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# NEWS RELEASE
# LUNDIN MINING THIRD QUARTER RESULTS

**Toronto, October 29, 2014 (TSX: LUN; OMX: LUMI) Lundin Mining Corporation** (“Lundin Mining” or the “Company”) today reported net earnings of $33.7 million ($0.06 per share) for the quarter ended September 30, 2014. Cash flows of $57.5 million were generated from operations in the quarter, not including the Company’s attributable cash flows from Tenke Fungurume.

Paul Conibear, President and CEO commented, "*We are pleased with our aggregate operating performance year-to-date, especially the outstanding rapid ramp up of nickel and copper production from Eagle Mine. We continue to expect the overall achievement of our guided annual production and cost targets. The fourth quarter of 2014 will be an exciting quarter of transition and growth for Lundin Mining, with the anticipated closing of the Candelaria acquisition, along with the ramp up of production at Eagle. Consistent performance from our existing operations over the last few years, the successful execution and startup of Eagle, and a balance sheet well supported by cash from Tenke has strongly positioned the Company to deliver excellent value to shareholders and contribute significantly to growth in production, cash flow and earnings in 2015.*"

***Summary financial results for the quarter and year-to-date:***

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| US$ Millions (except per share amounts) | **2014** | 2013 | **2014** | 2013 |
| Sales | **166.6** | 176.4 | **508.3** | 540.9 |
| Operating earnings[1] | **42.9** | 58.9 | **160.3** | 176.1 |
| **Net earnings** | **33.7** | 27.9 | **86.8** | 94.6 |
| Basic earnings per share | **0.06** | 0.05 | **0.15** | 0.16 |
| Cash flow from operations | **57.5** | 27.4 | **118.6** | 99.7 |
| Ending net (debt) / cash position[2] | **(214.7)** | (72.8) | **(214.7)** | (72.8) |

[1] Operating earnings is a non-GAAP measure defined as sales, less operating costs (excluding depreciation) and general and administrative costs.
[2] Net cash/debt is a non-GAAP measure defined as cash and cash equivalents, less long-term debt and finance leases, before deferred financing fees.

## Highlights

### Operational Performance

***Wholly-owned operations*:** Nickel, lead and zinc production were in-line with targeted production for the quarter, while copper production was lower than expectations.

- Neves-Corvo produced 10,904 tonnes of copper and 17,908 tonnes of zinc in the third quarter of 2014. Production from the Lombador ore body resulted in a 22% increase in zinc production over the prior year comparable period. Lower copper head grades, metallurgical recoveries and ore throughput resulted in lower copper production compared with the third quarter of 2013, but production year-to-date still remains in-line with our full-year guidance for 2014. Copper cash costs[1] of $1.96/lb for the quarter were moderately higher than our latest full-year guidance ($1.85/lb).

- Zinc production of 20,050 tonnes at Zinkgruvan met expectations and was higher than the comparable period in 2013 due to a third consecutive quarter of record mine production of zinc ore. Lead production of 6,531 tonnes met expectations but was below the comparable period in 2013 primarily due to lower head grades. Cash costs for zinc of $0.48/lb were higher than guidance ($0.35/lb) in part due to lower lead by-product credits, net of treatment charges.

- Aguablanca had yet another strong quarter of operational performance, with current quarter production of 1,958 tonnes of nickel and 1,919 tonnes of copper. This met expectations for the third quarter of 2014 and exceeded production levels of the prior year comparable period. Cash costs of $5.89/lb of nickel for the quarter, though higher than prior quarters, remain in-line with our mine plan and full year guidance expectations.

***Tenke:*** Tenke operations continue to perform well.

- Lundin's attributable share of third quarter production included 12,694 tonnes of copper cathode and 851 tonnes of cobalt in hydroxide. The Company's attributable share of Tenke's sales included 12,229 tonnes of copper at an average realized price of $3.11/lb and 895 tonnes of cobalt at an average realized price of $9.99/lb.

- Attributable operating cash flow from Tenke for the third quarter of 2014 was $48.4 million ($113.9 million year-to-date). Cash distributions received by Lundin Mining in the quarter were $33.8 million ($73.2 million year-to-date), in-line with expectations.

- Operating cash costs for the third quarter of 2014 were $1.10/lb of copper sold, better than the revised full year guidance of $1.16/lb.

[1] Cash cost/lb of copper, zinc and nickel are non-GAAP measures defined as all cash costs directly attributable to mining operating, less royalties and by-product credits.

**Total production from the Company's assets including attributable share of Tenke:**

| | 2014 | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| *(tonnes)* | **YTD** | **Q3** | Q2 | Q1 | Total | Q4 | Q3 | Q2 | Q1 |
| Copper | **45,248** | **13,666** | 16,182 | 15,400 | 66,246 | 18,078 | 15,087 | 16,065 | 17,016 |
| Zinc | **108,627** | **37,958** | 37,202 | 33,467 | 124,748 | 32,796 | 33,466 | 32,539 | 25,947 |
| Lead | **27,585** | **7,397** | 10,250 | 9,938 | 34,370 | 7,968 | 9,119 | 10,692 | 6,591 |
| Nickel | **6,357** | **2,165** | 2,212 | 1,980 | 7,574 | 2,113 | 1,788 | 1,876 | 1,797 |
| *Tenke attributable* | | | | | | | | | |
| Copper | **37,014** | **12,694** | 12,449 | 11,871 | 50,346 | 12,155 | 11,890 | 13,230 | 13,071 |

***Eagle Nickel/Copper Project:*** delivered ahead of schedule and on budget.

- On September 23, 2014, the Eagle Project officially announced the handover of the facility to the operations team and the commencement of ramp up to design production throughput of 2,000 tonnes per day.
- The project has been delivered ahead of schedule and is expected to be on or slightly under budget.
- Mine stope production commenced on schedule during the third quarter of 2014.
- The mill commenced concentrate production during early September.
- County road upgrade work over the haul route between the mine and mill is on-track for completion in early November 2014 prior to the onset of winter.

Since production commenced in late September, Eagle realized the following operating results over its first thirty days;

| | **Actual**<br>September 23 to October 22, 2014 | **Design**<br>Targets in full operation |
|---|---|---|
| Total tonnes milled | 46,282 | |
| Average tonnes/day milled | 1,543 | 2,000 |
| Grade | | |
| Nickel (%) | 2.95% | |
| Copper (%) | 2.45% | |
| Recovery | | |
| Nickel (%) | 77% | 83% |
| Copper (%) | 94% | 96% |
| Concentrate grade | | |
| Nickel (%) | 15% | 11-16% |
| Copper (%) | 29% | 31% |
| Contained metal production | | |
| Nickel (tonnes) | 1,055 | |
| Copper (tonnes) | 1,063 | |

## Financial Performance

- Operating earnings for the third quarter of 2014 were $42.9 million, a decrease of $16.0 million from the $58.9 million reported in the comparable quarter of 2013. The decrease was largely attributable to lower metal shipments ($9.9 million) at Zinkgruvan and Aguablanca, and the closure of our Galmoy operation ($4.2 million).

  On a year-to-date basis, operating earnings of $160.3 million were $15.8 lower than the $176.1 million reported for the first nine months of 2013. Lower sales volumes ($34.2 million) were partially offset by higher net metal prices and prior period price adjustments ($22.0 million).

- For the quarter ended September 30, 2014, sales of $166.6 million decreased $9.8 million over the prior year quarter ($176.4 million) primarily as a result of lower net sales volumes ($10.1 million) at Zinkgruvan and Aguablanca, and the closure of our Galmoy operation ($5.8 million), partially offset by an increase in sales volumes at Neves-Corvo ($7.0 million).

  Sales of $508.3 million for the nine months ended September 30, 2014 were $32.6 million lower than the comparable period in 2013 ($540.9 million) due to lower sales volumes ($42.7 million), primarily copper sales at Neves-Corvo, and higher treatment charges across all sites ($11.9 million), partially offset by higher net realized metal prices and prior period price adjustments ($22.0 million).

- Average metal prices for zinc, lead and nickel for the three months ended September 30, 2014 were higher (4% - 33%) than the same period in the prior year, while copper prices declined slightly from the prior year comparable period (1%).

  Average metal prices for zinc and nickel for the nine months ended September 30, 2014 were higher (12%) than the same period in the prior year, while copper and lead prices declined from the prior year comparable period (1% - 6%).

- Operating costs (excluding depreciation) of $117.6 million in the current quarter were $5.9 million higher than the prior year comparative quarter of $111.7 million due to higher sales volumes at Neves-Corvo and higher production costs at Aguablanca, which more than offset the reduction in operating costs from the closure of Galmoy and lower sales volumes at Zinkgruvan.

  Operating costs (excluding depreciation) of $328.8 million year-to-date were $19.0 million lower than the prior year of $347.8 million due primarily to the closure of our Galmoy operation and lower net sales volumes.

- Net earnings of $33.7 million ($0.06 per share) for the three months ended September 30, 2014 were $5.8 million higher than the $27.9 million ($0.05 per share) reported in the comparable quarter in 2013. Net earnings were positively impacted by a foreign exchange gain in the current year quarter of $10.4 million compared to a foreign exchange loss of $0.8 million in the prior year comparable period and a net tax recovery in the current year quarter of $8.1 million compared to a net tax expense of $4.1 million in the prior year comparable period, partly offset by lower operating earnings ($16.0 million).

  Net earnings of $86.8 million ($0.15 per share) year-to-date were $7.8 million lower than the $94.6 million ($0.16 per share) reported in 2013. Net earnings were negatively impacted by lower operating earnings ($15.8 million).

- Cash flow from operations for the current quarter was $57.5 million compared to $27.4 million for the same period in 2013. The increase of $30.1 million is primarily due to changes in non-cash working capital.

  For the nine months ended September 30, 2014, cash flow from operations was $118.6 million compared to $99.7 million for the same period in 2013. Changes in non-cash working capital and refunds from investment tax credits were the primary contributors to the increase.

**Corporate Highlights**

- On September 4, 2014, the Company reported its Mineral Reserve and Resource estimates as at June 30, 2014 on SEDAR (www.sedar.com). The inclusion of underground Reserves at Aguablanca has increased total reserves for the mine from prior year's estimates and added four years life to the mine. The full press release can be found on the Company's website at www.lundinmining.com.
- On September 23, 2014, the Company announced that concentrate production had commenced at the Eagle nickel-copper mine. The first shipments of saleable concentrate took place during October 2014 and Eagle mine is expected to reach full design rates in, or prior to, the second quarter of 2015.
- On October 6, 2014, the Company announced that it had entered into a definitive agreement with Freeport-McMoRan Inc. ("Freeport") to purchase an 80% ownership stake in the Compañia Contractual Minera Candelaria S.A. and Compañia Contractual Minera Ojos del Salado S.A. copper mining operations and supporting infrastructure (together, "Candelaria") for cash consideration of $1.8 billion (the "Acquisition"), plus customary adjustments. In addition, contingent consideration of up to $200 million in aggregate is also payable calculated at 5% of net copper revenues in any annual period over the next five years if the realized average copper price exceeds $4.00 per pound. The remaining 20% ownership stake will continue to be held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation.

  The Acquisition will be funded with new senior secured debt, equity financing and the sale of a stream on Candelaria's gold and silver production to Franco-Nevada Corporation for an upfront payment of $648 million.
- On October 23, 2014, the Company announced that it had completed its previously announced bought deal financing to raise gross proceeds of $600 million (C$674 million). The Company issued a total of 132,157,000 subscription receipts at a price of C$5.10 per subscription receipt. Each subscription receipt represents the right to acquire, without payment of additional consideration or further action, one common share of Lundin Mining upon closing of the acquisition of an 80% ownership stake in Candelaria from Freeport and the approval and registration with the Swedish Financial Supervisory Authority of a prospectus regarding the listing of the corresponding Swedish Depository Receipts relating to the common shares on conversion of the subscription receipts.
- On October 27, 2014, the Company completed its offering of $1.0 billion of senior secured notes in two tranches, $550 million of 7.5% Senior Secured Notes due 2020 and $450 million of 7.875% Senior Secured Notes due 2022.

## Financial Position and Financing

- Net debt position at September 30, 2014 was $214.7 million compared to $119.3 million at December 31, 2013 and $174.4 million at June 30, 2014.

- The $40.3 million increase in net debt during the quarter was attributable to investments in mineral properties, plant and equipment of $128.7 million, of which $95.5 million was attributable to the development of the Eagle project, partially offset by operating cash flows of $57.5 million, and distributions from Tenke and Freeport Cobalt of $33.8 million and $1.0 million, respectively.

  For the nine months ended September 30, 2014, net debt increased $95.4 million due to investments in mineral properties, plant and equipment of $320.5 million, of which $222.9 million was attributable to the development of the Eagle project, partially offset by operating cash flows of $118.6 million, distributions from Tenke and Freeport Cobalt of $73.2 million and $8.3 million, respectively, and a $22.5 million withdrawal from restricted funds.

- The Company has corporate term and revolving debt facilities available for borrowing up to $600 million. At September 30, 2014, the Company had $356.0 million committed against these facilities, leaving debt capacity of $244.0 million available for future drawdowns.

## Outlook

### 2014 Production and Cost Guidance

- Production and cash costs guidance for 2014 for the Company's wholly-owned operations remains unchanged from prior guidance as noted in our Management's Discussion and Analysis for the six months ended June 30, 2014.
- Guidance on Tenke's copper production and cash costs have been updated to reflect the most recent guidance provided by Freeport.

| (contained tonnes) | | Tonnes | Cash Costs[a] |
|---|---|---|---|
| **Copper** | *Neves-Corvo* | *50,000 - 55,000* | $1.85/lb |
| | *Zinkgruvan* | *3,000 - 4,000* | |
| | *Aguablanca* | *6,000 - 7,000* | |
| | *Eagle* | *2,000 - 3,000* | |
| | *Wholly-owned* | *61,000 - 69,000* | |
| | *Tenke(@24%)*[b] | ***48,400*** | ***$1.16/lb*** |
| | *Total attributable* | *109,400 - 117,400* | |
| **Zinc** | *Neves-Corvo* | *60,000 - 65,000* | |
| | *Zinkgruvan* | *75,000 - 80,000* | *$0.35/lb* |
| | *Total* | *135,000 - 145,000* | |
| **Lead** | *Neves-Corvo* | *3,500 - 4,500* | |
| | *Zinkgruvan* | *29,000 - 32,000* | |
| | *Total* | *32,500 - 36,500* | |
| **Nickel** | *Aguablanca* | *7,500 - 8,500* | $4.25/lb |
| | *Eagle* | *2,000 - 3,000* | |
| | *Total* | *9,500 - 11,500* | |

a. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.30, USD/SEK:7.00) and metal prices (forecast at Cu: $3.15/lb, Zn: $0.95/lb, Pb: $0.95/lb, Ni: $8.00/lb, Co: $13.00/lb).

b. Freeport has provided 2014 sales and cash costs guidance. Prior guidance forecast copper production of 47,900 tonnes at a cash cost of $1.21/lb. Tenke's 2014 production is assumed to approximate sales guidance.

## 2014 Capital Expenditure Guidance

Capital expenditures for 2014 are expected to be $440 million (including Eagle, but excluding Tenke), unchanged from previous guidance. Major capital investments for 2014 remain as follows:

- **Sustaining capital in European operations** - $100 million, consisting of approximately $60 million for Neves-Corvo, $35 million for Zinkgruvan and $5 million across other sites.
- **Expansionary capital in European operations -** $40 million, consisting of:
    - Lombador - $25 million: For underground vertical and horizontal development and associated mine infrastructure related to the development of the upper Lombador ore bodies for future high grade zinc and copper production. Redesign and optimization of development has allowed for a combination of cost savings and the deferral of certain expenditures into 2015.
    - Aguablanca underground mining project - $15 million: For ramp and initial ore body development and the installation of associated mine infrastructure.
- **New investment in Eagle project** - $300 million, to complete construction of the Humboldt mill and Eagle mine.
- **New investment in Tenke** - $50 million, estimated by the Company as its share of expansion related initiatives and sustaining capital funding for 2014. All of the capital expenditures are expected to be self-funded by cash flow from Tenke operations.

  The Company believes it is reasonable to expect Lundin's total attributable cash distributions from Tenke in 2014 to be in the range of $90 to $100 million.

## 2014 Exploration Guidance

- Total exploration expenses for 2014 (excluding Tenke) are estimated to be $35 million, consistent with prior guidance. These expenditures will be principally directed towards underground and surface mine exploration at Neves-Corvo, Zinkgruvan and Eagle, select greenfield exploration programs and new business development activities in South America (drilling in Peru and Chile) and Eastern Europe (drilling in Turkey).

## About Lundin Mining

Lundin Mining Corporation ("Lundin", "Lundin Mining" or the "Company") is a diversified Canadian base metals mining company with operations and development projects in Portugal, Sweden, Spain, and the USA, producing copper, zinc, lead and nickel. In addition, Lundin Mining holds a 24% equity stake in the world-class Tenke Fungurume ("Tenke") copper/cobalt mine in the Democratic Republic of Congo ("DRC") and in the Freeport Cobalt Oy business, which includes a cobalt refinery located in Kokkola, Finland.

On Behalf of the Board,

Paul Conibear
President and CEO

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John Miniotis, Senior Manager, Corporate Development and Investor Relations: +1-416-342-5565
Robert Eriksson, Investor Relations Sweden: +46 8 545 015 50

## 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. This report includes, but is not limited to, forward looking statements with respect to the Company's estimated full year metal production, cash costs, exploration expenditures, and capital expenditures, as noted in the Outlook section and elsewhere in this document. These estimates and other forward-looking statements are based on a number of assumptions and 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 the estimated cash costs, timing and amount of production from the Eagle project, cost estimates for the Eagle project, 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; litigation risks; and other risks and uncertainties, including those described in the Risk and Uncertainties section of the Company's Annual Information Form and in each Management's Discussion and Analysis. Forward-looking information may also be based on other 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 the forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.*

lundin mining

# Management's Discussion and Analysis
# For the three and nine months ended September 30, 2014

This management's discussion and analysis ("MD&A") has been prepared as of October 29, 2014 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2014. 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 ("US") dollars. Reference herein of $ is to United States dollars, C$ is to Canadian dollars, SEK is to Swedish krona and € refers to the Euro.

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# Table of Contents

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  Operating costs (excluding depreciation) of $328.8 million year-to-date were $19.0 million lower than the prior year of $347.8 million due primarily to the closure of our Galmoy operation and lower net sales volumes.

[1] Operating earnings is a non-GAAP measure – see page 29 of this MD&A for discussion of non-GAAP measures.

- Net earnings of $33.7 million ($0.06 per share) for the three months ended September 30, 2014 were $5.8 million higher than the $27.9 million ($0.05 per share) reported in the comparable quarter in 2013. Net earnings were positively impacted by a foreign exchange gain in the current year quarter of $10.4 million compared to a foreign exchange loss of $0.8 million in the prior year comparable period and a net tax recovery in the current year quarter of $8.1 million compared to a net tax expense of $4.1 million in the prior year comparable period, partly offset by lower operating earnings ($16.0 million).

  Net earnings of $86.8 million ($0.15 per share) year-to-date were $7.8 million lower than the $94.6 million ($0.16 per share) reported in 2013. Net earnings were negatively impacted by lower operating earnings ($15.8 million).

- Cash flow from operations for the current quarter was $57.5 million compared to $27.4 million for the same period in 2013. The increase of $30.1 million is primarily due to changes in non-cash working capital.

  For the nine months ended September 30, 2014, cash flow from operations was $118.6 million compared to $99.7 million for the same period in 2013. Changes in non-cash working capital and refunds from investment tax credits were the primary contributors to the increase.

## Corporate Highlights

- On September 4, 2014, the Company reported its Mineral Reserve and Resource estimates as at June 30, 2014 on SEDAR (www.sedar.com). The inclusion of underground Reserves at Aguablanca has increased total reserves for the mine from prior year's estimates and added four years life to the mine. The full press release can be found on the Company's website at www.lundinmining.com.
- On September 23, 2014, the Company announced that concentrate production had commenced at the Eagle nickel-copper mine. The first shipments of saleable concentrate took place during October 2014 and Eagle mine is expected to reach full design rates in, or prior to, the second quarter of 2015.
- On October 6, 2014, the Company announced that it had entered into a definitive agreement with Freeport-McMoRan Inc. ("Freeport") to purchase an 80% ownership stake in the Compañia Contractual Minera Candelaria S.A. and Compañia Contractual Minera Ojos del Salado S.A. copper mining operations and supporting infrastructure (together, "Candelaria") for cash consideration of $1.8 billion (the "Acquisition"), plus customary adjustments. In addition, contingent consideration of up to $200 million in aggregate is also payable calculated at 5% of net copper revenues in any annual period over the next five years if the realized average copper price exceeds $4.00 per pound. The remaining 20% ownership stake will continue to be held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation.

  The Acquisition will be funded with new senior secured debt, equity financing and the sale of a stream on Candelaria's gold and silver production to Franco-Nevada Corporation for an upfront payment of $648 million.

- On October 23, 2014, the Company announced that it had completed its previously announced bought deal financing to raise gross proceeds of $600 million (C$674 million). The Company issued a total of 132,157,000 subscription receipts at a price of C$5.10 per subscription receipt. Each subscription receipt represents the right to acquire, without payment of additional consideration or further action, one common share of Lundin Mining upon closing of the acquisition of an 80% ownership stake in Candelaria from Freeport and the approval and registration with the Swedish Financial Supervisory Authority of a prospectus regarding the listing of the corresponding Swedish Depository Receipts relating to the common shares on conversion of the subscription receipts.
- On October 27, 2014, the Company completed its offering of $1.0 billion of senior secured notes in two tranches, $550 million of 7.5% Senior Secured Notes due 2020 and $450 million of 7.875% Senior Secured Notes due 2022.

## Financial Position and Financing

- Net debt[1] position at September 30, 2014 was $214.7 million compared to $119.3 million at December 31, 2013 and $174.4 million at June 30, 2014.

- The $40.3 million increase in net debt during the quarter was attributable to investments in mineral properties, plant and equipment of $128.7 million, of which $95.5 million was attributable to the development of the Eagle project, partially offset by operating cash flows of $57.5 million, and distributions from Tenke and Freeport Cobalt of $33.8 million and $1.0 million, respectively.

  For the nine months ended September 30, 2014, net debt increased $95.4 million due to investments in mineral properties, plant and equipment of $320.5 million, of which $222.9 million was attributable to the development of the Eagle project, partially offset by operating cash flows of $118.6 million, distributions from Tenke and Freeport Cobalt of $73.2 million and $8.3 million, respectively, and a $22.5 million withdrawal from restricted funds.

- The Company has corporate term and revolving debt facilities available for borrowing up to $600 million. At September 30, 2014, the Company had $356.0 million committed against these facilities, leaving debt capacity of $244.0 million available for future drawdowns.

## Outlook

### 2014 Production and Cost Guidance

- Production and cash costs guidance for 2014 for the Company's wholly-owned operations remains unchanged from prior guidance as noted in our Management's Discussion and Analysis for the six months ended June 30, 2014.
- Guidance on Tenke's copper production and cash costs have been updated to reflect the most recent guidance provided by Freeport.

| (contained tonnes) | | Tonnes | Cash Costs[a] |
|---|---|---|---|
| **Copper** | *Neves-Corvo* | *50,000 - 55,000* | $1.85/lb |
| | *Zinkgruvan* | *3,000 - 4,000* | |
| | *Aguablanca* | *6,000 - 7,000* | |
| | *Eagle* | *2,000 - 3,000* | |
| | *Wholly-owned* | *61,000 - 69,000* | |
| | *Tenke(@24%)[b]* | ***48,400*** | ***$1.16/lb*** |
| | *Total attributable* | *109,400 - 117,400* | |
| **Zinc** | *Neves-Corvo* | *60,000 - 65,000* | |
| | *Zinkgruvan* | *75,000 - 80,000* | *$0.35/lb* |
| | *Total* | *135,000 - 145,000* | |
| **Lead** | *Neves-Corvo* | *3,500 - 4,500* | |
| | *Zinkgruvan* | *29,000 - 32,000* | |
| | *Total* | *32,500 - 36,500* | |
| **Nickel** | *Aguablanca* | *7,500 - 8,500* | $4.25/lb |
| | *Eagle* | *2,000 - 3,000* | |
| | *Total* | *9,500 - 11,500* | |

a. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.30, USD/SEK:7.00) and metal prices (forecast at Cu: $3.15/lb, Zn: $0.95/lb, Pb: $0.95/lb, Ni: $8.00/lb, Co: $13.00/lb).

b. Freeport has provided 2014 sales and cash costs guidance. Prior guidance forecast copper production of 47,900 tonnes at a cash cost of $1.21/lb. Tenke's 2014 production is assumed to approximate sales guidance.

[1] Net cash/debt is a non-GAAP measure – see page 29 of this MD&A for discussion of non-GAAP measures.

## 2014 Capital Expenditure Guidance

Capital expenditures for 2014 are expected to be $440 million (including Eagle, but excluding Tenke), unchanged from previous guidance. Major capital investments for 2014 remain as follows:

- **Sustaining capital in European operations** - $100 million, consisting of approximately $60 million for Neves-Corvo, $35 million for Zinkgruvan and $5 million across other sites.
- **Expansionary capital in European operations -** $40 million, consisting of:
    - Lombador - $25 million: For underground vertical and horizontal development and associated mine infrastructure related to the development of the upper Lombador ore bodies for future high grade zinc and copper production. Redesign and optimization of development has allowed for a combination of cost savings and the deferral of certain expenditures into 2015.
    - Aguablanca underground mining project - $15 million: For ramp and initial ore body development and the installation of associated mine infrastructure.
- **New investment in Eagle project** - $300 million, to complete construction of the Humboldt mill and Eagle mine.
- **New investment in Tenke** - $50 million, estimated by the Company as its share of expansion related initiatives and sustaining capital funding for 2014. All of the capital expenditures are expected to be self-funded by cash flow from Tenke operations.

  The Company believes it is reasonable to expect Lundin's total attributable cash distributions from Tenke in 2014 to be in the range of $90 to $100 million.

## 2014 Exploration Guidance

- Total exploration expenses for 2014 (excluding Tenke) are estimated to be $35 million, consistent with prior guidance. These expenditures will be principally directed towards underground and surface mine exploration at Neves-Corvo, Zinkgruvan and Eagle, select greenfield exploration programs and new business development activities in South America (drilling in Peru and Chile) and Eastern Europe (drilling in Turkey).

## Selected Quarterly Financial Information

| ($ millions, except for shares and per share amounts) | Three months ended September 30, 2014 | 2013 | Nine months ended September 30, 2014 | 2013 |
|---|---|---|---|---|
| **Sales** | **166.6** | 176.4 | **508.3** | 540.9 |
| Operating costs | **(117.6)** | (111.7) | **(328.8)** | (347.8) |
| General and administrative expenses | **(6.1)** | (5.8) | **(19.2)** | (17.0) |
| **Operating earnings** | **42.9** | 58.9 | **160.3** | 176.1 |
| Depreciation, depletion and amortization | **(36.6)** | (34.8) | **(111.2)** | (111.1) |
| General exploration and business development | **(11.9)** | (11.0) | **(37.8)** | (34.3) |
| Income from equity investment in associates | **26.5** | 23.0 | **69.1** | 71.6 |
| Finance income and costs, net | **(1.0)** | (3.7) | **(6.6)** | (9.8) |
| Other income and expenses, net | **5.7** | (0.3) | **3.2** | 5.8 |
| **Earnings before income taxes** | **25.6** | 32.1 | **77.0** | 98.3 |
| Income tax (expense) / recovery | **8.1** | (4.2) | **9.8** | (3.7) |
| **Net earnings** | **33.7** | 27.9 | **86.8** | 94.6 |
| | | | | |
| **Shareholders' equity** | **3,648.3** | 3,597.3 | **3,648.3** | 3,597.3 |
| **Cash flow from operations** | **57.5** | 27.4 | **118.6** | 99.7 |
| **Capital expenditures** | **128.7** | 53.6 | **320.5** | 127.2 |
| **Total assets** | **4,487.1** | 4,322.8 | **4,487.1** | 4,322.8 |
| **Total long-term debt & finance leases** | **359.5** | 208.3 | **359.5** | 208.3 |
| **Net (debt) / cash** | **(214.7)** | (72.8) | **(214.7)** | (72.8) |
| | | | | |
| **Key Financial Data:** | | | | |
| Basic and diluted earnings per share | **0.06** | 0.05 | **0.15** | 0.16 |
| Basic operating cash flow per share[1] | **0.08** | 0.07 | **0.22** | 0.20 |
| Dividends | **-** | - | **-** | - |
| **Shares outstanding:** | | | | |
| Basic weighted average | **585,914,748** | 584,286,073 | **585,462,726** | 584,222,082 |
| Diluted weighted average | **588,721,457** | 584,856,352 | **587,491,886** | 584,887,589 |
| End of period | **585,949,507** | 584,433,062 | **585,949,507** | 584,433,062 |

| ($ millions, except per share data) | Q3-14 | Q2-14 | Q1-14 | Q4-13 | Q3-13 | Q2-13 | Q1-13 | Q4-12 |
|---|---|---|---|---|---|---|---|---|
| **Sales** | 166.6 | 191.8 | 149.9 | 186.9 | 176.4 | 176.3 | 188.2 | 176.4 |
| **Operating earnings** | 42.9 | 74.2 | 43.1 | 66.9 | 58.9 | 49.2 | 68.1 | 51.8 |
| **Net earnings (loss)** | 33.7 | 39.7 | 13.3 | 42.1 | 27.9 | 16.6 | 50.1 | (17.1) |
| **Earnings (loss) per share, basic[2]** | 0.06 | 0.07 | 0.02 | 0.07 | 0.05 | 0.03 | 0.09 | (0.03) |
| **Earnings (loss) per share, diluted[2]** | 0.06 | 0.07 | 0.02 | 0.07 | 0.05 | 0.03 | 0.09 | (0.03) |
| **Cash flow from operations** | 57.5 | 33.7 | 27.5 | 53.9 | 27.4 | 26.6 | 45.8 | 49.4 |
| **Capital expenditures** | 128.7 | 99.3 | 92.4 | 116.5 | 53.6 | 37.0 | 36.6 | 29.0 |
| **Net (debt) / cash** | (214.7) | (174.4) | (155.0) | (119.3) | (72.8) | 221.1 | 199.4 | 265.1 |

1. Operating cash flow per share is a non-GAAP measure – see page 29 of this MD&A for discussion of non-GAAP measures.
2. 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

| | 2014 | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **YTD** | **Q3** | Q2 | Q1 | Total | Q4 | Q3 | Q2 | Q1 |
| **Copper (tonnes)** | | | | | | | | | |
| Neves-Corvo | **33,480** | **12,136** | 11,009 | 10,335 | 53,394 | 14,197 | 11,469 | 14,102 | 13,626 |
| Zinkgruvan | **2,461** | **714** | 881 | 866 | 3,269 | 890 | 892 | 693 | 794 |
| Aguablanca | **1,945** | **683** | 626 | 636 | 2,795 | 647 | 615 | 573 | 960 |
| | **37,886** | **13,533** | 12,516 | 11,837 | 59,458 | 15,734 | 12,976 | 15,368 | 15,380 |
| **Zinc (tonnes)** | | | | | | | | | |
| Neves-Corvo | **39,220** | **12,967** | 15,978 | 10,275 | 43,199 | 11,254 | 11,971 | 12,981 | 6,993 |
| Zinkgruvan | **49,373** | **17,915** | 15,109 | 16,349 | 59,486 | 15,216 | 14,763 | 16,960 | 12,547 |
| Galmoy[1] | **189** | **-** | - | 189 | 9,151 | 2,029 | 2,777 | 3,513 | 832 |
| | **88,782** | **30,882** | 31,087 | 26,813 | 111,836 | 28,499 | 29,511 | 33,454 | 20,372 |
| **Lead (tonnes)** | | | | | | | | | |
| Neves-Corvo | **2,903** | **873** | 1,081 | 949 | 980 | 539 | 304 | 99 | 38 |
| Zinkgruvan | **22,945** | **5,014** | 11,260 | 6,671 | 29,785 | 6,438 | 10,397 | 8,113 | 4,837 |
| Galmoy[1] | **99** | **-** | - | 99 | 3,394 | 983 | 1,002 | 1,285 | 124 |
| | **25,947** | **5,887** | 12,341 | 7,719 | 34,159 | 7,960 | 11,703 | 9,497 | 4,999 |
| **Nickel (tonnes)** | | | | | | | | | |
| Aguablanca | **3,771** | **1,187** | 1,342 | 1,242 | 5,472 | 1,346 | 1,180 | 1,157 | 1,789 |

1. 50% of metal was attributable to Galmoy on sale of ore to third party processing facility.

### Sales Analysis

| | Three months ended September 30, | | | | | Nine months ended September 30, | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2014** | | 2013 | | Change | **2014** | | 2013 | | Change |
| ($ thousands) | $ | % | $ | % | $ | $ | % | $ | % | $ |
| **by Mine** | | | | | | | | | | |
| Neves-Corvo | **94,875** | 57 | 96,076 | 54 | (1,201) | **268,508** | 53 | 308,490 | 57 | (39,982) |
| Zinkgruvan | **48,233** | 29 | 49,288 | 28 | (1,055) | **146,455** | 29 | 129,961 | 24 | 16,494 |
| Aguablanca | **23,509** | 14 | 25,278 | 14 | (1,769) | **92,056** | 18 | 87,865 | 16 | 4,191 |
| Galmoy | **-** | - | 5,773 | 4 | (5,773) | **1,264** | - | 14,545 | 3 | (13,281) |
| | **166,617** | | 176,415 | | (9,798) | **508,283** | | 540,861 | | (32,578) |
| **by Metal** | | | | | | | | | | |
| Copper | **79,914** | 48 | 89,804 | 51 | (9,890) | **228,994** | 45 | 293,415 | 54 | (64,421) |
| Zinc | **53,673** | 32 | 40,717 | 23 | 12,956 | **141,538** | 28 | 116,096 | 21 | 25,442 |
| Lead | **11,014** | 7 | 21,161 | 12 | (10,147) | **47,581** | 9 | 47,541 | 9 | 40 |
| Nickel | **18,024** | 11 | 16,676 | 9 | 1,348 | **70,337** | 14 | 59,312 | 11 | 11,025 |
| Other | **3,992** | 2 | 8,057 | 5 | (4,065) | **19,833** | 4 | 24,497 | 5 | (4,664) |
| | **166,617** | | 176,415 | | (9,798) | **508,283** | | 540,861 | | (32,578) |

Sales for the quarter ended September 30, 2014 were $9.8 million lower than the prior year quarter primarily as a result of lower net sales volumes ($10.1 million) at Zinkgruvan and Aguablanca, and the closure of our Galmoy operation ($5.8 million), partially offset by an increase in sales volumes at Neves-Corvo ($7.0 million).

Year-to-date sales were $32.6 million lower than the comparable period in 2013. Lower sales volumes ($42.7 million), primarily copper sales at Neves-Corvo, and higher treatment charges across all sites ($11.9 million) were partially offset by higher net realized metal prices and prior period price adjustments ($22.0 million).

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 are typically one to four months after shipment.

## Quarterly Reconciliation of Realized Prices

| **2014** | Quarter ended September 30, 2014 | | | | |
|---|---|---|---|---|---|
| ($ thousands, except per pound amounts) | **Copper** | **Zinc** | **Lead** | **Nickel** | **Total** |
| Current period sales[1] | 90,296 | 71,782 | 12,502 | 19,348 | 193,928 |
| Prior period price adjustments | (1,862) | 1,060 | 402 | (1,330) | (1,730) |
| Sales before other metals and TC/RC | 88,434 | 72,842 | 12,904 | 18,018 | 192,198 |
| Other metal sales | | | | | 3,992 |
| Less: TC/RC | | | | | (29,573) |
| **Total Sales** | | | | | **166,617** |
| **Payable Metal (tonnes)** | **13,533** | **30,882** | **5,887** | **1,187** | |
| Current period sales ($/lb)[1] | $ 3.03 | $ 1.05 | $ 0.96 | $ 7.39 | |
| Prior period price adjustments ($/lb) | (0.07) | 0.02 | 0.03 | (0.50) | |
| **Realized prices ($/lb)** | **$ 2.96** | **$ 1.07** | **$ 0.99** | **$ 6.89** | |

| **2013** | Quarter ended September 30, 2013 | | | | |
|---|---|---|---|---|---|
| ($ thousands, except per pound amounts) | **Copper** | **Zinc** | **Lead** | **Nickel** | **Total** |
| Current period sales[1] | 94,272 | 55,310 | 23,949 | 16,353 | 189,884 |
| Prior period price adjustments | 2,752 | 108 | 445 | 323 | 3,628 |
| Sales before other metals and TC/RC | 97,024 | 55,418 | 24,394 | 16,676 | 193,512 |
| Other metal sales | | | | | 8,057 |
| Less: TC/RC | | | | | (25,154) |
| **Total Sales** | | | | | **176,415** |
| **Payable Metal (tonnes)** | **12,976** | **29,511** | **11,703** | **1,180** | |
| Current period sales ($/lb)[1] | $ 3.30 | $ 0.85 | $ 0.93 | $ 6.29 | |
| Prior period price adjustments ($/lb) | 0.09 | - | 0.02 | 0.12 | |
| **Realized prices ($/lb)** | $ **3.39** | **$ 0.85** | **$ 0.95** | $ **6.41** | |

1. Includes provisional price adjustments on current period sales.

### Year to Date Reconciliation of Realized Prices

| **2014** | | Nine months ended September 30, 2014 | | | |
|---|---|---|---|---|---|
| ($ thousands, except per pound amounts) | **Copper** | **Zinc** | **Lead** | **Nickel** | **Total** |
| Current period sales[1] | 257,963 | 194,016 | 54,875 | 67,401 | 574,255 |
| Prior period price adjustments | (5,243) | (777) | 424 | 3,077 | (2,519) |
| Sales before other metals and TC/RC | 252,720 | 193,239 | 55,299 | 70,478 | 571,736 |
| Other metal sales | | | | | 19,833 |
| Less: TC/RC | | | | | (83,286) |
| **Total Sales** | | | | | **508,283** |
| **Payable Metal (tonnes)** | **37,886** | **88,782** | **25,947** | **3,771** | |
| Current period sales ($/lb)[1] | $ 3.09 | $ 0.99 | $ 0.96 | $ 8.11 | |
| Prior period price adjustments ($/lb) | (0.06) | - | 0.01 | 0.37 | |
| **Realized prices ($/lb)** | **$ 3.03** | **$ 0.99** | **$ 0.97** | **$ 8.48** | |

| **2013** | | Nine months ended September 30, 2013 | | | |
|---|---|---|---|---|---|
| ($ thousands, except per pound amounts) | **Copper** | **Zinc** | **Lead** | **Nickel** | **Total** |
| Current period sales[1] | 325,873 | 157,553 | 55,341 | 58,831 | 597,598 |
| Prior period price adjustments | (8,709) | (1,558) | (276) | 525 | (10,018) |
| Sales before other metals and TC/RC | 317,164 | 155,995 | 55,065 | 59,356 | 587,580 |
| Other metal sales | | | | | 24,497 |
| Less: TC/RC | | | | | (71,216) |
| **Total Sales** | | | | | **540,861** |
| **Payable Metal (tonnes)** | **43,724** | **83,337** | **26,199** | **4,126** | |
| Current period sales ($/lb)[1] | $ 3.38 | $ 0.86 | $ 0.96 | $ 6.47 | |
| Prior period price adjustments ($/lb) | (0.09) | (0.01) | (0.01) | 0.06 | |
| **Realized prices ($/lb)** | $ **3.29** | **$ 0.85** | **$ 0.95** | **$ 6.53** | |

1. Includes provisional price adjustments on current period sales.

### Provisionally valued sales as of September 30, 2014

| **Metal** | **Tonnes Payable** | **Valued at $ per lb** | **Valued at $ per tonne** |
|---|---|---|---|
| Copper | 12,343 | 3.03 | 6,689 |
| Zinc | 12,647 | 1.04 | 2,282 |
| Lead | 3,827 | 0.95 | 2,094 |
| Nickel | 1,725 | 7.39 | 16,291 |

## Financial Results

### Operating Costs

Operating costs of $117.6 million for the three months ended September 30, 2014 were $5.9 million higher than the three months ended September 30, 2013. Costs increased due to higher sales volumes at Neves-Corvo and higher production costs at Aguablanca, which more than offset the reduction in operating costs from the closure of Galmoy and lower sales volumes at Zinkgruvan.

For the nine months ended September 30, 2014, operating costs of $328.8 million were $19.0 million lower than the same period in the prior year due to the closure of the Galmoy operation and lower net sales volumes.

### Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense remained consistent for the three and nine months ended September 30, 2014 when measured against the comparable period in 2013. The decrease in depreciation at Aguablanca over these same periods is attributable to an extension of the mine life as part of the development of the underground mine.

| **Depreciation by operation** | **Three months ended September 30,** | | | **Nine months ended September 30,** | | |
|---|---|---|---|---|---|---|
| ($ thousands) | **2014** | 2013 | Change | **2014** | 2013 | Change |
| Neves-Corvo | **25,271** | 24,053 | 1,218 | **78,793** | 74,618 | 4,175 |
| Zinkgruvan | **7,208** | 6,376 | 832 | **22,097** | 19,783 | 2,314 |
| Aguablanca | **2,834** | 3,839 | (1,005) | **6,854** | 15,971 | (9,117) |
| Eagle | **1,152** | 445 | 707 | **3,151** | 445 | 2,706 |
| Other | **110** | 98 | 12 | **321** | 294 | 27 |
| | **36,575** | 34,811 | 1,764 | **111,216** | 111,111 | 105 |

### General Exploration and Business Development

General exploration and business development costs increased for the three and nine months ended September 30, 2014. The increase is attributable to higher corporate development and project development expenditures in the current year periods. Corporate development expenses include costs related to the Candelaria acquisition as discussed in the "Corporate Highlights" section contained in this MD&A. Project development expenses include pre-feasibility costs and indirect costs for the Eagle project.

### Income from Equity Investment in Associates

Income from equity investments includes earnings from a 24% interest in each of Tenke Fungurume and Freeport Cobalt. For Tenke, equity earnings of $25.9 million were recognized for the three months ended September 30, 2014 (Q3 2013 - $24.2 million) and $69.8 million on a year-to-date basis (2013 - $75.3 million). Refer to the section titled "Tenke Fungurume" contained in this MD&A for further discussion.

### Finance Income and Costs

For the three and nine months ended September 30, 2014, net finance costs decreased $2.7 million and $3.2 million, respectively, when compared to the prior year comparable periods. The changes are primarily attributable to net revaluation gains on marketable securities recorded in finance income and costs in 2014, partly offset by a realized loss of $4.9 million on the sale of marketable securities in the third quarter of 2014.

## Other Income and Expense

Net other income and expense is comprised of foreign exchange gains and losses and other incidental items. For the three and nine months ended September 30, 2014, $3.8 million (Q3 2013 - Nil) and $6.6 million (2013 - $1.3 million), respectively, was recorded in other expense relating to the increase of the reclamation and other closure obligation at the Galmoy mine. In addition, insurance proceeds from the Aguablanca ramp failure ($15.1 million) which occurred in late-2010 were received in the first quarter of 2013.

A foreign exchange gain of $10.4 million in the current quarter and $10.1 million year-to-date relates to US denominated cash and trade receivables that were held in the European group entities. Period end exchange rates at September 30, 2014 were $1.26:€1.00 (June 30, 2014 – $1.37:€1.00; December 31, 2013 – $1.38:€1.00) and $1.00:SEK7.24 (June 30, 2014 – $1.00:SEK6.74; December 31, 2013 – $1.00:SEK6.51).

## Current and Deferred Taxes

| **Current tax expense (recovery)** | **Three months ended September 30,** | | | **Nine months ended September 30,** | | |
|---|---|---|---|---|---|---|
| ($ thousands) | **2014** | 2013 | Change | **2014** | 2013 | Change |
| Neves-Corvo | **(1,382)** | 190 | (1,572) | **(2,861)** | 14,009 | (16,870) |
| Zinkgruvan | **3,407** | 3,941 | (534) | **9,171** | 6,367 | 2,804 |
| Aguablanca | **-** | - | - | **(16)** | (28) | 12 |
| Other | **(10,141)** | (4) | (10,137) | **(10,080)** | (2,095) | (7,985) |
| | **(8,116)** | 4,127 | (12,243) | **(3,786)** | 18,253 | (22,039) |

Current income tax recovery for the three months ended September 30, 2014 was $8.1 million, $12.2 million higher than the $4.1 million expense recorded in the comparative quarter of 2013. The increase is primarily due to timing of current tax recoveries in Sweden of $9.2 million and a prior period adjustment in Galmoy of $1.6 million.

Year-to-date, current income tax recovery of $3.8 million was $22.1 million higher than the $18.3 million expense recorded in the prior year due largely to investment tax credits of $7.6 million and prior period tax adjustments of $3.2 million at Neves-Corvo, and timing of current tax recoveries of $9.2 million in Sweden.

| **Deferred tax expense (recovery)** | **Three months ended September 30,** | | | **Nine months ended September 30,** | | |
|---|---|---|---|---|---|---|
| ($ thousands) | **2014** | 2013 | Change | **2014** | 2013 | Change |
| Neves-Corvo | **1,175** | (2,361) | 3,536 | **(3,112)** | (11,683) | 8,571 |
| Zinkgruvan | **(163)** | (157) | (6) | **(467)** | (556) | 89 |
| Aguablanca | **4,168** | 2,261 | 1,907 | **10,724** | (2,126) | 12,850 |
| Eagle | **(5,519)** | (958) | (4,561) | **(11,161)** | (958) | (10,203) |
| Other | **329** | 1,210 | (881) | **(1,929)** | 844 | (2,773) |
| | **(10)** | (5) | (5) | **(5,945)** | (14,479) | 8,534 |

Deferred income tax recovery for the three months ended September 30, 2014 was consistent with the nominal recovery amount recorded in the comparative quarter of 2013. A true-up of temporary differences at Eagle, resulting in an increase in the deferred tax recovery, was offset by the utilization of temporary differences by Neves-Corvo and Aguablanca to offset taxable income, increasing deferred tax expenses.

Year-to-date, deferred income tax recovery of $5.9 million was $8.6 million lower than the $14.5 million recovery recorded in the prior year due to prior period tax adjustments of $3.0 million made in 2013 at Neves-Corvo and the utilization of temporary differences by Neves-Corvo and Aguablanca to offset taxable income, partially offset by a true-up of temporary differences at Eagle.

## Mining Operations

### Production Overview

| | 2014 | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **YTD** | **Q3** | Q2 | Q1 | Total | Q4 | Q3 | Q2 | Q1 |
| **Copper (tonnes)** | | | | | | | | | |
| Neves-Corvo | **37,149** | **10,904** | 13,480 | 12,765 | 56,544 | 15,499 | 12,629 | 14,102 | 14,314 |
| Zinkgruvan | **2,430** | **544** | 903 | 983 | 3,460 | 894 | 973 | 447 | 1,146 |
| Aguablanca | **5,370** | **1,919** | 1,799 | 1,652 | 6,242 | 1,685 | 1,485 | 1,516 | 1,556 |
| Eagle | **299** | **299** | - | - | - | - | - | - | - |
| | **45,248** | **13,666** | 16,182 | 15,400 | 66,246 | 18,078 | 15,087 | 16,065 | 17,016 |
| **Zinc (tonnes)** | | | | | | | | | |
| Neves-Corvo | **50,045** | **17,908** | 17,909 | 14,228 | 53,382 | 14,456 | 14,723 | 13,940 | 10,263 |
| Zinkgruvan | **58,582** | **20,050** | 19,293 | 19,239 | 71,366 | 18,340 | 18,743 | 18,599 | 15,684 |
| | **108,627** | **37,958** | 37,202 | 33,467 | 124,748 | 32,796 | 33,466 | 32,539 | 25,947 |
| **Lead (tonnes)** | | | | | | | | | |
| Neves-Corvo | **2,725** | **866** | 1,054 | 805 | 1,496 | 849 | 416 | 231 | - |
| Zinkgruvan | **24,860** | **6,531** | 9,196 | 9,133 | 32,874 | 7,119 | 8,703 | 10,461 | 6,591 |
| | **27,585** | **7,397** | 10,250 | 9,938 | 34,370 | 7,968 | 9,119 | 10,692 | 6,591 |
| **Nickel (tonnes)** | | | | | | | | | |
| Aguablanca | **6,150** | **1,958** | 2,212 | 1,980 | 7,574 | 2,113 | 1,788 | 1,876 | 1,797 |
| Eagle | **207** | **207** | - | - | - | - | - | - | - |
| | **6,357** | **2,165** | **2,212** | **1,980** | **7,574** | **2,113** | **1,788** | **1,876** | **1,797** |

## Cash Cost Overview

| | Three months ended September 30, | | | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **Cash cost/lb (US dollars)** | | **Cash cost/lb (local currency)** | |
| **Neves-Corvo (Local in €)** | | | | |
| Gross cost | **2.85** | 2.92 | **2.16** | 2.20 |
| By-product[1] | **(0.89)** | (0.69) | **(0.68)** | (0.52) |
| **Net Cost - cost/lb Cu** | **1.96** | 2.23 | **1.48** | 1.68 |
| **Zinkgruvan (Local in SEK)** | | | | |
| Gross cost | **0.88** | 0.94 | **6.15** | 6.11 |
| By-product[1] | **(0.40)** | (0.88) | **(2.82)** | (5.71) |
| **Net Cost - cost/lb Zn** | **0.48** | 0.06 | **3.33** | 0.40 |
| **Aguablanca (Local in €)** | | | | |
| Gross cost | **7.99** | 6.98 | **6.04** | 5.27 |
| By-product[1] | **(2.10)** | (3.31) | **(1.56)** | (2.49) |
| **Net Cost - cost/lb Ni** | **5.89** | 3.67 | **4.48** | 2.78 |

| | Nine months ended September 30, | | | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **Cash cost/lb (US dollars)** | | **Cash cost/lb (local currency)** | |
| **Neves-Corvo (Local in €)** | | | | |
| Gross cost | **2.80** | 2.50 | **2.07** | 1.89 |
| By-product[1] | **(0.91)** | (0.54) | **(0.67)** | (0.41) |
| **Net Cost - cost/lb Cu** | **1.89** | 1.96 | **1.40** | 1.48 |
| **Zinkgruvan (Local in SEK)** | | | | |
| Gross cost | **0.97** | 0.99 | **6.47** | 6.41 |
| By-product[1] | **(0.60)** | (0.68) | **(3.97)** | (4.42) |
| **Net Cost - cost/lb Zn** | **0.37** | 0.31 | **2.50** | 1.99 |
| **Aguablanca (Local in €)** | | | | |
| Gross cost | **7.24** | 7.19 | **5.36** | 5.46 |
| By-product[1] | **(2.61)** | (3.14) | **(1.92)** | (2.38) |
| **Net Cost - cost/lb Ni** | **4.63** | 4.05 | **3.44** | 3.08 |

1. By-product is after related TC/RC.

Commentary on production and cash costs is included under individual mine operational discussions.

## Neves-Corvo Mine

*Neves-Corvo is an underground mine, located 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 include a shaft with a total hoisting capacity of up to 4.7 mtpa, a copper plant with 2.5 mtpa processing capacity and a zinc plant with 1.2 mtpa processing capacity. The zinc plant has the flexibility to process zinc or copper ores.*

### Operating Statistics

| | 2014 | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Total** | **Q3** | Q2 | Q1 | Total | Q4 | Q3 | Q2 | Q1 |
| Ore mined, copper (000 tonnes) | **1,893** | **619** | 636 | 638 | 2,535 | 674 | 618 | 648 | 595 |
| Ore mined, zinc (000 tonnes) | **837** | **268** | 298 | 271 | 968 | 236 | 255 | 266 | 211 |
| Ore milled, copper (000 tonnes) | **1,899** | **623** | 631 | 645 | 2,525 | 664 | 628 | 654 | 579 |
| Ore milled, zinc (000 tonnes) | **836** | **269** | 296 | 271 | 974 | 232 | 265 | 264 | 213 |
| Grade per tonne | | | | | | | | | |
| Copper (%) | **2.4** | **2.3** | 2.5 | 2.3 | 2.6 | 2.8 | 2.4 | 2.5 | 2.7 |
| Zinc (%) | **7.8** | **8.8** | 7.6 | 7.0 | 7.1 | 8.1 | 7.3 | 6.6 | 6.2 |
| Recovery | | | | | | | | | |
| Copper (%) | **80.8** | **77.6** | 81.6 | 81.9 | 84.5 | 80.7 | 81.1 | 86.0 | 90.8 |
| Zinc (%) | **73.6** | **73.1** | 74.6 | 72.7 | 74.1 | 74.0 | 73.2 | 76.1 | 73.2 |
| Production (contained metal) | | | | | | | | | |
| Copper (tonnes) | **37,149** | **10,904** | 13,480 | 12,765 | 56,544 | 15,499 | 12,629 | 14,102 | 14,314 |
| Zinc (tonnes) | **50,045** | **17,908** | 17,909 | 14,228 | 53,382 | 14,456 | 14,723 | 13,940 | 10,263 |
| Lead (tonnes) | **2,725** | **866** | 1,054 | 805 | 1,496 | 849 | 416 | 231 | - |
| Silver (000 oz) | **1,067** | **322** | 407 | 338 | 1,306 | 402 | 263 | 314 | 327 |
| Sales ($000s) | **268,508** | **94,875** | 97,361 | 76,272 | 420,308 | 111,818 | 96,076 | 104,407 | 108,007 |
| Operating earnings ($000s) | **83,541** | **24,527** | 39,035 | 19,979 | 158,546 | 46,136 | 29,214 | 35,338 | 47,858 |
| Cash cost (€ per pound) | **1.40** | **1.48** | 1.19 | 1.53 | 1.43 | 1.28 | 1.68 | 1.41 | 1.39 |
| Cash cost ($ per pound) | **1.89** | **1.96** | 1.62 | 2.10 | 1.90 | 1.75 | 2.23 | 1.85 | 1.83 |

### Operating Earnings

Operating earnings of $24.5 million for the three months ended September 30, 2014 were $4.7 million lower than 2013. The decrease is mainly attributable to lower net metal prices and prior period adjustments ($5.5 million).

Operating earnings of $83.5 million for the nine months ended September 30, 2014 were $28.9 million lower than 2013. The decrease is mainly attributable to lower net sales volumes ($21.8 million).

Operating earnings were affected by lower than expected copper grades and recoveries as discussed further below.

### Production

Copper production for the three months ended September 30, 2014 was lower than the comparable period in 2013 by 1,725 tonnes (or 14%). Copper head grades, metallurgical recoveries and mill throughput were all lower in the current year quarter resulting in lower copper production. Production was impacted by a change in the short term mine plan resulting from lower copper grades encountered in an anticipated high grade area of lower Corvo. As a result, more difficult metallurgy ores from Zambujal were substituted, which have a history of lower plant recoveries.

Zinc production for the three months ended September 30, 2014 was higher than the comparable period in 2013 by 3,185 tonnes (or 22%). The increase is largely a consequence of an increased proportion of zinc ore being derived from the Lombador deposit. Over 50% of the zinc ore is now being sourced from this area as well as from other high grade zinc areas in the mine.

Production of 866 tonnes of lead in concentrate during the quarter was derived as a by-product from the zinc circuit.

### Cash Costs

Copper cash costs of $1.96/lb for the quarter ended September 30, 2014 were slightly higher than our latest guidance of $1.85/lb, but lower than that of the corresponding period in 2013 of $2.23/lb. The decrease from the prior period was a result of higher zinc and lead by-product credits, net of treatment charges ($0.20/lb), and lower per unit production costs largely associated with the increased production of zinc ($0.09/lb).

On a year-to-date basis, copper cash costs of $1.89/lb for the nine months ended September 30, 2014 were consistent with the comparable period in prior year and current guidance.

### Projects

A zinc expansion feasibility study at Neves-Corvo is progressing to plan. Included in the study is the development and exploitation of a new deeper area of Lombador, along with expanding production from existing areas of the mine and expanding surface plant and infrastructure facilities with a brownfields debottlenecking approach. Study draft report completion is scheduled for the first quarter of 2015.

## 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 1.3 million tonnes of ore.*

### Operating Statistics

| | 2014 | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Total** | **Q3** | Q2 | Q1 | Total | Q4 | Q3 | Q2 | Q1 |
| Ore mined, zinc (000 tonnes) | **798** | **279** | 262 | 257 | 911 | 216 | 230 | 222 | 243 |
| Ore mined, copper (000 tonnes) | **125** | **36** | 55 | 34 | 214 | 61 | 58 | 43 | 52 |
| Ore milled, zinc (000 tonnes) | **784** | **264** | 272 | 248 | 924 | 217 | 229 | 248 | 230 |
| Ore milled, copper (000 tonnes) | **124** | **42** | 47 | 35 | 222 | 59 | 58 | 49 | 56 |
| Grade per tonne | | | | | | | | | |
| Zinc (%) | **8.3** | **8.4** | 8.0 | 8.6 | 8.5 | 9.1 | 9.0 | 8.5 | 7.5 |
| Lead (%) | **3.8** | **3.1** | 4.1 | 4.4 | 4.2 | 3.9 | 4.5 | 4.9 | 3.4 |
| Copper (%) | **2.2** | **1.5** | 2.2 | 2.9 | 1.7 | 1.6 | 1.9 | 1.1 | 2.2 |
| Recovery | | | | | | | | | |
| Zinc (%) | **89.7** | **90.6** | 88.6 | 89.9 | 90.7 | 92.7 | 90.9 | 88.5 | 90.6 |
| Lead (%) | **82.6** | **80.0** | 83.3 | 84.0 | 84.8 | 83.6 | 84.5 | 85.5 | 85.2 |
| Copper (%) | **89.9** | **85.7** | 88.2 | 94.2 | 89.8 | 91.7 | 88.2 | 82.6 | 92.9 |
| Production (contained metal) | | | | | | | | | |
| Zinc (tonnes) | **58,582** | **20,050** | 19,293 | 19,239 | 71,366 | 18,340 | 18,743 | 18,599 | 15,684 |
| Lead (tonnes) | **24,860** | **6,531** | 9,196 | 9,133 | 32,874 | 7,119 | 8,703 | 10,461 | 6,591 |
| Copper (tonnes) | **2,430** | **544** | 903 | 983 | 3,460 | 894 | 973 | 447 | 1,146 |
| Silver (000 oz) | **1,830** | **550** | 631 | 649 | 2,468 | 558 | 668 | 728 | 514 |
| Sales ($000s) | **146,455** | **48,233** | 55,144 | 43,078 | 173,836 | 43,875 | 49,288 | 44,811 | 35,862 |
| Operating earnings ($000s) | **66,699** | **22,861** | 27,299 | 16,539 | 71,486 | 17,818 | 25,634 | 13,664 | 14,370 |
| Cash cost (SEK per pound) | **2.50** | **3.33** | 1.10 | 2.89 | 2.10 | 2.44 | 0.40 | 2.83 | 2.72 |
| Cash cost ($ per pound) | **0.37** | **0.48** | 0.17 | 0.45 | 0.32 | 0.37 | 0.06 | 0.43 | 0.42 |

### Operating Earnings

Operating earnings of $22.9 million were $2.7 million lower than the $25.6 million reported in the third quarter of 2013. The decrease in earnings is largely attributable to lower by-product sales volumes ($8.1 million) and higher treatment costs ($2.0 million), partially offset by higher net metal prices and period price adjustments ($8.8 million).

For the nine months ended September 30, 2014, operating earnings of $66.7 million were $13.0 million higher than the comparable period in 2013. Higher zinc metal prices and prior period price adjustments ($14.8 million) were the primary source of the increase.

### Production

Despite lower head grades, zinc production in the third quarter of 2014 was higher than the comparable period in 2013 due to higher mill throughput. A third consecutive quarter of record mine production of zinc ore was achieved. Lead production for the third quarter of 2014 was lower than the 2013 comparable period primarily due to mining of lower grade stopes in the quarter.

Copper production in the current quarter was significantly lower than the amount of production in the previous year comparable period, impacted heavily by lower mill throughput and mining of stopes with lower head grades.

On a year-to-date basis, zinc production was 10% higher than 2013 levels as mill throughput has improved. However, despite the increased mill throughput, lead production on a year-to-date basis was negatively impacted largely by lower head grades and to a lesser extent, by lower metallurgical recoveries.

Year-to-date copper production was slightly below (5%) the comparable period in 2013. Higher head grades were not enough to offset the significantly lower throughput as mining and milling of zinc ore was prioritized.

## Cash Costs

Zinc cash costs of $0.48/lb for the quarter ended September 30, 2014 were higher than guidance of $0.35/lb and that of the corresponding period in 2013 of $0.06/lb. Cash costs in the current quarter were above the full year guidance target and the comparable prior year period largely as a result of lower lead by-product credits.

On a year-to-date basis, cash costs for zinc were $0.37/lb, compared to $0.31/lb for the same period in 2013. The increase is primarily due to lower lead by-product credits ($0.09/lb).

## 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. Current 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. Development is underway on an underground mining project, which is expected to extend mine production until at least 2018.*

### Operating Statistics

| | 2014 | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Total** | **Q3** | Q2 | Q1 | Total | Q4 | Q3 | Q2 | Q1 |
| Ore mined (000s tonnes) | **1,155** | **606** | 365 | 184 | 1,785 | 459 | 539 | 409 | 378 |
| Ore milled (000s tonnes) | **1,228** | **384** | 426 | 418 | 1,606 | 438 | 378 | 387 | 403 |
| Grade per tonne | | | | | | | | | |
| Nickel (%) | **0.6** | **0.6** | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.5 |
| Copper (%) | **0.5** | **0.5** | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Recovery | | | | | | | | | |
| Nickel (%) | **82.2** | **82.0** | 82.5 | 82.0 | 82.8 | 81.8 | 82.6 | 83.8 | 82.4 |
| Copper (%) | **94.1** | **94.0** | 94.0 | 94.2 | 93.8 | 94.2 | 94.2 | 93.9 | 93.2 |
| Production (contained metal) | | | | | | | | | |
| Nickel (tonnes) | **6,150** | **1,958** | 2,212 | 1,980 | 7,574 | 2,113 | 1,788 | 1,876 | 1,797 |
| Copper (tonnes) | **5,370** | **1,919** | 1,799 | 1,652 | 6,242 | 1,685 | 1,485 | 1,516 | 1,556 |
| Sales ($000s) | **92,056** | **23,509** | 39,258 | 29,289 | 114,027 | 26,162 | 25,278 | 19,787 | 42,800 |
| Operating earnings ($000s) | **30,391** | **2,264** | 15,117 | 13,010 | 27,559 | 7,529 | 6,397 | 787 | 12,846 |
| Cash cost (€ per pound) | **3.44** | **4.48** | 3.70 | 2.18 | 2.85 | 2.16 | 2.78 | 2.69 | 3.53 |
| Cash cost ($ per pound) | **4.63** | **5.89** | 5.05 | 2.98 | 3.78 | 2.95 | 3.67 | 3.50 | 4.66 |

### Operating Earnings

Operating earnings for the third quarter ended September 30, 2014 were $2.3 million compared to $6.4 million for the prior year comparable period. The decrease is primarily a result of lower net sales volumes ($3.1 million) and higher per unit operating costs ($1.5 million).

On a year-to-date basis, operating earnings for 2014 were $30.4 million compared to $20.0 million in 2013. The increase is primarily a result of higher net metal prices and prior period price adjustments ($15.0 million), partially offset by lower sales volumes ($4.8 million).

### Production

Nickel production for the three months ended September 30, 2014 was higher than the comparable period in 2013 by 170 tonnes (or 10%). Higher head grades from the bottom of the open pit contributed to the increase.

Copper production for the three months ended September 30, 2014 was higher than the comparable period in 2013 by 434 tonnes (or 29%). Again, higher head grades contributed to the increase.

With increased throughput and higher copper head grades, the mine produced 6,150 tonnes of nickel and 5,370 tonnes of copper for the nine months ended September 30, 2014.

Open pit mining is expected to be completed by November of 2014, with subsequent stope production from the underground mine commencing in the first quarter of 2015. Processing will continue with stockpiled ore from the open pit.

## Cash Costs

Nickel cash costs of $5.89/lb for the quarter ended September 30, 2014 were higher than that of the corresponding period in 2013 of $3.67/lb. The increase is partially due to negative price adjustments on platinum, gold and other by-product revenues from shipments earlier in the year.

On a year-to-date basis, nickel cash costs of $4.63/lb for the nine months ended September 30, 2014 were higher than guidance and the prior year comparable period due to lower by-product credits, net of treatment charges. Full year cash cost guidance of $4.25/lb is expected to be met.

## Underground Project

Work is advancing down the original decline ramp with the installation of permanent ground support now complete. A new underground mine production schedule that incorporates design changes and increased initial stope extraction from trial mining by sub-level open stoping methods is expected to maintain a production profile of about 60% of that from open pit operations. Underground ore production from stope access development is expected to commence in the fourth quarter of 2014 and from full stoping in the first quarter of 2015. Some definition and exploration drilling has also been identified as a key opportunity to potentially increase near mine mineral reserves and improve the return of the overall underground project.

## Tenke Fungurume

*Tenke Fungurume is a copper-cobalt mine located in the southern part of Katanga Province, Democratic Republic of Congo. Lundin Mining holds a 24% equity interest in the mine. Freeport-McMoRan Inc. ("Freeport") is the operating partner and holds a 56% interest in the mine. Gécamines, the Congolese state mining company, holds a 20% carried interest in the mine. With the completion of the Phase II expansion, Tenke now has a nameplate annual production capacity of 195,000 tonnes of copper cathode and 15,000 tonnes of cobalt hydroxide.*

### Operating Statistics

| | 2014 | | | | 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 100% Basis | **YTD** | **Q3** | Q2 | Q1 | Total | Q4 | Q3 | Q2 | Q1 |
| Ore mined (000 tonnes) | **10,542** | **3,106** | 3,485 | 3,951 | 13,231 | 3,739 | 3,347 | 2,763 | 3,382 |
| Ore milled (000 tonnes) | **4,110** | **1,424** | 1,380 | 1,306 | 5,428 | 1,409 | 1,338 | 1,364 | 1,317 |
| Grade per tonne | | | | | | | | | |
| Copper (%) | **4.1** | **4.1** | 4.1 | 4.1 | 4.2 | 3.9 | 3.9 | 4.6 | 4.4 |
| Recovery | | | | | | | | | |
| Copper (%) | **92.8** | **91.3** | 92.7 | 94.7 | 91.4 | 90.6 | 91.6 | 89.9 | 93.7 |
| Production (contained metal) | | | | | | | | | |
| Copper (tonnes) | **154,227** | **52,893** | 51,870 | 49,464 | 209,774 | 50,645 | 49,541 | 55,126 | 54,462 |
| Cobalt (tonnes) | **9,933** | **3,545** | 3,418 | 2,970 | 12,751 | 4,247 | 3,659 | 2,305 | 2,540 |
| Income from equity investment ($000s) [1] | **69,779** | **25,939** | 24,853 | 18,987 | 97,769 | 22,425 | 24,185 | 19,276 | 31,883 |
| Attributable share of operating cash flow ($000s) | **113,858** | **48,373** | 37,802 | 27,683 | 168,385 | 50,091 | 42,219 | 32,436 | 43,639 |
| Cash cost ($ per pound) [2] | **1.07** | **1.10** | 1.18 | 0.89 | 1.21 | 1.14 | 1.23 | 1.23 | 1.23 |

1. Lundin Mining's share of equity earnings includes adjustments for GAAP harmonization differences and purchase price adjustments.

2. Cash cost is calculated and reported by Freeport. 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.

### Income from Equity Investment

Income of $25.9 million in the current quarter was $1.8 million higher than the third quarter of last year due to higher cobalt sales and realized cobalt price. Volume of copper cathode sold during the quarter, on a 100% basis, was 50,953 tonnes, 4% lower than the 53,104 tonnes sold in the comparable period of last year because of timing of shipments.

The average price realized for copper sales during the quarter was $3.11/lb, compared to $3.19/lb in the third quarter of 2013. The average realized price for cobalt sold during the third quarter of 2014 was $9.99/lb, compared to $8.57/lb in the third quarter of 2013.

### Production

Tenke produced 52,893 tonnes of copper for the three months ended September 30, 2014, high than the prior year comparable quarter production of 49,541 tonnes due primarily to higher ore grades and throughput. Cobalt production for the quarter was 3,545 tonnes, comparable with the prior year comparable quarter of 3,659 tonnes.

The expanded milling facilities at Tenke continue to exceed original design capacity with throughput averaging approximately 15,500 metric tonnes of ore per day ("mtpd") for the three months ended September 30, 2014. Mining rate during the quarter was 143,222 mtpd, higher than expectations due to improved fragmentation, equipment availability and operational improvements.

Construction of the second new acid plant is advancing with civil works progressing on site. The acid plant is scheduled to be completed in 2016 and is sized to significantly reduce the need to import third party acid in addition to the acid produced at Tenke's existing plant as well as to support future expansion initiatives.

Lundin's attributable share of forecast copper sales of 48,400 tonnes in 2014 increased slightly from previous guidance of 47,900 tonnes. Forecast sales of cobalt remains unchanged at 3,300 tonnes.

### Cash Costs

Cash costs for copper, net of cobalt by-product credits, were $1.10/lb for the quarter and $1.07/lb year-to-date. These are lower than cash costs for the three and nine months ended September 30, 2013 of $1.23/lb and is a reflection of higher cobalt by-product credits realized in 2014, partially offset by higher site production and delivery costs.

Cash costs for 2014 are forecast to be $1.16/lb, lower than previous guidance of $1.21/lb.

### Tenke Cash Flow

Lundin's attributable share of operating cash flow at Tenke for the third quarter of 2014 was $48.4 million. This is higher than the $42.2 million recognized in the third quarter of 2013, due to timing of sales and higher realized cobalt prices.

Year-to-date, Lundin's attributable share of operating cash flow was $113.9 million, $4.4 million lower than the $118.3 million generated in the same period in 2013, due primarily to lower realized copper prices.

Lundin Mining's share of 2014 capital investment for Tenke, which is expected to be self-funded by cash flow from Tenke operations, is expected to be approximately $50 million. Key capital spending areas in 2014 include: a second acid plant, a tailings dam expansion, mine equipment, workshop development, test work and studies for potential future phased expansions. During the quarter and nine months ended September 30, 2014, $11.9 million and $29.7 million, respectively, were spent on our attributable share of capital investments, which were fully funded by cash flow from operations.

The Company received cash distributions of $33.8 million for the quarter ended September 30, 2014, and $73.2 million year-to-date.

## Eagle Mine

*The Eagle Mine consists of the Eagle underground mine, located approximately 55 km northwest of Marquette, Michigan, U.S.A. and the Humboldt mill, located 45 km west of Marquette in Champion, Michigan. The mine and mill were commissioned in the third quarter of 2014, with concentrate production commencing at the end of September 2014. The mine is expected to produce an average of 17ktpa each of nickel and copper over the current mine life of 8 years at an average cash cost of $2.50/lb of nickel.*

### Project Development

On September 23, 2014, the Eagle Project officially announced the handover of the facility to the operations team and the commencement of ramp up to design production throughput of 2,000 tonnes per day. This target is expected to be achieved during the second quarter of 2015 or sooner. The project safety performance has been a great success with the project passing 1 million man hours without a lost time injury. The first shipments of saleable concentrate took place during October 2014.

The project has been delivered ahead of schedule and is expected to be at or below the budget of $400 million[1] established at the time of acquisition in July 2013. Total spend since that time is $321 million, of which $96 million was spent in the third quarter of 2014. There will be ongoing ancillary project completion activities throughout the remainder of 2014.

### Mine

Mine stope production commenced on schedule during the third quarter of 2014. For the nine months ended September 30, 2014, the mine has produced 72,000 tonnes of ore, on-track to meet Eagle's targets for 2014.

### Mill

The mill commenced concentrate production during early September and had produced approximately 3,000 tonnes of nickel concentrate and 1,000 tonnes of copper concentrate as of September 30, 2014. Concentrate grades and recovery curves were both improving during the month and will continue to be a focus during the ramp up period. Performance to date is in-line with expectations and Eagle remains on track to meet, or exceed, market guidance on metal production.

### Transportation

County road upgrade work over the haul route between the mine and mill is on-track for completion in early November 2014 prior to the onset of winter. Hauling of ore from mine to mill commenced in July with a limited fleet of trucks. The number of trucks and trips made progressively increased during the third quarter of 2014.

The first rail cars were loaded with concentrate on September 22, 2014, and both nickel and copper concentrate has left site for customer deliveries in October.

[1] This estimate is based on detailed project budgets and is supported by independent technical reports, regular project and cost reviews and committed and incurred costs to-date.

## Exploration

**Eagle Resource Exploration, USA (Nickel, Copper)**
Surface drilling continued through the quarter tracing the Eagle East feeder dike at depth using directional drilling. Two cross cuts on the Eagle East feeder dike were made. This yielded true thickness widths, but did not encounter semi massive sulphide or magmatic breccia. A total of 1,800 meters were drilled from surface in the third quarter. Drilling was put on hold throughout September while a 3D seismic survey was conducted.

A three kilometre by four kilometre 3D seismic survey over Eagle began with surveying and hole preparation in August. The survey will serve to advance exploration potential and knowledge around Eagle Mine. Data gathering started in September and was completed in mid October 2014.

**Los Rulos Joint Venture Exploration, Chile (Copper, Gold)**
A 50/50 Joint Venture (JV) agreement with Southern Hemisphere Mining was executed in late 2013 to explore copper-gold prospects across an extensive package of low altitude mineral properties in the Coquimbo region of the Chilean coastal copper belt. Fieldwork completed to date, including trenching, mapping and geophysics, has resulted in two promising targets, Polvareda and Armandino. Drill testing was completed at the Armandino target during the third quarter of 2014. While a notable mineralized system was defined, results were less than anticipated. Drilling on the Polvareda target commenced in the third quarter of 2014 following the completion of geophysical target definition.

**Peru (Copper)**
Work in Peru has focused on new copper project evaluations. Two new exploration properties have been optioned, including an undrilled porphyry copper prospect located close to the coast in central Peru. Initial targeting and permitting work has been underway since the first quarter of 2014. Mobilization for the drill program started in September and drilling commenced in October on the Elida copper prospect.

**Eastern Europe (Copper, Gold)**
Project evaluation work is continuing on new copper and zinc-lead opportunities in favourable parts of Eastern Europe and the Near East region. Advanced assessment work will be initiated in two promising properties during the fourth quarter of 2014.

An exploration program has been initiated at a Central Turkey porphyry copper property which was optioned in the second quarter of 2014. Drill target definition work completed to date, including mapping, grid soil sampling, rock geochemical sampling and trenching, has outlined an encouraging large copper anomaly associated with outcropping porphyry copper mineralization. Geochemical anomalies will be followed up by geophysical surveys and defined targets will be drill tested in the fourth quarter of 2014.

## Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for copper, zinc and lead for the third quarter of 2014 were 3%, 11% and 4% higher, respectively, than the prices for the second quarter of 2014 while the price of nickel was unchanged. Concerns about the growth of the Chinese economy, recent geo-political tension in the Ukraine and the Middle East, as well as a stronger US dollar have slowed down the upward trend in metal prices. The exception is zinc which has attracted interest from the investment community in anticipation of a developing global raw material shortage starting in 2015.

| | | Three months ended September 30, | | | Nine months ended September 30, | | |
|---|---|---|---|---|---|---|---|
| **(Average LME Price)** | | **2014** | 2013 | Change | **2014** | 2013 | Change |
| Copper | US$/pound | 3.17 | 3.21 | -1% | 3.15 | 3.35 | -6% |
| | US$/tonne | 6,994 | 7,073 | | 6,943 | 7,379 | |
| Zinc | US$/pound | 1.05 | 0.84 | 24% | 0.97 | 0.87 | 12% |
| | US$/tonne | 2,311 | 1,859 | | 2,140 | 1,910 | |
| Lead | US$/pound | 0.99 | 0.95 | 4% | 0.97 | 0.98 | -1% |
| | US$/tonne | 2,181 | 2,102 | | 2,128 | 2,151 | |
| Nickel | US$/pound | 8.43 | 6.31 | 33% | 7.81 | 6.97 | 12% |
| | US$/tonne | 18,576 | 13,916 | | 17,229 | 15,374 | |

LME inventory for zinc, lead and nickel increased during the third quarter of 2014 by 12%, 16% and 17% respectively, while the LME inventory for copper decreased by 1% during the quarter.

The treatment charges (“TC”) and refining charges (“RC”) in the spot market for copper concentrates increased during the third quarter of 2014. In July, the spot TC was $86 per dmt of concentrate and the spot RC was $0.086 per lb of payable copper. However, they increased to a TC of $110 per dmt of concentrate with a RC of $0.11 per payable lb of copper contained in September. One of the reasons for the increase in the TC and RC is that the export ban for copper concentrates from Indonesia, which has been in place since January 2014, was lifted during the quarter. However, trading during September has been very thin and buying from Chinese smelters has been limited. The few contracts that were concluded were done so with high TCs and RCs in order to push the terms higher in anticipation of the annual negotiations of terms for 2015, which will commence during the fourth quarter.

The spot TC for zinc concentrates in China continued to increase during the third quarter of 2014 from $175 per dmt, flat, in July to $185 per dmt, flat, in September. The increase in the LME price for zinc has turned the arbitrage between the LME and the Shanghai Futures Exchange (“SHFE”) negative. As a result, imports of zinc concentrates to China are less competitive compared to domestic raw materials. Other factors that have contributed to the increase in TC are weak demand for zinc metal in China and seasonally increased availability of zinc concentrates during the third quarter due to the Arctic shipping season taking place between July and October.

Throughout the third quarter of 2014, the spot TC for lead concentrates in China increased from $140 per dmt, flat, in July to $163 per dmt, flat, in September. Despite the negative arbitrage between the lead price on the LME and the lead price on the SHFE, imports of lead concentrates to China for the first eight months of 2014 are up 20% year-over-year due to poor domestic production of lead concentrates in China.

During the third quarter of 2014, the Company completed the sales process for the nickel and copper concentrates from its Eagle mine. Contracts have been concluded for 100% of the expected nickel and copper concentrate production, with deliveries starting during the fourth quarter of 2014.

## Liquidity and Financial Condition

### Cash Reserves

Cash and cash equivalents were $150.8 million as at September 30, 2014, an increase of $34.2 million from $116.6 million at December 31, 2013 and an increase of $8.8 million from $142.0 million at June 30, 2014.

Cash inflows for the three months ended September 30, 2014 included operating cash flows of $57.5 million, proceeds from long-term debt of $50.5 million, and receipt of distributions from Tenke ($33.8 million) and Freeport Cobalt ($1.0 million). Use of cash was primarily directed towards investments in mineral properties, plant and equipment of $128.7 million, most notably in support of the Eagle project.

For the nine months ended September 30, 2014, cash inflows included proceeds from long-term debt of $132.5 million, operating cash flows of $118.6 million, receipt of distributions from Tenke ($73.2 million) and Freeport Cobalt ($8.3 million), and withdrawals from restricted funds of $22.5 million. Use of cash was primarily directed towards investments in mineral properties, plant and equipment of $320.5 million.

### Working Capital

Working capital was $193.0 million as at September 30, 2014, compared to $143.0 million at December 31, 2013 and $168.2 million as at June 30, 2014. The increase in working capital, over both prior periods, is primarily the result of higher cash balances and a decrease in trade and other payables, partially offset by a decrease in trade and other receivables.

### Long-Term Debt

The Company has a $350 million revolving credit facility and a term loan of $250 million (together, the "credit facilities"), which expire in October 2017.

$345.0 million was drawn on the credit facilities as at September 30, 2014. A letter of credit issued in the amount of SEK 80 million ($11.0 million) also remains outstanding.

Subject to various risks and uncertainties (see Managing Risk section, page 28), the Company believes it will generate sufficient cash flow and has adequate cash and debt facilities to finance on-going operations and planned capital and exploration investment programs.

### Commitments

The company has the following capital commitments as at September 30, 2014:

| ($ thousands) | |
|---|---|
| 2014 | 59,444 |
| 2015 | 12,085 |
| **Total** | **71,529** |

### Shareholders' Equity

Shareholders' equity was $3,648.3 million at September 30, 2014, compared to $3,669.6 million at December 31, 2013. The decrease in shareholders' equity is primarily a reflection of foreign currency translation adjustments of $118.2 million in other comprehensive income, partially offset by current year's net earnings of $86.8 million.

## 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 | Tonnes Payable | Provisional price on September 30, 2014 ($US/tonne) | Change | Effect on operating earnings ($millions) |
|---|---|---|---|---|
| Copper | 12,343 | 6,689 | +/-10% | +/-$8.3 |
| Zinc | 12,647 | 2,282 | +/-10% | +/-$2.9 |
| Lead | 3,827 | 2,094 | +/-10% | +/-$0.8 |
| Nickel | 1,725 | 16,291 | +/-10% | +/-$2.8 |

The following table presents the Company's sensitivity to certain currencies and the impact of exchange rates, against the US dollar, on operating earnings:

| | | For the three months ended | For the nine months ended |
|---|---|---|---|
| Currency | Change | September 30, 2014 ($millions) | |
| Euro | +/-10% | +/-$8.9 | +/-$24.9 |
| Swedish krona | +/-10% | +/-$2.6 | +/-$8.3 |
| British pound | +/-10% | +/-$0.2 | +/-$0.7 |
| Canadian dollar | +/-10% | +/-$0.5 | +/-$1.6 |

## Financial Instruments

Summary of financial instruments:

| | Fair value at September 30, 2014 ($ thousands) | Basis of measurement | Associated risks |
|---|---|---|---|
| Trade and other receivables | 45,374 | Carrying value | Credit/Market/Exchange |
| Trade receivables | 50,244 | FVTPL | Credit/Market/Exchange |
| Marketable securities and restricted funds | 26,236 | FVTPL | Market/Liquidity |
| Marketable securities | 1,207 | Fair value through OCI | Market/Liquidity |
| Trade and other payables | 106,028 | Amortized cost | Interest |
| Long-term debt and finance leases | 359,541 | Amortized cost | Interest |
| Other long-term liabilities | 2,935 | Amortized cost | Interest |

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

Fair value through profit and loss (FVTPL 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 quoted market price, strike price and the volatility of the related shares of which the warrants can be exchanged for and the expiry date of the warrants.

Fair value through other comprehensive income (“OCI”) (Available-for-sale or “AFS” 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 quoted market price, strike price and the volatility of the related shares and the expiry date of the warrants.

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

During the quarter ended September 30, 2014, the Company recognized decreased sales of $1.7 million (2013: increased sales of $3.6 million) on final settlement of provisionally priced transactions from the prior periods, a revaluation gain and a realized loss on FVTPL securities netting to a $0.1 million loss (2013: $2.3 million), and a $0.4 million revaluation gain on AFS securities (2013: $1.0 million). In addition, a foreign exchange gain of $10.4 million (2013: loss of $0.8 million) was realized in the quarter on US$-denominated cash and trade receivables that were held in the European group entities.

Over the nine months ended September 30, 2014, the Company recognized decreased sales of $2.5 million (2013: $10.0 million) on final settlement of provisionally priced transactions from the prior year, a revaluation gain and a realized loss on FVTPL securities netting to a $3.5 million loss (2013: $6.5 million) and a revaluation gain of $0.4 million on AFS securities (2013: loss of $7.3 million). In addition, a foreign exchange gain of $10.1 million (2013: loss of $7.8 million) was realized in the year on US$-denominated cash and trade receivables that were held in the European group entities.

## Related Party Transactions

### Tenke Fungurume

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.

The Company received $33.8 million and $73.2 of cash distributions from Tenke during the three and nine months ended September 30, 2014, respectively.

### Freeport Cobalt

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

The Company received $1.0 million and $8.3 million of cash distributions from Freeport Cobalt during the three and nine months ended September 30, 2014, respectively.

### 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:

| ($ thousands) | Three months ended September 30, 2014 | 2013 | Nine months ended September 30, 2014 | 2013 |
|---|---|---|---|---|
| Wages and salaries | **1,530** | 1,455 | **4,613** | 4,463 |
| Pension and benefits | **33** | 33 | **101** | 101 |
| Share-based compensation | **609** | 566 | **1,993** | 1,106 |
| | **2,172** | 2,054 | **6,707** | 5,670 |

For the three and nine months ended September 30, 2014, the Company paid $0.1 million and $0.2 million, respectively, (Q3 2013 - $Nil; year-to-date 2013 - $0.2 million) for services provided by a company owned by the Chairman of the Company. The Company also paid $0.2 million for the three months ended September 30, 2014 and $0.6 million year-to-date (Q3 2013 - $0.1 million; year-to-date 2013 - $0.5 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

## Changes in Accounting Policies

The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

*IFRIC 21, Accounting for Levies Imposed by Governments*, clarifies the obligating event giving rise to a liability to pay a levy. The obligating event is the activity described in the relevant legislation that triggers payment of the levy. This standard is effective for annual periods beginning on or after January 1, 2014. The Company has concluded there was no significant impact of adopting this standard.

## Critical Accounting Estimates and Judgments

The application of certain accounting policies requires the Company to make estimates and judgments based on assumptions. For a complete discussion of accounting estimates and judgments deemed most critical by the Company, refer to the Company's annual 2013 Management's Discussion and Analysis.

## Managing Risks

### Risks and Uncertainties

The operations of Lundin Mining involve certain significant risks, including but not limited to credit risk, foreign exchange risk and derivative risk. For a complete discussion of the risks, refer to the Company's annual 2013 Management's Discussion and Analysis.

## Outstanding Share Data

As at October 29, 2014, the Company has 585,949,507 common shares issued and outstanding and 11,974,650 stock options outstanding under its incentive stock option plans.

## Non-GAAP 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-GAAP measures that the Company uses as key performance indicators.

### Net Cash/Debt

Net cash/debt is a performance measure used by the Company to assess its financial position. Net cash/debt is defined as cash and cash equivalents, less long-term debt and finance leases, excluding deferred financing fees.

Net cash/debt can be reconciled as follows:

| ($thousands) | **September 30, 2014** | June 30, 2014 | December 31, 2013 |
|---|---|---|---|
| Current portion of long-term debt and finance leases | **(17,568)** | (2,911) | (3,341) |
| Long-term debt and finance leases | **(341,973)** | (307,121) | (225,435) |
| | **(359,541)** | (310,032) | (228,776) |
| Deferred financing fees | **(5,915)** | (6,356) | (7,182) |
| | **(365,456)** | (316,388) | (235,958) |
| Cash and cash equivalents | **150,757** | 141,958 | 116,640 |
| **Net debt** | **(214,699)** | **(174,430)** | **(119,318)** |

### 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 administrative expenses.

### Operating Cash Flow per Share

"Operating cash flow per share" is a performance measure used by the Company to assess its ability to generate cash from its operations, while also taking into consideration changes in the number of outstanding shares of the Company. Operating cash flow per share is defined as cash provided by operating activities, less changes in non-cash working capital items, divided by the basic weighted average number of shares outstanding.

Operating cash flow per share can be reconciled to the Company's cash provided by operating activities as follows:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| ($thousands, except share and per share amounts) | **2014** | 2013 | **2014** | 2013 |
| Cash provided by operating activities | **57,456** | 27,360 | **118,626** | 99,720 |
| Add: Changes in non-cash working capital items | **(10,890)** | 11,949 | **12,434** | 18,035 |
| Operating cash flow before changes in non-cash working capital items | **46,566** | 39,309 | **131,060** | 117,755 |
| Basic weighted average common shares outstanding | **585,914,748** | 584,286,073 | **585,462,726** | 584,222,082 |
| **Operating cash flow per share** | **0.08** | 0.07 | **0.22** | 0.20 |

## 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 earnings potential and performance relative to its peers. 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.

- **Cash cost per pound, gross** - Total cash costs directly attributable to mining operations are divided by the sales volume of the primary metal to arrive at gross cash cost per pound. As this measure is not impacted by fluctuations in sales of by-product metals, it is generally more consistent across periods.
- **Cash cost per pound, net of by-products –** Credits for by-products sales, including deferred sales from streaming agreements, are deducted from total cash costs directly attributable to mining operations. The net cash costs are divided by the sales volume of the primary metal to arrive at net cash cost per pound. The inclusion of by-product credits provides a broader economic measurement, incorporating the benefit of other metals extracted in the production of the primary metal.

## 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 as follows:

| | Three months ended September 30, 2014 | | | | Three months ended September 30, 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total Tonnes Sold | Pounds (000s) | Cash Costs $/lb | Operating Costs ($000s) | Total Tonnes Sold | Pounds (000s) | Cash Costs $/lb | Operating Costs ($000s) |
| **Operation** | | | | | | | | |
| Neves-Corvo (Cu) | 12,136 | 26,755 | 1.96 | 52,440 | 11,469 | 25,285 | 2.23 | 56,386 |
| Zinkgruvan (Zn) | 17,915 | 39,496 | 0.48 | 18,958 | 14,763 | 32,547 | 0.06 | 1,953 |
| Aguablanca (Ni) [1] | 1,187 | 2,617 | 5.89 | 15,414 | 1,180 | 2,601 | 3.67 | 9,546 |
| Galmoy (Zn) [2] | | | | - | | | | 771 |
| | | | | 86,812 | | | | 68,656 |
| Add: By-product credits, net | | | | 45,323 | | | | 56,427 |
| Treatment costs | | | | (18,217) | | | | (15,171) |
| Royalties and other | | | | 3,726 | | | | 1,792 |
| **Total Operating Costs** | | | | **117,644** | | | | **111,704** |

| | Nine months ended September 30, 2014 | | | | Nine months ended September 30, 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | Total Tonnes Sold | Pounds (000s) | Cash Costs $/lb | Operating Costs ($000s) | Total Tonnes Sold | Pounds (000s) | Cash Costs $/lb | Operating Costs ($000s) |
| **Operation** | | | | | | | | |
| Neves-Corvo (Cu) | 33,480 | 73,811 | 1.89 | 139,503 | 39,197 | 86,415 | 1.96 | 169,373 |
| Zinkgruvan (Zn) | 49,373 | 108,849 | 0.37 | 40,274 | 44,270 | 97,599 | 0.31 | 30,256 |
| Aguablanca (Ni) [1] | 3,771 | 8,314 | 4.63 | 38,494 | 4,126 | 9,096 | 4.05 | 36,475 |
| Galmoy (Zn) [2] | | | | - | | | | 3,829 |
| | | | | 218,271 | | | | 239,933 |
| Add: By-product credits, net | | | | 154,278 | | | | 145,685 |
| Treatment costs | | | | (48,808) | | | | (46,042) |
| Royalties and other | | | | 5,063 | | | | 8,210 |
| **Total Operating Costs** | | | | **328,804** | | | | **347,786** |

1. 2013 cash costs includes an adjustment to account for the write-down of concentrate inventory to net realizable value in 2012.

2. 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 ("DCP") 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.

***Internal control over financial reporting***
The Company's internal control over financial reporting ("ICFR") 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.

***Control Framework***
Management has used the Internal Control - Integrated Framework (2013) from the Committee of Sponsoring Organizations of the Treadway Commission ('COSO') in order to assess the effectiveness of the Company's internal control over financial reporting as at December 31, 2013.

***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 September 30, 2014, 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 October 29, 2014:***

(a) **Directors:**

Donald K. Charter
Paul K. Conibear
John H. Craig
Brian D. Edgar
Peter C. Jones
Lukas H. Lundin
Dale C. Peniuk
William A. Rand

(b) **Officers:**

Lukas H. Lundin, *Chairman*
Paul K. Conibear*, President and Chief Executive Officer*
Marie Inkster, *Senior Vice President and Chief Financial Officer*
Julie A. Lee Harrs, *Senior Vice President, Corporate Development*
Paul M. McRae, *Senior Vice President, Projects*
Neil P. M. O'Brien, *Senior Vice President, Exploration and New Business Development*
Stephen T. Gatley, *Vice President, Technical Services*
Susan J. Boxall, *Vice President, Human Resources*
Jinhee Magie, *Vice President, Finance*
J. Mikael Schauman, *Vice President, Marketing*
James A. Ingram, *Corporate Secretary*

2. **Financial Information**

The report for the year ending December 31, 2014 is expected to be published by February 18, 2015.

3. **Other information**

Address (Corporate head office):
Lundin Mining Corporation
Suite 1500, 150 King Street West
P.O. Box 38
Toronto, Ontario M5H 1J9
Canada
Telephone: +1-416-342-5560
Fax: +1-416-348-0303
Website: www.lundinmining.com

Address (UK office):
Lundin Mining UK Limited
Hayworthe House, 2 Market Place
Haywards Heath, West Sussex
RH16 1DB
United Kingdom
Telephone: +44-1-444-411-900
Fax: +44-1-444-456-901

The Canadian federal corporation number for the Company is 443736-5.

**For further information, please contact:**

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Robert Eriksson, *Investor Relations, Sweden*: +46-(0)8-440-54-50, robert.eriksson@lundin-petroleum.se
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Condensed Interim Consolidated Financial Statements of

# Lundin Mining Corporation

September 30, 2014
(Unaudited)

**LUNDIN MINING CORPORATION**

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited - in thousands of US dollars)

| | September 30, 2014 | December 31, 2013 |
|---|---|---|
| **ASSETS** | | |
| Current | | |
| Cash and cash equivalents | $ 150,757 | $ 116,640 |
| Trade and other receivables (Note 3) | 95,618 | 114,196 |
| Income taxes receivable | 20,461 | 24,909 |
| Inventories (Note 4) | 61,864 | 44,651 |
| | 328,700 | 300,396 |
| Non-Current | | |
| Restricted funds | 38,680 | 63,869 |
| Marketable securities and other assets (Note 5) | 13,679 | 21,617 |
| Mineral properties, plant and equipment (Note 6) | 1,874,176 | 1,784,868 |
| Investment in associates (Note 7) | 2,051,477 | 2,063,846 |
| Deferred tax assets | 22,189 | 24,031 |
| Goodwill | 158,194 | 173,383 |
| | 4,158,395 | 4,131,614 |
| | $ 4,487,095 | $ 4,432,010 |
| **LIABILITIES** | | |
| Current | | |
| Trade and other payables (Note 9) | $ 135,468 | $ 155,500 |
| Income taxes payable | 281 | 1,903 |
| Current portion of deferred revenue | 4,247 | 4,849 |
| Current portion of long-term debt and finance leases (Note 10) | 17,568 | 3,341 |
| Current portion of reclamation and other closure provisions (Note 12) | 5,757 | 8,712 |
| | 163,321 | 174,305 |
| Non-Current | | |
| Deferred revenue | 47,456 | 56,163 |
| Long-term debt and finance leases (Note 10) | 341,973 | 225,435 |
| Reclamation and other closure provisions (Note 12) | 143,959 | 142,958 |
| Other long-term liabilities | 2,935 | 3,234 |
| Provision for pension obligations | 18,096 | 20,752 |
| Deferred tax liabilities | 121,024 | 139,558 |
| | 675,443 | 588,100 |
| | 838,764 | 762,405 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital | 3,516,530 | 3,509,343 |
| Contributed surplus | 42,974 | 40,379 |
| Accumulated other comprehensive loss | (145,443) | (27,620) |
| Retained earnings | 234,270 | 147,503 |
| | 3,648,331 | 3,669,605 |
| | $ 4,487,095 | $ 4,432,010 |

Commitments (Note 18)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**APPROVED BY THE BOARD OF DIRECTORS**

(Signed) Lukas H. Lundin
**Director**

(Signed) Dale C. Peniuk
**Director**

**LUNDIN MINING CORPORATION**

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Sales | **$ 166,617** | $ 176,415 | **$ 508,283** | $ 540,861 |
| Operating costs (Note 13) | **(117,644)** | (111,704) | **(328,804)** | (347,786) |
| Depreciation, depletion and amortization (Note 6) | **(36,575)** | (34,811) | **(111,216)** | (111,111) |
| General and administrative expenses | **(6,042)** | (5,808) | **(19,201)** | (16,948) |
| General exploration and business development (Note 15) | **(11,930)** | (11,034) | **(37,761)** | (34,255) |
| Income from equity investment in associates (Note 7) | **26,526** | 22,973 | **69,070** | 71,633 |
| Finance income (Note 16) | **5,580** | 217 | **3,519** | 1,179 |
| Finance costs (Note 16) | **(6,584)** | (3,905) | **(10,129)** | (11,001) |
| Other income (Note 17) | **11,068** | 518 | **11,968** | 16,448 |
| Other expenses (Note 17) | **(5,440)** | (805) | **(8,693)** | (10,693) |
| Earnings before income taxes | **25,576** | 32,056 | **77,036** | 98,327 |
| Current tax recovery (expense) (Note 8) | **8,116** | (4,127) | **3,786** | (18,253) |
| Deferred tax recovery (Note 8) | **10** | 5 | **5,945** | 14,479 |
| Net earnings | **$ 33,702** | $ 27,934 | **$ 86,767** | $ 94,553 |
| | | | | |
| Basic and diluted earnings per share | **$ 0.06** | $ 0.05 | **$ 0.15** | $ 0.16 |
| | | | | |
| Weighted average number of shares outstanding (Note 11) | | | | |
| Basic | **585,914,748** | 584,286,073 | **585,462,726** | 584,222,082 |
| Diluted | **588,721,457** | 584,856,352 | **587,491,886** | 584,887,589 |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

## LUNDIN MINING CORPORATION

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited - in thousands of US dollars)

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Net earnings | **$ 33,702** | $ 27,934 | **$ 86,767** | $ 94,553 |
| **Other comprehensive (loss) income, net of taxes** | | | | |
| Items that may be reclassified subsequently to net earnings: | | | | |
| Unrealized gain (loss) on marketable securities | **367** | 957 | **367** | (7,284) |
| Effects of foreign exchange | **(102,617)** | 38,355 | **(118,190)** | 30,004 |
| **Other comprehensive (loss) income** | **(102,250)** | 39,312 | **(117,823)** | 22,720 |
| **Comprehensive (loss) income** | **$ (68,548)** | $ 67,246 | **$ (31,056)** | $ 117,273 |

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited - in thousands of US dollars, except for shares)

| | Number of shares | Share capital | Contributed surplus | Accumulated other comprehensive loss | Retained earnings | Total |
|---|---|---|---|---|---|---|
| Balance, December 31, 2013 | 584,643,063 | $ 3,509,343 | $ 40,379 | $ (27,620) | $ 147,503 | $ 3,669,605 |
| Net earnings | - | - | - | - | 86,767 | 86,767 |
| Other comprehensive loss | - | - | - | (117,823) | - | (117,823) |
| Total comprehensive loss | - | - | - | (117,823) | 86,767 | (31,056) |
| Exercise of stock options | 1,306,444 | 7,187 | (2,371) | - | - | 4,816 |
| Share-based compensation | - | - | 4,966 | - | - | 4,966 |
| **Balance, September 30, 2014** | **585,949,507** | **$ 3,516,530** | **$ 42,974** | **$ (145,443)** | **$ 234,270** | **$ 3,648,331** |
| | | | | | | |
| Balance, December 31, 2012 | 584,005,006 | $ 3,505,398 | $ 34,140 | $ (77,213) | $ 10,754 | $ 3,473,079 |
| Net earnings | - | - | - | - | 94,553 | 94,553 |
| Other comprehensive income | - | - | - | 22,720 | - | 22,720 |
| Total comprehensive income | - | - | - | 22,720 | 94,553 | 117,273 |
| Exercise of stock options | 378,056 | 2,288 | (768) | - | - | 1,520 |
| Share issuance | 50,000 | 261 | - | - | - | 261 |
| Share-based compensation | | - | 5,158 | - | - | 5,158 |
| Balance, September 30, 2013 | 584,433,062 | $ 3,507,947 | $ 38,530 | $ (54,493) | $ 105,307 | $ 3,597,291 |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

**LUNDIN MINING CORPORATION**

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited - in thousands of US dollars)

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| **Cash provided by (used in)** | | | | |
| **Operating activities** | | | | |
| Net earnings | **$ 33,702** | $ 27,934 | **$ 86,767** | $ 94,553 |
| Items not involving cash | | | | |
| Depreciation, depletion and amortization | **36,575** | 34,811 | **111,216** | 111,111 |
| Share-based compensation | **1,271** | 1,758 | **5,008** | 4,848 |
| Income from equity investment in associates | **(26,526)** | (22,973) | **(69,070)** | (71,633) |
| Foreign exchange (gain) loss | **(3,644)** | 511 | **(1,233)** | 1,954 |
| Deferred tax recovery | **(10)** | (5) | **(5,945)** | (14,479) |
| Recognition of deferred revenue | **(949)** | (4,157) | **(3,726)** | (13,166) |
| Reclamation and closure provisions | **8,209** | 113 | **8,595** | 1,337 |
| Finance income and costs | **728** | 3,469 | **5,731** | 8,871 |
| Other | **8** | 32 | **149** | 775 |
| Reclamation payments | **(2,354)** | (1,726) | **(5,178)** | (5,137) |
| Pension payments | **(444)** | (458) | **(1,254)** | (1,279) |
| Changes in non-cash working capital items (Note 22) | **10,890** | (11,949) | **(12,434)** | (18,035) |
| | **57,456** | 27,360 | **118,626** | 99,720 |
| **Investing activities** | | | | |
| Investment in mineral properties, plant and equipment | **(128,719)** | (53,598) | **(320,459)** | (127,228) |
| Acquisition of Eagle Project | **-** | (315,823) | **-** | (318,402) |
| Acquisition of Freeport Cobalt | **-** | - | **-** | (116,253) |
| Distributions from associates (Note 7) | **34,869** | 42,900 | **81,439** | 116,217 |
| Restricted funds withdrawal (contribution), net | **9** | 4,730 | **22,544** | (1,989) |
| Proceeds from sale of marketable securities | **4,302** | - | **4,302** | 2,449 |
| Purchase of marketable securities | **-** | - | **-** | (1,272) |
| Other | **6** | 67 | **531** | 163 |
| | **(89,533)** | (321,724) | **(211,643)** | (446,315) |
| **Financing activities** | | | | |
| Common shares issued | **571** | 783 | **4,816** | 1,520 |
| Proceeds from long-term debt | **50,481** | 200,000 | **132,481** | 285,000 |
| Long-term debt repayments | **(439)** | (485) | **(1,577)** | (86,468) |
| Other | **(136)** | (189) | **(330)** | (312) |
| | **50,477** | 200,109 | **135,390** | 199,740 |
| Effect of foreign exchange on cash balances | **(9,601)** | 1,364 | **(8,256)** | 8,826 |
| Increase (decrease) in cash and cash equivalents during the period | **8,799** | (92,891) | **34,117** | (138,029) |
| Cash and cash equivalents, beginning of period | **141,958** | 229,966 | **116,640** | 275,104 |
| Cash and cash equivalents, end of period | **$ 150,757** | $ 137,075 | **$ 150,757** | $ 137,075 |

Supplemental cash flow information (Note 22)

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

## 1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company. The Company's wholly-owned operating assets include the Neves-Corvo copper/zinc mine located in Portugal, the Zinkgruvan zinc/lead mine located in Sweden, and the Aguablanca nickel/copper mine located in Spain. The Company also owns the high grade nickel/copper Eagle project in the United States ("US"), and 24% equity accounted interests in the Tenke Fungurume copper/cobalt mine located in the Democratic Republic of Congo ("DRC") and the Freeport Cobalt Oy business ("Freeport Cobalt"), which includes a cobalt refinery located in Kokkola, Finland.

The Company's common shares are listed on the Toronto Stock Exchange and its Swedish Depository Receipts are listed on the Nasdaq OMX (Stockholm) Exchange. The Company is incorporated under the Canada Business Corporations Act. The Company is domiciled in Canada and its registered address is 150 King Street West, Toronto, Ontario, Canada.

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### (i) Basis of presentation and measurement

The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting including IAS 34 *Interim financial reporting*. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013.

The Company's presentation currency is US dollars. Reference herein of $ is to US dollars. Reference of C$ is to Canadian dollars, reference of SEK is to Swedish Krona and € refers to the Euro.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on October 29, 2014.

### (ii) Critical accounting estimates and judgments

Areas of judgment that have the most significant effect on the amounts recognized in the financial statements are disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2013.

### (iii) Accounting principles

The accounting policies followed in these condensed interim financial statements are consistent with those disclosed in Note 2 of the Company's consolidated financial statements for the year ended December 31, 2013, except as described below.

*Changes in Accounting Policies*
The Company has adopted the following new and revised standards, along with any consequential amendments, effective January 1, 2014. These changes were made in accordance with the applicable transitional provisions.

*IFRIC 21, Accounting for Levies Imposed by Governments,* clarifies the obligating event giving rise to a liability to pay a levy. This obligating event is the activity described in the relevant legislation that triggers payment of the levy. This standard is effective for annual periods beginning on or after January 1, 2014. The Company has concluded there was no significant impact of adopting this standard.

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

(iv) **New accounting pronouncements**

IFRS 15, *Revenue from Contracts with Customers,* provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, cost of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. This standard is effective for annual periods beginning on or after January 1, 2017. The Company is still assessing the impact of this standard.

The final version of IFRS 9, *Financial Instruments,* was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking "expected loss" impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit and loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments. The Company is yet to assess the full impact of IFRS 9 and has not yet determined when it will adopt the new standard.

## 3. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

| | | **September 30, 2014** | | December 31, 2013 |
|---|---|---|---|---|
| Trade receivables | **$** | **71,668** | $ | 85,435 |
| Value added tax | | **10,241** | | 15,432 |
| Other receivables | | **6,315** | | 9,246 |
| Prepaid expenses | | **7,394** | | 4,083 |
| | **$** | **95,618** | $ | 114,196 |

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

## 4. INVENTORIES

Inventories are comprised of the following:

| | | **September 30, 2014** | | December 31, 2013 |
|---|---|---|---|---|
| Ore stockpiles | **$** | **15,733** | $ | 12,227 |
| Concentrate stockpiles | | **26,122** | | 14,470 |
| Materials and supplies | | **20,009** | | 17,954 |
| | **$** | **61,864** | $ | 44,651 |

## 5. MARKETABLE SECURITIES AND OTHER ASSETS

Marketable securities and other assets comprise the following:

| | | **September 30, 2014** | | December 31, 2013 |
|---|---|---|---|---|
| Marketable securities (a) | **$** | **9,761** | $ | 17,347 |
| Other assets | | **3,918** | | 4,270 |
| | **$** | **13,679** | $ | 21,617 |

### a) Marketable securities

Marketable securities include fair value through profit and loss (“FVTPL”) and available for sale (“AFS”) investments.

The changes in marketable securities are as follows:

| | | **FVTPL Investments** | | **AFS Investments** | | **Total** |
|---|---|---|---|---|---|---|
| As at December 31, 2012 | $ | 14,613 | $ | 19,717 | $ | 34,330 |
| Additions | | - | | 1,272 | | 1,272 |
| Disposals | | (2,449) | | - | | (2,449) |
| Revaluation | | (4,176) | | (9,599) | | (13,775) |
| Effects of foreign exchange | | (353) | | (1,672) | | (2,025) |
| As at September 30, 2013 | | 7,635 | | 9,718 | | 17,353 |
| Revaluation | | 35 | | 610 | | 645 |
| Effects of foreign exchange | | (252) | | (399) | | (651) |
| As at December 31, 2013 | | 7,418 | | 9,929 | | 17,347 |
| Disposals | | - | | (4,302) | | (4,302) |
| Revaluation | | 1,547 | | (4,709) | | (3,162) |
| Effects of foreign exchange | | (411) | | 289 | | (122) |
| **As at September 30, 2014** | **$** | **8,554** | **$** | **1,207** | **$** | **9,761** |

During the nine months ended September 30, 2014, the Company received cash proceeds of $4.3 million (2013 - $2.5 million) as a result of marketable securities disposals.

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

## 6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment are comprised of the following:

| Cost | Mineral properties | Plant and equipment | Exploration properties | Assets under construction | Total |
|---|---|---|---|---|---|
| As at December 31, 2012 | $ 1,646,431 | $ 654,878 | $ 60,590 | $ 20,420 | $ 2,382,319 |
| Acquisition of Eagle project | 10,369 | 15,397 | - | 316,510 | 342,276 |
| Additions | 44,373 | 3,438 | 501 | 99,040 | 147,352 |
| Disposals and transfers | 7,373 | 20,470 | (721) | (32,606) | (5,484) |
| Effects of foreign exchange | 35,399 | 16,131 | 1,567 | 1,171 | 54,268 |
| As at September 30, 2013 | 1,743,945 | 710,314 | 61,937 | 404,535 | 2,920,731 |
| Acquisition of Eagle project | - | - | - | (447) | (447) |
| Additions | 19,387 | - | - | 110,234 | 129,621 |
| Disposals and transfers | (5,482) | 37,403 | - | (40,210) | (8,289) |
| Effects of foreign exchange | 21,154 | 10,750 | 1,293 | 703 | 33,900 |
| As at December 31, 2013 | 1,779,004 | 758,467 | 63,230 | 474,815 | 3,075,516 |
| Additions | 44,900 | 715 | - | 271,353 | 316,968 |
| Disposals and transfers | 6,262 | 12,593 | (501) | (22,289) | (3,935) |
| Effects of foreign exchange | (164,927) | (69,130) | (5,697) | (6,080) | (245,834) |
| **As at September 30, 2014** | **$ 1,665,239** | **$ 702,645** | $ **57,032** | **$ 717,799** | **$ 3,142,715** |

| Accumulated depreciation, depletion and amortization | Mineral properties | Plant and equipment | Exploration properties | Assets under construction | Total |
|---|---|---|---|---|---|
| As at December 31, 2012 | $ 831,694 | $ 279,812 | $ - | $ - | $ 1,111,506 |
| Depreciation | 78,528 | 32,583 | - | - | 111,111 |
| Disposals and transfers | - | (4,678) | - | - | (4,678) |
| Effects of foreign exchange | 18,769 | 8,251 | - | - | 27,020 |
| As at September 30, 2013 | 928,991 | 315,968 | - | - | 1,244,959 |
| Depreciation | 25,294 | 11,744 | - | - | 37,038 |
| Disposals and transfers | (2,810) | (3,646) | - | - | (6,456) |
| Effects of foreign exchange | 9,881 | 5,226 | - | - | 15,107 |
| As at December 31, 2013 | 961,356 | 329,292 | - | - | 1,290,648 |
| Depreciation | 70,316 | 40,900 | - | - | 111,216 |
| Disposals and transfers | - | (3,256) | - | - | (3,256) |
| Effects of foreign exchange | (95,960) | (34,109) | - | - | (130,069) |
| **As at September 30, 2014** | **$ 935,712** | **$ 332,827** | **$ -** | **$ -** | **$ 1,268,539** |

| Net book value | Mineral properties | Plant and equipment | Exploration properties | Assets under construction | Total |
|---|---|---|---|---|---|
| As at December 31, 2013 | $ 817,648 | $ 429,175 | $ 63,230 | $ 474,815 | $ 1,784,868 |
| **As at September 30, 2014** | **$ 729,527** | **$ 369,818** | **$ 57,032** | **$ 717,799** | **$ 1,874,176** |

During the nine months ended September 30, 2014, the Company capitalized $6.7 million (2013 - $1.2 million) of borrowing costs related to the Eagle project.

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

Depreciation, depletion and amortization is comprised of:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Operating costs | **$ 36,481** | $ 34,730 | **$ 110,942** | $ 110,871 |
| General and administrative expenses | **94** | 81 | **274** | 240 |
| Depreciation, depletion and amortization | **$ 36,575** | $ 34,811 | **$ 111,216** | $ 111,111 |

## 7. INVESTMENT IN ASSOCIATES

| | **Tenke Fungurume** | **Freeport Cobalt** | **Total** |
|---|---|---|---|
| As at December 31, 2012 | $ 2,003,053 | $ - | $ 2,003,053 |
| Acquisition | - | 116,253 | 116,253 |
| Distributions | (110,700) | (5,517) | (116,217) |
| Share of equity income (loss) | 75,344 | (3,711) | 71,633 |
| As at September 30, 2013 | 1,967,697 | 107,025 | 2,074,722 |
| Distributions | (31,110) | (2,100) | (33,210) |
| Share of equity income (loss) | 22,425 | (91) | 22,334 |
| As at December 31, 2013 | 1,959,012 | 104,834 | 2,063,846 |
| Distributions | (73,168) | (8,271) | (81,439) |
| Share of equity income (loss) | 69,779 | (709) | 69,070 |
| **As at September 30, 2014** | **$ 1,955,623** | **$ 95,854** | **$ 2,051,477** |

The following is a summary of the consolidated financial information of TF Holdings Limited on a 100% basis:

| | **September 30, 2014** | December 31, 2013 |
|---|---|---|
| Total current assets | **$ 798,009** | $ 648,488 |
| Total non-current assets | **$ 3,006,057** | $ 2,937,118 |
| Total current liabilities | **$ 182,536** | $ 99,144 |
| Total non-current liabilities | **$ 492,455** | $ 559,085 |

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Total sales | **$ 435,954** | $ 428,102 | **$ 1,194,821** | $ 1,245,350 |
| Total earnings | **$ 110,049** | $ 105,666 | **$ 298,136** | $ 306,706 |

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

## 8. INCOME TAXES

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

## 9. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

| | | **September 30, 2014** | | December 31, 2013 |
|---|---|---|---|---|
| Trade payables | **$** | **81,968** | $ | 101,147 |
| Unbilled goods and services | | **19,342** | | 16,328 |
| Payroll obligations | | **29,440** | | 27,886 |
| Royalty payable | | **4,718** | | 10,139 |
| | **$** | **135,468** | $ | 155,500 |

## 10. LONG-TERM DEBT AND FINANCE LEASES

Long-term debt and finance leases are comprised of the following:

| | | **September 30, 2014** | | December 31, 2013 |
|---|---|---|---|---|
| Credit facilities | **$** | **339,086** | $ | 220,818 |
| Somincor commercial paper program | | **15,100** | | - |
| Finance lease obligations | | **2,881** | | 5,267 |
| Other | | **2,474** | | 2,691 |
| | | **359,541** | | 228,776 |
| Less: current portion | | **17,568** | | 3,341 |
| | **$** | **341,973** | $ | 225,435 |

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

The changes in long-term debt and finance leases are as follows:

| | | |
|---|---|---|
| As at December 31, 2012 | $ | 10,022 |
| Additions | | 286,154 |
| Payments | | (86,438) |
| Other | | (1,552) |
| Effects of foreign exchange | | 136 |
| As at September 30, 2013 | | 208,322 |
| Additions | | 20,818 |
| Payments | | (1,052) |
| Other | | 441 |
| Effects of foreign exchange | | 247 |
| As at December 31, 2013 | | 228,776 |
| Additions | | 132,481 |
| Payments | | (1,577) |
| Other | | 846 |
| Effects of foreign exchange | | (985) |
| **As at September 30, 2014** | **$** | **359,541** |

For the three and nine months ended September 30, 2014, the Company drew down $35 million and $117 million, respectively (2013 - $200 million and $285 million, respectively), on its credit facilities for the construction of the Eagle project. The amount drawn on the facility bears interest at a rate of LIBOR+2.75%. As at September 30, 2014, the effective interest rate was 2.9%.

The Sociedade Mineira de Neves-Corvo, S.A. ("Somincor"), a subsidiary of the Company which owns the Neves-Corvo mine, drew down $15.5 million (€12 million) on its commercial paper program during the three months ended September 30, 2014. The amount drawn on the commercial paper program bears an effective interest rate of 1.9% as at September 30, 2014.

## 11. SHARE CAPITAL

### (a) Restricted share units

On May 9, 2014, the Company adopted a new Share Unit Plan (the "SU Plan"). The SU Plan provides for share unit awards (the "SUs") to be granted by the Board of Directors to the officers and certain employees of the Company. The maximum number of shares available for issuance under the plan is 6,000,000. As at September 30, 2014, no SUs have been issued.

An SU is a unit representing the right to receive one Common Share (subject to adjustments) issued from treasury.

The number of SUs awarded will be determined based on the market price on the date of grant, as approved by the Board. The market price shall be calculated at the closing market price on the Toronto Stock Exchange of the Common Shares on the date of the grant. The vesting requirements for the SUs include the passage of a specified time period, as well as continued employment.

### (b) Stock options

The Company has an incentive stock option plan (the "Plan") available for certain employees and officers to acquire shares in the Company. The plan was adopted on May 9, 2014. The term of any options granted are approved by the Board of Directors and may not exceed five years from the date of grant. The total number of options that are issuable under the plan is 30,000,000. The vesting requirements for the options include the passage of a specified time period, as well as continued employment.

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

**(c) Diluted weighted average number of shares**

The total incremental shares added to the basic weighted average number of common shares outstanding to arrive at the fully diluted number of shares is comprised of 2,806,709 shares for the three months ended September 30, 2014 (2013 - 570,279 shares) and 2,029,160 shares for the nine months ended September 30, 2014 (2013 - 665,507 shares). The incremental shares relate to in-the-money outstanding stock options.

## 12. RECLAMATION AND OTHER CLOSURE PROVISIONS

Reclamation and other closure provisions relating to the Company's wholly-owned mining operations are as follows:

| | | Reclamation provisions | | Other closure provisions | | Total |
|---|---|---|---|---|---|---|
| Balance, December 31, 2012 | $ | 112,094 | $ | 18,636 | $ | 130,730 |
| Acquisition of Eagle Project | | 6,958 | | - | | 6,958 |
| Accretion | | 1,831 | | - | | 1,831 |
| Accruals for services | | - | | 1,337 | | 1,337 |
| Changes in estimates | | 1,076 | | - | | 1,076 |
| Payments | | (4,417) | | (720) | | (5,137) |
| Effects of foreign exchange | | 2,292 | | 493 | | 2,785 |
| Balance, September 30, 2013 | | 119,834 | | 19,746 | | 139,580 |
| Accretion | | 88 | | - | | 88 |
| Accruals for services | | - | | 1,114 | | 1,114 |
| Changes in estimates | | 10,161 | | - | | 10,161 |
| Payments | | (1,647) | | (97) | | (1,744) |
| Effects of foreign exchange | | 2,044 | | 427 | | 2,471 |
| Balance, December 31, 2013 | | 130,480 | | 21,190 | | 151,670 |
| Accretion | | 1,782 | | - | | 1,782 |
| Accruals for services | | - | | 572 | | 572 |
| Changes in estimates | | 12,451 | | - | | 12,451 |
| Payments | | (4,664) | | (515) | | (5,179) |
| Effects of foreign exchange | | (9,690) | | (1,890) | | (11,580) |
| Balance, September 30, 2014 | | 130,359 | | 19,357 | | 149,716 |
| Less: current portion | | 5,485 | | 272 | | 5,757 |
| | $ | 124,874 | $ | 19,085 | $ | 143,959 |

As at September 30, 2014, the reclamation and other closure provision at the Eagle mine was $26.9 million (2013 - $7.0 million). There was an increase in estimate of $4.4 million recorded for the nine months ended September 30, 2014 to reflect the completion of the mine and mill infrastructure at Eagle.

The reclamation and other closure provision at the Galmoy mine as at September 30, 2014 was $4.1 million (2013 - $3.3 million). During the nine months ended September 30, 2014, an increase in estimate of $6.6 million (2013 - $1.3 million) was recorded. Reclamation payments made during the nine months ended September 30, 2014 were $4.5 million (2013 - $4.5 million).

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

## 13. OPERATING COSTS

The Company's operating costs are comprised of the following:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Direct mine and mill costs | **$ 109,654** | $ 104,721 | **$ 304,112** | $ 324,696 |
| Transportation | **6,217** | 6,075 | **19,427** | 17,619 |
| Royalties | **1,773** | 908 | **5,265** | 5,471 |
| | **117,644** | 111,704 | **328,804** | 347,786 |
| Depreciation, depletion and amortization (Note 6) | **36,481** | 34,730 | **110,942** | 110,871 |
| Total operating costs | **$ 154,125** | $ 146,434 | **$ 439,746** | $ 458,657 |

## 14. EMPLOYEE BENEFITS

The Company's employee benefits are comprised of the following:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Operating costs | | | | |
| Wages and benefits | **$ 29,480** | $ 25,975 | **$ 93,995** | $ 82,500 |
| Pension benefits | **408** | 458 | **1,254** | 1,279 |
| Share-based compensation | **605** | 700 | **1,997** | 1,987 |
| | **30,493** | 27,133 | **97,246** | 85,766 |
| General and administrative expenses | | | | |
| Wages and benefits | **2,742** | 2,713 | **8,421** | 6,921 |
| Pension benefits | **125** | 97 | **387** | 291 |
| Share-based compensation | **1,131** | 1,012 | **3,400** | 2,723 |
| | **3,998** | 3,822 | **12,208** | 9,935 |
| General exploration and business development | | | | |
| Wages and benefits | **1,514** | 1,446 | **5,244** | 3,904 |
| Pension benefits | **13** | 13 | **37** | 38 |
| Share-based compensation | **37** | 46 | **113** | 138 |
| | **1,564** | 1,505 | **5,394** | 4,080 |
| Total employee benefits | **$ 36,055** | $ 32,460 | **$ 114,848** | $ 99,781 |

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

## 15. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

The Company's general exploration and business development are comprised of the following:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| General exploration | **$ 7,457** | $ 8,947 | **$ 23,189** | $ 26,287 |
| Corporate development | **1,814** | 8 | **5,202** | 581 |
| Project development | **2,659** | 2,079 | **9,370** | 7,387 |
| | **$ 11,930** | $ 11,034 | **$ 37,761** | $ 34,255 |

During the nine months ended September, 2014, the Company recorded $5.1 million in corporate development expenses relating to the acquisition activities disclosed in Note 23. Project development expenses included primarily indirect costs for the Eagle project. In 2013, these costs also included expenditures to develop an exploration ramp at the Neves-Corvo mine.

## 16. FINANCE INCOME AND COSTS

The Company's finance income and costs are comprised of the following:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Interest income | **$ 289** | $ 217 | **$ 998** | $ 1,140 |
| Interest expense and bank fees | **(1,078)** | (663) | **(3,422)** | (2,678) |
| Accretion expense on reclamation provisions | **(581)** | (543) | **(1,782)** | (1,831) |
| Unrealized gain (loss) on revaluation of marketable securities | **4,783** | (2,337) | **1,397** | (6,492) |
| Realized loss on sale of marketable securities | **(4,925)** | - | **(4,925)** | - |
| Other | **508** | (362) | **1,124** | 39 |
| **Total finance costs, net** | **$ (1,004)** | $ (3,688) | **$ (6,610)** | $ (9,822) |

| | | | | |
|---|---|---|---|---|
| Finance income | **$ 5,580** | $ 217 | **$ 3,519** | $ 1,179 |
| Finance costs | **(6,584)** | (3,905) | **(10,129)** | (11,001) |
| **Total finance costs, net** | **$ (1,004)** | $ (3,688) | **$ (6,610)** | $ (9,822) |

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

## 17. OTHER INCOME AND EXPENSES

The Company's other income and expenses are comprised of the following:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Foreign exchange gain (loss) | **$ 10,411** | $ (750) | **$ 10,053** | $ (7,827) |
| Other income | **649** | 518 | **1,915** | 16,448 |
| Other expenses | **(5,432)** | (55) | **(8,693)** | (2,866) |
| **Total other income (expenses), net** | **$ 5,628** | $ (287) | **$ 3,275** | $ 5,755 |

| | | | | |
|---|---|---|---|---|
| Other income | **$ 11,068** | $ 518 | **$ 11,968** | $ 16,448 |
| Other expenses | **(5,440)** | (805) | **(8,693)** | (10,693) |
| **Total other income (expenses), net** | **$ 5,628** | $ (287) | **$ 3,275** | $ 5,755 |

During the nine months ended September 30, 2014, $6.6 million (2013 - $1.3 million) was recorded in other expense relating to the increase of reclamation and other closure provision at the Galmoy mine (Note 12). For the nine months ended September 30, 2013, the Company recorded $15.1 million in other income related to insurance proceeds for business interruption at the Aguablanca mine from a ramp failure which occurred in late-2010.

## 18. COMMITMENTS

The Company has the following capital commitments as at September 30, 2014:

| | |
|---|---|
| 2014 | $ 59,444 |
| 2015 | 12,085 |
| **Total** | **$ 71,529** |

Included in the above are capital commitments of $31.8 million to complete the Eagle project in 2014.

## 19. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Portugal, Spain, Sweden, USA and the DRC. The segments presented reflect the way in which the Company’s management reviews its business performance. Operating segments are reported in a manner consistent with the internal reporting provided to executive management who act as the chief operating decision-maker. Executive management is responsible for allocating resources and assessing performance of the operating segments. Galmoy mine is grouped in the other segment. Prior year comparatives have been reclassified accordingly.

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

**For the three months ended September 30, 2014**

| | Neves-Corvo | Zinkgruvan | Aguablanca | Eagle | Tenke Fungurume | Other | Total |
|---|---|---|---|---|---|---|---|
| | Portugal | Sweden | Spain | USA | DRC | | |
| Sales | $ 94,875 | $ 48,233 | $ 23,509 | $ - | $ - | $ - | $ 166,617 |
| Operating costs | (70,348) | (25,372) | (21,245) | - | - | (679) | (117,644) |
| General and administrative expenses | - | - | - | - | - | (6,042) | (6,042) |
| Operating earnings (loss) * | 24,527 | 22,861 | 2,264 | - | - | (6,721) | 42,931 |
| Depreciation, depletion and amortization | (25,271) | (7,208) | (2,834) | (1,152) | - | (110) | (36,575) |
| General exploration and business development | (627) | (1,381) | - | (5,684) | - | (4,238) | (11,930) |
| Income (loss) from equity investment in associates | - | - | - | - | 25,939 | 587 | 26,526 |
| Finance income and costs, net | 9 | 68 | (13) | - | - | (1,068) | (1,004) |
| Other income and expenses, net | 7,967 | 873 | 2,617 | - | - | (5,829) | 5,628 |
| Income tax recovery (expense) | 207 | (3,244) | (4,168) | 5,519 | - | 9,812 | 8,126 |
| Net earnings (loss) | $ 6,812 | $ 11,969 | $ (2,134) | $ (1,317) | $ 25,939 | $ (7,567) | $ 33,702 |
| | | | | | | | |
| Capital expenditures | $ 19,307 | $ 7,046 | $ 4,240 | $ 98,026 | $ - | $ 100 | $ 128,719 |

**For the nine months ended September 30, 2014**

| | Neves-Corvo | Zinkgruvan | Aguablanca | Eagle | Tenke Fungurume | Other | Total |
|---|---|---|---|---|---|---|---|
| | Portugal | Sweden | Spain | USA | DRC | | |
| Sales | $ 268,508 | $ 146,455 | $ 92,056 | $ - | $ - | $ 1,264 | $ 508,283 |
| Operating costs | (184,967) | (79,756) | (61,665) | - | - | (2,416) | (328,804) |
| General and administrative expenses | - | - | - | - | - | (19,201) | (19,201) |
| Operating earnings (loss) * | 83,541 | 66,699 | 30,391 | - | - | (20,353) | 160,278 |
| Depreciation, depletion and amortization | (78,793) | (22,097) | (6,854) | (3,151) | - | (321) | (111,216) |
| General exploration and business development | (4,902) | (5,784) | - | (14,325) | - | (12,750) | (37,761) |
| Income (loss) from equity investment in associates | - | - | - | - | 69,779 | (709) | 69,070 |
| Finance income and costs, net | (338) | 304 | (131) | - | - | (6,445) | (6,610) |
| Other income and expenses, net | 9,349 | 2,070 | 2,791 | (35) | - | (10,900) | 3,275 |
| Income tax recovery (expense) | 5,973 | (8,704) | (10,708) | 11,161 | - | 12,009 | 9,731 |
| Net earnings (loss) | $ 14,830 | $ 32,488 | $ 15,489 | $ (6,350) | $ 69,779 | $ (39,469) | $ 86,767 |
| | | | | | | | |
| Capital expenditures | $ 55,741 | $ 19,929 | $ 10,837 | $ 233,650 | $ - | $ 302 | $ 320,459 |

* Operating earnings (loss) is a non-GAAP measure

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

**For the three months ended September 30, 2013**

| | Neves-Corvo Portugal | Zinkgruvan Sweden | Aguablanca Spain | Eagle USA | Tenke Fungurume DRC | Other | Total |
|---|---|---|---|---|---|---|---|
| Sales | $ 96,076 | $ 49,288 | $ 25,278 | $ - | $ - | $ 5,773 | $ 176,415 |
| Operating costs | (66,862) | (23,654) | (18,881) | - | - | (2,307) | (111,704) |
| General and administrative expenses | - | - | - | - | - | (5,808) | (5,808) |
| Operating earnings (loss) * | 29,214 | 25,634 | 6,397 | - | - | (2,342) | 58,903 |
| Depreciation, depletion and amortization | (24,053) | (6,376) | (3,839) | (445) | - | (98) | (34,811) |
| General exploration and business development | (4,312) | (1,404) | - | (2,736) | - | (2,582) | (11,034) |
| Income (loss) from equity investment in associates | - | - | - | - | 24,185 | (1,212) | 22,973 |
| Finance income and costs, net | (817) | (116) | (27) | - | - | (2,728) | (3,688) |
| Other income and expenses, net | (3,875) | 34 | 60 | 2 | - | 3,492 | (287) |
| Income tax recovery (expense) | 2,171 | (3,784) | (2,261) | 958 | - | (1,206) | (4,122) |
| Net (loss) earnings | $ (1,672) | $ 13,988 | $ 330 | $ (2,221) | $ 24,185 | $ (6,676) | $ 27,934 |
| | | | | | | | |
| Capital expenditures | $ 24,059 | $ 4,913 | $ 1,554 | $ 22,235 | $ - | $ 837 | $ 53,598 |

**For the nine months ended September 30, 2013**

| | Neves-Corvo Portugal | Zinkgruvan Sweden | Aguablanca Spain | Eagle USA | Tenke Fungurume DRC | Other | Total |
|---|---|---|---|---|---|---|---|
| Sales | $ 308,490 | $ 129,961 | $ 87,865 | $ - | $ - | $ 14,545 | $ 540,861 |
| Operating costs | (196,080) | (76,293) | (67,835) | - | - | (7,578) | (347,786) |
| General and administrative expenses | - | - | - | - | - | (16,948) | (16,948) |
| Operating earnings (loss) * | 112,410 | 53,668 | 20,030 | - | - | (9,981) | 176,127 |
| Depreciation, depletion and amortization | (74,618) | (19,783) | (15,971) | (445) | - | (294) | (111,111) |
| General exploration and business development | (16,416) | (6,431) | - | (2,736) | - | (8,672) | (34,255) |
| Income (loss) from equity investment in associates | - | - | - | - | 75,344 | (3,711) | 71,633 |
| Finance income and costs, net | (961) | (277) | (137) | - | - | (8,447) | (9,822) |
| Other income and expenses, net | (3,202) | 1,456 | 14,365 | 2 | - | (6,866) | 5,755 |
| Income tax (expense) recovery | (2,326) | (5,811) | 2,154 | 958 | - | 1,251 | (3,774) |
| Net earnings (loss) | $ 14,887 | $ 22,822 | $ 20,441 | $ (2,221) | $ 75,344 | $ (36,720) | $ 94,553 |
| | | | | | | | |
| Capital expenditures | $ 73,463 | $ 19,700 | $ 10,709 | $ 22,235 | $ - | $ 1,121 | $ 127,228 |

* Operating earnings (loss) is a non-GAAP measure

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

The Company's analysis of segment sales by product is as follows:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Copper | **$ 79,914** | $ 89,804 | **$ 228,994** | $ 293,415 |
| Zinc | **53,673** | 40,717 | **141,538** | 116,096 |
| Lead | **11,014** | 21,161 | **47,581** | 47,541 |
| Nickel | **18,024** | 16,676 | **70,337** | 59,312 |
| Other | **3,992** | 8,057 | **19,833** | 24,497 |
| | **$ 166,617** | $ 176,415 | **$ 508,283** | $ 540,861 |

The Company's geographical analysis of segment sales based on the destination of product is as follows:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Europe | **$ 141,718** | 150,033 | **$ 414,301** | $ 431,250 |
| South America | **-** | 629 | **(2,780)** | 20,105 |
| Asia | **24,899** | 25,753 | **96,762** | 89,506 |
| | **$ 166,617** | $ 176,415 | **$ 508,283** | $ 540,861 |

## 20. RELATED PARTY TRANSACTIONS

a) **Transactions with associates** - The Company enters into transactions related to its investment in associates. These transactions are entered into in the normal course of business and on an arm's length basis (Note 7).

b) **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:

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Wages and salaries | **$ 1,530** | $ 1,455 | **$ 4,613** | $ 4,463 |
| Pension benefits | **33** | 33 | **101** | 101 |
| Share-based compensation | **609** | 566 | **1,993** | 1,106 |
| | **$ 2,172** | $ 2,054 | **$ 6,707** | $ 5,670 |

c) **Other related parties** - For the three and nine months ended September 30, 2014, the Company paid $0.1 million and $0.2 million, respectively, (Q3 2013 - $Nil; year-to-date 2013 - $0.2 million) for services provided by a company owned by the Chairman of the Company. The Company also paid $0.2 million for the three months ended September 30, 2014 and $0.6 million year-to-date (Q3 2013 - $0.1 million; year-to-date 2013 - $0.5 million) to a charitable foundation directed by members of the Company's key management personnel to carry out social programs on behalf of the Company.

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

## 21. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Company's financial assets and financial liabilities have been classified into categories that determine their basis of measurement. The following table shows the carrying values, fair values and fair value hierarchy of the Company's financial instruments as at September 30, 2014 and December 31, 2013:

| | | September 30, 2014 | | December 31, 2013 | |
|---|---|---|---|---|---|
| | Level | Carrying value | Fair value | Carrying value | Fair value |
| **Financial assets** | | | | | |
| Fair value through profit or loss | | | | | |
| Trade receivables | 2 | $ 50,244 | $ 50,244 | $ 62,945 | $ 62,945 |
| Marketable securities - shares | 1 | 8,554 | 8,554 | 7,406 | 7,406 |
| Marketable securities - warrants | 2 | - | - | 12 | 12 |
| Restricted funds - shares | 1 | 17,682 | 17,682 | 18,183 | 18,183 |
| | | $ 76,480 | $ 76,480 | $ 88,546 | $ 88,546 |
| Available for sale | | | | | |
| Marketable securities - shares | 1 | $ 1,205 | $ 1,205 | $ 9,778 | $ 9,778 |
| Marketable securities - warrants | 2 | 2 | 2 | 151 | 151 |
| | | $ 1,207 | $ 1,207 | $ 9,929 | $ 9,929 |
| **Financial liabilities** | | | | | |
| Amortized cost | | | | | |
| Long-term debt and finance leases | 2 | $ 359,541 | $ 359,541 | $ 228,776 | $ 228,776 |
| Other long-term liabilities | 2 | 2,935 | 2,935 | 3,234 | 3,234 |
| | | $ 362,476 | $ 362,476 | $ 232,010 | $ 232,010 |

Fair values of financial instruments are determined by valuation methods depending on hierarchy levels as defined below:

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

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

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

The Company calculates fair values based on the following methods of valuation and assumptions:

Trade receivables – The fair value of the embedded derivatives on provisional sales are valued using quoted market prices based on the forward London Metals Exchange price. The Company recognized negative pricing adjustments of $8.6 million in sales during the nine months ended September 30, 2014 (2013 - $17.3 million negative price adjustment).

Marketable securities/restricted funds – 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 quoted market price, strike price, the volatility of the related shares of which the warrants can be exchanged for and the expiry date of the warrants.

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

Long-term debt and other long-term liabilities – The fair value of the Company's long-term debt approximates its carrying value as the interest rates are comparable to current market rates.

The carrying values of certain financial instruments maturing in the short-term approximate their fair values. These financial instruments include cash and cash equivalents, trade and other receivables, restricted funds, which are classified as loans and receivables, and trade and other payables which are classified as amortized cost.

## 22. SUPPLEMENTARY CASH FLOW INFORMATION

| | Three months ended September 30 | | Nine months ended September 30 | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Changes in non-cash working capital items consist of: | | | | |
| Trade receivable, inventories and other current assets | **$ 20,789** | $ 7,315 | **$ (7,874)** | $ (2,097) |
| Trade payable and other current liabilities | **(9,899)** | (19,264) | **(4,560)** | (15,938) |
| | **$ 10,890** | $ (11,949) | **$ (12,434)** | $ (18,035) |
| Operating and investing activities included the following cash payments: | | | | |
| Interest received | **$ 289** | $ 217 | **$ 998** | $ 1,140 |
| Interest paid | **$ 3,071** | $ 555 | **$ 8,071** | $ 1,731 |
| Income taxes (refunded) paid | **$ (6,762)** | $ 16,209 | **$ (4,797)** | $ 27,666 |

## 23. SUBSEQUENT EVENT

On October 6, 2014, the Company announced that it had entered into a definitive agreement with Freeport-McMoRan Inc. ("Freeport") to purchase a 80% ownership stake in the Compañia Contractual Minera Candelaria S.A. and Compañia Contractual Minera Ojos del Salado S.A. copper mining operations and supporting infrastructure (together, "Candelaria") for cash consideration of $1.8 billion (the "Acquisition"), plus customary adjustments. In addition, contingent consideration of up to $200 million in aggregate is also payable calculated as 5% of net copper revenues in any annual period over the next five years if the realized average copper price exceeds $4.00 per pound. The remaining 20% ownership stake will continue to be held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation.

The acquisition is expected be funded with new senior secured debt, equity financing and the sale of a stream on Candelaria's gold and silver production to Franco-Nevada Corporation for an upfront payment of $648 million.

On October 23, 2014 the Company announced that it had completed its previously announced bought deal financing to raise gross proceeds of $600 million (C$674 million). The Company issued a total of 132,157,000 subscription receipts at a price of C$5.10 per subscription receipt. Each subscription receipt represents the right to acquire, without payment of additional consideration or further action, one common share of Lundin Mining upon closing of the acquisition of an 80% ownership stake in Candelaria from Freeport and the approval and registration with the Swedish Financial Supervisory Authority of a prospectus regarding the listing of the corresponding Swedish Depository Receipts relating to the common shares on conversion of the subscription receipts.

On October 27, 2014, the Company completed its offering of $1.0 billion of senior secured notes in two tranches, $550 million of 7.5% Senior Secured Notes due 2020 and $450 million of 7.875% Senior Secured Notes due 2022 (together, the "Notes").

The Acquisition is expected to be completed by year-end, subject to regulatory approvals and customary industry closing conditions.