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NEWS RELEASE

LUNDIN MINING FOURTH QUARTER AND FULL YEAR 2011 RESULTS

Toronto, February 22, 2012 (TSX: LUN; OMX: LUMI) Lundin Mining Corporation ("Lundin Mining" or the "Company") today reported net earnings of \$183.8 million (\$0.32 per share) for the fiscal year ended December 31, 2011 and \$42.5 million for the fourth quarter of 2011 (\$0.07 per share).

Paul Conibear, President and CEO commented, "We ended the year with a strong quarter of production, achieving record tonnages of ore mined and milled at both our Neves-Corvo and Zinkgruvan mines. These production records occurred in parallel to achieving the best annual safety record in the Company's history, attesting to improvements made in operations company wide.

The successful start up of the expanded zinc plant at Neves-Corvo in mid-2011 has positioned the mine to become a significant by-product producer of zinc. In parallel we advanced other internal growth studies to develop strategies to access deeper Lombador mineralization and the exploitation of Semblana. We also have committed to our largest exploration program ever for 2012 to extract value from the multiple new high potential exploration targets in and around Neves-Corvo.

Internally we have staffed up in our corporate development, technical and project execution capabilities and have begun to evaluate new growth opportunities.

Tenke finished the year with strong production results and we are very excited about construction progress being made on the Phase II expansion. The significant contribution this outstanding copper operation makes to the Company is becoming quite evident and several catalysts for increasing asset value in the year ahead are expected as expanded production milestones are achieved.

As the year progressed the Company achieved improved operating cashflow, and we ended the year with a healthy balance sheet and a strong net cash position."

Summary financial results for the quarter and year are as follows:

US \$ millions (except per share amounts)	Three Months Ended December 31 ¹		Year Ended December 31 ¹	
	2011	2010	2011	2010
Sales	242.1	309.3	783.8	849.2
Operating earnings ²	129.3	192.3	373.8	461.7
Net earnings	42.5	146.1	183.8	306.3
Basic & diluted earnings per share	0.07	0.25	0.32	0.53
Cash provided by operations	120.3	67.9	308.7	276.1
Net cash position at December 31	236.1	159.2	236.1	159.2

¹ The prior year comparative figures have been restated in accordance with the transition to IFRS.

² Operating earnings is a non-IFRS measure defined as sales, less operating costs (excluding depreciation) and general and administrative costs.

Highlights

A strong fourth quarter of production generated higher than guided copper production while zinc and lead production ended the year essentially in line with expectations.

- At Neves-Corvo, ore mined and milled reached record levels. For five consecutive years, Neves-Corvo has exceeded the previous year's volume of copper ore mined.
- Zinkgruvan also reached new record levels of ore mined and milled and it ended the year with its best quarter of zinc and copper production.
- At Aguablanca, significant progress has been made in re-establishing the pit ramp ahead of restart of nickel/copper mining operations scheduled for the second half 2012.
- Mining of remnant high grade ore and associated profits from Galmoy continued throughout the year and this provided a better than expected contribution to the Company's cash position.
- Regarding safety performance, in 2011, Total Recordable Incident Frequency was the lowest in the Company's history at 1.61. A similar reduction was achieved in the frequency of Lost Time Incidents for the year.
- The Company also achieved successful environmental performance with no significant incidents during the year.

Total production, compared to the latest guidance and prior years, was as follows:

	Years ended December 31				
	2011 Actual	2011 Guidance	2010 Actual	2009 Actual	2008 Actual
Copper (tonnes)	75,877	71,500	80,035	93,451	97,944
Zinc (tonnes)	111,445	111,500	90,129	101,401	151,157
Lead (tonnes)	41,130	42,000	39,568	43,852	44,799
Nickel (tonnes)	nil	nil	6,296	8,029	8,136
Copper (tonnes) Tenke attributable (24.75%)	31,523	30,400	29,767	17,325	-

- Operating earnings¹ decreased by \$87.9 million from \$461.7 million in 2010 to \$373.8 million in 2011 and sales decreased from \$849.2 million in 2010 to \$783.8 million in 2011. Both the decreases in sales and operating earnings¹ were largely attributable to the suspension of operations at Aguablanca which had a negative impact of \$60.8 million on comparative operating earnings and \$131.7 million on sales.
- Excluding Aguablanca, operating earnings for the year were \$390.5 million, only \$27.1 million lower than the \$417.6 million attributable to 2010. Favourable price and price adjustments (\$40.8 million) and higher sales volume (\$18.8 million) were more than offset by the effect of higher costs of \$61.3 million. In addition, the € and SEK both strengthened against the US dollar in 2011 compared to 2010, resulting in a further increase in operating costs of \$25.4 million.
- Sales, excluding Aguablanca, increased by \$66.3 million from \$719.4 million in 2010 to \$785.7 million in 2011. Higher metal prices (\$40.8 million) and an increase in sales volume (\$25.5 million), particularly at Galmoy, contributed to the overall increase.

Average 2011 metal prices for copper and lead were higher by 17% and 12%, respectively, while the average price for zinc remained relatively unchanged compared to 2010.

¹ Operating earnings is a non-IFRS measure defined as sales, less operating costs (excluding depreciation) and general and administrative costs.

- Operating costs (excluding depreciation) increased by \$14.7 million year on year; excluding Aguablanca, the increase was \$85.5 million and is primarily attributable to:
 - Neves-Corvo (\$53.4 million): higher production cost in 2011 associated with the mining of lower grade ore and the increased use of contractors, partially offset by a one-time prior period royalty charge in 2010 of \$8.1 million;
 - Zinkgruvan (\$25.4 million): higher unit costs and the strengthening of the SEK against the US dollar; and
 - Galmoy (\$6.7 million): more than doubling of ore mined and metal produced.
- General and administrative expenses increased by \$7.8 million. Corporate development costs of \$6.8 million were incurred in 2011 associated with the planned merger with Inmet Mining Corporation (“Inmet”), responding to Equinox Mineral Limited’s (“Equinox”) unsolicited take-over bid and the Company’s subsequent strategic review.
- Net earnings of \$183.8 million (\$0.32 per share) were \$122.5 million less than the \$306.3 million (\$0.53 per share) reported in 2010. In addition to lower operating earnings¹ of \$87.9 million, the decrease in net earnings was related to:
 - higher depreciation (\$31.9 million) as a result of increase in ore mined, commissioning of the new zinc expansion at Neves-Corvo and the new copper mill at Zinkgruvan;
 - lower net finance income (\$49.2 million) due to higher revaluation gain on marketable securities of \$39.9 million and gain on derivatives contracts of \$10.2 million recorded in 2010; and
 - goodwill impairment of \$35.7 million related to Aguablanca; partially offset by
 - increase in equity earnings from investment in Tenke Fungurume (\$18.8 million), and lower income taxes.
- Cash flow from operations for the year was \$308.7 million compared to \$276.1 million for 2010. The decrease in operating earnings¹ of \$87.9 million is offset by the net increase in non-cash working capital change of \$89.1 million. Also, included in 2010 is the cash outflow of \$30.6 million that the Company paid to settle its derivative contracts.
- An impairment analysis on the Aguablanca operation concluded that the recoverable value of the mine’s net assets were lower than their carrying value. Accordingly, a \$35.7 million impairment loss was measured and was allocated to goodwill during the fourth quarter of 2011.
- In August, a new mine contractor was mobilized at Aguablanca to commence pit push-backs and reinstatement of the pit haul ramp. The restart of Aguablanca concentrate production is expected in the second half of 2012. An underground mining study was also initiated intended to define potential high grade underground feed to supplement open pit production.
- The Neves-Corvo Zinc Expansion project was completed in July 2011 on budget and on schedule. Given the continued high price ratio of copper to zinc, this new circuit was converted to processing copper ore until the end of the year for better margins.
- In September 2011, the Company released the results of a Feasibility Study on the Lombador Phase I development demonstrating that the exploitation of the upper portions of the Lombador zinc/copper ore bodies could extend the mine life to at least 2026 and create a platform for further extensions. The optimal development plan for Lombador is being further examined in conjunction with assessing exploitation concepts for the Semblana copper discovery.

¹ Operating earnings is a non-IFRS measure defined as sales, less operating costs (excluding depreciation) and general and administrative costs.

Initial results of the Future Underground Materials Handling Study indicated two preferred options to pursue the exploitation of the deeper portions of the Lombador copper/zinc resource and the Semblana copper deposit (see news release dated January 23, 2012 entitled "Lundin Mining Reports on Neves-Corvo Future Underground Materials Handling Study"). Additional review is underway, taking into account ongoing exploration results, to further assess the two options.

Tenke Fungurume

- Another milestone at Tenke Fungurume was achieved through the formal announcement of the advancement of the \$850 million Phase II Expansion which will bring total production capability to 195,000 tonnes per annum ("tpa") of copper cathode with associated cobalt. The expansion includes the completion of mill upgrades, acquisition of additional mining equipment and construction of a new tankhouse. Construction on this major expansion was well advanced by 2011 year end and is tracking on schedule and on budget, targeting completion in first quarter 2013.
- Milling facilities at the Tenke Fungurume mine continued to perform well with throughput averaging 11,100 metric tons of ore per day in 2011.
- For the year ended December 31, 2011, Tenke produced 127,367 tonnes of copper and sold 128,284 tonnes at an average realized price of \$3.74 per pound. During the year, 11,182 tonnes of cobalt in hydroxide was produced and 11,515 tonnes were sold at an average realized price of \$9.99 per pound.
- Attributable operating cash flow at Tenke Fungurume for 2011 was \$149.4 million.
- During the third quarter of 2011, the Excess Overrun Cost facility ("EOC facility"), related to the Company's proportionate share of the Phase I development at Tenke, was fully repaid enabling the Company's share of ongoing surplus cash from operations to be utilized to fund the Phase II Expansion.

Attributable net cash flow from Tenke, including repayments of the EOC facility, was as follows:

(US\$ millions)	Three months ended Dec 31		Year ended Dec 31	
	2011	2010	2011	2010
Cash advances to Tenke	(34.5)	(7.6)	(64.5)	(30.5)
Distributions from Tenke	-	-	7.8	-
Repayments on EOC facility	-	40.4	108.4	118.7
Attributable net cash (outflow) inflow	(34.5)	32.8	51.7	88.2

Financial Position and Financing

- Net cash¹ at December 31, 2011 was \$236.1 million¹ compared to a net cash¹ position \$159.2 million at the end of 2010.
- The \$76.9 million increase in net cash during the year was primarily attributable to cash flow from operations (\$308.7 million), including \$54.8 million generated from working capital offset by: investment in mineral property, plant and equipment (\$179.1 million), investment in Tenke Fungurume expansion and sustaining capital works (\$64.5 million) and net repayment of debt (\$10.5 million). Cash on hand at December 31, 2011 was \$265.4 million.

¹ Net cash/debt is a non-IFRS measure defined as available unrestricted cash less long-term debt and finance leases.

Outlook

2012 Production and Cost Guidance

- 2012 production targets and a three year production look ahead for wholly-owned operations remains unchanged from the guidance provided on December 12, 2011 (see news release entitled “Lundin Mining Provides Operating Outlook for 2012-2014”). 2012 guidance is as follows:

(contained tonnes)		2012 Guidance	
		Tonnes	C1 Cost ^{1,2}
Neves-Corvo	<i>Cu</i>	52,500 – 57,000	1.80
	<i>Zn</i>	30,000 – 40,000	
Zinkgruvan	<i>Zn</i>	75,000 – 81,000	0.25
	<i>Pb</i>	34,000 – 39,000	
	<i>Cu</i>	2,000 – 3,000	
Galmoy ³ (in ore)	<i>Zn</i>	4,000 – 4,500	
	<i>Pb</i>	500 – 1,000	
Aguablanca	<i>Ni</i>	500 – 1,000	
	<i>Cu</i>	500 – 1,000	
Total: Wholly-owned operations	<i>Cu</i>	55,000 – 61,000	
	<i>Zn</i>	109,000 – 125,500	
	<i>Pb</i>	34,500 – 40,000	
	<i>Ni</i>	500 – 1,000	
Tenke: 24.0% attributable share ⁴	<i>Cu</i>	31,560	1.13

¹ Cash costs remain dependent upon exchange rates (€/USD: 1.35, USD/SEK: 6.50) and metal prices (Cu: \$3.50, Zn: \$0.95).

² Cash cost is a non-IFRS measure reflecting the sum of direct costs less by-product credits.

³ Production tonnage is based on a 50% attributable-share to Lundin Mining.

⁴ Freeport-McMoRan Copper & Gold Inc. (“Freeport”) has provided 2012 sales guidance which is assumed to approximate Tenke’s production. Lundin Mining anticipates production from Tenke’s attributable share will be reduced to 24.0% from 24.75% after obtaining approval of the modifications to the bylaws.

- Neves-Corvo:** Copper production is expected to be reduced from previous years as remaining reserves are lower grade stockworks which provide for less predictable ore characteristics, lower recoveries and higher costs. Zinc production is expected to be at least 30,000 tonnes.
- Zinkgruvan:** Zinc, lead and copper production are expected to see modest increases compared to 2011 with further upside potential depending on plant de-bottlenecking initiatives.
- Aguablanca:** Production is expected to resume in the second half of 2012. Reserves represent approximately five years of production, averaging 7,500 tonnes of nickel and 6,500 tonnes of copper per annum.
- Galmoy:** High grade mining is expected to conclude in the first half of 2012, with sales continuing to be recognized into early 2013 as stockpiled ore is milled at a third party processing facility.
- Tenke:** Freeport, the mine’s operator, expects sales of copper to increase to 131,500 tonnes with sales volumes of cobalt comparable to 2011. The Phase II expansion project to 195,000 tpa of copper cathode (production on a 100% basis) is expected to be completed in first quarter 2013.

2012 Capital Expenditure Guidance

Capital expenditures for 2012 are now expected to be \$370 million. This represents a \$40 million reduction from our previously released estimate of December 12, 2011. The change is a result of updated figures for new investment in Tenke, and our guidance now includes:

- **Sustaining capital in European operations:** \$95 million (2011 - \$127 million). The decrease is related to slightly lower sustaining capital expenditures at Neves-Corvo for the year ahead.
- **New investment capex in European operations:** \$65 million (2011 - \$52 million), consisting of:
 - Lombador Phase I (\$40 million) including underground development, final SAG mill delivery payments and other critical path items.
 - Neves-Corvo dam (\$13 million) related to tailings and water storage capacity increases.
 - Other plant improvements and debottlenecking initiatives (\$12 million) at both Neves-Corvo and Zinkgruvan.
- **New investment in Tenke:** Freeport expects the Phase II expansion at Tenke will be completed by the first quarter of 2013. Lundin Mining's share of expansion funding and sustaining capital funding may be up to \$210 million for 2012. As guided by Freeport, total capital expenditure for the Phase II Expansion is expected to be \$850 million. If metal prices remain strong, the capital spend is expected to be cash neutral to the Company, as Tenke's operating cash flows should be sufficient to meet this capital funding requirement.

Exploration Investment

Exploration expenditures are expected to increase from \$42.6 million in 2011 to \$50 million in 2012. Approximately \$34 million of this will be spent at Neves-Corvo, where a 90,000 metre surface drilling program is planned for 2012 which will continue to test resource expansion targets at Semblana in addition to drill-testing the multiple high priority targets recently identified within the Neves-Corvo near mine area. In addition, the 2012 exploration program is expected to test several greenfield targets in the Iberian region, as well as continued resource definition drilling at the Company's Clare and Lakelands exploration projects in Ireland.

Selected Quarterly and Annual Financial Information

(USD millions, except per share amounts)	Years ended December 31		
	2011	2010	2009 ⁵
Sales	783.8	849.2	746.0
Operating costs	(382.0)	(367.3)	(347.2)
General and administrative	(28.0)	(20.2)	(25.6)
Operating earnings¹	373.8	461.7	373.2
Depreciation, depletion and amortization	(153.8)	(121.9)	(170.0)
General exploration and project investigation	(42.6)	(23.6)	(22.6)
Income from equity investment in Tenke	94.7	75.9	0.3
Finance (costs) income, net	(13.1)	36.1	(74.3)
Other income (expenses), net	11.5	(2.0)	11.2
Impairment charges	(35.7)	-	(53.0)
Earnings from continuing operations before income taxes	234.8	426.2	64.8
Income tax (expense) recovery	(51.0)	(119.9)	3.3
Earnings from continuing operations	183.8	306.3	68.1
Gain from discontinued operations	-	-	5.6
Net earnings	183.8	306.3	73.7
Shareholders' equity	3,297.9	3,153.6	2,915.2
Cash flow from operations	308.7	276.1	137.4
Capital expenditures (incl. Tenke)	253.1	160.3	185.0
Total assets	3,864.3	3,826.3	3,740.1
Net cash (debt)²	236.1	159.2	(49.3)
Key Financial Data:			
Shareholders' equity per share ³	5.66	5.43	5.03
Basic and diluted earnings per share	0.32	0.53	0.13
Basic and diluted earnings per share from continuing operations	0.32	0.53	0.12
Dividends	-	-	-
Equity ratio ⁴	85%	82%	78%
Shares outstanding:			
Basic weighted average	582,074,865	579,924,538	550,000,833
Diluted weighted average	582,964,608	580,539,367	550,045,231
End of period	582,475,287	580,575,355	579,592,464

(\$ millions, except per share data)	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10
Sales	242.1	146.2	184.0	211.5	309.3	215.1	183.1	141.7
Operating earnings¹	129.3	48.7	82.2	113.6	192.3	121.5	82.1	65.8
Net earnings	42.5	12.4	57.7	71.2	146.1	66.0	42.3	51.9
Earnings per share⁶, basic and diluted	0.07	0.02	0.10	0.12	0.25	0.11	0.07	0.09
Cash flow from operations	120.3	(40.6)	96.8	132.2	67.9	51.1	70.8	86.3
Capital expenditure (incl. Tenke)	90.7	58.8	57.7	45.9	42.9	40.2	39.1	38.1
Net cash²	236.1	208.7	308.2	262.0	159.2	125.7	107.8	10.2

The 2011 annual consolidated financial statements and management's discussion and analysis are available on SEDAR (www.sedar.com) and the Company's website (www.lundinmining.com).

¹ Operating earnings is a non-IFRS measure defined as sales, less operating costs (excluding depreciation) and general and administration costs.

² Net cash is a non-IFRS measure defined as available unrestricted cash less long-term debt and finance leases.

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

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

⁵ Conversion to IFRS on January 1, 2011 requires the completion of IFRS compliant financial statements on a comparative basis with 2010. Financial results prior to 2010 remain unchanged and are reported in accordance with Canadian GAAP.

⁶ Earnings 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.

About Lundin Mining

Lundin Mining Corporation is a diversified 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 Neves-Corvo mine, along with an equity stake in the world-class Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo, which is undergoing expansion to 195,000 tpa copper cathode production.

On Behalf of the Board,

Paul Conibear
President and CEO

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Forward Looking Statements

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act. 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; receipt of final detailed documentation on by-law changes resulting from the contract review process and resolution of administrative disputes in the DRC; 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's 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, zinc, lead and nickel; 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.

Lundin Mining Corporation

CONSOLIDATED BALANCE SHEETS

	December 31, 2011	December 31, 2010	January 1, 2010
(Unaudited - in thousands of US dollars)			
ASSETS			
Current			
Cash and cash equivalents	\$ 265,400	\$ 198,909	\$ 141,575
Trade and other receivables	116,019	231,970	182,210
Income taxes receivable	6,869	1,850	13,160
Inventories	41,203	31,688	27,519
Prepaid expenses	4,047	5,038	3,541
	433,538	469,455	368,005
Non-Current			
Reclamation funds	54,392	61,559	67,076
Mineral properties, plant and equipment	1,242,126	1,249,339	1,301,179
Investment in Tenke Fungurume	1,886,537	1,735,148	1,628,753
Marketable securities and other assets	19,515	32,411	42,508
Deferred tax assets	37,848	45,591	72,882
Goodwill	190,369	232,813	249,820
	3,430,787	3,356,861	3,362,218
	\$ 3,864,325	\$ 3,826,316	\$ 3,730,223
LIABILITIES			
Current			
Trade and other accounts payable	\$ 72,192	\$ 70,976	\$ 59,473
Accrued liabilities	49,541	60,675	48,235
Income taxes payable	5,211	43,743	14,657
Current portion of long-term debt and finance leases	21,740	2,512	2,536
Current portion of reclamation and closure provisions	6,581	5,985	5,830
Current portion of deferred revenue	12,523	9,719	5,667
Derivative liabilities	-	-	40,557
	167,788	193,610	176,955
Non-Current			
Long-term debt and finance leases	7,606	37,152	188,352
Other long-term liabilities	5,745	10,881	11,936
Deferred revenue	68,514	67,957	72,230
Provision for pension obligations	18,525	18,816	16,385
Reclamation and closure provisions	103,046	111,408	122,849
Deferred tax liabilities	195,245	232,906	233,658
	398,681	479,120	645,410
	566,469	672,730	822,365
SHAREHOLDERS' EQUITY			
Share capital	3,497,006	3,485,814	3,480,487
Contributed surplus	29,450	30,312	29,843
Accumulated other comprehensive loss	(116,174)	(66,349)	-
Deficit	(112,426)	(296,191)	(602,472)
	3,297,856	3,153,586	2,907,858
	\$ 3,864,325	\$ 3,826,316	\$ 3,730,223

LUNDIN MINING CORPORATION**CONSOLIDATED STATEMENTS OF EARNINGS**

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

	Three months ended December 31,		Twelve months ended December 31,	
	2011	2010	2011	2010
Sales	\$ 242,130	\$ 309,267	\$ 783,786	\$ 849,223
Operating costs	(105,922)	(111,993)	(382,020)	(367,310)
Depreciation, depletion and amortization	(46,428)	(23,310)	(153,796)	(121,862)
General and administrative	(6,899)	(5,041)	(28,008)	(20,227)
General exploration and project investigation	(8,696)	(7,032)	(42,575)	(23,624)
Income from equity investment in Tenke Fungurume	20,561	35,609	94,681	75,874
Finance income and costs	(469)	13,577	(13,139)	36,142
Other income and costs	9,508	(8,013)	11,607	(1,978)
Impairment of goodwill	(35,726)	-	(35,726)	-
Earnings before income taxes	68,059	203,064	234,810	426,238
Current income tax expense	(25,553)	(55,595)	(77,841)	(85,193)
Deferred income tax (expense) recovery	(26)	(1,356)	26,796	(34,764)
Net earnings	\$ 42,480	\$ 146,113	\$ 183,765	\$ 306,281
Basic and diluted earnings per share	\$ 0.07	\$ 0.25	\$ 0.32	\$ 0.53
Weighted average number of shares outstanding				
Basic	582,475,287	579,889,803	582,074,865	579,924,538
Diluted	582,605,648	580,262,754	582,964,608	580,539,367

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

(Unaudited - in thousands of US dollars)

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2011	2010	2011	2010
Net earnings	\$ 42,480	\$ 146,113	\$ 183,765	\$ 306,281
Other comprehensive loss, net of taxes				
Cumulative foreign currency translation adjustment	(49,608)	(24,125)	(49,825)	(66,349)
Comprehensive (loss) income	\$ (7,128)	\$ 121,988	\$ 133,940	\$ 239,932

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

	Three months ended December 31,		Twelve months ended December 31,	
	2011	2010	2011	2010
Cash provided by (used in)				
Operating activities				
Net earnings	\$ 42,480	\$ 146,113	\$ 183,765	\$ 306,281
Items not involving cash				
Finance costs (income)	465	(10,559)	8,784	(38,863)
Share-based compensation	836	288	2,124	2,322
Depreciation, depletion and amortization	46,428	23,310	153,796	121,862
Foreign exchange loss (gain)	(733)	3,298	(5,370)	(3,938)
Income from equity investment in Tenke Fungurume	(20,561)	(35,609)	(94,681)	(75,874)
Deferred income tax expense (recovery)	26	1,356	(26,796)	34,764
Recognition of deferred revenue	(3,573)	(1,745)	(24,529)	(5,688)
Impairment of goodwill	35,726	-	35,726	-
Other	(4,649)	(6,764)	(5,397)	(4,748)
Reclamation payments	(178)	(1,432)	(2,700)	(5,882)
Pension payments	(339)	(253)	(1,293)	(858)
Prepayments received	7,902	3,698	30,443	3,698
Settlement of derivative contracts	-	-	-	(30,591)
Changes in non-cash working capital items	16,424	(53,846)	54,791	(26,402)
	120,254	67,855	308,663	276,083
Investing activities				
Investment in mineral properties, plant and equipment	(56,254)	(35,181)	(179,099)	(129,770)
Acquisition of exploration properties	-	-	(9,532)	-
Investment in Tenke Fungurume	(34,500)	(7,670)	(64,508)	(30,521)
Distribution from Tenke Fungurume	-	-	7,800	-
Changes in reclamation funds	2,766	57	5,563	(1,321)
Proceeds from sale of marketable securities	-	11,839	7,972	52,280
Proceeds from sale of investments	-	-	-	31,500
Other	768	(4,733)	934	1,235
	(87,220)	(35,688)	(230,870)	(76,597)
Financing activities				
Long-term debt repayments	(16,909)	(11,369)	(28,106)	(157,637)
Proceeds from long-term debt	-	-	17,592	-
Common shares issued	-	2,333	8,206	3,474
Other	(333)	-	(335)	(1,684)
	(17,242)	(9,036)	(2,643)	(155,847)
Effect of foreign exchange on cash balances	(6,610)	2,994	(8,659)	13,695
Increase in cash and cash equivalents during the period	9,182	26,125	66,491	57,334
Cash and cash equivalents, beginning of period	256,218	172,784	198,909	141,575
Cash and cash equivalents, end of period	\$ 265,400	\$ 198,909	\$ 265,400	\$ 198,909

LUNDIN MINING CORPORATION

Segmented Information - Operational For the year ended December 31, 2011 (Unaudited - in thousands of US dollars)

	Tenke						Total
	Neves Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Fungurume DRC	Other	
Sales	\$ 558,044	\$ 188,566	\$ (1,897)	\$ 39,073	\$ -	\$ -	\$ 783,786
Operating costs	(258,991)	(94,978)	(14,820)	(12,570)	-	(661)	(382,020)
General and administrative	-	-	-	-	-	(28,008)	(28,008)
Operating earnings (loss)*	299,053	93,588	(16,717)	26,503	-	(28,669)	373,758
Depreciation, depletion and amortization	(119,418)	(30,876)	(3,067)	(72)	-	(363)	(153,796)
General exploration and project investigation	(29,590)	(651)	(1,404)	-	-	(10,930)	(42,575)
Income from equity investment in Tenke							
Fungurume	-	-	-	-	94,681	-	94,681
Finance income and costs	(2,117)	(562)	(3,901)	460	-	(7,019)	(13,139)
Other income and expenses	(3,834)	2,019	1,863	1,014	-	10,545	11,607
Impairment of goodwill	-	-	(35,726)	-	-	-	(35,726)
Income tax (expense) recovery	(37,498)	(15,615)	(819)	(549)	-	3,436	(51,045)
Net earnings (loss)	\$ 106,596	\$ 47,903	\$ (59,771)	\$ 27,356	\$ 94,681	\$ (33,000)	\$ 183,765
Capital expenditures	\$ 117,727	\$ 41,506	\$ 19,321	\$ 34	\$ 64,508	\$ 10,043	\$ 253,139
Total non-current assets**	\$ 1,110,803	\$ 223,660	\$ 81,472	\$ 15,337	\$ 1,886,537	\$ 1,223	\$ 3,319,032

For the three months ended December 31, 2011

	Tenke						Total
	Neves Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Fungurume DRC	Other	
Sales	\$ 193,768	\$ 42,240	\$ -	\$ 6,122	\$ -	\$ -	\$ 242,130
Operating costs	(75,009)	(27,111)	1,699	(5,122)	-	(379)	(105,922)
General and administrative	-	-	-	-	-	(6,899)	(6,899)
Operating earnings (loss)*	118,759	15,129	1,699	1,000	-	(7,278)	129,309
Depreciation, depletion and amortiation	(34,012)	(11,570)	(706)	(17)	-	(123)	(46,428)
General exploration and project investigation	(7,082)	(94)	(426)	-	-	(1,094)	(8,696)
Income from equity investment in Tenke							
Fungurume	-	-	-	-	20,561	-	20,561
Finance income and costs	(124)	(121)	(385)	101	-	60	(469)
Other income and expenses	5,445	626	1,689	1,624	-	124	9,508
Impairment of goodwill	-	-	(35,726)	-	-	-	(35,726)
Income tax (expense) recovery	(21,786)	(872)	(3,530)	(156)	-	765	(25,579)
Net earnings (loss)	\$ 61,200	\$ 3,098	\$ (37,385)	\$ 2,552	\$ 20,561	\$ (7,546)	\$ 42,480
Capital expenditures	\$ 28,288	\$ 11,447	\$ 16,368	\$ -	\$ 34,500	\$ 151	\$ 90,754

*Operating earnings (loss) is a non-IFRS measure.

**Non-current assets includes mineral properties, plant and equipment, investment in Tenke Fungurume and goodwill.

LUNDIN MINING CORPORATION

Segmented Information - Operational For the year ended December 31, 2010 (Unaudited - in thousands of US dollars)

	Tenke						Total
	Neves Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Fungurume DRC	Other	
Sales	\$ 541,313	\$ 165,273	\$ 129,784	\$ 12,853	\$ -	\$ -	\$ 849,223
Operating costs	(205,617)	(69,496)	(85,656)	(5,892)	-	(649)	(367,310)
General and administrative	-	-	-	-	-	(20,227)	(20,227)
Operating earnings (loss)*	335,696	95,777	44,128	6,961	-	(20,876)	461,686
Depreciation, depletion and amortization	(87,459)	(14,915)	(19,003)	(71)	-	(414)	(121,862)
General exploration and project investigation	(19,025)	-	(1,116)	-	-	(3,483)	(23,624)
Income from equity investment in Tenke							
Fungurume	-	-	-	-	75,874	-	75,874
Finance income and costs	7,828	(855)	(31)	211	-	28,989	36,142
Other income and expenses	1,651	(7,020)	(5,265)	833	-	7,823	(1,978)
Income tax expense	(90,684)	(18,561)	(8,205)	(416)	-	(2,091)	(119,957)
Net earnings	\$ 148,007	\$ 54,426	\$ 10,508	\$ 7,518	\$ 75,874	\$ 9,948	\$ 306,281
Capital expenditures	\$ 88,413	\$ 37,974	\$ 3,127	\$ -	\$ 30,521	\$ 256	\$ 160,291
Total non-current assets**	\$ 1,155,093	\$ 217,985	\$ 101,536	\$ 6,573	\$ 1,735,148	\$ 965	\$ 3,217,300
Total non-current assets January 1, 2010**	\$ 1,229,442	\$ 185,129	\$ 129,184	\$ 6,982	\$ 1,628,753	\$ 262	\$ 3,179,752

For the three months ended December 31, 2010

	Tenke						Total
	Neves Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Galmoy Ireland	Fungurume DRC	Other	
Sales	\$ 224,964	\$ 48,421	\$ 31,848	\$ 4,034	\$ -	\$ -	\$ 309,267
Operating costs	(69,458)	(16,572)	(24,861)	(1,023)	-	(79)	(111,993)
General and administrative	-	-	-	-	-	(5,041)	(5,041)
Operating earnings (loss)*	155,506	31,849	6,987	3,011	-	(5,120)	192,233
Depreciation, depletion and amortization	(17,119)	(5,225)	(847)	(18)	-	(101)	(23,310)
General exploration and project investigation	(5,421)	-	(391)	-	-	(1,220)	(7,032)
Income from equity investment in Tenke							
Fungurume	-	-	-	-	35,609	-	35,609
Finance income and costs	639	(174)	1,797	74	-	11,241	13,577
Other income and expenses	(1,791)	(1,000)	(7,147)	(951)	-	2,876	(8,013)
Income tax (expense) recovery	(48,120)	(6,524)	(3,220)	(116)	-	1,029	(56,951)
Net earnings (loss)	\$ 83,694	\$ 18,926	\$ (2,821)	\$ 2,000	\$ 35,609	\$ 8,705	\$ 146,113
Capital expenditures	\$ 23,357	\$ 10,388	\$ 1,335	\$ -	\$ 7,670	\$ 101	\$ 42,851

*Operating earnings (loss) is a non-IFRS measure.

**Non-current assets includes mineral properties, plant and equipment, investment in Tenke Fungurume and goodwill.

lundin mining

Management's Discussion and Analysis For the year ended December 31, 2011

This management's discussion and analysis has been prepared as of February 22, 2012 and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2011. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation 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 an expansion project at its Neves-Corvo mine along with an equity stake in the world class Tenke Fungurume copper/cobalt mine in the Democratic Republic of Congo ("DRC"), which is undergoing expansion to 195,000 tonnes per annum of copper cathode production.

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. 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; receipt of final detailed documentation on by-law changes resulting from the contract review process and resolution of administrative disputes in the DRC; 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's 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, zinc, lead and nickel; 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 Performance

Wholly-owned operations: A strong fourth quarter of production generated higher than guided copper production while zinc and lead production ended the year essentially in line with expectations.

- At Neves-Corvo, ore mined and milled reached record levels helping to overcome production shortfalls earlier in the year caused by mining in large areas of low-grade ore. For five consecutive years, Neves-Corvo has exceeded the previous year's volume of copper ore mined.
- Zinkgruvan also reached new record levels of ore mined and milled and ended the year with its best quarter of zinc and copper production. It overcame production shortfalls earlier in the year caused by mechanical issues at both the zinc and copper mill circuits which have since been resolved.
- At Aguablanca, significant progress has been made in re-establishing the pit ramp ahead of restart of nickel/copper mining operations scheduled for the second half 2012.
- Mining of remnant high grade ore and associated profits from Galmoy continued throughout the year and this provided a better than expected contribution to the Company's cash position.
- In addition to achieving record tonnages mined and milled at Neves-Corvo and Zinkgruvan, the Company also achieved a significant improvement in safety performance. In 2011, Total Recordable Incident Frequency was the lowest in the Company's history at 1.61. A similar improvement was achieved in the frequency of Lost Time Incidents for the year.

Tenke: The mine and mill at Tenke continues to perform well and met 2011 production guidance.

- Another milestone at Tenke Fungurume was achieved through the formal announcement of advancing the \$850 million Phase II Expansion which will bring total production capability of the mine to 195,000 tonnes per annum ("tpa") of copper cathode with associated cobalt. Construction on this major expansion was well advanced by 2011 year end and is tracking on schedule and on budget, targeting completion in 2013.

Total production, compared to the latest guidance and prior years, was as follows:

	Years ended December 31				
	2011 Actual	2011 Guidance	2010 Actual	2009 Actual	2008 Actual
Copper (tonnes)	75,877	71,500	80,035	93,451	97,944
Zinc (tonnes)	111,445	111,500	90,129	101,401	151,157
Lead (tonnes)	41,130	42,000	39,568	43,852	44,799
Nickel (tonnes)	nil	nil	6,296	8,029	8,136
Copper (tonnes) Tenke attributable (24.75%)	31,523	30,400	29,767	17,325	-

- Operating earnings¹ decreased by \$87.9 million from \$461.7 million in 2010 to \$373.8 million in 2011 and sales decreased from \$849.2 million in 2010 to \$783.8 million in 2011. Both the decreases in sales and operating earnings¹ were largely attributable to the suspension of operations at Aguablanca which had a negative impact of \$60.8 million on comparative operating earnings and \$131.7 million on sales.
- Excluding Aguablanca, operating earnings for the year were \$390.5 million, only \$27.1 million lower than the \$417.6 million attributable to 2010. Favourable price and price adjustments (\$40.8 million) and higher sales volume (\$18.8 million) were more than offset by the effect of higher costs of \$61.3 million. In addition, the € and SEK both strengthened against the US dollar in 2011 compared to 2010, resulting in a further increase in operating costs of \$25.4 million.
- Sales, excluding Aguablanca increased by \$66.3 million from \$719.4 million in 2010 to \$785.7 million in 2011. Higher metal prices (\$40.8 million) and an increase in sales volume (\$25.5 million), particularly at Galmoy, contributed to the overall increase.

Average 2011 metal prices for copper and lead were higher by 17% and 12%, respectively, while the average price for zinc remained relatively unchanged compared to 2010.

- Operating costs (excluding depreciation) increased by \$14.7 million year on year; excluding Aguablanca, the increase was \$85.5 million and is primarily attributable to:
 - Neves-Corvo (\$53.4 million): higher production cost in 2011 associated with the mining of lower grade ore and the increased use of contractors, partially offset by a one-time prior period royalty charge in 2010 of \$8.1 million;
 - Zinkgruvan (\$25.4 million): higher unit costs and the strengthening of the SEK against the US dollar; and
 - Galmoy (\$6.7 million): more than doubling of ore mined and metal produced.
- General and administrative expenses increased by \$7.8 million. Corporate development costs of \$6.8 million were incurred in 2011 associated with the planned merger with Inmet Mining Corporation (“Inmet”), responding to Equinox Mineral Limited’s (“Equinox”) unsolicited take-over bid and the Company’s subsequent strategic review.
- Net earnings of \$183.8 million (\$0.32 per share) were \$122.5 million below the \$306.3 million (\$0.53 per share) reported in 2010. In addition to lower operating earnings¹ of \$87.9 million, the decrease in net earnings was related to:
 - higher depreciation (\$31.9 million) as a result of increase in ore mined, commissioning of the new zinc expansion at Neves-Corvo and the new copper mill at Zinkgruvan;
 - lower net finance income (\$49.2 million) due to higher revaluation gain on marketable securities of \$39.9 million and gain on derivatives contracts of \$10.2 million recorded in 2010; and
 - goodwill impairment of \$35.7 million related to Aguablanca; partially offset by
 - increase in equity earnings from investment in Tenke Fungurume (\$18.8 million), and lower income taxes.

¹ Operating earnings is a non-IFRS measure defined as sales, less operating costs (excluding depreciation) and general and administrative costs. See page 43 of this MD&A for discussion of non-IFRS measures.

- Cash flow from operations for the year was \$308.7 million compared to \$276.1 million for 2010. The decrease in operating earnings¹ of \$87.9 million is offset by the net increase in non-cash working capital change of \$89.1 million. Also, included in 2010 is the cash outflow of \$30.6 million that the Company paid to settle its derivative contracts.
- An impairment analysis on the Aguablanca operation concluded that the recoverable value of the mine's net assets were lower than their carrying value. A number of factors contributed to the identification of an impairment at Aguablanca in 2011. Associated with the late-2010 slope failure, refined technical plans were developed in 2011 and were a triggering factor. In addition, the Company chose to early adopt IFRIC 20 related to deferred stripping which had the effect of increasing the carrying amount of Aguablanca's assets by \$14.9 million. Thus, in comparing Aguablanca's recoverable amount to its carrying value, a \$35.7 million impairment loss was measured and was allocated to goodwill during the fourth quarter of 2011.
- In August 2011, a new mine contractor was mobilized at Aguablanca to commence pit push-backs and reinstatement of the pit haul ramp. The restart of Aguablanca concentrate production is expected in the second half of 2012. An underground mining study was also initiated intended to define potential high grade underground feed to supplement open pit production.
- The Neves-Corvo Zinc Expansion project was completed in July 2011 on budget and on schedule. Given the continued high price ratio of copper to zinc, this new circuit was converted to processing copper ore until the end of the year for better margins.
- In September 2011, the Company released the results of a Feasibility Study on the Lombador Phase I development demonstrating that the exploitation of the upper portions of the Lombador zinc/copper ore bodies could extend the mine life to at least 2026 and create a platform for further extensions. The optimal development plan for Lombador is being further examined in conjunction with assessing exploitation concepts for the Semblana copper discovery.

Initial results of the Future Underground Materials Handling Study indicated two preferred options to pursue the exploitation of the Lombador copper/zinc resource and the Semblana copper deposit (see news release dated January 23, 2012 entitled "*Lundin Mining Reports on Neves-Corvo Future Underground Materials Handling Study*"). Additional review is underway, taking into account ongoing exploration results, to further assess the two options.

Tenke Fungurume

- Milling facilities at the Tenke Fungurume mine continued to perform well with throughput averaging 11,100 metric tons of ore per day in 2011.
- For the year ended December 31, 2011, Tenke produced 127,367 tonnes of copper and sold 128,284 tonnes at an average realized price of \$3.74 per pound. During the year, 11,182 tonnes of cobalt in hydroxide was produced and 11,515 tonnes were sold at an average realized price of \$9.99 per pound.
- During the third quarter of 2011, the Excess Overrun Cost facility ("EOC facility"), related to the Company's proportionate share of the Phase I development at Tenke, was fully repaid enabling the Company's share of ongoing surplus cash from operations to be utilized to fund the Phase II Expansion.
- Attributable operating cash flow at Tenke Fungurume for the 2011 was \$149.4 million.
- The Company received its first cash return on its investment in Tenke Fungurume with \$7.8 million received during the month of September 2011.

Attributable net cash flow from Tenke, including repayments of the EOC facility, was as follows:

(US\$ millions)	Three months ended Dec 31		Year ended Dec 31	
	2011	2010	2011	2010
Cash advances to Tenke	(34.5)	(7.6)	(64.5)	(30.5)
Distributions from Tenke	-	-	7.8	-
Repayments on EOC facility	-	40.4	108.4	118.7
Attributable net cash (outflow) inflow	(34.5)	32.8	51.7	88.2

- On April 18, 2011, the Company reported that the government of the DRC had issued a Presidential Decree approving the amendments to the Tenke Fungurume Mining contracts. This formalized the conclusion of the review process by the DRC government and acknowledged the parties' continued commitments to the rights and benefits granted under the contract. The amendments are more fully discussed in a press release dated October 22, 2010 entitled "*Lundin Announces Successful Completion of Tenke Fungurume Contract Review Process*".
- The Phase II Expansion feasibility study to optimize the current plant and increase capacity was completed during the year under the direction of the operator, Freeport-McMoRan Copper & Gold Inc. ("Freeport"). Freeport plans to expand the mill rate to 14,000 tonnes per day. The expansion includes the completion of mill upgrades, acquisition of additional mining equipment, construction of a new tankhouse and a sulfuric acid plant through the investment of \$850 million. The Phase II Expansion is expected to take total plant production of copper cathode up to at least 195,000 tpa. Early works on this expansion, funded by the partners and from excess cash flow from operations, continued on site during the year.

Corporate Highlights

- On January 12, 2011, Lundin and Inmet announced that they had entered into an arrangement agreement to merge and create Symterra Corporation. Subsequent to this announcement, Equinox Minerals Limited ("Equinox") made an unsolicited take-over bid to acquire all of the outstanding common shares of Lundin.

On March 29, 2011, Lundin and Inmet jointly announced the termination of the arrangement agreement dated January 12, 2011. Also on that day, Lundin announced that its Board of Directors had adopted a limited duration Shareholder Rights Plan ("Rights Plan") to enable a full consideration of strategic alternatives.

On April 25, 2011, Equinox announced the withdrawal of its offer to acquire the common shares of Lundin Mining. Subsequent to the hostile take-over bid for Lundin Mining, Equinox became subject to a take-over bid by Barrick Gold Corporation which was conditional on Equinox abandoning its bid for Lundin Mining.

- On May 25, 2011, Lundin announced the conclusion of its strategic review process and the Rights Plan expired on May 31, 2011 and was not renewed.
- On September 1, 2011, the Company reported its Mineral Reserve and Resource estimates as at June 30, 2011. The full release can be found on the Company's website at www.lundinmining.com.
- In the third quarter of 2011, the Company announced the permanent appointment of Paul Conibear as President and Chief Executive Officer after Mr. Conibear held the role on an interim basis following the retirement of Phil Wright on June 30, 2011.

- On December 15, 2011, the Company released an interim report on exploration activities including an initial Inferred Resource for the Semblana Copper Deposit located adjacent to its 100% owned Neves-Corvo mine in southern Portugal.

Financial Position and Financing

- Net cash¹ at December 31, 2011 was \$236.1 million compared to a net cash¹ position \$159.2 million at the end of 2010.
- The \$76.9 million increase in net cash during the year was primarily attributable to cash flow from operations (\$308.7 million), including \$54.8 million generated from working capital offset by: investment in mineral property, plant and equipment (\$179.1 million), investment in Tenke Fungurume expansion and sustaining capital works (\$64.5 million) and net repayment of debt (\$10.5 million). Cash on hand at December 31, 2011 was \$265.4 million.

¹ Net cash/debt is a non-IFRS measure defined as available unrestricted cash less long-term debt and finance leases.

Outlook

2012 Production and Cost Guidance

- 2012 production targets and a three year production look ahead for wholly-owned operations remain unchanged from the guidance provided on December 12, 2011 (see news release entitled “Lundin Mining Provides Operating Outlook for 2012-2014”). 2012 guidance is as follows:

(contained tonnes)		2012 Guidance	
		Tonnes	C1 Cost ^{a,b}
Neves-Corvo	Cu	52,500 – 57,000	1.80
	Zn	30,000 – 40,000	
Zinkgruvan	Zn	75,000 – 81,000	0.25
	Pb	34,000 – 39,000	
	Cu	2,000 – 3,000	
Galmoy^c (in ore)	Zn	4,000 – 4,500	
	Pb	500 – 1,000	
Aguablanca	Ni	500 – 1,000	
	Cu	500 – 1,000	
Total: Wholly-owned operations	Cu	55,000 – 61,000	
	Zn	109,000 – 125,500	
	Pb	34,500 – 40,000	
	Ni	500 – 1,000	
Tenke: 24.0% attributable share^d	Cu	31,560	1.13

a. Cash costs remain dependent upon exchange rates (€/USD: 1.35, USD/SEK: 6.50) and metal prices (Cu: \$3.50, Zn: \$0.95).

b. Cash cost is a non-IFRS measure reflecting the sum of direct costs less by-product credits. See non-IFRS Performance Measures on page 43 of this MD&A.

c. Production tonnage is based on a 50% attributable-share to Lundin Mining.

d. Freeport has provided 2012 sales guidance which is assumed to approximate Tenke’s production. Lundin Mining anticipates production from Tenke’s attributable share will be reduced to 24.0% from 24.75% after obtaining approval of the modifications to the bylaws, as noted in the *Tenke Fungurume* discussion on page 23 of this MD&A.

- Neves-Corvo:** Copper production is expected to be reduced from previous years as remaining reserves include a higher proportion of lower grade stockworks which provide for less predictable ore characteristics, lower recoveries and higher costs. Zinc production is expected to be at least 30,000 tonnes.
- Zinkgruvan:** Zinc, lead and copper production are expected to see modest increases compared to 2011 with further upside potential depending on plant de-bottlenecking initiatives.
- Aguablanca:** Production is expected to resume in the second half of 2012. Reserves represent approximately five years of production, averaging 7,500 tonnes of nickel and 6,500 tonnes of copper per annum.
- Galmoy:** High grade mining is expected to conclude in the first half of 2012, with sales continuing to be recognized into 2013 as stockpiled ore is milled at a third party processing facility.
- Tenke:** Freeport, the mine’s operator, expects sales of copper to increase to 131,500 tonnes with sales of cobalt comparable to 2011. The Phase II expansion project to 195,000 tpa of copper cathode (production on a 100% basis) is expected to be completed in 2013.

2012 Capital Expenditure Guidance

Capital expenditures for 2012 are now expected to be \$370 million. This represents a \$40 million reduction from our previously released estimate of December 12, 2011. The change is a result of updated figures for new investment in Tenke, and our guidance now includes:

- **Sustaining capital in European operations:** \$95 million (2011 - \$127 million). The decrease is related to slightly lower sustaining capital expenditures at Neves-Corvo for the year ahead.
- **New investment capex in European operations:** \$65 million (2011 - \$52 million), consisting of:
 - Lombador Phase I (\$40 million) including underground development, final SAG mill delivery payments and other critical path items.
 - Neves-Corvo dam (\$13 million) related to tailings and water storage capacity increases.
 - Other plant improvements and debottlenecking initiatives (\$12 million) at both Neves-Corvo and Zinkgruvan.
- **New investment in Tenke:** Freeport expects the Phase II expansion at Tenke will be completed by the first quarter of 2013. Lundin Mining's share of expansion funding and sustaining capital funding may be up to \$210 million for 2012. As guided by Freeport, total capital expenditure for the Phase II Expansion is expected to be \$850 million. If metal prices remain strong, the capital spend is expected to be cash neutral to the Company, as Tenke's operating cash flows should be sufficient to meet this capital funding requirement.

Exploration Investment

- Exploration expenditures are expected to increase from \$42.6 million in 2011 to \$50 million in 2012. Approximately \$34 million of this will be spent at Neves-Corvo, where a 90,000 metre surface drilling program is planned for 2012 which will continue to test resource expansion targets at Semblana in addition to drill-testing the multiple high priority targets recently identified within the Neves-Corvo near mine area. In addition, the 2012 exploration program is expected to test several greenfield targets in the Iberian region, as well as continued resource definition drilling at the Company's Clare and Lakelands exploration projects in Ireland.

Selected Quarterly and Annual Financial Information

(USD millions, except per share amounts)	Years ended December 31		
	2011	2010	2009 ⁵
Sales	783.8	849.2	746.0
Operating costs	(382.0)	(367.3)	(347.2)
General and administrative	(28.0)	(20.2)	(25.6)
Operating earnings¹	373.8	461.7	373.2
Depreciation, depletion and amortization	(153.8)	(121.9)	(170.0)
General exploration and project investigation	(42.6)	(23.6)	(22.6)
Income from equity investment in Tenke	94.7	75.9	0.3
Finance (costs) income, net	(13.1)	36.1	(74.3)
Other income (expenses), net	11.5	(2.0)	11.2
Impairment charges	(35.7)	-	(53.0)
Earnings from continuing operations before income taxes	234.8	426.2	64.8
Income tax (expense) recovery	(51.0)	(119.9)	3.3
Earnings from continuing operations	183.8	306.3	68.1
Gain from discontinued operations	-	-	5.6
Net earnings	183.8	306.3	73.7
Shareholders' equity	3,297.9	3,153.6	2,915.2
Cash flow from operations	308.7	276.1	137.4
Capital expenditures (incl. Tenke)	253.1	160.3	185.0
Total assets	3,864.3	3,826.3	3,740.1
Net cash (debt)²	236.1	159.2	(49.3)
Key Financial Data:			
Shareholders' equity per share ³	5.66	5.43	5.03
Basic and diluted earnings per share	0.32	0.53	0.13
Basic and diluted earnings per share from continuing operations	0.32	0.53	0.12
Dividends	-	-	-
Equity ratio ⁴	85%	82%	78%
Shares outstanding:			
Basic weighted average	582,074,865	579,924,538	550,000,833
Diluted weighted average	582,964,608	580,539,367	550,045,231
End of period	582,475,287	580,575,355	579,592,464

(\$ millions, except per share data)	Q4-11	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10	Q2-10	Q1-10
Sales	242.1	146.2	184.0	211.5	309.3	215.1	183.1	141.7
Operating earnings¹	129.3	48.7	82.2	113.6	192.3	121.5	82.1	65.8
Net earnings	42.5	12.4	57.7	71.2	146.1	66.0	42.3	51.9
Earnings per share⁶, basic and diluted	0.07	0.02	0.10	0.12	0.25	0.11	0.07	0.09
Cash flow from operations	120.3	(40.6)	96.8	132.2	67.9	51.1	70.8	86.3
Capital expenditure (incl. Tenke)	90.7	58.8	57.7	45.9	42.9	40.2	39.1	38.1
Net cash²	236.1	208.7	308.2	262.0	159.2	125.7	107.8	10.2

¹ Operating earnings is a non-IFRS measure defined as sales, less operating costs (excluding depreciation) and general and administration costs.

² Net cash is a non-IFRS measure defined as available unrestricted cash less long-term debt and finance leases.

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

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

⁵ Conversion to IFRS on January 1, 2011 requires the completion of IFRS compliant financial statements on a comparative basis with 2010. Financial results prior to 2010 remain unchanged and are reported in accordance with Canadian GAAP (see MD&A page 30).

⁶ Earnings 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.

Sales Overview

Sales Volumes by Payable Metal

	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
	2011	2011	2011	2011	2011	2010	2010	2010	2010	2010
Copper (tonnes)										
Neves-Corvo	69,974	26,026	12,671	14,304	16,973	69,935	23,765	16,398	20,252	9,520
Zinkgruvan	2,092	678	680	734	-	-	-	-	-	-
Aguablanca ¹	(73)	-	(5)	(15)	(53)	3,793	559	644	1,418	1,172
	71,993	26,704	13,346	15,023	16,920	73,728	24,324	17,042	21,670	10,692
Zinc (tonnes)										
Neves-Corvo	2,619	(43)	1,842	5	815	5,251	861	1,459	2,046	885
Zinkgruvan	61,661	15,981	15,183	13,529	16,968	59,405	14,657	13,713	18,297	12,738
Galmoy ²	16,346	3,106	4,768	4,694	3,778	6,147	1,755	2,510	1,324	558
	80,626	19,044	21,793	18,228	21,561	70,803	17,273	17,682	21,667	14,181
Lead (tonnes)										
Zinkgruvan	29,794	7,906	8,570	7,031	6,287	35,808	8,490	9,735	9,630	7,953
Galmoy ²	5,010	769	1,649	1,517	1,075	1,786	430	791	436	129
	34,804	8,675	10,219	8,548	7,362	37,594	8,920	10,526	10,066	8,082
Nickel (tonnes)										
Aguablanca ¹	(48)	-	7	6	(61)	5,116	559	1,029	1,826	1,702

¹ Final weight adjustment related to provisional sales recognized in 2010 but settled in 2011.

² 50% of metal is attributable to Galmoy on sale of ore to third party processing facility (see MD&A page 22).

Sales Analysis

(US\$ millions)	Years ended December 31					
	2011		2010		Change	
	\$	%	\$	%	\$	
by Mine						
Neves-Corvo	558.0	71	541.3	64	16.7	
Zinkgruvan	188.6	24	165.3	19	23.3	
Aguablanca	(1.9)	n/a	129.8	15	(131.7)	
Galmoy	39.1	5	12.8	2	26.3	
	783.8		849.2		(65.4)	
by Metal						
Copper	563.1	72	557.8	66	5.3	
Zinc	135.1	17	106.5	12	28.6	
Lead	71.4	9	69.1	8	2.3	
Nickel	(0.4)	n/a	92.7	11	(93.1)	
Other	14.6	2	23.1	3	(8.5)	
	783.8		849.2		(65.4)	

Lower sales for the current year, compared with the year ended December 31, 2010, reflect the suspension of operations at Aguablanca throughout 2011. The impact of the suspended operations were partially offset by higher average metal prices (particularly for copper and lead which were up 17% and 12%, respectively) and a full year of mining high grade ore at Galmoy, which initiated third party processing of remnant high grade ore in mid-2010.

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 expected month of settlement 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.

Annual Reconciliation of Realized Prices

2011 (\$ millions)	Year ended December 31, 2011				Total
	Copper	Zinc	Nickel	Lead	
Current period sales	596.6	176.6	-	81.7	854.9
Prior period provisional adjustments	0.1	(0.6)	(0.6)	0.2	(0.9)
Sales before other metals and TC/RC	596.7	176.0	(0.6)	81.9	854.0
Other metal sales					14.6
Less: TC/RC					(84.8)
Total Sales					783.8
Payable Metal (tonnes)	71,993	80,626	(48)	34,804	
Current period sales (\$/lb)	\$ 3.76	\$ 0.99	n/a	\$ 1.06	
Prior period provisional adjustments (\$/lb)	-	-	n/a	0.01	
Realized prices (\$/lb)	\$ 3.76	\$ 0.99	n/a	\$ 1.07	

2010 (\$ millions)	Year ended December 31, 2010				Total
	Copper	Zinc	Nickel	Lead	
Current period sales	599.6	149.6	106.9	81.4	937.5
Prior period provisional adjustments	(5.8)	(0.9)	17.1	(0.9)	9.5
Sales before other metals and TC/RC	593.8	148.7	124.0	80.5	947.0
Other metal sales					23.1
Less: TC/RC					(120.9)
Total Sales					849.2
Payable Metal (tonnes)	73,728	70,803	5,116	37,594	
Current period sales (\$/lb)	\$ 3.69	\$ 0.96	\$ 9.48	\$ 0.98	
Prior period provisional adjustments (\$/lb)	(0.04)	(0.01)	1.51	(0.01)	
Realized prices (\$/lb)	\$ 3.65	\$ 0.95	\$ 10.99	\$ 0.97	

Provisionally valued sales for the year ended December 31, 2011

Metal	Tonnes	Valued at	Valued at
	Payable	\$ per lb	\$ per tonne
Copper	23,937	3.45	7,597
Zinc	12,441	0.84	1,843
Lead	7,927	0.89	1,966

Annual Financial Results

Operating Costs

Operating costs (excluding depreciation) of \$382.0 million for the year ended December 31, 2011 were \$14.7 million higher than the year ended December 31, 2010. Costs were higher at both Neves-Corvo and Zinkgruvan by \$49.7 million and \$16.0 million, respectively, due mainly to higher ore volumes hoisted, mined and milled. In addition, weakness in the United States dollar, in comparison to the € and SEK resulted in higher reported costs (\$25.4 million), and Galmoy incurred more costs associated with increased production levels (\$6.1 million). These cost increases were partially offset by the reduction of costs incurred at Aguablanca due to the suspension of operations (\$70.8 million) and lower royalty charges at Neves-Corvo (\$11.7 million). The year ended December 31, 2010 included an incremental \$8.1 million royalty charge related to 2008. (See additional commentary under individual mine discussion).

Depreciation, Depletion and Amortization

Increased depreciation, depletion and amortization expense for the year ended December 31, 2011 compared with the same period in 2010 is a result of higher amounts of ore mined, commissioning of the new zinc expansion at Neves-Corvo and the new copper mill at Zinkgruvan. These were partially offset by lower depreciation due to the suspension of operations at Aguablanca throughout 2011.

Depreciation by operation (\$ millions)	Years ended December 31		
	2011	2010	Change
Neves-Corvo	119.4	87.5	31.9
Zinkgruvan	30.9	14.9	16.0
Aguablanca	3.1	19.0	(15.9)
Galmoy	0.1	0.1	-
Other	0.3	0.4	(0.1)
	153.8	121.9	31.9

General Exploration and Project Investigation

General exploration and project investigation costs increased from \$23.6 million in 2010 to \$42.6 million for the year ended December 31, 2011. This increase is primarily attributable to an 80,000 metre surface drilling program undertaken to deliver the initial resource estimate for Semblana and an extensive 3D seismic geophysical program conducted around Neves-Corvo to identify additional exploration targets. (See additional commentary under Exploration Highlights).

Finance (Costs) Income, net

For the year ended December 31, 2011 compared with the prior year, the net decrease in finance income was primarily attributable to larger gains reported in 2010, namely higher revaluation gain on marketable securities of \$39.9 million and gain of \$10.2 million on copper derivative contracts.

Other Income and Expenses, net

Other income and expenses is comprised mainly of foreign exchange gains and losses, as well as gains on the sale of non-core assets.

A foreign exchange gain of \$8.2 million in the current year and a loss of \$2.0 million recorded for the year ended December 31, 2010 relates to US\$ cash and trade receivables that were held in the European group entities. Period end exchange rates at December 31, 2011 were \$1.29:€1.00 (December 31, 2010 – \$1.34:€1.00) and \$1.00:SEK6.92 (December 31, 2010 – \$1.00:SEK6.71).

Impairment

As required by IFRS, each cash generating unit (“CGU”) that has been allocated goodwill must be tested annually for impairment. During 2011, a number of factors contributed to the identification of a CGU impairment for Aguablanca. In part, associated with the late-2010 slope failure, refined technical plans developed during 2011 were a triggering factor. In addition, the Company, adopted IFRIC 20 related to deferred stripping which had the effect of increasing the carrying amount of the CGU by \$14.9 million.

In comparing the CGU’s recoverable amount and its carrying value, a \$35.7 million impairment loss was measured. This loss was fully allocated to goodwill during the fourth quarter of 2011.

The recoverable value of the Aguablanca CGU was based on forecast commodity prices, reserves and resource quantities, operating costs, capital expenditures, discount rates and foreign exchange rates and the resulting cash flow projections.

Current and Deferred Income Taxes

Current Tax Expense (\$ millions)	Years ended December 31		
	2011	2010	Change
Neves-Corvo	54.8	77.1	(22.3)
Zinkgruvan	6.3	5.1	1.2
Aguablanca	13.9	0.7	13.2
Galmoy	0.5	0.4	0.1
Other	2.3	1.9	0.4
Current tax expense	77.8	85.2	(7.4)

The decrease in current income tax expense of \$7.4 million is a reflection of lower taxable earnings, offset by a Spanish tax assessment relating to deductibility of accelerated depreciation in fiscal years 2004 and 2005. The Company received a negative tax assessment of €9.1 million (\$12.5 million), plus €2.0 million (\$2.7 million) in interest, which it chose to pay to avoid further interest and penalties but is in the process of appealing the assessment.

The corporate tax rates in the countries where the Company has mining operations range from 25% in Ireland to 30.0% in Spain. The Company paid \$125.8 million in income taxes in 2011, including \$105.0 million paid in Portugal, net payment of \$12.3 million in Spain, \$5.4 million in Sweden, \$0.7 million in Ireland and \$2.4 million in other jurisdictions.

Deferred Tax (Recovery) Expense (\$ millions)	Years ended December 31		
	2011	2010	Change
Neves-Corvo	(17.3)	13.6	(30.9)
Zinkgruvan	9.3	13.5	(4.2)
Aguablanca	(13.1)	7.5	(20.6)
Other	(5.7)	0.1	(5.8)
Deferred tax (recovery) expense	(26.8)	34.7	(61.5)

Deferred income tax recovery for 2011 was \$26.8 million compared to a tax expense of \$34.7 million in 2010 which reflects current year losses at Aguablanca and utilization of previously unrecognized tax losses. Furthermore, the 2010 deferred tax expense includes a \$14.3 million charge related to the increase in the statutory tax rate in Portugal from 26.5% to 29%. In 2011, a further increase in the statutory tax rate of 2.5%, to 31.5%, was enacted in Portugal for 2012 and 2013, resulting in a \$1.7 million deferred tax expense and related deferred tax liability.

Fourth Quarter Financial Results

Sales

Sales of \$242.1 million for the three months ended December 31, 2011 were \$67.2 million lower than the comparable period in 2010 due to lower metal prices and price adjustments (\$61.3 million) and suspension of operations at Aguablanca in December 2010 (\$31.8 million), partially offset by higher sales volume (\$26.0 million).

Operating Earnings¹

For the three months ended December 31, 2011, operating earnings¹ of \$129.3 million were \$63.0 million lower than the comparable period in 2010. Average copper, zinc and lead prices for the fourth quarter of 2011 were 13% to 18% lower than the same period in 2010 which, in addition to price adjustments to prior period sales, resulted in lower operating earnings of \$61.3 million. Furthermore, higher costs (\$15.5 million) and the negative impact of suspended operations at Aguablanca (\$5.3 million) also contributed to lower earnings compared to the prior year, partially offset by higher volume of sales (\$19.1 million).

Net Earnings

Net earnings for the quarter ended December 31, 2011 of \$42.5 million were \$103.6 million lower than the comparable period ended December 31, 2010. The reduction in net earnings is largely a reflection of lower operating earnings, compounded by a \$35.7 million goodwill impairment loss reported in the fourth quarter of 2011 related to Aguablanca.

Cash Flow from Operations

For the three months ended December 31, 2011, cash flow from operations was \$120.3 million, compared to \$67.9 million for the three months ended December 31, 2010. The increase of \$52.4 million is largely the result of a comparative decrease in non-cash working capital (\$70.3 million).

¹ Operating earnings is a non-IFRS measure defined as sales, less operating costs (excluding depreciation) and general and administration costs.

Fourth Quarter Reconciliation of Realized Prices

2011 (\$ millions)	Three months ended December 31, 2011				
	Copper	Zinc	Nickel	Lead	Total
Current period sales	203.7	35.9	-	17.1	256.7
Prior period provisional adjustments	5.6	(0.8)	-	0.1	4.9
Sales before other metals and TC/RC	209.3	35.1	-	17.2	261.6
Other metal sales					4.6
Less: TC/RC					(24.1)
Total Sales					242.1
Payable Metal (tonnes)	26,704	19,044	-	8,675	
Current period sales (\$/lb)	\$ 3.46	\$ 0.86	n/a	\$ 0.89	
Prior period provisional adjustments (\$/lb)	0.10	(0.02)	n/a	0.01	
Realized prices (\$/lb)	\$ 3.56	\$ 0.84	n/a	\$ 0.90	

2010 (\$ millions)	Three months ended December 31, 2010				
	Copper	Zinc	Nickel	Lead	Total
Current period sales	232.4	41.0	13.8	22.1	309.3
Prior period provisional adjustments	7.0	2.2	9.9	0.5	19.6
Sales before other metals and TC/RC	239.4	43.2	23.7	22.6	328.9
Other metal sales					6.3
Less: TC/RC					(25.9)
Total Sales					309.3
Payable Metal (tonnes)	24,324	17,273	559	8,920	
Current period sales (\$/lb)	\$ 4.33	\$ 1.08	\$ 11.20	\$ 1.12	
Prior period provisional adjustments (\$/lb)	0.13	0.06	8.08	0.03	
Realized prices (\$/lb)	\$ 4.46	\$ 1.14	\$ 19.28	\$ 1.15	

Cash Cost Overview

	Cash cost / lb (US dollars)		Cash cost / lb (local currency)	
	Three months ended December 31		Three months ended December 31	
	2011	2010	2011	2010
Neves-Corvo (Local in €)				
Gross cost	1.46	1.40	1.08	1.03
By-product *	(0.04)	(0.06)	(0.03)	(0.04)
Net Cost – Cu/lb	1.42	1.34	1.05	0.99
Zinkgruvan (Local in SEK)				
Gross cost	0.96	0.81	6.49	5.56
By-product *	(0.59)	(0.66)	(4.00)	(4.53)
Net Cost - Zn/lb	0.37	0.15	2.49	1.03

*By-product is after related TC/RC

Mining Operations

Production Overview

	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Copper (tonnes)										
Neves-Corvo	74,109	26,866	15,070	13,475	18,698	74,011	23,105	19,353	20,342	11,211
Zinkgruvan	1,768	622	349	356	441	540	540	-	-	-
Aguablanca	-	-	-	-	-	5,484	1,263	1,156	1,432	1,633
	75,877	27,488	15,419	13,831	19,139	80,035	24,908	20,509	21,774	12,844
Zinc (tonnes)										
Neves-Corvo	4,227	382	1,874	1,020	951	6,422	897	2,237	1,446	1,842
Zinkgruvan	75,147	20,337	17,459	17,582	19,769	72,206	18,546	15,916	20,624	17,120
Galmoy ¹	32,071	6,334	9,458	8,802	7,477	11,501	4,039	4,418	2,388	656
	111,445	27,053	28,791	27,404	28,197	90,129	23,482	22,571	24,458	19,618
Lead (tonnes)										
Zinkgruvan	32,339	7,621	7,368	7,829	9,521	36,636	8,602	9,641	10,286	8,107
Galmoy ¹	8,791	1,652	2,709	2,538	1,892	2,932	868	1,261	667	136
	41,130	9,273	10,077	10,367	11,413	39,568	9,470	10,902	10,953	8,243
Nickel (tonnes)										
Aguablanca	-	-	-	-	-	6,296	1,062	1,363	1,715	2,156

¹ represents 50% of contained metal attributable to Galmoy on delivery of ore to a third party processing facility (Galmoy – see MD&A page 22).

Cash Cost Overview

	Cash cost / lb (US dollars)		Cash cost / lb (local currency)	
	Years ended December 31		Years ended December 31	
	2011	2010	2011	2010
Neves-Corvo (Local in €)				
Gross cost	1.83	1.40	1.32	1.06
By-product *	(0.07)	(0.07)	(0.05)	(0.05)
Net Cost – Cu/lb	1.76	1.33	1.27	1.01
Zinkgruvan (Local in SEK)				
Gross cost	0.93	0.79	6.02	5.75
By-product *	(0.63)	(0.57)	(4.05)	(4.15)
Net Cost - Zn/lb	0.30	0.22	1.97	1.60

*By-product is after related TC/RC

Commentary on production and cash costs 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 facilities consist of a shaft with up to 4.5 mtpa hoisting capacity for ore and waste, a copper plant with 2.5 mtpa processing capacity and a newly expanded zinc plant with 1 mtpa processing capacity. 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 was restarted at a limited rate in 2010 and a new zinc expansion project was completed in July 2011. The newly expanded zinc plant has the flexibility to process zinc or copper ores.

Operating Statistics

	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined, copper (tonnes)	3,126,005	899,669	749,999	768,806	707,531	2,537,927	776,682	630,304	649,641	481,300
Ore mined, zinc (tonnes)	86,202	-	8,973	34,552	42,677	74,295	1,449	38,960	16,133	17,753
Ore milled, copper (tonnes)	3,197,783	920,480	797,470	736,050	743,783	2,499,563	750,798	603,340	674,628	470,797
Ore milled, zinc (tonnes)	63,074	-	63,074	-	-	100,331	-	38,960	18,506	42,865
Grade per tonne										
Copper (%)	2.7	3.4	2.3	2.2	2.9	3.4	3.5	3.8	3.5	2.8
Recovery										
Copper (%)	85	85	83	83	86	86	87	85	86	86
Concentrate grade										
Copper (%)	24.4	24.3	24.5	24.2	24.5	24.2	24.3	23.9	24.1	24.4
Production- tonnes (metal contained)										
Copper	74,109	26,866	15,070	13,475	18,698	74,011	23,105	19,353	20,342	11,211
Zinc	4,227	382	1,874	1,020	951	6,422	897	2,237	1,446	1,842
Silver (oz)	901,085	296,678	200,902	184,007	219,498	725,260	223,242	176,094	203,035	122,889
Sales (\$000s)	558,044	193,768	84,678	123,036	156,562	541,313	224,964	135,159	120,980	60,210
Operating earnings (\$000s) ¹	299,053	118,759	21,029	59,817	99,448	335,696	155,506	85,517	67,860	26,813
Cash cost (€ per pound) ²	1.27	1.05	1.67	1.48	1.13	1.01	0.99	0.92	0.96	1.29
Cash cost (\$ per pound) ²	1.76	1.42	2.35	2.13	1.55	1.33	1.34	1.19	1.20	1.78

Operating Earnings¹

Operating earnings of \$299.1 million were \$36.6 million lower than 2010. Higher metal prices, net of price adjustments from prior year sales (\$17.7 million), were more than offset by the negative impact of higher unit costs (\$39.3 million, discussed below under cash costs) and foreign exchange (\$15.4 million).

Production

Higher grade stopes averaging 3.4% copper and the utilization of the zinc plant for copper ore processing in the fourth quarter helped make up for shortfalls resulting from issues that hampered production earlier in 2011. The newly expanded zinc plant that was temporarily converted to copper ore processing in August 2011 has now been converted back to zinc processing.

Of particular note is the achievement of another annual tonnage record. In 2010, operations hoisted approximately 2.6 million tonnes of ore and 0.8 million tonnes of waste. In 2011, operations hoisted more than 3.2 million tonnes of ore and 1.0 million tonnes of waste. Total hoisting and milling was up 25% compared to the previous year. For five consecutive years, Neves-Corvo has exceeded the previous year's copper ore mined tonnages.

Cash Costs¹

Cash costs were lower than guidance (\$1.80/lb) at \$1.76/lb. Cash costs were higher than the previous year's average of \$1.33/lb mainly due to increased mining costs (\$0.27/lb) reflecting proportionally higher use of contractors to mine increased tonnage of lower grade ore. A stronger euro added \$0.08/lb.

¹ Operating earnings is a non-IFRS measure - see page 43 of this MD&A for discussion of non-IFRS measures.

² Cash cost/lb of payable copper sold - see non-IFRS Performance Measures on page 43 of this MD&A.

Zinc Expansion Project

First ore was milled in early July 2011 and saleable zinc concentrate has been produced and sold. The circuit is designed for 1.0 million tpa ore throughput enabling 50,000 tpa zinc metal production in concentrate. Zinc ore was produced for a few weeks to test all circuits against design and equipment supplier specifications and was then temporarily converted to copper ore processing until the end of the year. In early 2012 it was converted back to zinc duty. The new zinc plant remains capable of being converted back and forth between zinc and copper ore duty with relative ease.

Lombador Zinc/Copper Project

The Lombador Phase I Feasibility Study was completed in the third quarter of 2011. The study shows that Lombador Phase I can be developed as a profitable and value accretive extension to the Neves-Corvo mine. The results of this study were discussed in a September 8, 2011 news release (*Lundin Mining Announces Feasibility Study Results for the Lombador Phase I Project*).

Lombador Phase I underground development is proceeding on schedule and the downward access ramp has reached 370 level (approximately 850m below surface). It is expected to reach the 300 level by the second quarter of 2012 and this will facilitate the development of an exploration drive on the 335 level to allow for further underground exploration of the Lombador orebody.

Portions of the surface investment to further expand zinc capacity to 2.5 mtpa ore throughput, as described in the Lombador Phase I study, have been put on hold pending advancement of the strategic study for future underground access at Neves-Corvo described below.

Underground Materials Handling Study

In order to seek optimal value from the Neves-Corvo asset, a conceptual level study has been prepared to evaluate the relative merits of accessing and extracting copper rich Semblana deposit mineralization in advance of exploiting deeper zinc and copper mineralization from Lombador ("Lombador Phase II"). This study (see news release dated January 23, 2012 entitled "*Lundin Mining Reports on Neves-Corvo Future Underground Materials Handling Study*") has indicated two preferred options; a conventional shaft system and a decline tunnel system with rock hoisting conveyors. Further assessment is underway, with an anticipated completion during the second quarter of 2012, to select a single preferred option after taking in to account new exploration results and further enhancement of each design. A feasibility study is expected to advance based on the single preferred option with study schedule completion anticipated prior to mid-2013. An initial investment for an access ramp from the existing mining areas of the Zambujal deposit down to the Semblana deposit is being considered for potential approval and start of ramp construction prior to mid-2012. This ramp will enable detailed underground exploration and could contribute to material haulage from Semblana if project economic studies prove positive.

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, processing facilities and associated infrastructure with a nominal production capacity of 1.1 million tonnes of ore.

Operating Statistics

	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
	2011	2011	2011	2011	2011	2010	2010	2010	2010	2010
Ore mined, zinc (tonnes)	1,028,523	226,995	257,365	255,995	288,168	990,657	273,020	234,236	244,945	238,456
Ore mined, copper (tonnes)	103,349	5,326	36,097	36,269	25,657	33,640	33,640	-	-	-
Ore milled, zinc (tonnes)	999,280	256,160	235,949	231,145	276,026	995,884	266,610	245,543	257,731	226,000
Ore milled, copper (tonnes)	109,666	37,651	22,186	20,677	29,152	27,296	27,296	-	-	-
Grade per tonne										
Zinc (%)	8.2	8.5	8.0	8.5	8.0	8.0	7.8	7.3	8.8	8.2
Lead (%)	4.0	3.7	3.7	4.1	4.2	4.4	4.0	4.5	4.7	4.3
Copper (%)	1.8	1.8	1.7	1.9	1.7	2.2	2.2	-	-	-
Recovery										
Zinc (%)	92	93	93	90	90	91	90	89	91	92
Lead (%)	82	80	83	83	82	84	81	86	85	84
Copper (%)	90	91	91	90	89	90	90	-	-	-
Concentrate grade										
Zinc (%)	52.6	52.4	53.0	52.7	52.4	52.7	51.8	51.8	53.4	53.5
Lead (%)	74.8	73.7	75.4	75.5	74.7	74.9	73.7	74.2	76.9	74.3
Copper (%)	25.2	25.6	24.3	24.4	26.2	24.0	24.0	-	-	-
Production – tonnes (metal contained)										
Zinc	75,147	20,337	17,459	17,582	19,769	72,206	18,546	15,916	20,624	17,120
Lead	32,339	7,621	7,368	7,829	9,521	36,636	8,602	9,641	10,286	8,107
Copper	1,768	622	349	356	441	540	540	-	-	-
Silver (oz)	1,690,863	389,944	379,164	413,546	508,209	1,800,827	427,865	507,866	478,106	386,990
Sales (\$000s)	188,566	42,240	48,741	50,000	47,585	165,273	48,421	42,233	38,963	35,656
Operating earnings (\$000s) ¹	93,588	15,129	28,315	26,178	23,966	95,777	31,849	24,604	20,172	19,152
Cash cost (SEK per pound) ²	1.97	2.49	0.81	1.64	2.76	1.60	1.03	0.85	2.12	2.33
Cash cost (\$ per pound) ²	0.30	0.37	0.13	0.26	0.42	0.22	0.15	0.11	0.28	0.33

Operating Earnings¹

Operating earnings of \$93.6 million were slightly lower than \$95.8 million recognized in 2010. The decrease is attributable to an increase in unit costs (\$17.3 million) and unfavourable exchange rates (\$9.4 million) which more than offset higher metal prices (\$19.2 million) and sales volumes (\$5.3 million).

Production

Zinc production approximated guidance and exceeded the prior year by 4%. Record ore mined (+10% over 2010) and milled (+8% over 2010) was assisted by completion of the daylight ramp in November 2010.

Cash Costs²

2011 cash costs at \$0.30/lb came in below guidance (\$0.32/lb). Compared to last year, C1 cash costs increased \$0.08/lb. Higher operating costs (\$0.09/lb) and a stronger SEK (\$0.07/lb) were partly offset by lower zinc treatment charges (\$0.03/lb) and higher by-product credits (\$0.05/lb) which included copper sales of \$0.12/lb.

¹ Operating earnings is a non-IFRS measure - see page 43 of this MD&A for discussion of non-IFRS measures.

² Cash cost/lb of payable zinc sold - see non-IFRS Performance Measures on page 43 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 production capacity of 1.9 million tonnes per annum. Production activities were suspended in December 2010 following a pit-slope failure. Operations restarted during the third quarter of 2011 at the pit to reinstate the main ore haulage ramp and concentrate production is expected to recommence prior to the end of 2012.

Operating Statistics

	Total 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined (tonnes)	24,289	23,094	1,195	-	-	1,349,336	288,455	272,825	390,646	397,410
Ore milled (tonnes)	-	-	-	-	-	1,435,177	318,826	300,347	369,113	446,891
Grade per tonne										
Nickel (%)	-	-	-	-	-	0.5	0.4	0.6	0.6	0.6
Copper (%)	-	-	-	-	-	0.4	0.4	0.4	0.4	0.4
Recovery										
Nickel (%)	-	-	-	-	-	82	79	82	82	82
Copper (%)	-	-	-	-	-	93	93	93	93	92
Concentrate grade										
Nickel (%)	-	-	-	-	-	6.8	6.1	7.0	7.0	7.1
Copper (%)	-	-	-	-	-	6.1	7.2	6.0	5.8	5.4
Production-tonnes (metal contained)										
Nickel	-	-	-	-	-	6,296	1,062	1,363	1,715	2,156
Copper	-	-	-	-	-	5,484	1,263	1,156	1,432	1,633
Sales (\$000s)	(1,897)	-	(34)	71	(1,934)	129,784	31,848	32,502	20,776	44,658
Operating earnings (loss) (\$000s) ¹	(16,717)	1,700	(5,860)	(5,111)	(7,446)	44,128	6,967	13,373	(1,168)	24,956
Cash cost (€ per pound) ²	n/a	n/a	n/a	n/a	n/a	5.34	11.34	4.59	4.32	4.92
Cash cost (\$ per pound) ²	n/a	n/a	n/a	n/a	n/a	7.08	15.39	5.93	5.43	6.80

Restart of Operations

The new mining contractor started pre-stripping activities in August 2011. The contractor is focused on preparing the pit for concentrate production in late 2012.

The estimated total investment required to recommence concentrate production is €45 million. Additional future water related de-risking measures have been taken including stream diversion and reinforcing final pit walls. To date, €16.7 million (\$22.4 million) has been spent, of which €11.3 million (\$14.9 million) has been capitalized as deferred stripping costs.

Operating Loss¹

Operating loss of \$16.7 million for the year was significantly lower than prior year's earnings of \$44.1 million as a result of suspension of operations in December 2010. Losses for the year are in support of waste removal, care and maintenance and general & administrative costs.

The Company has early adopted IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*, in which production stripping costs in a surface mine are capitalized if certain criteria are met. Accordingly in the fourth quarter of 2011 deferred stripping costs of \$14.9 million, of which \$6.3 million was previously expensed in prior quarters, were capitalized.

¹ Operating earnings (loss) is a non-IFRS measure - see page 43 of this MD&A for discussion of non-IFRS measures.

² Cash cost/lb of payable nickel sold - see page 43 of this MD&A for discussion of non-IFRS measures.

Galmoy Mine

The Galmoy underground zinc mine is located in south-central Ireland in County Kilkenny. Mining was originally planned to cease in May 2009 and the mill has since been sold, but due to the positive market factors, the mining of remnant high grade ore has continued on a reduced basis. 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 2011	Q4 2011	Q3 2011	Q2 2011	Q1 2011	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010
Ore mined (tonnes)	302,446	77,113	78,996	76,927	69,410	139,681	52,498	50,143	22,988	14,052
Ore sold (tonnes)	192,535	46,828	50,125	53,874	41,708	72,983	19,387	27,756	18,741	7,099
Grade per tonne										
Zinc (%)	22.6	20.1	24.8	22.5	23.4	22.0	23.5	23.2	18.7	21.5
Lead (%)	7.5	5.7	8.9	8.2	7.4	7.4	6.8	8.5	7.2	6.2
Production- tonnes (metal contained)										
Zinc	32,071	6,334	9,458	8,802	7,477	11,501	4,039	4,418	2,388	656
Lead	8,791	1,652	2,709	2,538	1,892	2,932	868	1,261	667	136
Sales (\$'000s)	39,073	6,122	12,845	10,862	9,244	12,853	4,034	5,234	2,430	1,155
Operating earnings (loss) (\$'000s) ¹	26,503	1,000	10,649	7,030	7,824	6,961	3,011	3,611	428	(89)

Operating Earnings¹

Mining of high-grade ore for processing by a third party yielded operating earnings of \$26.5 million in 2011 up from \$7.0 million in 2010. In addition, an amount of \$14.6 million is reported as deferred revenue representing cash received for ore delivered that has not as yet been processed. As at December 31, 2011 approximately 165,000 dry metric tonnes of ore were held in inventory at the processing facility, for which final revenue settlement will be recognized as it is milled.

Production

Production is reported based on a 50% attributable-share of the metal contained in ore delivered (after accounting for expected plant recoveries) to a third party processing facility.

Closure Costs

During the year €1.8 million (\$2.5 million) was spent on closure activities. The mill has been dismantled and sold. Rehabilitation of the Tailings Management Facility ("TMF") is ongoing. Remaining activities to be completed include final rehabilitation of the TMF, and determination of the future of the replacement water supply scheme. The Company is considering the disposal of property and land to interested parties to potentially enable ongoing employment and economic benefit to the local community.

¹ Operating earnings is a non-IFRS measure - see page 43 of this MD&A for discussion of non-IFRS measures.

Tenke Fungurume

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

Lundin Mining holds an effective 24.75% interest in the Tenke Fungurume copper and cobalt concessions in the DRC. The Company’s interest in Tenke will be reduced to 24% after receiving the required government approval of the modifications to the Tenke Fungurume Mining’s bylaws that reflect the signed agreements with the DRC government.

Operating Statistics

	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
100% Basis	2011	2011	2011	2011	2011	2010	2010	2010	2010	2010
Ore mined (000 tonnes)	9,995	2,418	2,720	2,692	2,165	8,541	1,980	2,471	2,389	1,701
Ore milled (000 tonnes)	4,046	1,092	1,104	881	969	3,766	1,017	1,083	797	869
Grade per tonne										
Copper (%)	3.4	3.4	3.2	3.7	3.4	3.5	3.4	3.2	3.9	3.7
Recovery										
Copper (%)	93	94	91	93	92	91	93	91	91	92
Production – tonnes										
Copper	127,367	34,891	32,249	29,891	30,336	120,271	31,949	31,115	28,438	28,769
Cobalt	11,182	2,854	2,759	2,776	2,793	9,225	2,922	2,421	1,651	2,231
Income from equity investment (\$millions)	94.7	20.6	17.2	32.0	24.9	75.9	35.6	17.5	8.3	14.5
Cash costs (\$ per pound) ^{1,2}	1.07	1.30	1.12	0.94	0.86	0.90	0.89	0.86	0.79	1.04

Income from Equity Investment

Income of \$94.7 million was \$18.8 million above the prior year. The increase reflects higher sales of copper and cobalt and higher average realized prices on copper, partially offset by higher costs. Sales volume of copper cathode sold during the year, on a 100% basis, amounted to 128,284 tonnes compared to 118,929 tonnes in 2010.

The average price realized for copper sales during the year was \$3.74 per pound of cathode sold (2010: \$3.45/lb). The average realized price for cobalt sold was \$9.99/lb (2010: \$10.95/lb).

The Company recognizes its 24.75% interest in the earnings of Tenke and includes adjustments for GAAP harmonization differences and purchase price allocations.

Production

Milling facilities at Tenke continue to perform well with throughput averaging 11,100 metric tons of ore per day in 2011 facilitated in part by plant debottlenecking investments. Mining rates have been increased to enable additional copper cathode production from the initial project capacity of 115,000 tonnes per year to approximately 130,000 tonnes per year.

Freeport is expecting annual sales of copper and cobalt to be approximately 131,500 tonnes and 11,300 tonnes, respectively in 2012.

¹ Cash cost/lb of payable copper sold - see non-IFRS Performance Measures on page 43 of this MD&A.

² Cash costs are as calculated and reported by Freeport as operator. Unit costs attributable to Lundin Mining’s share of production may vary slightly from time to time due to marginal differences in the basis of calculation.

Cash Costs

During the year, cash operating costs averaged \$1.07/lb of copper including the cobalt by-product credit, \$0.17/lb higher than 2010 reflecting higher site production and delivery costs related to higher input costs. Freeport projects 2012 cash costs of \$1.13/lb, assuming an average cobalt price of \$12/lb.

Excess Overrun Facility

The Excess Overrun Cost facility for the completion of Phase I development was fully repaid during the year. The balance at December 31, 2010, of \$108.4 million, was repaid out of Tenke operating cash flows.

Expansion

Freeport is undertaking a second phase of an expansion project, which includes optimizing the current plant and increasing capacity. As part of the second phase, Freeport is expanding the mill to 14,000 metric tons of ore per day and is constructing related processing facilities that would target the addition of approximately 70,000 tonnes of copper per year. Construction activities for the approximate \$850 million project (Lundin Mining's share: approximately \$250 million) which includes mill upgrades, additional mining equipment, and a new tankhouse are underway and are targeted for completion by the first quarter of 2013.

Freeport continues to engage in drilling activities, exploration analyses and metallurgical testing to evaluate the potential of the highly prospective minerals district at Tenke. These analyses are being incorporated in the evaluation of opportunities for expansion.

Tenke Funding

During the year, \$64.5 million (2010 - \$30.5 million) was advanced by the Company to cover sustaining capital, on-going concession exploration and expansion initiatives.

Lundin Mining's 2012 capital investment for Tenke has been assumed, for internal planning purposes, to be \$210 million to fund expansion and sustaining capital. Depending on metal prices, it is expected the Company's share of operating cash flows from Tenke will be sufficient to fund these capital and non-capital requirements. Final decisions on capital investment levels for 2012 are ultimately made by Freeport, the mine's operator.

Exploration Highlights

Portugal

Neves-Corvo Mine Exploration (Copper, Zinc)

The 2011 surface exploration program included a completed total of 77,031 metres of a planned 80,000 metres. At Semblana, an initial Inferred Mineral Resource was reported in December 2011 in accordance with the definitions in the Canadian National Instrument 43-101. A new zone of high-grade copper sulphides, which is not included in the initial resource, was subsequently discovered approximately 300 metres to the south of the initial resource block. Drilling around this new discovery, as well as progressively testing other high priority targets, will continue throughout 2012.

Additional drilling in 2012 will work towards defining the limits and grade distribution of Semblana, especially to the west and south, with the objective of increasing the current resource. The program also includes drill-testing of high priority seismic reflectors and step-out drilling of the resource-grade copper mineralization intercepted in the area of the planned new water dam facility. The 2012 program will also focus on testing areas located outside of the scope of the current high priority exploration area in order to allow for optimization of the future underground materials handling study work.

Iberian Pyrite Belt Regional Exploration (Copper, Zinc)

Target definition work was undertaken in 2011, focusing on priority areas along strike to the northwest of the Neves-Corvo mine. A total of 4,549 metres were drilled in 2011 to test two out of seven new targets identified with four parallel 2D seismic lines. The 2012 program will focus on the follow-up of these targets with more definitive 3D seismic coverage and drill-testing of the best resulting targets.

Ireland

Clare Joint Venture Exploration (Zinc, Lead, Silver)

The Company acquired the remaining interest of the Clare Project after the acquisition of JV partner Belmore Resources was completed at the beginning of the third quarter of 2011. The focus of the Clare Project is the development of zinc-lead-silver resources at the Kilbricken Deposit, first discovered in 2009 by Belmore Resources.

The objective of drilling in 2011 was to discover additional new zones of resource grade mineralization along strike of the Kilbricken Discovery Zone in addition to initial step-out drilling on the new zone of zinc-lead and copper sulphide mineralization discovered in late September, located approximately 750 metres west-southwest of the Kilbricken Discovery Zone. A second new zone of resource grade zinc-lead mineralization was also discovered east-southeast of the Kilbricken Discovery Zone.

Drilling in the first quarter of 2012 will continue to focus on step-out drilling of the two new zones of mineralization discovered at Kilbricken in addition to continued wide-spaced step-out drilling looking for more new high-grade zones. A set of five, widely spaced 2D seismic lines will be completed to provide additional structural control for better targeting. Borehole TEM will be done to assist in target generation of any off-hole conductors.

Lakelands Zinc-Lead Project

A total of 785 meters were drilled in 2011 at the Lakelands Project in County Leitrim. Strongly disseminated zinc-lead sulphide mineralization was encountered in two holes within Navan Bed Equivalent host rocks. These holes followed up on the scout drill hole that discovered zinc-lead mineralization in this area. Broad-spaced drilling will continue in 2012 to better understand the geology and to define the extent of the discovered zinc-lead mineralization. An application for an additional area of 377 kilometres of contiguous ground around this property was approved and 13 new licenses are expected to be granted in due course by the Exploration and Mining Division.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for 2011 were marginally higher than the average prices for 2010. During the first half of the year the metal market continued to be strong based on increased industrial output and strong demand and metal prices increased, in some cases to new all-time highs. However, during the second half of 2011 demand for metal slowed down due to tightened Chinese credit policy and renewed concerns about the Eurozone and at the end of 2011 the metal prices were considerably lower than the prices at the end of 2010.

(Average LME Prices)		Three months ended December 31			Twelve months ended December 31		
		2011	2010	Change	2011	2010	Change
Copper	US\$/pound	3.40	3.92	-13%	4.00	3.42	17%
	US\$/tonne	7,489	8,634	-13%	8,811	7,539	17%
Zinc	US\$/pound	0.86	1.05	-18%	0.99	0.98	1%
	US\$/tonne	1,897	2,315	-18%	2,191	2,158	1%
Lead	US\$/pound	0.90	1.08	-17%	1.09	0.97	12%
	US\$/tonne	1,983	2,390	-17%	2,398	2,148	12%
Nickel	US\$/pound	8.30	10.70	-22%	10.36	9.89	5%
	US\$/tonne	18,303	23,598	-22%	22,831	21,809	5%

The LME inventory for zinc and lead continued to increase during 2011 and ended the year 17% (zinc) and 70% (lead) higher than the closing levels of 2010. The LME inventory for copper and nickel decreased during 2011 and ended the year 2% (copper) and 34% (nickel) lower than the closing levels of 2010.

The treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates increased over the first quarter of 2011. In January, the spot TC was \$55 per dmt of concentrate and the spot RC was \$0.055 per lb of payable copper and in March, the spot TC peaked at \$115 per dmt with a spot RC of \$0.115 per lb of payable copper. This was a result of reduced demand for imported concentrates in China and India due to higher inventories. From April 2011 the spot TC and RC started to fall as the Chinese and Indian smelters came back into the market and in December the spot market was trading at a spot TC of \$32 per dmt of concentrates with a RC of \$0.032 per lb payable copper. Annual negotiations for copper TC and RC have been finalized and for 2012 the benchmark TC have been agreed at \$60-63.5 per dmt of concentrates with a RC of \$0.06-0.0635 per lb payable copper, slightly above the numbers for 2011 at a TC of \$56 per dmt and a RC of \$0.056 per lb payable copper.

The spot TC for zinc concentrates decreased during 2011 from \$135 per dmt, flat, in January to \$60 per dmt, flat, in December. During most of 2011 the differential between the realized TC under the annual contracts and the spot TC have been around \$100 per dmt, with the spot TC being lower. However, during the 4th quarter of 2011 this differential increased to about \$145 per dmt. This increase is a function of an increase in demand for zinc concentrates and, consequently, the Company expects an improvement in the TC under annual contracts in favour of the mines for 2012.

Lead concentrate imports to China dropped during 2011 compared to 2010. During the year, the Chinese government closed several lead-acid battery manufacturers due to environmental reasons which reduced the demand for lead metal and consequently also reduced the demand for lead concentrates. The spot TC for lead concentrates increased over the year from \$75 per dmt, flat, in January 2010 to \$145 per dmt in December. Based on the increasing spot TC the Company expects the TC for lead concentrates under annual contracts to increase in favour of the smelters in 2012.

The Company's nickel concentrates are sold under a long term contract at terms which are in line with the recent market conditions. The contract provides for regular monthly delivery and pricing of the concentrates which ensure that nickel realizations correlate more closely with LME averages over the year. However, since the Aguablanca mine stopped production in December 2010 due to damages caused by torrential rainfall, this contract is presently under Force Majeure and the duration of the contract will be extended by the duration of the Force Majeure.

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents increased by \$66.5 million to \$265.4 million as at December 31, 2011, from \$198.9 million at December 31, 2010. Cash inflows during the year included operating cash flows of \$308.7 million, \$7.8 million distribution from Tenke and proceeds of \$8.0 million from sale of investments. Uses of cash included:

- \$179.1 million investment in mineral property, plant and equipment;
- \$64.5 million for Tenke funding;
- \$10.5 million for net repayment of long-term debt; and
- \$9.5 for purchase of Belmore Resources.

Working Capital

Working capital is \$306.6 million as at December 31, 2011, compared to \$294.1 million as at December 31, 2010. The nominal increase in working capital reflects a higher cash balance and lower income taxes payable resulting from lower taxable earnings, offset by lower trade and other receivables due to lower fourth quarter sales in 2011 compared to 2010.

Revolving Credit Facility

The Company signed an amended and restated credit agreement in September 2010. The facility was increased from \$225.0 million to \$300.0 million and extended to a full three-year term, expiring in September 2013.

Aside from a letter of credit issued in the amount of SEK 80 million (\$11.6 million), there are no amounts outstanding on the facility.

Shareholders' Equity

Shareholders' equity was \$3,297.9 million at December 31, 2011, compared to \$3,153.6 million at December 31, 2010. Shareholders' equity increased primarily as a result of net earnings of \$183.8 million and partially offset by translation adjustments in other comprehensive income of \$49.8 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	20,429	1,294	1,294	414	23,431
Finance leases	1,311	2,532	1,685	387	5,915
Reclamation and closure provisions ¹	5,244	9,693	12,463	71,295	98,695
Capital commitments	59,211	-	-	-	59,211
Operating leases and other	1,729	1,255	621	311	3,916
	87,924	14,774	16,063	72,407	191,168

¹ Reclamation and closure provisions are reported on an undiscounted basis and before inflation.

Off-Balance Sheet Financing Arrangements

The Company had protection for cost overruns related to the development of Phase I of the Tenke copper/cobalt project. 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 was non-recourse to the Company and was fully repaid from operating cash flows in the third quarter of 2011. No other off-balance sheet arrangements exist as at December 31, 2011.

Financial Instruments

Summary of Financial Instruments

Financial Instrument	Fair value as at December 31, 2011 (\$000's)	Basis of measurement	Associated Risks
Cash and cash equivalents	265,400	Carrying value	Interest/Credit/Exchange
Trade and other receivables	37,349	Carrying value	Credit/Market
Trade receivables	78,670	Fair value through profit and loss	Credit/Market/Exchange
Reclamation funds	54,392	Carrying value	Interest/Credit
Marketable securities	15,067	Fair value through profit and loss	Market/Liquidity
Trade payables and accrued liabilities	103,292	Amortized cost	Interest
Long-term debt and finance leases	29,346	Amortized cost	Interest
Other long-term liabilities	5,745	Amortized cost	Interest

Carrying value – Cash and cash equivalents, certain trade and other receivables and reclamation funds mature in the short-term and approximate their fair values.

Fair value through profit and loss (trade receivable) – The fair value of the embedded derivatives on provisional sales are valued using quoted market prices based on forward LME price.

Fair value through profit and loss (marketable securities) – The fair value of investments in shares is determined based on quoted market price and the fair value of warrants is determined using a valuation model that incorporates such factors as the quote market price and the historical prices of the shares of which the warrants can be exchanged for and the expiry date of the warrants.

Amortized costs – Trade payables and accrued liabilities, long-term debt and finance leases and other long-term liabilities approximate their carrying values as the interest rates carried are comparable to current market rates.

Associated risks for all financial instruments are more fully discussed in the *Managing Risks* section below.

Sensitivities

Net earnings and earnings per share are affected by certain external factors including fluctuations in metal prices and changes in exchange rates between the Euro, the SEK and the US dollar.

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

Metal	Provisional price on December 31, 2011 (\$US/tonne)	Change	Effect on pre-tax earnings (\$ millions)
Copper	7,597	+/- 10%	+/- 18.2
Zinc	1,843	+/- 10%	+/- 2.3
Lead	1,966	+/- 10%	+/- 1.6

Related Party Transactions

Tenke

The Company enters into transactions related to its investment in Tenke Fungurume. These transactions are entered into in the normal course of business and on an arm's length basis.

During the year ended December 31, 2011, the Company made cash advances of \$64.5 million to fund its portion of Tenke expenditures. The Company had an off-balance sheet financing arrangement whereby Freeport was responsible for funding the Company's share of Phase I project development costs that were in excess of agreed budgets. The remaining \$108.4 million of the financing arrangement was completely repaid by August 31, 2011. The Company received its first cash distribution of \$7.8 million in 2011. In addition, the Company provides certain letters of credit and guarantees for \$1.8 million worth of contracts entered into by Tenke. These letters of credit expire in 2013.

Key Management Personnel

The Company has identified its directors and certain senior officers as its key management personnel. The employee benefits for key management personnel are as follows:

	2011	2010
Wages and salaries	\$ 5,992	\$ 6,132
Post-retirement benefits	146	264
Share-based compensation	523	752
	\$ 6,661	\$ 7,148

During the year ended December 31, 2011, the Company paid \$0.3 million for services provided by a management company owned by the Chairman of the Company. Lundin Mining also paid \$0.2 million to a charitable foundation directed by members of the Company's key management personnel to carry out social programs in the DRC on behalf of the Company.

In 2011, the Company also sold a residential property to a senior officer for \$0.6 million. This disposition was transacted at fair value and on regular arm's length terms.

Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standard Board ("AcSB") confirmed that IFRS will replace Canadian GAAP ("CGAAP") for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. Accordingly, the Company's first mandatory filing under IFRS will be its consolidated financial statements for December 31, 2011.

The Company has prepared its December 31, 2011 consolidated financial statements in accordance with Canadian generally accepted accounting principles as set out in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants, with an effective transition date of January 1, 2010, including IFRS 1, *First-time adoption of international financial reporting standards*. The consolidated financial statements include IFRS-compliant financial statements on a comparative basis, as well as reconciliations for December 31, 2010 and as at the January 1, 2010 transition date.

The adoption of IFRS has not had a material impact on the Company's financial position, operations and business decisions.

The IFRS 1 *First time adoption of IFRS* elections on transition are as follows:

- **Business Combinations:** In electing this exemption, the Company is not required to apply IFRS 3 *Business combinations* retroactively to transactions prior to the date of transition to IFRS.
- **Fair value as deemed cost:** This exemption allows the use of a previous GAAP revaluation of a mineral property at the date of transition to IFRS as deemed cost.
- **Cumulative translation differences:** Allows the Company to deem the cumulative translation difference at the date of transition to IFRS as zero.
- **Reclamation and closure provisions included in the cost of mineral properties:** In electing this exemption, the Company is able to calculate its asset retirement obligation ("ARO") asset at the transition date using a simplified method based on the related ARO liability.
- **Designation of previously recognized financial instruments:** The Company has elected this option and on transition will reclassify the designation of its available-for-sale ("AFS") securities to fair value through profit and loss ("FVTPL"). This election will have an effect on shareholders' equity as all deferred gains and losses previously recognized in accumulated other comprehensive income ("AOCI") will be reclassified to retained earnings.
- **Share based-payments:** In accordance with IFRS 2 *Share based payments*, the Company will recognize a forfeiture rate on its initial recognition of stock option grants. In applying the IFRS 1 election, the effect of the forfeiture rates will be applied only to unvested options at the date of transition.

The following significant differences in accounting policy have been identified in converting to IFRS:

- **Foreign currency considerations:** The Company has analyzed functional currency under IAS 21 *The effect of changes to foreign exchange rates*. On assessment of primary indicators, the Company has changed the functional currency of two of its group companies.

As a result of this change, the IFRS 1 *Cumulative translation adjustments* will be elected. This will have the effect of reclassifying all previously recorded translation adjustments from other comprehensive income to retained earnings.

- **Reclamation and closure provisions:** Under IAS 37 *Provisions, contingent liabilities and contingent assets*, the Company has reassessed its reclamation and closure provisions under IFRS. The IFRS standard requires the periodic updating of assumptions such as inflation and discount rates. Accordingly, the Company has made adjustments to the reclamation and closure provision and related asset.

Presented below is the reconciliation of the Company's opening balance sheet showing the adjustments from CGAAP to IFRS.

Transition to IFRS - Opening Consolidated Balance Sheet

Unaudited \$US thousands	CGAAP January 1, 2010	Notes	Transition adjustments to IFRS	IFRS January 1, 2010
ASSETS				
Cash and cash equivalents	\$ 141,575		\$ -	\$ 141,575
Trade and other receivables	182,210		-	182,210
Income tax receivable	13,610		-	13,610
Inventories	27,519		-	27,519
Prepaid expenses	3,541		-	3,541
Current Assets	368,455		-	368,455
Reclamation funds	67,076		-	67,076
Mineral properties, plant and equipment	1,310,287	(a)	(9,108)	1,301,179
Investment in Tenke Fungurume	1,633,740	(b)	(4,987)	1,628,753
Marketable securities and other assets	42,508		-	42,508
Deferred tax assets	68,707	(f)	4,175	72,882
Goodwill	249,820		-	249,820
	\$ 3,740,593		\$ (9,920)	\$ 3,730,673
LIABILITIES				
Trade and other accounts payable	\$ 59,473		-	\$ 59,473
Accrued liabilities	48,235		-	48,235
Income taxes payable	14,657		-	14,657
Current portion of long term debt and capital leases	2,536		-	2,536
Current portion of reclamation and closure provisions	5,830		-	5,830
Current portion of deferred revenue	5,667		-	5,667
Derivative liabilities	40,557		-	40,557
Current Liabilities	176,955		-	176,955
Long-term debt and finance leases	188,352		-	188,352
Other long-term liabilities	11,936		-	11,936
Deferred revenue	72,230		-	72,230
Provision for pension obligations	16,385		-	16,385
Reclamation and closure provisions	120,954	(a)	1,895	122,849
Deferred tax liabilities	238,089	(f)	(4,431)	233,658
	824,901		(2,536)	822,365
SHAREHOLDERS' EQUITY				
Share capital	3,480,487		-	3,480,487
Contributed surplus	30,415	(c)	(572)	29,843
Accumulated other comprehensive income	265,051	(d), (e)	(265,051)	-
Deficit	(860,711)		258,239	(602,472)
	2,915,242		(7,384)	2,907,858

Transitional adjustments notes:

- a) In applying IAS 37 *Provisions, contingent liabilities and contingent assets*, discount and inflation rates were updated resulting in an increase of the ARO by \$1.9 million. Under CGAAP, the historical rates were applied. On election of IFRS 1 *Decommissioning liabilities included in the cost of mineral properties*, the Company has adjusted the mineral property balance by \$9.1 million.

- b) The financial statements of the entity holding the Company's equity investment in Tenke Fungurume are reported in accordance with Generally Accepted Accounting Principles in the United States. As a result, the Company had previously applied CGAAP harmonization adjustments in its recognition of equity income. Under CGAAP increased equity income was recognized subsequent to the date of the transition to recover the Company's share of losses attributable to the non-controlling interest. A new allocation of income was recorded under IFRS to reverse the previous CGAAP adjustment. At the date of transition, the effect of this change was a decrease of \$5.0 million to the investment.
- c) Under IFRS the Company will recognize a forfeiture rate in its initial recognition of stock option grants. Applied retroactively on all unvested options at the date of transition, contributed surplus was reduced by \$0.6 million.
- d) On transition to IFRS, and in applying the optional election IFRS 1 *Designation of previously recognized financial instruments*, the Company reclassified deferred gains and losses in AOCI to retained earnings in the amount of \$23.5 million.
- e) The Company has elected IFRS 1 *Cumulative translation difference*. All cumulative translation differences on the date of transition are deemed to be zero and recognized in retained earnings in the amount of \$241.6 million.
- f) Related tax effects on above adjustments.

The following is an overview of the impacts to the Company's December 31, 2010 consolidated financial results due to the transition to IFRS.

Comparison between IFRS and CGAAP of selected financial information and key financial data:

For the year ended, and as at December 31, 2010 (\$millions, except per share amounts and percentages)	Transition adjustments					IFRS
	CGAAP	Revaluation of securities ^(a)	Reclamation and closure provisions ^(b)	Deferred Tax	Other	
Net Earnings	317.1	(6.7)	2.4	(5.7)	(0.8)	306.3
Operating Earnings	456.6	-	-	-	5.1 ^d	461.7
Shareholders' Equity	3,168.1	-	(6.9)	(4.9) ^c	(2.7) ^c	3,153.6
Total Assets	3,833.4	-	0.5	(4.9) ^c	(2.7) ^c	3,826.3
Shareholders' equity per share	5.46					5.43
Basic and diluted income per share	0.55					0.53
Equity ratio	83%					82%

Notes

^a In applying an IFRS 1 election the Company reclassified its AFS securities to FVTPL. This reclassification resulted in previously recognized revaluation gains and losses recognized in AOCI to be recorded in retained earnings as a transition adjustment.

^b In applying IAS 37, *Provisions, contingent liabilities and assets* and the related IFRS 1 election, the Company revised its estimate for reclamation and closure provision and the related asset. This change had an impact on accretion and depreciation expense for the year ended December 31, 2010.

^c Transitional adjustments for the Company's investment in Tenke Fungurume related to US GAAP harmonization and the de-recognition of income taxes related to the acquisition of the investment.

^d Includes \$4.4 million reclassification of accretion expense from operating earnings to financing costs

Deferred Stripping

The Company has early adopted IFRIC 20, *Stripping costs in the production phase of a surface mine*, which had a mandatory effective date for annual periods which begin on or after January 1, 2013. This interpretation provides clarity on how to account for and measure the removal of mine waste materials which provide access to mineral ore deposits, or “stripping activity”.

IFRIC 20 requires that stripping activity be accounted for as an asset if it meets certain criteria, namely the probability of future economic benefit, identification of the ore body being accessed and related stripping costs. Stripping costs must be measured as accumulated costs directly attributable to the stripping activity, with reasonable allocation of costs to inventory production, if any.

For the year ended December 31, 2011, deferred stripping costs of \$14.9 million, at the Aguablanca mine, met the criteria of IFRIC 20 and were capitalized. The Company has applied this standard retroactively to January 1, 2010. This had no impact on the comparative periods presented.

New Accounting Pronouncements

The Company is currently evaluating the impact of the following pronouncements:

- IFRS 7 *Financial instrument – disclosure*, was amended to require additional disclosure in respect of risk exposures arising from transferred financial assets. This amendment is effective for annual periods beginning on or after July 1, 2011.
- IFRS 7 *Financial instrument – disclosure*, was further amended to provide guideline on the eligibility criteria for offsetting assets and liabilities as a single net amount in the balance sheets. This amendment is effective for annual periods beginning on or after January 1, 2013.
- IFRS 9 *Financial instruments*, was issued in November 2009 and addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial instruments – Recognition and Measurement*, except that fair value change due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This standard is effective for all annual periods beginning on or after January 1, 2015.

- IFRS 10 *Consolidated financial statements* requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation—special purpose entities* and parts of IAS 27 *Consolidated and separate financial statements*. This standard is effective for all annual periods beginning on or after January 1, 2013.

- IFRS 11 *Joint arrangements* requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, *Interests in joint ventures*, and SIC-13, *Jointly controlled entities—non-monetary contributions by venturers*. This standard is effective for all annual periods beginning on or after January 1, 2013.
- IFRS 12 *Disclosure of interests in other entities* establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for all annual periods beginning on or after January 1, 2013.
- IFRS 13 *Fair value measurement* is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. This standard is effective for all annual periods beginning on or after January 1, 2013.
- IAS 1 *Presentation of financial statements*, was amended to require entities to group items within other comprehensive income that may be reclassified to profit or loss. This standard is effective for annual periods beginning on or after July 1, 2012.
- IAS 19 *Post-employment benefits*, was amended to eliminate the corridor method that defers the recognition of gains and losses, to streamline the presentation of changes in assets and liabilities arising from defined benefit plans and to enhance the disclosure requirements for defined benefit plans. This amendment is effective for annual periods beginning on or after January 1, 2013.
- IAS 28 *Investment in associates*, was amended to include joint ventures in its scope and to address the changes in IFRS 10 to 13. This amendment is effective for annual periods beginning on or after January 1, 2013.
- IAS 32 *Financial Instrument: presentation*, was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of "currently has a legally enforceable right of set-off" was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014.

Critical Accounting Estimates

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgments. It also requires management to exercise judgment in applying the Company's accounting policies. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ from the amounts included in the financial statements.

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 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, the asset is amortized over its expected useful life.

Proven and probable reserves are determined based on a professional evaluation using accepted international standards for the assessment of mineral reserves. The assessment involves geological and geophysical studies 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 have longer mine lives and 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 any 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 to operations when a property is abandoned or when there is a recognized impairment in value.

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 discounted 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 earnings.

Valuation of Investment in Tenke Fungurume

The Company carries its investment at cost and adjusts for its share of earnings of the investee. The Company reviews the carrying value of the investment whenever events or changes in circumstances indicate that impairment may be present. In undertaking this review, the Company makes reference to future operating results and cash flows. This requires making significant estimates of, amongst other things, future production and sale volumes, unit sales prices, future operating and capital 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 investment.

Goodwill

The amount by which the purchase price of a business acquisition exceeds the fair value of identifiable assets and liabilities acquired is recorded as goodwill. Goodwill is allocated to the cash-generating units ("CGUs") acquired based on the assessment of which CGU would be expected to benefit from the synergies of the acquisition. Estimates of recoverable value may be impacted by changes in base metal prices, currency exchange rates, discount rates, level of capital expenditures, 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 CGUs that have recorded goodwill, the estimated recoverable amount 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.

Income taxes

Deferred 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 deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred 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.

Reclamation and closure provisions

The Company has obligations for reclamation and closure activities 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 reclamation and 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 reclamation and 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. This provision is updated as the estimate for future closure costs change. 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. Actual results could differ from estimates made by management during the preparation of these consolidated financial statements, and those differences may be material.

Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The principal assumptions used in determining the net cost for pensions include the discount rate, the rate of salary increase and the inflation rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

Share-based compensation

The Company grants stock options to employees 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. Option pricing models require the input of highly subjective assumptions including the expected price, volatility and expected life. Changes in the input assumptions can materially affect the fair value estimate.

Managing Risks

Risks and Uncertainties

Metal Prices

Metal prices, primarily copper, zinc 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, employs pre-payment arrangements and the use of letters of credit, where appropriate, but cannot always be assured of the solvency of its customers. 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.

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, 2011, the Company had \$54.4 million in a number of reclamation funds that will be used to fund future site reclamation 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 reclamation 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 has received regulatory approval for closure at its Galmoey mine in 2011 and closure activities remain on schedule. Remnant high grade ore continues to be mined and is sent to an adjacent mine for processing. Mining activity is expected to conclude in the first half of 2012. Current mining activity does not have a significant effect on closure activities.

Rehabilitation programs were largely completed at the Storliden mine during 2010 following production shutdown in 2008. The site is 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 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, but not limited to: 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, metal 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 copper, zinc, lead, 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 changes 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. With the exception of certain of Aguablanca’s water licenses (see *Infrastructure*), the Company has all the required permits for its operations as currently conducted; however, 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 and/or market values for each property.

Factors which may affect the recoverability of 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 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 Mining 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 its 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 of which the Company is not aware.

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 withholding tax rates.

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 licenses required to satisfy all of its supply requirements.

Key Personnel

The Company is dependent 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.

Outstanding Share Data

As at February 22, 2012, the Company had 582,497,510 common shares issued and outstanding and 8,978,917 stock options outstanding under its stock-based incentive plans.

Non-IFRS Performance Measures

The Company uses certain performance measures in its analysis. These performance measures have no meaning within generally accepted accounting principles under IFRS 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 IFRS. The following are non-IFRS 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 earnings or loss. Operating earnings is defined as sales, less operating costs (excluding depreciation) and general and administration costs.

- **Cash cost per pound**

Copper, zinc 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 an IFRS 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.

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

Cash costs can be reconciled to the Company's operating costs, excluding depreciation, as follows:

	Three months ended December 31, 2011				Three months ended December 31, 2010			
	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)	26,026	57,377	1.42	81,475	23,765	52,393	1.34	70,207
Zinkgruvan (Zn)	15,981	35,232	0.37	13,036	14,657	32,313	0.15	4,847
Aguablanca (Ni) ^{1,2}	-	-	-	(2,861)	559	1,232	15.39	18,960
Galmoy (Zn) ³	-	-	-	4,687	-	-	-	970
				96,337				94,984
Add: By-product credits				24,509				34,180
Treatment costs				(21,426)				(22,757)
Royalties and other				6,502				5,586
Operating costs, excluding depreciation				105,922				111,993

	Twelve months ended December 31, 2011				Twelve months ended December 31, 2010			
	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)	69,974	154,266	1.76	271,508	69,935	154,180	1.33	205,059
Zinkgruvan (Zn)	61,661	135,939	0.30	40,782	59,405	130,966	0.22	28,813
Aguablanca (Ni) ¹	-	-	-	14,848	5,116	11,279	7.08	79,855
Galmoy (Zn) ³	-	-	-	8,360	-	-	-	5,511
				335,498				319,238
Add: By-product credits				105,467				126,717
Treatment costs				(72,000)				(103,100)
Royalties and other				13,055				24,455
Operating costs, excluding depreciation				382,020				367,310

¹ Pit-slope failure caused suspension of operations in December 2010.

² Deferred stripping costs of \$6.3 million, previously expensed in prior quarters, were capitalized in the fourth quarter of 2011.

³ Operating costs for Galmoy include shipment and processing of ore by an adjacent mine.

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 of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures and has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that they were effective as at December 31, 2011.

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 International Financial Reporting Standards. 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 order 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, 2011.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the three month period ended December 31, 2011 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. A copy of the Company's AIF can be obtained from the Canadian Securities Administrators' website at www.sedar.com.

Other Supplementary Information

1. *List of directors and officers at February 22, 2012:*

(a) **Directors:**

Lukas H. Lundin, *Chairman*
William A. Rand, *Lead Director*
Paul Conibear
Colin K. Benner
Brian D. Edgar
Dale C. Peniuk
Donald K. Charter
John H. Craig

(b) **Officers:**

Lukas H. Lundin, *Chairman*
Paul Conibear, *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 McRae, *Senior Vice President, Projects*
Julie Lee Harris, *Senior Vice President, Corporate Development*
Peter Nicoll, *Vice President, Health, Safety, Environment and Community*
Mikael Schauman, *Vice President, Marketing*
Jinhee Magie, *Vice President, Finance*
James Ingram, *Corporate Secretary*

2. **Financial Information**

The report for the first quarter of 2012 is expected to be published on April 25, 2012.

3. **Other information**

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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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