For financial instruments classified as other than held-for-trading, transaction costs are added to the initial fair value of the related financial instrument.

Financial assets and financial liabilities classified as held-for-trading are measured at fair values with changes in those fair values recognized in net income. Financial assets classified as AFS are measured at fair value with changes in those fair values recognized in other comprehensive income. Financial assets classified as loans and receivables, held-to-maturity or other financial liabilities are measured at amortized cost using the effective interest rate method of amortization. Where a financial asset classified as AFS has a loss in value which is considered to be other than temporary, the loss is recognized in the statement of operations.

The Company’s financial assets and liabilities are classified as follows:

- Cash and cash equivalents are classified as held-for-trading and any period change in fair value is recorded in the consolidated statements of operations.
- Accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest rate method.
- Investments are classified as AFS when they are acquired not for the purpose of near term selling or repurchasing. Any period change in fair value is recorded through other comprehensive income. Where the investment experiences an other- than temporary decline in value, the loss is recognized in the consolidated statements of operations.
- Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.
- Derivative instruments including certain embedded derivatives separated from their host contracts are recorded at fair value.

(t) Adoption of new accounting standards

Effective January 1, 2009 the Company adopted the following Canadian Institute of Chartered Accountants (“CICA”) accounting standards:

i. Section 3064 – Goodwill and Intangible Assets

This new standard replaces the former CICA Section 3062 – Goodwill and Other Intangible Assets and establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. Adoption of this standard did not have any material effect on the financial statements.

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

ii. Section 3855 – Financial Instruments Recognition and Measurement

Assessment of embedded derivatives upon reclassification

The CICA amended Section 3855 to clarify that, upon reclassification of a financial instrument out of the held-for-trading category, an assessment must be completed to determine whether an embedded derivative is required to be bifurcated. In addition, the amendment prohibits the reclassification of a financial instrument out of held-for-trading when the derivative embedded in the financial instrument cannot be separately measured from the host contract. The amendment is applicable to all reclassifications occurring after July 1, 2009. Adoption of this standard did not have any material effect on the financial statements.

Financial asset measurement categories and impairment

In August 2009, the CICA issued further amendments to Section 3855. The amendments changed the definition of a loan such that certain debt securities may be classified as loans if they do not have a quoted price in an active market and the Company does not have the intent to sell the security immediately or in the near term. As a result, debt securities classified as loans will be assessed for impairment using the incurred credit loss model of Section 3025 to reduce the carrying value of a loan to its estimated realizable amount. Loan impairment accounting requirements are also applied to held-to-maturity financial assets as a result of the amendments. Debt securities that are classified as AFS continue to be written down to their fair-value when the impairment is considered to be other-than-temporary. However, the impairment loss can be reversed if the fair value substantially increases and the increase can be objectively related to an event occurring after the impairment loss was recognized. Adoption of this standard did not have any material effect on the financial statements.

iii. Section 3862 – Financial Instruments Disclosures

The CICA amended Section 3862 to enhance fair value and liquidity disclosures. The standard now requires that all financial instruments measured at fair value be categorized into one of three hierarchy levels. Each level is based on the transparency of inputs to the valuation of the financial asset or liability as of the measurement date. Adoption of this standard did not have any material effect on the consolidated financial statements.

iv. EIC-173 – Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the CICA issued an Emerging Issues Committee Abstract (“EIC”) on Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, EIC-173. This EIC discusses how an entity’s own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. Adoption of this standard did not have any material effect on the consolidated financial statements.

v. EIC-174 – Mining Exploration Costs

In March 2009, the CICA issued EIC-174 on Mining Exploration Costs. This EIC provides guidance on the accounting and the impairment review of mining exploration costs. Adoption of this standard did not have any material effect on the consolidated financial statements.

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

3. NEW ACCOUNTING PRONOUNCEMENTS

Section 1582 – Business Combinations, Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests

These sections replace the former CICA Section 1581, Business Combinations and CICA Section 1600, Consolidated Financial Statements and establish a new section for accounting for a non-controlling interest in a subsidiary. These standards provide the Canadian equivalent to International Financial Reporting Standard IFRS 3R, Business Combinations. CICA Section 1582 is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. CICA Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Company will adopt the requirements on the date specified in each respective section and is considering the impact of these standards on the consolidated financial statements.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2009	2008
Cash	\$ 102,774	\$ 153,952
Short term investments	38,801	15,746
	<u>\$ 141,575</u>	<u>\$ 169,698</u>

5. INVENTORIES

Inventories comprise the following:

	2009	2008
Ore stockpiles	\$ 3,884	\$ 7,337
Concentrate stockpiles	2,168	6,546
Materials and supplies	21,467	26,198
	<u>\$ 27,519</u>	<u>\$ 40,081</u>

6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment comprise the following:

	December 31, 2009		
	Cost	Accumulated depreciation, depletion and amortization	Net
Mineral properties	\$ 1,460,737	\$ 561,121	\$ 899,616
Plant and equipment	489,527	182,676	306,851
Exploration properties	55,573	-	55,573
Assets under construction	48,247	-	48,247
	<u>\$ 2,054,084</u>	<u>\$ 743,797</u>	<u>\$ 1,310,287</u>

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

	December 31, 2008		
	Cost	Accumulated depreciation, depletion and amortization	Net
Mineral properties	\$ 1,356,513	\$ 438,868	\$ 917,645
Plant and equipment	406,248	134,925	271,323
Exploration properties	104,411	-	104,411
Assets under construction	58,205	-	58,205
	<u>\$ 1,925,377</u>	<u>\$ 573,793</u>	<u>\$ 1,351,584</u>

During the year, the Company did not enter into any capital leases (2008 - \$2.5 million).

7. INVESTMENT IN TENKE FUNGURUME

	2009	2008
Balance, beginning of year	\$ 1,576,743	\$ 1,314,814
Advances	56,700	264,100
Share of equity income (loss)	297	(2,171)
Balance, end of year	<u>\$ 1,633,740</u>	<u>\$ 1,576,743</u>

The Company holds a 30% interest in TF Holdings ("TFH") which in turn holds an 82.5% interest in a Congolese subsidiary company, Tenke Fungurume Mining Corp S.A.R.L ("TFM"). Freeport McMoRan Copper & Gold Inc. ("FCX") holds the remaining 70% interest in TFH. TFM holds a 100% interest in the Tenke Fungurume copper/cobalt mine. The Company's and FCX's effective interest in TFM is 24.75% and 57.75% respectively. La Générale des Carrières et des Mines ("Gécamines"), a DRC Government-owned corporation owns a free-carried 17.5% interest. FCX is the operator of the project. The Company exercises significant influence over TFM. Accordingly, the Company uses the equity method to account for this investment.

During the year ended December 31, 2009, the Company made cash advances of \$56.7 million to fund its portion of TFM expenditures. The Company has an off-balance sheet financing arrangement whereby FCX was responsible for funding the Company's share of Phase I project development costs that were in excess of agreed budgets. The amounts were funded through loans from FCX to the project and are non-recourse to the Company.

During the year, \$166.9 million was advanced by FCX to TFM to fund the Company's share of the excess Phase I project development costs (on a cumulative basis, \$223.5 million). These amounts will be repaid to FCX on a priority basis from future operating cash flows of TFM.

In 2007, the Government of DRC initiated a review of all mining contracts in the country. FCX as operator has been leading discussion with the Government in respect of the review. The Company believes the TFM agreements with the Government are legally binding, all related issues have been duly addressed under Congolese law and the overall fiscal terms as previously negotiated and incorporated into the Congolese Mining Convention as Amended and the TFM agreement terms exceed the requirements of the Congolese Mining Code. The discussion has not delayed project development activities, however, until the review is concluded, the Company's investment is subject to uncertainty.

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

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(Tabular amounts in thousands of US dollars, except for share and per share amounts)

8. INVESTMENTS AND OTHER ASSETS

Investments and other assets include the following:

	2009		2008	
AFS securities (a)	\$	39,539	\$	13,953
Other assets (b)		2,969		53,034
	\$	42,508	\$	66,987

a) AFS securities

Investments in AFS securities consist of marketable securities which had a fair value of \$39.5 million as at December 31, 2009 (2008 - \$14.0 million). These investments consist of shares in publicly traded mining and exploration companies.

During the year ended December 31, 2009, the Company recognized a gain of \$12.0 million (2008 - loss of \$1.3 million) from the sale of AFS securities. Cash proceeds of \$17.3 million were received (2008 - \$48.9 million).

In 2008, management's assessment of the significant decline in the value of its AFS securities was an other than temporary impairment ("OTTI"). As such, the Company recorded an impairment loss of \$144.1 million. In 2009, there were no indications of OTTI.

The Company does not exercise significant influence over any of the companies in which investments in AFS securities are held, which in all cases, amounts to less than a 20% equity interest in any one company.

b) Other assets

During the year, the Company completed the sale of its 49% interest in the Ozernoe zinc project in Russia for gross proceeds of \$35.0 million. The sale terminates all of Lundin's rights and obligations related to the project. Proceeds of \$3.5 million were received upon closing with the remaining balance of \$31.5 million to be received over a period to July 2010. Loss on the sale of investment of \$18.7 million has been recorded.

9. GOODWILL

The following table summarizes changes to the carrying value of goodwill:

	December 31, 2009		
	EuroZinc	Rio Narcea	Total
Goodwill, beginning of year	\$ 174,992	\$ 67,527	\$ 242,519
Effect of changes in foreign exchange rates	5,267	2,034	7,301
Goodwill, end of year	\$ 180,259	\$ 69,561	\$ 249,820

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

	December 31, 2008		
	EuroZinc	Rio Narcea	Total
Goodwill, beginning of year	\$ 357,956	\$ 145,969	\$ 503,925
Impairment charges (Note 10)	(166,702)	(70,713)	(237,415)
Effect of changes in foreign exchange rates	(16,262)	(7,729)	(23,991)
Goodwill, end of year	\$ 174,992	\$ 67,527	\$ 242,519

EuroZinc: Goodwill resulted from the acquisition of EuroZinc Mining Corporation ("EuroZinc") in 2006, which includes primarily the mining operations of Neves-Corvo.

Rio Narcea: Goodwill resulted from the acquisition of Rio Narcea Gold Mines, Ltd ("Rio Narcea") in 2007, which includes primarily the mining operations of Aguablanca.

10. GOODWILL AND LONG-LIVED ASSETS IMPAIRMENT

During 2009, a write down of \$53.0 million was recorded (after tax \$37.1 million) related to the Salave gold project in northern Spain. The property was targeted for disposal at December 31, 2009 and subsequent to year-end, the Company entered into an agreement for the sale of the property (Note 27). In 2008, impairments of goodwill of \$237.4 million and long-lived assets of \$522.8 million, net of tax, were recognized due to significant metal price declines and general economic conditions.

11. FUTURE INCOME TAXES

The reconciliation of income taxes computed at Canadian statutory tax rates to the Company's income tax expense for the years ended December 31, 2009 and 2008 is as follows:

	2009	2008
Combined basic federal and provincial rates	33.0%	33.5%
Income tax expense (recovery) based on statutory income tax rates	\$ 23,244	\$ (284,030)
Effect of lower tax rates in foreign jurisdictions	(7,138)	(79,815)
Non-deductible and non-taxable items	(9,294)	226,468
Other	(10,081)	6,924
Income tax recovery	\$ (3,269)	\$ (130,453)

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Temporary differences and loss carry-forwards which give rise to future income tax assets and liabilities as at December 31, 2009 and 2008 are as follows:

	2009	2008
Future income tax assets		
Loss carry forwards	\$ 101,345	\$ 128,716
Mineral properties, plant and equipment	3,862	36,370
Investments	3,006	12,101
Asset retirement obligations and other mine closure costs	21,150	29,554
Reserves and provisions	13,678	17,112
Share issue costs	2,181	914
Other	8,972	7,404
	154,194	232,171
Valuation allowance	(85,487)	(180,069)
Future income tax assets	\$ 68,707	\$ 52,102
Future income tax liabilities		
Mineral properties, plant and equipment	10,694	19,128
Mining rights	195,496	219,068
Reserves	21,628	18,913
Other	10,271	5,541
Future income tax liabilities	238,089	262,650
Net future income tax liability	\$ 169,382	\$ 210,548

As at December 31, 2009, the Company had accumulated non-capital losses as follows:

Year of expiry	Canada	Spain	Sweden	Ireland	Total
2010	\$ -	\$ -	\$ -	\$ -	\$ -
2011	4,142	-	-	-	4,142
2012	9,429	-	-	-	9,429
2013	-	-	-	-	-
2014 and thereafter	123,018	37,036	96,580	122,744	379,378
	\$ 136,589	\$ 37,036	\$ 96,580	\$ 122,744	\$ 392,949

Non-capital loss carry forwards in Ireland and Sweden have an indefinite life.

12. ACCRUED LIABILITIES

	2009	2008
Unbilled goods and services	\$ 28,858	\$ 19,496
Payroll obligations	11,242	12,295
Royalty payable	8,135	12,562
	\$ 48,235	\$ 44,353

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13. LONG-TERM DEBT AND CAPITAL LEASES

	2009	2008
Revolving credit facility (a)	\$ 141,620	\$ 266,652
Somincor debt (b)	38,713	38,692
Capital lease obligations (c)	4,693	4,715
Rio Narcea debt (d)	5,862	5,157
	190,888	315,216
Less: current portion due within one year	2,536	306,973
	\$ 188,352	\$ 8,243

The principal repayment obligations are scheduled as follows:

	Debt	Capital Leases	Total
2010	\$ 1,255	\$ 1,281	\$ 2,536
2011	732	1,372	2,104
2012	181,588	1,127	182,715
2013	732	765	1,497
2014 and thereafter	1,888	148	2,036
Total	\$ 186,195	\$ 4,693	\$ 190,888

Management estimates that the fair value of the Company's long-term debt approximates its carrying value.

- a) During 2009, the Company executed a third amendment to its credit agreement resulting in a restructured facility with the following terms:
- Fully revolving credit facility of US\$225 million with a term to May 2012;
 - Interest at LIBOR plus 4.5% until March 2010 and from April 2010 at LIBOR plus 3.5% to 4.5% depending upon the leverage ratio of the Company. The effective interest rate at December 31, 2009 was 4.73%;
 - Re-defined financial covenants including minimum tangible net worth, interest coverage ratio and leverage ratio;
 - Security includes shares owned by the Company in its subsidiaries and material assets acquired; and
 - Requirement that the facility be reduced if the Company's principal mining assets are disposed of in whole or in part.
- b) On December 17, 2009, the Company repaid 540,000 unsecured bonds with a nominal value of €50 each for a total of €27.0 million that were issued in 2004 by the Company's wholly owned Portuguese subsidiary, Sociedade Mineira de Neves Corvo S.A. ("Somincor"). A three year commercial paper program was established to repay the bonds. The commercial paper has terms of a minimum of 7 days and a maximum of 1 year and bears interest at EURIBOR plus 2%. The effective interest rate at December 31, 2009 was 2.72%.
- c) Capital lease obligations relate to leases on mining equipment having lease terms of eight years with fixed interest rates between 7.03% to 8.01%.
- d) The Rio Narcea debt is an interest free loan extended by the Spanish Department of Trade, Industry and Commerce. It is repayable in equal annual installments of €0.5 million on December 15 of each year through 2017. The debt is recorded using an imputed interest rate of 4.3%.

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14. OTHER LONG-TERM LIABILITIES

Included in other long-term liabilities are grants received by Somincor of \$9.8 million (€6.8 million) (2008 - \$12.5 million or €9.0 million) from the Portuguese government and the European Union to promote capital investment. Based on expenditures made and achievement of certain goals a portion of this grant may not have to be repaid. The portion of the grant that is to be repaid may be interest free if it is to be repaid within two years from receipt of the grant. Otherwise, it will carry an interest of LIBOR plus 0.6% payable over a four year term.

During the year, \$7.5 million (€5.2 million) was assessed to be non-repayable based on appropriate expenditure levels. This amount was credited to plant and equipment.

15. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

	2009	2008
Balance, beginning of year	\$ 79,130	\$ 98,341
Amortization on delivery of silver in concentrate	(5,689)	(6,796)
Effect of changes in foreign exchange rates	4,456	(12,415)
	77,897	79,130
Less: estimated current portion	5,667	3,465
Balance, end of year	\$ 72,230	\$ 75,665

a) Neves-Corvo mine

The Company has an agreement to sell all of the silver contained in concentrate produced from its Neves-Corvo mine in Portugal to Silver Wheaton Corp ("Silver Wheaton") (formerly Silverstone Resources Corp.). The Company received an up-front payment which is being recognized as revenue as silver is delivered under the contract and receives the lesser of \$3.90 per ounce (subject to a 1% annual adjustment) and the market price per ounce of silver. The agreement extends to the earlier of September 27, 2057 and the end of mine life for the Neves-Corvo mine. (Note 22d)

b) Zinkgruvan mine

The Company has an agreement with Silver Wheaton to deliver silver contained in concentrate from the Zinkgruvan mine in Sweden to Silver Wheaton. The Company received an up-front payment which is being recognized as revenue as silver is delivered under the contract and receives a payment of the lesser of \$3.90 per ounce (subject to adjustment based on changes in the US consumer price inflation index) and the market price per ounce of silver. (Note 22d)

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16. DERIVATIVE CONTRACTS

During 2009, the Company entered into multiple option collar arrangements for 49,905 tonnes of copper. No premiums were paid or received to establish the contracts under the net zero cost structure.

During the year ended December 31, 2009, the Company cash-settled 27,328 tonnes of the copper contracts, which resulted in a realized loss of \$20.4 million.

As at December 31, 2009, contracts representing 22,577 tonnes of copper remain outstanding. The contracts expire monthly until July 2010. The remaining outstanding contracts have a weighted average floor price of \$1.88 per pound and a weighted average maximum price of \$2.61 per pound of copper. As at December 31, 2009, the fair value of the contracts and the corresponding unrealized loss was \$41.1 million.

17. PROVISION FOR PENSION OBLIGATIONS

The Company has calculated its liability relating to the defined benefit plan at the Zinkgruvan mine using the projected benefit pro-rated on services method. Actuarial assumptions used to determine benefit obligations as at December 31, 2009 and 2008 were as follows:

	2009	2008
Discount rate	4.0%	4.5%
Rate of salary increase	2.5%	2.5%
Long-term rate of inflation	0%	0%

Information about Zinkgruvan's defined benefit and other retirement plans as at December 31, 2009 and 2008 are as follows:

	2009	2008
Accrued benefit obligation:		
Balance, beginning of the year	\$ 9,924	\$ 12,194
Current service costs	858	761
Interest costs	442	568
Actuarial (gains) losses	(190)	258
Benefits paid	(790)	(785)
Effects of foreign exchange	1,993	(3,072)
Balance, end of the year	12,237	9,924
Adjustments of cumulative unrecognized actuarial losses	528	874
Unrecognized actuarial gains (losses)	190	(258)
Accrued benefit liability	12,955	10,540
Provision for indirect taxes on non-vested pension obligations	2,375	2,524
Pension obligations covered by insurance policies	1,055	1,295
Total provision for pension obligations	\$ 16,385	\$ 14,359

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The defined benefit plan is unfunded and, accordingly, there are no plan assets and the Company made no contributions to the plan. The Company's pension expense related to the defined benefit plan is as follows:

	2009	2008
Current service costs	\$ 858	\$ 761
Interest costs	442	568
Indirect taxes	315	322
Pension expense	\$ 1,615	\$ 1,651

In addition, the Company recorded a pension expense of \$1.9 million (2008 - \$2.3 million) relating to defined contribution plans.

18. ASSET RETIREMENT OBLIGATIONS AND OTHER PROVISIONS

The asset retirement obligations ("ARO") and other provisions relating to the operations of Neves-Corvo, Zinkgruvan, Aguablanca, Galmoy and Storliden mines, are as follows:

	Asset Retirement Obligations	Other Mine Closure Costs	Total
Balance, December 31, 2007	\$ 107,380	\$ 10,209	\$ 117,589
Accretion	4,016	-	4,016
Accruals for services	-	21,915	21,915
Changes in estimates	(21,719)	-	(21,719)
Amounts arising from disposal	(769)	-	(769)
Effect of changes in foreign exchange rates	(6,281)	(1,410)	(7,691)
Payments	(3,811)	-	(3,811)
Balance, December 31, 2008	78,816	30,714	109,530
Accretion	4,984	-	4,984
Accruals for services	-	1,934	1,934
Changes in estimates	26,335	-	26,335
Effect of changes in foreign exchange rates	2,518	2,130	4,648
Payments	(6,009)	(14,638)	(20,647)
	106,644	20,140	126,784
Less: current portion due within one year	5,606	224	5,830
	\$ 101,038	\$ 19,916	\$ 120,954

At December 31, 2009, the asset retirement obligation at the Neves-Corvo mine is based on the estimated undiscounted future site restoration costs of \$79.3 million (€55.3 million) and a credit-adjusted risk-free interest rate of 4.75%. There was a change in estimate during 2009, which increased the carrying value of the asset retirement obligation and the related asset by \$19.6 million. The Company expects the payments for site restoration costs to be incurred during the last 10 years preceding the closure of the Neves-Corvo mine which is estimated as 2022 or end of mine life. For the year ended December 31, 2009, the Company recorded an accretion expense of \$2.8 million (2008 - \$1.6 million). The asset retirement obligation for the Neves-Corvo mine was \$65.2 million (2008 - \$48.2 million).

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The asset retirement obligation at the Zinkgruvan mine at December 31, 2009 was \$13.4 million (December 31, 2008 - \$11.6 million). This was based on estimated undiscounted future site restoration costs of \$33.3 million (SEK 240.1 million) and a credit-adjusted risk-free interest rate of 5.5%. The Company expects the future reclamation costs to be incurred subsequent to the end of the mine life which is estimated as 2027 or end of mine life. The Company has posted environmental bonds in the amount of \$11.1 million (SEK 80 million), to be followed by additional bonds of \$2.24 million (SEK 16.2 million) and \$1.39 million (SEK 10.0 million) in 2016 and 2024 respectively.

The future site restoration and mine closure costs at the Aguablanca mine were determined based on the current life of mine plan, estimated undiscounted future site restoration costs of \$15.9 million (€11.1 million) for the mine using a credit-adjusted risk-free interest rate of 5.0%. There was a change in estimate during 2009, which increased the carrying value of the asset retirement obligation and the related asset by \$12.0 million. The asset retirement obligation including severance for the Aguablanca mine at December 31, 2009 totaled \$23.8 million (December 31, 2008 - \$11.0 million). The ARO is expected to be settled in 2014 and 2015.

The asset retirement obligation at the Galmoy mine as at December 31, 2009 was \$11.6 million (2008 - \$15.1 million), which was based on an undiscounted asset retirement obligation of \$16.3 million (€11.4 million) and a credit-adjusted risk-free interest rate of 5.5%. There was a change of estimate in the amount of \$4.8 million during 2009. Cash payments of \$14.6 million for severance related closure costs and \$4.7 million for site restoration costs were made in 2009. Remaining expenditures for site restoration costs are expected to be incurred over the period to 2011. For the year ended December 31, 2009, the Company recorded an accretion expense of \$0.9 million (2008 - \$0.8 million) and a recovery of \$0.9 million (2008 - \$13.9 million) for other mine closure costs which include government subsidies.

19. SHARE CAPITAL

(a) Authorized and issued shares

The authorized share capital consists of an unlimited number of voting common shares with no par value and one special non-voting share with no par value of which 579,592,464 voting common shares (2008 – 487,433,771) are issued and fully-paid.

On April 27, 2009, the Company issued 92 million common shares at a price of C\$2.05 per share by way of a short form prospectus offering for aggregate gross proceeds to the Company of \$155.8 million (C\$188.6 million). Net proceeds were \$148.8 million.

On December 11, 2008, the Company completed a private placement, resulting in HudBay Minerals Inc. ("HudBay") subscribing for 96,997,492 common shares in the capital of the Company, at a price of C\$1.40 per share, for aggregate gross proceeds to the Company of approximately C\$135.8 million. On May 11, 2009, Hudbay sold the shares with consent from the Company.

(b) Stock options

The Company has an incentive stock option plan (the "Plan") available for certain employees, directors and officers to acquire shares in the Company. The term of any options granted are fixed by the Board of Directors and may not exceed ten years from the date of grant.

Option pricing models require the input of highly subjective assumptions including the expected price volatility and expected life. Changes in the subjective input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested during the year.

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The Company uses the fair value method of accounting for all stock-based payments to employees, directors and officers. Under this method, the Company recorded a stock compensation expense of \$5.6 million for 2009 (2008 - \$9.9 million) with a corresponding credit to contributed surplus. The fair value of the stock options granted at the date of the grant using the Black-Scholes pricing model assumes risk-free interest rates of 0.8% to 1.2% (2008 - 2.6% to 3.8%), no dividend yield, expected life of 1.5 to 2.1 years (2008 - 1.5 to 4.3 years) with an expected price volatility ranging from 79% to 101% (2008 - 47% to 69%). As at December 31, 2009, there was \$1.7 million of unamortized stock compensation expense (2008 - \$8.3 million).

The continuity of incentive stock options issued and outstanding during 2009 and 2008 is as follows:

	Number of Options	Weighted average exercise price (CAD\$)
Outstanding, December 31, 2007	6,117,828	\$ 11.84
Granted during the year	6,176,040	4.97
Cancelled/forfeited during the year	(1,104,000)	12.36
Exercised during the year	(97,848)	6.44
Outstanding, December 31, 2008	11,092,020	8.01
Granted during the year	1,448,334	2.79
Cancelled/forfeited during the year	(3,345,651)	8.75
Exercised during the year	(23,333)	2.67
Outstanding, December 31, 2009	9,171,370	\$ 6.93

During the year ended December 31, 2009, the Company granted 1,448,334 incentive stock options to employees and officers at a weighted average exercise price of CAD \$2.79 per share that expire between December 31, 2011 and April 22, 2012. In 2008, the Company granted 6,176,040 incentive stock options to employees and officers at a weighted average exercise price of CAD \$4.97 per share that expire between August 5, 2011 and December 31, 2013. The exercise price for each of the options granted during 2009 and 2008 was based on the closing stock price on the date of grant.

The following table summarizes options outstanding as at December 31, 2009, as follows:

Range of exercise prices (CAD\$)	Outstanding Options			Exercisable Options		
	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (CAD\$)	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (CAD\$)
\$1.24 to \$4.41	1,469,010	2.3	\$ 2.76	599,557	2.2	\$ 2.87
\$4.42 to \$5.80	3,975,000	2.9	4.44	637,200	1.9	4.56
\$5.81 to \$9.62	741,960	2.7	8.25	561,615	2.5	8.35
\$9.63 to \$12.73	752,200	2.2	9.93	752,200	2.2	9.93
\$12.74 to \$13.75	2,233,200	2.7	12.81	2,219,200	2.7	12.80
	9,171,370	2.7	\$ 6.97	4,769,772	2.44	\$ 9.48

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In 2009, 23,833 options (2008 - 97,848) and 135,360 stock appreciation rights (2008 - nil) were exercised. This resulted in the issuance of 158,693 common shares (2008 - 97,848).

The incremental shares added to the basic weighted average number of commons shares to arrive at the fully diluted number of shares for the year ended December 31, 2009 relate to the outstanding in-the-money stock options.

(c) Stock appreciation rights

There were 171,360 stock appreciation rights issued and outstanding as at December 31, 2009 (2008 - 306,720 issued and outstanding)

The stock appreciation rights are recorded as a current liability and are adjusted based on the Company's closing stock price at the end of each reporting period. There was no liability related to the stock appreciation rights as at December 31, 2009 and 2008.

All stock appreciation rights are fully vested and exercisable.

20. DISCONTINUED OPERATIONS

Pirites Alentejanas SA

On December 23, 2008, the Company announced that it had entered into an agreement of purchase and sale for the sale of its wholly-owned subsidiary Pirites Alentejanas SA ("PA"). The transaction was completed on February 5, 2009.

The results of the discontinued operations for the years ended December 31 were as follows:

	2009	2008
General exploration and project investigation	\$ -	\$ (2,918)
Interest and bank charges	-	(140)
Foreign exchange gain	-	245
Gain on forward sales contracts	-	3,131
Impairment of property and equipment	-	(210,472)
Gain on disposition	5,573	-
Other income and expenses	-	(887)
Current income tax expense	-	(18)
Future income tax expense	-	(26,008)
Loss from discontinued operations	\$ 5,573	\$ (237,067)

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The following table details the assets and liabilities related to the discontinued operations as at December 31, 2008:

	2008
Cash and cash equivalents	\$ 594
Accounts receivable	4,405
Inventories	3,439
Prepaid expenses	345
Mineral properties, plant and equipment	55,157
Assets of discontinued operations	\$ 63,940
Accounts payable and accrued liabilities	10,514
Accrued liabilities	15,126
Current portion of long term debt and capital leases	262
Deferred revenue	55,157
Asset retirement obligation and other provisions	25,494
Liabilities of discontinued operations	\$ 106,553

21. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Portugal, Spain, Sweden, Ireland and the DRC. The Company has reportable segments as identified by the individual mining operations at each of its operating mines as well as its significant investment in the Tenke Fungurume Mine. Segments are operations reviewed by the executive management. Each segment is identified based on quantitative factors, whereby its revenues or assets comprise 10% or more of the total revenues or assets of the Company.

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Segmented Information - Operational

For the year ended December 31, 2009

	Tenke						Total
	Neves Corvo	Zinkgruvan	Aguablanca	Galmoy	Fungurume	Other	
Sales	\$ 448,742	\$ 137,281	\$ 125,146	\$ 34,820	\$ -	\$ -	\$ 745,989
Income (loss) before undernoted	263,361	74,775	48,854	12,480	-	(26,309)	373,161
Depreciation, depletion and amortization	(126,469)	(15,654)	(27,018)	(71)	-	(792)	(170,004)
General exploration and project investigation	(16,340)	(57)	(948)	-	-	(5,300)	(22,645)
Interest and bank charges	(1,930)	(299)	(1,186)	-	-	(11,612)	(15,027)
Foreign exchange (loss) gain	(5,341)	(2,160)	1,448	(215)	-	20,698	14,430
Loss on derivative contracts	(61,496)	-	-	-	-	-	(61,496)
Income from equity investment in Tenke Fungurume	-	-	-	-	297	-	297
Goodwill and long-lived assets impairment	-	-	-	-	-	(53,042)	(53,042)
Gain on sale of AFS securities	-	-	-	-	-	11,951	11,951
Loss on sale of investment	-	-	-	-	-	(18,661)	(18,661)
Other income and expenses	(874)	959	5,285	508	(1,500)	1,522	5,900
Income tax (expense) recovery	(17,683)	(2,090)	10,790	(314)	-	12,566	3,269
Net income (loss) from continuing operations	33,228	55,474	37,225	12,388	(1,203)	(68,979)	68,133
Gain from discontinued operations	-	-	-	-	-	5,573	5,573
Net income (loss)	\$ 33,228	\$ 55,474	\$ 37,225	\$ 12,388	\$ (1,203)	\$ (63,406)	\$ 73,706
Capital assets*	\$ 1,044,360	\$ 190,330	\$ 68,315	\$ 6,243	\$ 1,633,740	\$ 1,039	\$ 2,944,027
Total segment assets	\$ 1,463,122	\$ 321,232	\$ 234,972	\$ 38,614	\$ 1,633,740	\$ 48,463	\$ 3,740,143
Capital expenditures	\$ 86,552	\$ 36,151	\$ 5,346	\$ 208	\$ 56,700	\$ 62	\$ 185,019

For the year ended December 31, 2008

	Tenke						Total
	Neves Corvo	Zinkgruvan	Aguablanca	Galmoy	Fungurume	Other	
Sales	\$ 497,936	\$ 123,508	\$ 120,280	\$ 69,831	\$ -	\$ 23,739	\$ 835,294
Income (loss) before undernoted	291,831	57,238	22,231	(7,218)	-	(40,834)	323,248
Depreciation, depletion and amortization	(94,709)	(19,967)	(63,440)	(23,094)	-	(1,107)	(202,317)
General exploration and project investigation	(18,563)	4	(9,076)	(2,722)	-	(8,519)	(38,876)
Interest and bank charges	(3,834)	(237)	(1,216)	(8)	-	(9,430)	(14,725)
Foreign exchange gain (loss)	7,484	2,297	(2,190)	(7)	-	(22,310)	(14,726)
Gain (loss) on derivative contracts	-	257	-	-	-	(348)	(91)
Loss from equity investment in Tenke Fungurume	-	-	-	-	(2,171)	-	(2,171)
Goodwill and long-lived asset impairment	(166,702)	-	(411,136)	(78,572)	-	(103,778)	(760,188)
Impairment of AFS securities	(5,045)	-	(63,885)	-	-	(75,147)	(144,077)
Loss on sale of AFS securities	-	-	-	-	-	(1,320)	(1,320)
Other income and expenses	839	1,315	(233)	1,523	-	1,352	4,796
Income tax (expense) recovery	(40,449)	(2,350)	103,584	(6,825)	-	76,493	130,453
Net (loss) income from continuing operations	(29,148)	38,557	(425,361)	(116,923)	(2,171)	(184,948)	(719,994)
Loss from discontinued operations	-	-	-	-	-	(237,067)	(237,067)
Net (loss) income	\$ (29,148)	\$ 38,557	\$ (425,361)	\$ (116,923)	\$ (2,171)	\$ (422,015)	\$ (957,061)
Capital assets*	\$ 1,110,874	\$ 158,177	\$ 127,985	\$ 7,327	\$ 1,576,743	\$ 2,380	\$ 2,983,486
Total segment assets	\$ 1,420,353	\$ 280,953	\$ 235,431	\$ 39,568	\$ 1,576,743	\$ 151,454	\$ 3,704,502
Capital expenditures	\$ 199,716	\$ 44,772	\$ 7,600	\$ 6,374	\$ 264,100	\$ 13,269	\$ 535,831

* Capital assets consist of mineral exploration and development properties, property, plant and equipment, and investments in Tenke Fungurume. Capital assets from discontinued operations are included in the "Other" segment.

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Segmented Information - Geographical

For the year ended December 31, 2009

	Portugal	Sweden	Spain	Ireland	DRC	Other	Total
Sales	\$ 448,742	\$ 137,281	\$ 125,146	\$ 34,820	\$ -	\$ -	\$ 745,989
Income (loss) before undernoted	263,361	71,747	48,852	12,480	-	(23,279)	373,161
Depreciation, depletion and amortization	(126,564)	(15,831)	(27,018)	(71)	-	(520)	(170,004)
General exploration and project investigation	(15,974)	(1,299)	(1,030)	(3,403)	-	(939)	(22,645)
Interest and bank charges	(1,943)	(5,408)	(1,186)	-	-	(6,490)	(15,027)
Foreign exchange (loss) gain	(5,342)	4,764	1,448	(215)	-	13,775	14,430
Loss on derivative contracts	(61,496)	-	-	-	-	-	(61,496)
Income from equity investment in Tenke Fungurume	-	-	-	-	297	-	297
Goodwill and long-lived asset impairment	-	-	(53,042)	-	-	-	(53,042)
Gain on sale of AFS securities	-	315	-	-	-	11,636	11,951
Loss on sale of investment	-	(18,661)	-	-	-	-	(18,661)
Other income and expenses	(1,994)	484	5,285	508	(1,500)	3,117	5,900
Income tax (expense) recovery	(17,661)	(4,146)	26,703	(314)	-	(1,313)	3,269
Net income (loss) from continuing operations	32,387	31,965	12	8,985	(1,203)	(4,013)	68,133
Gain from discontinued operations	5,573	-	-	-	-	-	5,573
Net income (loss)	\$ 37,960	\$ 31,965	\$ 12	\$ 8,985	\$ (1,203)	\$ (4,013)	\$ 73,706
Capital assets*	\$ 1,043,362	\$ 191,257	\$ 68,315	\$ 6,243	\$ 1,633,740	\$ 1,110	\$ 2,944,027
Total segment assets	\$ 1,462,339	\$ 307,791	\$ 234,988	\$ 38,614	\$ 1,633,740	\$ 62,671	\$ 3,740,143
Capital expenditures	\$ 86,559	\$ 36,159	\$ 5,346	\$ 208	\$ 56,700	\$ 47	\$ 185,019
For the year ended December 31, 2008							
	Portugal	Sweden	Spain	Ireland	DRC	Other	Total
Sales	\$ 497,936	\$ 147,247	\$ 120,280	\$ 69,831	\$ -	\$ -	\$ 835,294
Income (loss) before undernoted	291,831	50,609	21,835	(7,218)	-	(33,809)	323,248
Depreciation, depletion and amortization	(94,827)	(20,497)	(63,440)	(23,094)	-	(459)	(202,317)
General exploration and project investigation	(16,978)	(9,233)	(9,437)	(2,722)	-	(506)	(38,876)
Interest and bank charges	(3,877)	(5,255)	(1,234)	(8)	-	(4,351)	(14,725)
Foreign exchange gain (loss)	6,325	(6,399)	(2,173)	(7)	-	(12,472)	(14,726)
Loss on derivative contracts	-	(91)	-	-	-	-	(91)
Income from equity investment in Tenke Fungurume	-	-	-	-	(2,171)	-	(2,171)
Goodwill and long-live asset impairment	(166,702)	-	(411,136)	(78,572)	-	(103,778)	(760,188)
Impairment of AFS securities	(5,045)	-	(63,885)	-	-	(75,147)	(144,077)
Loss on sale of AFS securities	-	-	-	-	-	(1,320)	(1,320)
Other income and expenses	1,351	3,301	(119)	1,523	-	(1,260)	4,796
Income tax (expense) recovery	(41,160)	54,799	103,587	(6,825)	-	20,052	130,453
Net (loss) income from continuing operations	(29,082)	67,234	(426,002)	(116,923)	(2,171)	(213,050)	(719,994)
Loss from discontinued operations	(237,067)	-	-	-	-	-	(237,067)
Net loss (income)	\$ (266,149)	\$ 67,234	\$ (426,002)	\$ (116,923)	\$ (2,171)	\$ (213,050)	\$ (957,061)
Capital assets*	\$ 1,111,280	\$ 158,556	\$ 127,985	\$ 7,327	\$ 1,576,743	\$ 1,595	\$ 2,983,486
Total segment assets	\$ 1,421,332	\$ 301,582	\$ 235,906	\$ 39,568	\$ 1,576,743	\$ 129,371	\$ 3,704,502
Capital expenditures	\$ 199,716	\$ 44,772	\$ 7,600	\$ 6,374	\$ 264,100	\$ 13,269	\$ 535,831

* Capital assets consist of mineral exploration and development properties, property, plant and equipment, and investments in Tenke Fungurume. Capital assets from discontinued operations are in Portugal.

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

22. COMMITMENTS AND CONTINGENCIES

- a) The Company's wholly-owned subsidiary, Somincor, has entered into the following commitments:
- Royalty payments under a fifty year concession agreement to pay the greater of 10% of net income or 0.75% of mine-gate production revenue. Royalty costs for the year ended December 31, 2009 were \$6.7 million (2008 - \$3.4 million);
 - Port facilities rental payable to the port authority of Setubal and Sesimbra, Portugal for a thirty-year period beginning in 1996 at an annual cost of \$0.2 million per year;
 - Use of the railways under a railway transport agreement for ten years expiring in November 2010 at an estimated annual cost of \$4.5 million per year;
 - Setubal bulk terminal land and use license commitments totaling approximately \$0.7 million per year for the duration of the life of the terminal facilities.
- b) Royalty payments relating to the Aguablanca mine are 2% of net sales. Royalty costs for the year ended December 31, 2009 were \$2.5 million (2008 - \$2.3 million)
- c) A Swedish bank issued a bank guarantee to the Swedish authorities in the amount of \$11.1 million (SEK 80.0 million) relating to the future reclamation costs at the Zinkgruvan mine. The Company has agreed to indemnify the Swedish bank for this guarantee.
- d) As disclosed in Note 15, under agreements with Silver Wheaton, the Company has agreed to deliver all future production of silver contained in concentrate produced from the Zinkgruvan and Neves-Corvo mines. The Silver Wheaton agreement with the Zinkgruvan mine includes a guaranteed minimum delivery of 40 million ounces of silver over an initial 25 year term. If at the end of the initial term the Company has not met its minimum obligation, it must pay \$1.00 to Silver Wheaton for each ounce of silver not delivered. An aggregate total of 9,336,989 ounces has been delivered since the inception of the contract in 2004.
- e) Bonus transfer payments of \$3.0 million are to be made on the first and second anniversaries of commercial production of the Tenke Fungurume Mine.
- f) The Company provides certain letters of credit and guarantees for \$10.3 million worth of contracts entered into by TFM. These letters of credit expire between 2010 and 2012.
- g) The Company is a party to certain contracts relating to leases, office rent and capital commitments. Future minimum payments under these agreements as at December 31, 2009 are as follows:

2010	\$	2,243
2011		2,050
2012		1,401
2013		497
2014 and thereafter		1,762
Total	\$	7,953

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

23. FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying value of certain financial instruments maturing in the short-term approximates their fair value. These financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The Company calculates fair values based on the following methods of valuation and assumptions:

Embedded derivatives in trade receivables – The fair values of embedded derivatives on provisional sales are valued using quoted market prices based on forward LME price;

AFS securities – The fair value of AFS securities is based on quoted market price;

Derivative contracts – The fair value is determined using a valuation model that incorporates the prevailing forward price of interest rates and the price and volatility of the commodity; and

Long-term debt and other long-term liabilities – The Company considers fair value to equal carrying value which is equivalent to the amount payable on the consolidated balance sheet dates.

CICA Handbook Section 3862 requires disclosure of a three level hierarchy for fair value measurements based upon transparency of inputs to the valuation of a financial asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Quoted market price in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 – Inputs for the assets or liabilities that are not based on observable market data

		Level 1		Level 2		Level 3
Embedded derivatives in trade receivables	\$	23,734	\$	-	\$	-
AFS securities		39,539		-		-
Derivative contracts		-		(40,557)		-
	\$	63,273	\$	(40,557)	\$	-

The carrying values of the financial instruments approximate their fair values.

24. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, foreign exchange risk, commodity price risk and interest rate risk.

Concentration of credit risk

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Company. The Company believes that its maximum exposure to credit risk as at December 31, 2009 is the carrying value of its trade receivables.

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

Concentrate produced at the Company's Neves-Corvo, Zinkgruvan and Galmoy mines is sold to a small number of strategic customers with whom the Company has established long-term relationships. Limited amounts are occasionally sold to metals traders on an ad hoc basis. Production from the Aguablanca mine is sold to a trading company under a long term contract expiring in April 2010. The payment terms vary and provisional payments are normally received within 2-4 weeks of shipment, in accordance with industry practice, with final settlement up to four months following the date of shipment. Sales to metals traders are made on a cash up-front basis. The failure of any of the Company's strategic customers could have a material adverse effect on the Company's financial position. For the year ended December 31, 2009, the Company derives approximately 52% (2008 - 60%) of its revenue from five (2008 - three) major customers.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with its financial liabilities and other contractual obligations.

The Company has in place a planning and budgeting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there is sufficient committed capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company has in place a three-year, fully revolving credit facility to meet its cash flow needs (Note 13).

The maturities of the Company's financial liabilities are as follows:

	Within 1 year	1 to 5 years
Accounts payable and accrued liabilities	\$ 107,708	\$ -
Derivative contracts	40,557	-
Long-term debt	1,255	184,940
Outstanding, December 31, 2009	\$ 149,520	\$ 184,940

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's risk management objective is to reduce cash flow risk related to foreign denominated cash flows. The Company is exposed to currency risk related to changes in rates of exchange between the US dollar and the local currencies of the Company's principal operating subsidiaries. The Company's revenues and certain debt are denominated in US dollars, while most of the Company's operating and capital expenditures are denominated in the local currencies. A significant change in the currency exchange rates between the US dollar and foreign currencies could have a material effect on the Company's net income and on other comprehensive income.

As at December 31, 2009, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars but held by group companies that report in Euros, Swedish Krona and Canadian dollars:

	US Dollar
Cash and cash equivalents	\$ 77,615
Other working capital items	\$ 168,752
Long-term debt	\$ (145,200)

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

Commodity price risk

The Company is subject to price risk associated with fluctuations in the market prices for metals.

The Company may, at its election, use forward or derivative contracts to manage its exposure to changes in commodity prices, the use of which is subject to appropriate approval procedures. As at December 31, 2009, the Company has outstanding contractual obligations for 22,577 tonnes of copper which expire monthly until July 2010 (Note 16). The Company is also subject to price risk on its derivatives profile and on the final settlement of its trade receivables.

The sensitivity of the Company's financial instruments recorded as at December 31, 2009 before considering the effect of increased metal prices on smelter treatment charges is as follows:

	Price on December 31, 2009 (\$US/tonne)	Change	Effect on pre-tax earnings (\$ millions)
Copper	7,346	+10%	16.1
Zinc	2,570	+10%	4.5
Lead	2,395	+10%	2.9
Nickel	18,480	+10%	6.6

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk arises both from the interest rate impact on its cash and cash equivalents as well as on its debt facilities. There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any short-term investments included in cash and cash equivalents as they are generally held to maturity with large financial institutions. The Company does not own any asset-backed commercial paper.

As at December 31, 2009, holding all other variables constant and considering the Company's outstanding debt of \$190.9 million, a 1% change in the interest rate would result in an approximate \$1.8 million interest expense on an annualized basis.

25. MANAGEMENT OF CAPITAL RISK

The Company's objectives when managing its capital include ensuring a sufficient combination of positive operating cash flows and debt and equity financing in order to meet its ongoing capital development and exploration programs in a way that maximizes the shareholder return given the assumed risks of its operations while at the same time safeguarding the Company's ability to continue as a going concern. The Company considers the following items as capital: shareholders' equity and long-term debt.

Through the ongoing management of its capital, the Company will modify the structure of its capital based on changing economic conditions in the jurisdictions in which it operates. In doing so, the Company may issue new shares or debt, buy back issued shares or pay off any outstanding debt, or make changes to its portfolio of strategic investments. The Company's current policy is to not pay out dividends but to reinvest its earnings in the business.

LUNDIN MINING CORPORATION

Notes to consolidated financial statements

For the years ended December 31, 2009 and 2008

(Tabular amounts in thousands of US dollars, except for share and per share amounts)

Planning, including life-of-mine plans, annual budgeting and controls over major investment decisions are the primary tool used to manage the Company's capital. Updates are made as necessary to both capital expenditure and operational budgets in order to adapt to changes in risk factors of proposed expenditure programs and market conditions within the mining industry.

The net debt to shareholders' equity as at December 31, 2009 and 2008 is calculated as follows:

	2009	2008
Debt and capital leases - current and long-term	\$ 190,888	\$ 315,216
Less: Cash and cash equivalents	(141,575)	(169,698)
	49,313	145,518
Shareholders' Equity	\$ 2,915,242	\$ 2,603,724
Net debt to Shareholders' Equity	1.7%	5.6%

26. SUPPLEMENTAL CASH FLOW INFORMATION

	2009	2008
Changes in non-cash working capital items consist of:		
Accounts receivable and other current assets	\$ (34,839)	\$ 41,846
Accounts payable and other current liabilities	(64,417)	(92,495)
	\$ (99,256)	\$ (50,649)
Operating activities included the following cash payments		
Interest paid	\$ 15,487	\$ 11,464
Income taxes paid	\$ 37,794	\$ 142,501

27. SUBSEQUENT EVENTS

On February 10, 2010, the Company announced that it entered into an agreement for the sale of the Salave gold project in northern Spain. Upon closing the Company will receive an up-front payment of €500,000 and 5,296,688 shares in the purchaser, Dagilev Capital Corp ("DCC") representing 19.99% of the issued and outstanding shares of DCC immediately following the completion of the transaction. The Company is also entitled to contingent consideration of €20 million, to be received upon the receipt by DCC of all necessary approvals to construct and operate an open pit mining operation to produce a minimum of 800,000 ounces of gold. The sale is conditional on several factors being satisfied in addition to regulatory approvals. If underlying conditions are satisfied, the sale is expected to close on or about March 17, 2010.

The project was acquired by the Company in August 2007 through its purchase of Rio Narcea and assessed a fair value of €35 million at that time. The Company has assessed the carrying value in relation to an estimate of the fair value of the proceeds to be received at the date of closing and has recorded a write-down of \$53.0 million (\$37.1 million after tax) to reflect the estimated impairment as at December 31, 2009.

Lundin Mining Corporation

CONSOLIDATED BALANCE SHEETS

As at December 31, 2009 and 2008

(Unaudited - in thousands of US dollars)

	2009	2008
ASSETS		
Current		
Cash and cash equivalents	\$ 141,575	\$ 169,698
Accounts receivable	195,370	74,411
Inventories	27,519	40,081
Prepaid expenses	3,541	8,052
	368,005	292,242
Reclamation funds and restricted cash	67,076	58,385
Mineral properties, plant and equipment	1,310,287	1,351,584
Investment in Tenke Fungurume	1,633,740	1,576,743
Investments and other assets	42,508	66,987
Future income tax assets	68,707	52,102
Goodwill	249,820	242,519
Assets of discontinued operations	-	63,940
	\$ 3,740,143	\$ 3,704,502
LIABILITIES		
Current		
Accounts payable	\$ 59,473	\$ 151,087
Accrued liabilities	48,235	44,353
Income taxes payable	14,657	1,648
Current portion of long term debt and capital leases	2,536	306,973
Current portion of asset retirement obligations	5,830	-
Current portion of deferred revenue	5,667	3,465
Derivative contracts	40,557	-
	176,955	507,526
Long-term debt and capital leases	188,352	8,243
Other long-term liabilities	11,936	16,252
Deferred revenue	72,230	75,665
Provision for pension obligations	16,385	14,359
Asset retirement obligations and other provisions	120,954	109,530
Future income tax liabilities	238,089	262,650
Liabilities of discontinued operations	-	106,553
	824,901	1,100,778
SHAREHOLDERS' EQUITY		
Share capital	3,480,487	3,331,309
Contributed surplus	30,415	24,758
Accumulated other comprehensive income	265,051	182,074
Deficit	(860,711)	(934,417)
	2,915,242	2,603,724
	\$ 3,740,143	\$ 3,704,502

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited - in thousands of US dollars, except for share and per share amounts)

	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008	2009	2008
Sales	\$ 256,703	\$ 43,536	\$ 745,989	\$ 835,294
Operating costs	(98,807)	(84,804)	(340,321)	(436,633)
Accretion of asset retirement obligations and other provisions	(2,377)	(15,882)	(6,918)	(25,931)
Selling, general and administration	(2,454)	(7,465)	(19,960)	(39,556)
Stock-based compensation	(887)	(1,190)	(5,629)	(9,926)
Income (loss) from continuing operations before undernoted	152,178	(65,805)	373,161	323,248
Depreciation, depletion and amortization	(41,449)	(40,067)	(170,004)	(202,317)
General exploration and project investigation	(6,711)	(12,318)	(22,645)	(38,876)
Interest and bank charges	(3,685)	(4,602)	(15,027)	(14,725)
Foreign exchange gain (loss)	5,468	(14,356)	14,430	(14,726)
Loss on derivative contracts	(27,417)	(825)	(61,496)	(91)
Income (loss) from equity investment in Tenke Fungurume	5,613	(2,171)	297	(2,171)
Goodwill and long-lived asset impairment	(53,042)	(540,066)	(53,042)	(760,188)
Impairment of available-for-sale ("AFS") securities	-	(144,077)	-	(144,077)
Gain (loss) on sale of AFS securities	11,951	-	11,951	(1,320)
Loss on sale of investment	-	-	(18,661)	-
Other income and expenses	2,129	725	5,900	4,796
Income (loss) from continuing operations before income taxes	45,035	(823,562)	64,864	(850,447)
Current income tax (expense) recovery	(24,408)	22,063	(51,106)	(29,677)
Future income tax recovery	14,482	93,817	54,375	160,130
Income (loss) from continuing operations	35,109	(707,682)	68,133	(719,994)
(Loss) gain from discontinued operations, net of income taxes	-	(20,774)	5,573	(237,067)
Net income (loss)	\$ 35,109	\$ (728,456)	\$ 73,706	\$ (957,061)
Basic and diluted income (loss) per share				
from continuing operations	\$ 0.06	\$ (1.72)	\$ 0.12	\$ (1.82)
from discontinued operations	-	(0.05)	0.01	(0.60)
Basic and diluted income (loss) per share	\$ 0.06	\$ (1.77)	\$ 0.13	\$ (2.41)
Weighted average number of shares outstanding				
Basic	579,585,417	412,476,706	550,000,833	396,416,414
Diluted	579,969,414	412,476,706	550,045,231	396,416,414

LUNDIN MINING CORPORATION**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Unaudited - in thousands of US dollars)

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2009	2008	2009	2008
Net income (loss)	\$ 35,109	\$ (728,456)	\$ 73,706	\$ (957,061)
Other comprehensive income (loss), net of taxes				
Change in fair value of AFS securities	5,577	(28,702)	38,274	(128,793)
Reclassification adjustment of gains and losses included in net income (loss)	(8,506)	-	(8,506)	(263)
Impairment of AFS securities	-	143,222	-	143,222
Cumulative foreign currency translation adjustment	(30,986)	(46,404)	53,209	(103,393)
	(33,915)	68,116	82,977	(89,227)
Comprehensive income (loss)	\$ 1,194	\$ (660,340)	\$ 156,683	\$ (1,046,288)

LUNDIN MINING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - in thousands of US dollars)

	Three months ended December 31,		Twelve months ended December 31,	
	2009	2008	2009	2008
Cash provided by (used in)				
Operating activities				
Net income (loss)	\$ 35,109	\$ (728,456)	\$ 73,706	\$ (957,061)
Items not involving cash				
Accretion of asset retirement obligations and other provisions	3,099	21,195	6,918	25,931
Stock-based compensation	887	1,190	5,629	9,926
Depreciation, depletion and amortization	41,449	40,067	170,004	202,317
Unrealized foreign exchange (gain) loss	(13,786)	24,555	(33,400)	17,815
Unrealized loss on derivative contracts	13,410	2,903	41,059	(10,503)
(Income) loss from equity investment in Tenke Fungurume	(5,613)	2,171	(297)	2,171
Goodwill and long-lived asset impairment	53,042	589,626	53,042	970,660
Impairment of AFS securities	-	144,077	-	144,077
(Gain) loss on sale of AFS securities	(11,951)	-	(11,951)	1,320
Loss on sale of investment	-	-	18,661	-
Future income tax recovery	(14,482)	(121,996)	(54,375)	(134,122)
Gain on disposition of Aljustrel	-	-	(5,573)	-
Provision for pension obligations	1,399	(3,662)	1,615	1,651
Recognition of deferred revenue	(1,769)	(1,572)	(5,689)	(6,796)
Other	3,585	831	1,048	3,668
Reclamation payments	(3,150)	(696)	(20,647)	(3,811)
Reclamation fund contributions	(2,309)	-	(2,309)	(780)
Pension payments	(790)	360	(790)	(785)
Changes in non-cash working capital items	(1,128)	75,859	(99,256)	(50,649)
	97,002	46,452	137,395	215,029
Investing activities				
Investment in mineral properties, plant and equipment	(35,950)	(59,696)	(128,319)	(274,446)
Investments in Tenke Fungurume	(3,000)	(46,000)	(56,700)	(264,100)
Investments in AFS securities	-	-	(2,936)	(4,675)
Proceeds from sale of investments and other assets	19,551	-	23,051	48,904
Cash outlay on disposition of Aljustrel	-	-	(20,979)	-
Other	44	11,717	57	10,024
	(19,355)	(93,979)	(185,826)	(484,293)
Financing activities				
Debt repayments	(44,950)	(2,295)	(164,547)	(136,010)
Proceeds from long-term debt	39,483	90,089	39,483	374,458
Common shares issued	137	111,361	149,258	111,980
Common share buyback	-	-	-	(17,974)
Other	(4,424)	-	(421)	-
	(9,754)	199,155	23,773	332,454
Effect of foreign exchange on cash balances	8,497	(26,678)	(3,465)	(26,105)
Increase (decrease) in cash and cash equivalents during the period	76,390	124,950	(28,123)	37,085
Cash and cash equivalents, beginning of period	65,185	45,342	169,698	133,207
Cash and cash equivalents, discontinued operations	-	(594)	-	(594)
Cash and cash equivalents, end of period	\$ 141,575	\$ 169,698	\$ 141,575	\$ 169,698

LUNDIN MINING CORPORATION

Segmented Information - Operational

For the three months ended December 31, 2009

(Unaudited - in thousands of US dollars)

	Tenke						Total
	Neves Corvo	Zinkgruvan	Aguablanca	Galmoy	Fungurume	Other	
Sales	\$ 163,755	\$ 52,167	\$ 41,256	\$ (475)	\$ -	\$ -	\$ 256,703
Income (loss) before undernoted	106,619	32,502	17,907	373	-	(5,223)	152,178
Depreciation, depletion and amortization	(36,212)	(3,860)	(1,161)	(17)	-	(199)	(41,449)
General exploration and project investigation	(3,760)	(15)	(256)	-	-	(2,680)	(6,711)
Interest and bank charges	(520)	(64)	(764)	-	-	(2,337)	(3,685)
Foreign exchange gain (loss)	3,298	2,153	347	(3)	-	(327)	5,468
Loss on derivative contracts	(27,417)	-	-	-	-	-	(27,417)
Income from equity investment in Tenke Fungurume	-	-	-	-	5,613	-	5,613
Goodwill and long-lived asset impairment	-	-	-	-	-	(53,042)	(53,042)
Gain on sale of AFS securities	-	-	-	-	-	11,951	11,951
Other income and expenses	(2,980)	496	5,002	76	(1,500)	1,035	2,129
Income tax (expense) recovery	(17,316)	4,407	11,860	236	-	(9,113)	(9,926)
Net income (loss)	\$ 21,712	\$ 35,619	\$ 32,935	\$ 665	\$ 4,113	\$ (59,935)	\$ 35,109
Capital assets*	\$ 1,044,360	\$ 190,330	\$ 68,315	\$ 6,243	\$ 1,633,740	\$ 1,039	\$ 2,944,027
Total segment assets	\$ 1,463,122	\$ 321,232	\$ 234,972	\$ 38,614	\$ 1,633,740	\$ 48,463	\$ 3,740,143
Capital expenditures	\$ 25,054	\$ 11,086	\$ (233)	\$ 83	\$ 3,000	\$ (40)	\$ 38,950

For the three months ended December 31, 2008

	Tenke						Total
	Neves Corvo	Zinkgruvan	Aguablanca	Galmoy	Fungurume	Other	
Sales	\$ 15,500	\$ 11,065	\$ 8,917	\$ 7,938	\$ -	\$ 116	\$ 43,536
Loss before undernoted	-	-	-	-	-	-	-
Depreciation, depletion and amortization	(20,226)	(2,136)	(13,927)	(20,347)	-	(9,169)	(65,805)
General exploration and project investigation	(24,151)	(4,896)	(10,742)	(1,658)	-	1,380	(40,067)
Interest and bank charges	(4,512)	4	(6,227)	(503)	-	(1,080)	(12,318)
Foreign exchange gain (loss)	(838)	(19)	(436)	-	-	(3,309)	(4,602)
Loss on derivative contracts	3,672	2,037	(2,440)	184	-	(17,809)	(14,356)
Loss from equity investment in Tenke Fungurume	-	(477)	-	-	-	(348)	(825)
Impairment charges	-	-	-	-	(2,171)	-	(2,171)
Impairment charges	(86,888)	-	(367,027)	(51,303)	-	(178,925)	(684,143)
Other income and expenses	(86,888)	-	(367,027)	(51,303)	-	(178,925)	(684,143)
Other income and expenses	5,740	680	(1,246)	421	-	(4,870)	725
Income tax (expense) recovery	(31,100)	9,305	69,842	1,517	-	66,316	115,880
Net (loss) income from continuing operations	\$ (158,303)	\$ 4,498	\$ (332,203)	\$ (71,689)	\$ (2,171)	\$ (147,814)	\$ (707,682)
Loss from discontinued operations	-	-	-	-	-	(20,774)	(20,774)
Net (loss) income	\$ (158,303)	\$ 4,498	\$ (332,203)	\$ (71,689)	\$ (2,171)	\$ (168,588)	\$ (728,456)
Capital assets*	\$ 1,110,874	\$ 158,177	\$ 127,985	\$ 7,327	\$ 1,576,743	\$ 2,380	\$ 2,983,486
Total segment assets	\$ 1,420,353	\$ 280,953	\$ 235,431	\$ 39,568	\$ 1,576,743	\$ 151,454	\$ 3,704,502
Capital expenditures	\$ 29,920	\$ 13,555	\$ 1,869	\$ 739	\$ 46,000	\$ 10,898	\$ 102,981

* Capital assets consist of mineral exploration and development properties, property, plant and equipment, and investments in Tenke Fungurume. Capital assets from discontinued operations are included in the "other" segment.

LUNDIN MINING CORPORATION

Segmented Information - Geographical

For the three months ended December 31, 2009

(Unaudited - in thousands of US dollars)

	Portugal	Sweden	Spain	Ireland	DRC	Other	Total
Sales	\$ 163,755	\$ 52,167	\$ 41,256	\$ (475)	\$ -	\$ -	\$ 256,703
Income (loss) before undernoted	106,619	31,663	17,907	373	-	(4,384)	152,178
Depreciation, depletion and amortization	(36,223)	(3,910)	(1,161)	(17)	-	(138)	(41,449)
General exploration and project investigation	(4,696)	(257)	(281)	(1,433)	-	(44)	(6,711)
Interest and bank charges	(524)	(1,736)	(764)	-	-	(661)	(3,685)
Foreign exchange gain (loss)	3,291	562	347	(3)	-	1,271	5,468
Loss on derivative contracts	(27,417)	-	-	-	-	-	(27,417)
Income from equity investment in Tenke Fungurume	-	-	-	-	5,613	-	5,613
Goodwill and long-lived asset impairment	-	-	(53,042)	-	-	-	(53,042)
Gain on sale of AFS securities	-	315	-	-	-	11,636	11,951
Other income and expenses	(3,122)	(535)	5,002	76	(1,500)	2,208	2,129
Income tax (expense) recovery	(17,112)	(4,485)	11,860	236	-	(425)	(9,926)
Net income (loss)	\$ 20,816	\$ 21,617	\$ (20,132)	\$ (768)	\$ 4,113	\$ 9,463	\$ 35,109
Capital assets*	\$ 1,043,362	\$ 191,257	\$ 68,315	\$ 6,243	\$ 1,633,740	\$ 1,110	\$ 2,944,027
Total segment assets	\$ 1,462,339	\$ 307,791	\$ 234,988	\$ 38,614	\$ 1,633,740	\$ 62,671	\$ 3,740,143
Capital expenditures	\$ 25,056	\$ 11,031	\$ (233)	\$ 83	\$ 3,000	\$ 13	\$ 38,950

For the three months ended December 31, 2008

	Portugal	Sweden	Spain	Ireland	DRC	Other	Total
Sales	\$ 15,500	\$ 11,181	\$ 8,917	\$ 7,938	\$ -	\$ -	\$ 43,536
Loss before undernoted	(18,415)	(3,310)	(14,014)	(20,347)	-	(9,719)	(65,805)
Depreciation, depletion and amortization	(24,179)	(4,961)	(10,742)	(1,658)	25	1,448	(40,067)
General exploration and project investigation	(3,973)	(1,386)	(6,236)	(503)	284	(504)	(12,318)
Interest and bank charges	(848)	(806)	(436)	-	5	(2,517)	(4,602)
Foreign exchange (loss) gain	2,483	(2,440)	(2,440)	184	-	(12,143)	(14,356)
Loss on derivative contracts	-	(825)	-	-	-	-	(825)
Loss from equity investment in Tenke Fungurume	-	-	-	-	(2,171)	-	(2,171)
Goodwill and long-live asset impairment	(89,817)	-	(367,027)	(51,302)	-	(175,997)	(684,143)
Other income and expenses	6,020	2,712	(1,237)	421	-	(7,191)	725
Income tax (expense) recovery	(31,226)	43,051	69,845	1,517	25	32,668	115,880
Net (loss) income from continuing operations	\$ (159,955)	\$ 32,035	\$ (332,287)	\$ (71,688)	\$ (1,832)	\$ (173,955)	\$ (707,682)
Loss from discontinued operations	(20,774)	-	-	-	-	-	(20,774)
Net loss (income)	\$ (180,729)	\$ 32,035	\$ (332,287)	\$ (71,688)	\$ (1,832)	\$ (173,955)	\$ (728,456)
Capital assets*	\$ 1,111,280	\$ 158,556	\$ 127,985	\$ 7,327	\$ 1,576,743	\$ 1,595	\$ 2,983,486
Total segment assets	\$ 1,421,332	\$ 301,582	\$ 235,906	\$ 39,568	\$ 1,576,743	\$ 129,371	\$ 3,704,502
Capital expenditures	\$ 29,890	\$ 13,555	\$ 1,869	\$ 739	\$ 46,000	\$ 10,928	\$ 102,981

* Capital assets consist of mineral exploration and development properties, property, plant and equipment, and investments in Tenke Fungurume. Capital assets from discontinued operations are in Portugal.

SUPPLEMENTARY INFORMATION

Significant differences between Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) and International Financial Reporting Standards (“IFRS”)

The shares of Lundin Mining Corporation (“Lundin Mining” or “the Company”) trade on the Toronto Stock Exchange and Lundin Mining’s Swedish Depository Receipts trade on the OMX Nordic Exchange (“OMX”) in Stockholm. Most companies that trade on the OMX are required to report in accordance with IFRS. However, as a Canadian company, Lundin Mining is required to report according to Canadian GAAP. The Company has reviewed the main differences between Canadian GAAP and IFRS and has identified the following items which would, or may, have a significant impact on the financial statements of Lundin Mining.

Under IFRS 3, future costs such as restructuring charges, which are expected to occur subsequent to an acquisition, should not be provided for in the purchase price allocation. Instead, these costs should be realized in the income statement when the costs actually occur. However, under Canadian GAAP, restructuring costs that are expected to occur as a result of an acquisition should be provided for in the purchase price allocation. Restructuring costs that arose during 2007, as a result of the acquisition of Rio Narcea, in the amount of \$3 million, were provided for in the purchase price allocation.

According to Canadian GAAP, an impairment test of long-lived assets should be carried out by comparing the future cash flows of the assets to their carrying values. Future cash flows are dependent on a number of assumptions, including, among other things, future metal prices, exchange rates and discount rates.

Under Canadian GAAP, a two step process is used to determine impairment. The first step, using undiscounted cash flows, is undertaken to determine if impairment exists. If the carrying values exceed the undiscounted cash flows, the second step measures the impairment using discounted cash flows. Under IAS 36, the test for impairment is not a two step process and impairment tests are undertaken using discounted cash flows only. This analysis may result in differing outcomes. The Company recorded impairment charges of for the years ended December 31, 2009 and 2008 respectively. Additionally, under Canadian GAAP, any impairments recognized are not permitted to be reversed at a future date, whereas under IFRS, there is a requirement to periodically review for reverse impairment indicators.

Under Canadian GAAP, when an asset is acquired other than in a business combination and the tax value is less than cost, the related future income tax liability is recognized on acquisition and added to the asset carrying value. Accordingly, under Canadian GAAP, the Company recognized future income tax liabilities of \$5 million on the Tenke acquisition. Under IAS 12, temporary tax differences on an asset purchase are not recognized.

Under IAS 39, once an available for sale equity investment is impaired, subsequent recoveries may be possible and would be recognized in equity. Under Canadian GAAP recoveries are not permitted.

Lundin Mining will be adopting IFRS effective January 1, 2011. As part of this conversion, the Company is performing detailed review of the conversion differences to IFRS and will continue to report these differences.

OTHER SUPPLEMENTARY INFORMATION

1. List of directors and officers at February 24, 2010:

(a) Directors:

Lukas H. Lundin, *Chairman*
William A. Rand, *Lead Director*
Philip J. Wright
Colin K. Benner
Brian D. Edgar
Dale C. Peniuk
David F. Mullen
Donald K. Charter
John H. Craig
Tony O'Reilly Jnr.

(b) Officers:

Lukas H. Lundin, *Chairman*
Philip Wright, *President and Chief Executive Officer*
João Carrêlo, *Executive Vice President and Chief Operating Officer*
Marie Inkster, *Chief Financial Officer*
Neil O'Brien, *Senior Vice President, Exploration and Business Development*
Paul Conibear, *Senior Vice President, Corporate Development*
Peter Nicoll, *Vice President Health, Safety, Environment and Community*
Mikael Schauman, *Vice President, Marketing*
Josephine McCabe, *Vice President, Human Resources*
Jinhee Magie, *Vice President, Finance*
James Ingram, *Corporate Secretary*

2. Financial Information

The report for the first quarter 2010 will be published on or before May 14, 2010.

3. Other information

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Toronto, ON M5H 1J9
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Telephone: +1 416 342 5560
Fax: +1 416 348 0303

Address (Operational office):
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70 Oathall Road
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RH16 3EL
United Kingdom
Telephone: +44 1 444 411 900
Fax: +44 1 444 456 901

Website: www.lundinmining.com.

The corporate number of the Company is 306723-8.

For further information, please contact:

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