lundin mining

2010 Annual Filings

December 31, 2010

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Management's Discussion and Analysis
For the year ended December 31, 2010

This management's discussion and analysis has been prepared as of February 23, 2010 and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2010. Those financial statements are prepared in accordance with Canadian generally accepted accounting principles. The Company's reporting currency is United States dollars. Reference herein of $ is to United States dollars. Reference of C$ is to Canadian dollars, reference to SEK is to Swedish krona and € refers to the Euro.

About Lundin Mining

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

Cautionary Statement on Forward-Looking Information

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labor disputes or other unanticipated difficulties with or shortages of labor 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; documentation of the outcome of the contract review process and resolution of administrative disputes in the DRC; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Annual Information Form and in each management discussion and analysis. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of copper, lead, nickel and zinc; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Highlights

Operational and Financial Highlights

- Overall, production approximated guidance. Wholly-owned operations: mine production was generally in accordance with expectations, while milling/deliveries fell marginally short owing to the extreme weather in Europe and shaft/crusher availability at Zinkgruvan. Tenke: continues to perform consistently above design capacity and was ahead of expectations.

  Production was below the prior year owing to: industrial action at the beginning of 2010 at Neves-Corvo (estimated effect: 10,000 tonnes of copper in concentrate); and the closure of Galmoy in mid-2009.

  At Neves-Corvo, mined tonnes were at record levels, which helped to offset the effect of lower head-grade. Zinkgruvan, despite the challenges stemming from a blocked orepass in the first quarter of 2010, exceeded the prior year's record mined tonnes and metal production.

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

	Years ended December 31				
	2010 Actual	*2010 Latest Guidance*	2009	2008	2007
Copper (tonnes)	**80,035**	*81,200*	93,451	97,944	97,120
Zinc (tonnes)	**90,129**	*93,000*	101,401	151,157	151,830
Lead (tonnes)	**39,568**	*40,000*	43,852	44,799	44,560
Nickel (tonnes)	**6,296**	*6,150*	8,029	8,136	3,270
Copper (tonnes) Tenke attributable (24.75%)	**29,767**	*28,500*	17,325	-	-

- Operating earnings[1] increased by $83.4 million from $373.2 million in 2009 to $456.6 million in 2010. Favourable price and price adjustments ($212 million effect) and exchange rates ($15 million) offset the effect of higher unit costs ($92 million effect), lower sales volumes ($47 million effect) and closure at Galmoy ($5 million effect).

  Total operating expenses increased $19.8 million year on year. The higher unit cost effect of $92 million, reported above, assumes that costs are directly variable to the volume of metal produced and not the tonnes mined and is made up of: Neves-Corvo $48.6 million; Zinkgruvan $5.5 million; Aguablanca $42.2 million; and lower stock-based compensation and general and administrative costs of $4.5 million. Significant items affecting this are:

  - **Neves-Corvo**: royalty increase related to increased sales price ($8.5 million); royalty related to 2008 ($8.1 million). The remainder of the increase largely reflects around 10,000 tonnes lower metal production owing to strike action at the start of the year, and subsequent additional costs to try and recover lost metal production (10,000 tonnes at a C1 cash cost[2] of $1.30/lb is approximately $29 million);
  - **Zinkgruvan**: the higher cost relates to increased ore handling (owing to orepass blockages) and plant maintenance;
  - **Aguablanca**: increased waste removal in accordance with announced plans ($20.3 million) and lower volume, as reported, related to pit instabilities and suspension of operation.

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[1] Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, general and administration costs and stock-based compensation. See page 40 of this MD&A for discussion of Non-GAAP measures.

[2] Cash cost per pound is a non-GAAP measure reflecting the sum of direct costs and inventory changes less by-product credits.

- Sales for the year were $849.2 million compared to sales of $746.0 million last year. Metal price improvements and price adjustments ($211.8 million) were partially offset by the effect of lower volume: from continuing operations ($86.6 million); and from closure at Galmoy ($22.0 million).

  Average metal prices in 2010 were 24% to 48% higher than the average for 2009.

- Net income of $317.1 million ($0.55 per share) was $243.4 million ahead of the $73.7 million ($0.13 per share) reported in 2009. In addition to higher operating earnings ($83.4 million), the increase was related to: $78.3 million higher equity earnings from Tenke; a $71.7 million difference in the gain/loss on copper price derivatives; $46.6 million lower depreciation and amortization charges; and $50.2 million incremental gain on sale of AFS securities and investments.

- Cash flow from operations for the year was $277.3 million, compared to $137.4 million for 2009. The increase relates mainly to: higher operating earnings and the normalization of working capital. In 2009, the Company paid $68 million to customers for settlement of 2008 sales for which provisional payments had been received at higher metal prices. Cash-settled derivatives were $10 million higher this year than last and approximately $15 million was paid last year related to the closure of Galmoy. This does not include cash flow related to Tenke which is referred to on page 5.

- Mining operations at Aguablanca were suspended following a major slope failure on the main access ramp caused by heavy rainfall in the second week of December 2010 (see news release dated December 9, 2010 entitled "*Lundin Mining Suspends Full-Scale Pit Operations at Aguablanca Pending Review*").

- Surface exploration drilling focusing on a prospective area close to the Neves-Corvo mine has discovered a new high-grade, copper-rich massive sulphide deposit, "Semblana", one kilometre to the northeast of the Zambujal copper-zinc ore body (see news release dated October 27, 2010 entitled "Lundin Mining Discovers New Copper Deposit at Neves-Corvo" and news release dated November 30, 2010 entitled "Lundin Mining Announces Further High-Grade Copper Results at New Semblana Deposit and Details Exploration Strategy at Neves-Corvo"). An 80,000 metre surface drilling program is planned for 2011 which is intended to deliver an initial resource estimate for Semblana prior to the end of 2011.

Corporate Highlights

- On January 12, 2011, Inmet Mining Corporation ("Inmet") and Lundin Mining announced that they have entered into an arrangement agreement (the "Arrangement Agreement") to merge and create Symterra Corporation ("Symterra").

  Under the terms of the Arrangement Agreement, each Inmet shareholder will receive 3.4918 shares of Symterra and each Lundin Mining shareholder will receive 0.3333 shares of Symterra for each share held.

  Completion of the proposed merger is conditional on approval by Inmet and Lundin shareholders and satisfaction of other customary approvals including regulatory, stock exchange and court approvals. The required shareholder approval will be two-thirds of the votes cast by each of the holders of Inmet and Lundin Mining common shares at shareholder meetings held to consider the proposed merger. Shareholder meetings for Inmet and Lundin Mining are scheduled for March 14, 2011.

  The Arrangement Agreement includes customary reciprocal deal protections. Each party has agreed not to solicit alternative transactions. Each company has agreed to pay the other a break fee of C$120 million in certain circumstances. In addition, each company has granted the other a right to match any competing offer.

- During the year, the Company's revolving credit facility agreement was amended, increasing the facility to $300 million from $225 million, and extending the term to September 2013. The amended facility provides additional flexibility for future growth projects and reduced carrying costs. The $300 million revolving credit facility was undrawn at year-end.

- On August 31, 2010, the Company reported its Mineral Reserve and Resource estimates as at June 30, 2010. The full release can be found on the Company's website at www.lundinmining.com.

Tenke Fungurume

- In October 2010, the government of the DRC announced the conclusion of the review of Tenke Fungurume Mining SARL's ("TFM") mining contracts (see news release entitled "*Lundin Announces Successful Completion of Tenke Fungurume Contract Review Process*" and also refer to further details on page 22 of this MD&A).

- The Tenke Fungurume mine is now running consistently above design capacity and, with the procurement of more mine equipment and changes to the mine plan, Freeport is expecting annual copper production to increase from 120,000 tonnes per annum in 2010 to approximately 130,000 tonnes per annum in 2011.

  For the year ended December 31, 2010, Tenke produced 120,271 tonnes of copper, and 118,929 tonnes were sold at an average realized price of $3.45 per pound.

- As at December 31, 2010, the amount outstanding on the Excess Over-run Costs facility ("EOC facility"), related to the Company's proportionate share of the Phase I development at Tenke, was $108.4 million, a reduction of $118.7 million during the year ($40.4 million reduction for the fourth quarter). At present metal prices, it is expected that the EOC will be repaid around mid-year 2011.

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

	Years ended Dec 31	
(US$ millions)	**2010**	2009
Cash advances to Tenke	**(30.5)**	(56.7)
Repayments (draws) on EOC	**118.7**	(164.2)
Attributable net cash flow	**88.2**	(220.9)

Financial Position and Financing

- Net cash[1] at December 31, 2010 was $159.2 million compared to a net debt[1] position of $49.3 million at the end of 2009.

  The increase in net cash during the year was attributable to cash flow from operations plus the proceeds from the sale of AFS securities and investments ($83.8 million), offset by: investment in mineral property, plant and equipment ($129.8 million) and Tenke funding obligations ($30.5 million).

- Cash on hand at December 31, 2010 was $198.9 million.

- As at February 21, 2011, cash on hand is approximately $305 million.

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

Fourth Quarter Results

- Copper and zinc production for the quarter was ahead of production for the same quarter in 2009; lead was marginally below owing to lower head-grade and consequent recoveries at Zinkgruvan; and nickel was down owing to the suspension of operations at Aguablanca.

- Operating earnings[1] increased by $38.8 million from $152.2 million in the fourth quarter of 2009 to $191.0 million in the fourth quarter of 2010. This was the highest quarterly result in over three years and was helped by robust metal prices which significantly outweighed lower sales volumes at Aguablanca and higher costs.

- Sales revenue for the quarter was $309.3 million compared to sales of $256.7 in the prior corresponding quarter. Metal price improvements and price adjustments ($73 million, quarter over quarter), were partially offset by lower sales at Aguablanca where a pre-mature pushback in the pit, followed by a suspension of operations, curtailed production.

- Included in net income for the quarter was a gain of $10.4 million on the sale of AFS securities.

- Cash flow from operations for the quarter was $68.9 million, compared to $97.0 million for the corresponding quarter in 2009. The increase in operating earnings was largely offset by an increase in current income tax payments and the overall reduction in cash flow is related to changes in working capital between the quarters. It should be noted that the fourth quarter in 2009 included a number of large non-cash charges.

[1] Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, general and administration costs and stock-based compensation. See page 40 of this MD&A for discussion of Non-GAAP measures.

Fourth Quarter Sales

2010		Quarter ended December 31, 2010			
($ millions)	**Copper**	**Zinc**	**Nickel**	**Lead**	**Total**
Sales invoiced at shipment date	207.8	40.5	15.3	20.9	284.5
Adjustments for provisionally priced sales settled during the quarter	12.2	2.6	7.5	0.6	22.9
Period end price adjustments for unfixed sales	19.3	0.2	1.0	1.1	21.6
Sales before TC/RC	239.3	43.3	23.8	22.6	329.0
Other metal sales					6.2
Less: TC/RC					(25.9)
Total Net Sales					**309.3**
Payable Metal (tonnes)	**24,324**	**17,273**	**559**	**8,920**	
Realized prices, $ per pound	$ 4.46	$ 1.14	$ 19.28[1]	$ 1.15	
Realized prices, $ per tonne	$9,840	$2,507	$42,506	$2,528	

2009		Quarter ended December 31, 2009			
($ millions)	**Copper**	**Zinc***	**Nickel**	**Lead***	**Total**
Sales invoiced at shipment date	163.2	39.1	35.3	23.5	261.1
Adjustments for provisionally priced sales settled during the quarter	21.6	1.8	2.3	1.5	27.2
Period end price adjustments for unfixed sales	1.8	1.0	3.1	(1.2)	4.7
Sales before TC/RC	186.6	41.9	40.7	23.8	293.0
Other metal sales					6.0
Less: TC/RC					(42.3)
Total Net Sales					**256.7**
Payable Metal (tonnes)	**24,779**	**17,187**	**2,155**	**10,357**	
Realized prices, $ per pound	$ 3.42	$ 1.11	$ 8.57	$ 1.04	
Realized prices, $ per tonne	$7,531	$2,436	$18,898	$2,295	

* Excludes Galmoy ore sales

Fourth Quarter Cash Cost Overview

	Cash cost / lb (US dollars)		Cash cost / lb (local currency)	
	Three months ended December 31		Three months ended December 31	
	2010	2009	**2010**	2009
Neves-Corvo (Local in €)				
Gross cost	**1.40**	1.25	**1.03**	0.85
By-product **	**(0.06)**	(0.03)	**(0.04)**	(0.02)
Net Cost – Cu/lb	**1.34**	1.22	**0.99**	0.83
Zinkgruvan (Local in SEK)				
Gross cost	**0.81**	0.83	**5.56**	5.90
By-product **	**(0.66)**	(0.60)	**(4.53)**	(4.21)
Net Cost - Zn/lb	**0.15**	0.23	**1.03**	1.69
Aguablanca (Local in €)				
Gross cost	**22.34**	7.38	**16.46**	5.02
By-product **	**(6.95)**	(3.07)	**(5.12)**	(2.09)
Net Cost - Ni/lb	**15.39**	4.31	**11.34**	2.93

**By-product is after related TC/RC

[1] $19.28 per pound of realized nickel prices in the quarter are as a result of price adjustments on provisionally priced sales being reflected in the current quarter on abnormally low metal sales volumes.

Outlook

2011 Production and Cost Guidance

- Production targets for 2011 remain unchanged from the guidance provided on December 9, 2010 (see news release entitled *"Lundin Mining Releases 2011 Guidance*"), except for C1 cost guidance at Zinkgruvan which has been reduced from 0.20/lb to 0.15/lb, and are as follows:

(contained tonnes)		2011 Guidance	
		Tonnes	**C1 Cost[1, 2]**
Neves-Corvo	*Cu*	*76,000*	*1.30*
	Zn	*25,000*	
Zinkgruvan	*Zn*	*78,000*	*0.15*
	Pb	*38,000*	
	Cu	*3,400*	
Galmoy	*Zn*	*17,000*	
(in ore)	*Pb*	*6,000*	
Total: Wholly-owned operations	*Cu*	*79,400*	
	Zn	*120,000*	
	Pb	*44,000*	
Tenke: 24.0% attributable share[3]	*Cu*	*31,200*	

1 Cash costs remain dependent upon exchange rates (2011 €/USD: 1.30).
2 Cash cost is a Non-GAAP measure reflecting the sum of direct costs and inventory changes less by-product credits. See Non-GAAP Performance Measures on page 40 of this MD&A.
3 Tenke's attributable share will be reduced to 24.0% from 24.75% after obtaining approval of the modifications to TFM's bylaws, as noted in the *Tenke Fungurume* discussion on page 22 of this MD&A.

- **Neves-Corvo**: Copper production expected to be similar to 2010. Based on the present high price of copper, the zinc plant will be used to process low-grade copper ore in the first six months of 2011 with zinc production starting in Q3 2011 once the plant expansion is complete. C1 costs are expected to remain around $1.30/lb after by-product credits.

- **Zinkgruvan**: Zinc production is expected to increase as a result of higher throughput. C1 costs remain in the lowest-cost quartile with the reduction based on higher by-product credits.

- **Aguablanca:** An assessment is underway reviewing alternatives for recommencement of mining operations, including the possible relocation of the main ramp. Reserves represent around five years of production and recommencement of operations, while not expected prior to the end of 2011, is likely.

- **Galmoy:** Sales of remnant high-grade ore are expected to be made to a third-party processing facility. Production tonnage is based on a 50% attributable-share to Lundin Mining.

- **Tenke:** Freeport, the mine's operator, is expecting copper cathode production to increase from 120,000 tonnes per annum in 2010 to approximately 130,000 tonnes per annum in 2011.

2011 Capital Expenditure Guidance

Capital expenditures for the year are expected to be around $290 million which includes:

- **Sustaining capital in European operations:** $100 million (2010 - $74 million). The increase is related to: Neves-Corvo, the replacement of underground mobile equipment and additional service water dam; at Zinkgruvan, expenditure to increase mine production capacity to provide higher throughput.

- **New investment capex in European operations:** $70 million (2010 - $56 million). The majority of this is related to Lombador development ($50 million):

- The Lombador orebody access ramp is being accelerated to reach a depth of 900 metres below surface by Q2 2012 in order to facilitate further exploration that will be key to gaining a full understanding of the zinc and, more importantly, copper mineralization associated with Lombador.
- The Lombador feasibility study, based on a small upper section of Lombador South, is now expected to be completed in Q2 2011 and commissioning of the expanded zinc plant to cater for production from Lombador is targeted for mid-2013.
- The Zinkgruvan copper plant will be converted to treat zinc ores in addition to copper, thereby significantly increasing the flexibility of the Zinkgruvan operation. The conversion is expected to be complete by Q4 2011 giving Zinkgruvan the combined plant capacity to produce around 100,000 tonnes per annum of zinc metal contained in concentrates, if warranted by metal prices.

- **New investment in Tenke:** For planning purposes, we have assumed an expansion at Tenke to commence in mid-2011 and we contemplate our share of expansion funding to be up to $120 million for the year. This is contingent on a number of factors not within the control of Lundin Mining. Final decisions on capital investment levels for 2011 are not yet in place and are ultimately made by Freeport, the mine's operator.

- **Semblana:** Scoping studies are planned to evaluate an early start on an access drift to the new Semblana deposit at Neves-Corvo. No allowance has been included in the capital estimates above pending completion of the scoping studies expected to progress during 2011. Production estimates do not take into account any shaft capacity that may need to be dedicated to underground development associated with Semblana access drift development. Additional studies on shaft-capacity de-bottlenecking are in progress to better facilitate Lombador and Semblana development waste hoisting needs and so as not to unduly affect mine ore production.

Exploration/Resource acquisition

- Exploration expenditures are expected to increase from around $24 million in 2010 to $38 million in 2011. Approximately $20 million of this is expected to be spent on exploration drilling to delineate additional copper resources at Neves-Corvo. A further $4 million is allocated for a 24 square kilometre, high resolution, 3D seismic survey to cover the entire near-mine area, which will attempt to detect other nearby massive sulphide lenses. Drill testing of copper-gold targets will be conducted in Spain and drilling at the Company's Clare joint-venture property in Ireland will continue.

Symterra Corporation

Under an Arrangement Agreement signed with Inmet, shareholders of Inmet and Lundin Mining are expected to vote on the proposed merger on March 14, 2011. In the event that this merger is approved, it is reasonable to assume that the Board and management of Symterra will review all pre-existing programs, including capital expenditure plans and exploration priorities. While it is not anticipated that there will be major changes, the above guidance should be read in this context.

Selected Quarterly and Annual Financial Information

(USD millions, except per share amounts)	2010	2009 Excluding Impairment	2009	2008 Excluding Impairment	2008
	Years ended December 31				
Sales	**849.2**	746.0	746.0	835.3	835.3
Operating earnings[1]	**456.6**	373.2	373.2	323.2	323.2
Depletion, depreciation & amortization	**(123.4)**	(170.0)	(170.0)	(202.3)	(202.3)
General exploration and project investigation	**(23.6)**	(22.6)	(22.6)	(38.9)	(38.9)
Other income and expenses	**(11.6)**	5.1	5.1	(24.6)	(24.6)
Gain (loss) on derivative contracts	**10.2**	(61.5)	(61.5)	(0.1)	(0.1)
Income (loss) from equity investment in Tenke	**78.6**	0.3	0.3	(2.2)	(2.2)
Gain (loss) on sale of AFS securities and investments	**43.5**	(6.7)	(6.7)	(1.3)	(1.3)
Impairment charges	-	-	(53.0)	-	(904.3)
Income (loss) from continuing operations before income taxes	**430.3**	117.8	64.8	53.8	(850.5)
Income tax (expense) recovery	**(113.2)**	(12.6)	3.3	(4.8)	130.5
Income (loss) from continuing operations	**317.1**	105.2	68.1	49.0	(720.0)
Gain (loss) from discontinued operations	-	5.6	5.6	(0.7)	(237.1)
Net income (loss)	**317.1**	110.8	73.7	48.3	(957.1)
Shareholders' equity	**3,168.1**		2,915.2		2,603.7
Cash flow from operations	**277.3**		137.4		215.0
Capital expenditures (incl. Tenke)	**160.3**		185.0		538.5
Total assets	**3,833.4**		3,740.1		3,704.5
Net cash (debt)[2]	**159.2**		(49.3)		(145.5)
Key Financial Data:					
Shareholders' equity per share[3]	**5.46**		5.03		5.34
Basic and diluted income (loss) per share	**0.55**	0.20	0.13	0.12	(2.41)
Basic and diluted (loss) income per share from continuing operations	**0.55**	0.19	0.12	0.12	(1.82)
Dividends	**-**		-		-
Equity ratio[4]	**83%**		78%		70%
Shares outstanding:					
Basic weighted average	**579,924,538**		550,000,833		396,416,414
Diluted weighted average	**580,539,367**		550,045,231		396,416,414
End of period	**580,575,355**		579,592,464		487,433,771

($ millions, except per share data)	**Q4-10**	**Q3-10**	**Q2-10**	**Q1-10**	**Q4-09**	**Q3-09**	**Q2-09**	**Q1-09**
Sales	**309.3**	215.1	183.1	141.7	256.7	171.1	194.8	123.4
Operating earnings[1]	**191.0**	120.2	80.8	64.6	152.2	91.8	91.0	38.2
Impairment charges (after tax)[5]	**-**	-	-	-	(37.1)	-	-	-
Income (loss) from continuing operations	**144.6**	59.0	75.6	38.0	35.1	3.7	43.5	(14.1)
Net income (loss)	**144.6**	59.0	75.6	38.0	35.1	3.7	43.5	(8.6)
Income (loss) per share[6] from continuing operations, basic and diluted	**0.25**	0.10	0.13	0.07	0.06	0.01	0.08	(0.03)
Income (loss) per share[6], basic and diluted	**0.25**	0.10	0.13	0.07	0.06	0.01	0.08	(0.02)
Cash flow from operations	**68.9**	44.7	78.8	84.9	97.0	40.0	63.7	(63.3)
Capital expenditure (incl. Tenke)	**42.9**	40.2	39.1	38.1	39.0	54.7	57.8	33.6
Net cash (debt)[2]	**159.2**	125.7	107.8	10.2	(49.3)	(132.2)	(110.7)	(259.5)

[1] Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of asset retirement obligation ("ARO") and other provisions, general and administration costs and stock-based compensation.
[2] Net cash (debt) is a Non-GAAP measure defined as available unrestricted cash less financial debt, including capital leases and other debt-related obligations.
[3] Shareholders' equity per share is a Non-GAAP measure defined as shareholders' equity divided by total number of shares outstanding at end of period.
[4] Equity ratio is a Non-GAAP measure defined as shareholders' equity divided by total assets at the end of period.
[5] Includes impairment from discontinued operations.
[6] Income (loss) per share is determined for each quarter. As a result of using a different weighted average number of shares outstanding, the sum of the quarterly amounts may differ from the year-to-date amount.

See page 40 of this MD&A for a discussion of Non-GAAP measures.

Sales Overview

Sales Volumes by Payable Metal

	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Copper (tonnes)										
Neves-Corvo	**69,935**	**23,765**	16,398	20,252	9,520	82,747	23,126	17,236	22,277	20,108
Aguablanca	**3,793**	**559**	644	1,418	1,172	6,295	1,653	1,281	1,798	1,563
	73,728	**24,324**	17,042	21,670	10,692	89,042	24,779	18,517	24,075	21,671
Zinc (tonnes)										
Neves-Corvo	**5,251**	**861**	1,459	2,046	885	-	-	-	-	-
Zinkgruvan	**59,405**	**14,657**	13,713	18,297	12,738	63,146	17,187	11,167	18,324	16,468
Galmoy*	**6,147**	**1,755**	2,510	1,324	558	26,035	(88)	1,569	13,283	11,271
	70,803	**17,273**	17,682	21,667	14,181	89,181	17,099	12,736	31,607	27,739
Lead (tonnes)										
Zinkgruvan	**35,808**	**8,490**	9,735	9,630	7,953	33,729	10,357	7,571	9,275	6,526
Galmoy*	**1,786**	**430**	791	436	129	7,541	(9)	805	4,967	1,778
	37,594	**8,920**	10,526	10,066	8,082	41,270	10,348	8,376	14,242	8,304
Nickel (tonnes)										
Aguablanca	**5,116**	**559**	1,029	1,826	1,702	7,582	2,155	1,616	1,766	2,045

* includes payable metal in sales of ore (50% attributable to Galmoy – see MD&A page 21)

Net Sales by Mine

(US$ millions)	Years ended December 31 **2010**	2009	Change
Neves-Corvo	**541.3**	448.7	92.6
Zinkgruvan	**165.3**	137.3	28.0
Aguablanca	**129.8**	125.2	4.6
Galmoy	**12.8**	34.8	(22.0)
	849.2	746.0	103.2

Net Sales by Metal

(US$ millions)	Years ended December 31 **2010**	2009	Change
Copper	**557.8**	482.2	75.6
Zinc	**106.5**	99.5	7.0
Nickel	**92.7**	79.5	13.2
Lead	**69.1**	60.7	8.4
Other	**23.1**	24.1	(1.0)
	849.2	746.0	103.2

Higher net sales for the year reflects higher metal prices, particularly in copper and nickel which were up 46% and 48%, respectively, compared to the prior year. This was partially offset by lower sales volumes, including Galmoy.

Sales are recorded using the metal price received for sales that settle during the reporting period. For sales that have not been settled, an estimate is used based on the expected month of settlement and the forward price of the metal at the end of the reporting period. The difference between the estimate and the final price received is recognized by adjusting gross sales in the period in which the sale (finalization adjustment) is settled. The finalization adjustment recorded for these sales depends on the actual price when the sale settles. Settlement dates typically are one to four months after shipment.

Reconciliation of realized prices

2010 ($ millions)	Copper	Zinc	Nickel	Lead	Total
		Year ended December 31, 2010			
Sales invoiced at shipment date	557.9	151.4	115.8	79.8	904.9
Adjustments for provisionally priced sales fixed/settled during the year	2.0	(2.8)	7.1	0.2	6.5
Period end price adjustments for unfixed sales	33.9	0.1	1.1	0.5	35.6
Sales before TC/RC	$ 593.8	$ 148.7	$ 124.0	$ 80.5	$ 947.0
Other metal sales					23.1
Less: TC/RC					(120.9)
Total Net Sales					**$ 849.2**
Payable Metal (tonnes)	**73,728**	**70,803**	**5,116**	**37,594**	
Realized prices, $ per pound	$ 3.65	$ 0.95	$ 10.99	$ 0.97	
Realized prices, $ per tonne	$ 8,053	$ 2,101	$24,235	$ 2,142	

2009 ($ millions)	Copper	Zinc*	Nickel	Lead*	Total
		Year ended December 31, 2009			
Sales invoiced at shipment date	458.0	137.5	115.7	69.8	781.0
Adjustments for provisionally priced sales fixed/settled during the year	49.4	6.9	10.1	1.6	68.0
Period end price adjustments for unfixed sales	18.2	2.4	1.0	2.1	23.7
Sales before TC/RC	$ 525.6	$ 146.8	$ 126.8	$ 73.5	$ 872.7
Other metal sales					24.1
Less: TC/RC					(150.8)
Total Net Sales					**$ 746.0**
Payable Metal (tonnes)	**89,042**	**87,806**	**7,582**	**40,381**	
Realized prices, $ per pound	$ 2.68	$ 0.76	$ 7.59	$ 0.83	
Realized prices, $ per tonne	$ 5,903	$ 1,672	$ 16,724	$ 1,820	

* excludes Galmoy ore sales

Outstanding receivables (provisionally valued) as of December 31, 2010

Metal	Tonnes payable	Valued at $ per lb	Valued at $ per tonne
Copper	21,036	4.37	9,630
Zinc	18,015	1.07	2,360
Lead	10,749	1.12	2,476
Nickel	724	11.22	24,743

Operating Results

Operating Costs
Cost of sales related to mining operations were $368.0 million, compared to $340.3 million in 2009. Excluding an $8.1 million royalty charge relating to 2008, the increase is $19.6 million. Generally, gross unit costs (before by-product credits) were higher owing to remedial plans following earlier production disruptions. Royalties increased by $8.8 million as a result of higher metal prices. Actual costs are showing very little price inflation. Gross unit cost increases were partially, or wholly, offset by higher by-product credits. (*See additional commentary under individual mine discussion*).

Accretion of Asset Retirement Obligations and Other
Accretion of asset retirement obligations and other costs of $3.5 million for 2010 were lower than prior year's costs of $6.9 million primarily due to changes in estimates for severance payments.

Depreciation, Depletion and Amortization
Depreciation, depletion and amortization decreased by $46.6 million to $123.4 million in 2010, compared with $170.0 million in 2009. This decrease is primarily attributable to: lower production levels; revised reserve and resource estimates at Neves-Corvo; certain non-recurring adjustments owing to estimate changes at Zinkgruvan; and the effects of a weaker euro.

	Years ended December 31		
Depreciation by operation ($ millions)	**2010**	2009	Change
Neves-Corvo	**87.1**	126.5	(39.4)
Zinkgruvan	**15.3**	15.7	(0.4)
Aguablanca	**20.4**	27.0	(6.6)
Galmoy	**0.1**	0.1	-
Other	**0.5**	0.7	(0.2)
	123.4	170.0	(46.6)

Other Costs
Other costs are as follows:

	Years ended December 31		
($ millions)	**2010**	2009	Change
General and administrative	**18.8**	20.0	(1.2)
Stock-based compensation	**2.3**	5.6	(3.3)
Other income and expenses	**(2.3)**	(5.9)	3.6
Interest and bank charges	**8.8**	15.0	(6.2)
Foreign exchange loss (gain)	**5.1**	(14.4)	19.5
(Gain) loss on derivative contracts	**(10.2)**	61.5	(71.7)
(Gain) loss on sale of AFS securities and investments	**(43.5)**	6.7	(50.2)
Long-lived asset impairment	**-**	53.0	(53.0)
	(21.0)	141.5	(162.5)

Stock-based compensation
The reduction in stock-based compensation expense reflects fewer options granted in 2010 (340,834) compared to 2009 (1,448,334).

Interest and bank charges

The reduction from last year is the result of the significant change in liquidity with a change from a net debt position last year to a net cash position this year. In addition, borrowing costs under the amended credit facility are lower. Included in the 2010 expense is an incremental amount of $2.0 million related to the extending and expanding of the revolving credit facility.

Foreign exchange gain (loss)

The foreign exchange gain relates to US$ denominated debt that was held in the Canadian and Swedish group entities. These gains were partly offset by losses on revaluation of cash held in US$ by the European operations. Average exchange rates in 2010 were $1.33:€1.00 (2009 – $1.39:€1.00) and $1.00:SEK7.21 (2009 – $1.00:SEK7.65).

Gain (loss) on derivative contracts

During 2010, the Company recognized a gain of $10.2 million related to copper derivative contracts. $30.6 million was paid during the year to settle contracts representing 22,577 tonnes of copper. As at December 31, 2010, the Company has no derivative contracts.

In 2009, the Company recorded a $61.5 million loss on copper derivatives and made payments of $20.4 million on settled contracts.

Long-lived asset impairment

In 2009, the Company recorded a write-down of $53.0 million ($37.1 million after tax) to the carrying value of the Salave gold project in northern Spain to reflect the expected fair value of the proceeds. The sale was completed in early 2010.

Gain (loss) on sale of AFS securities and investments

During the year, the Company sold AFS securities for proceeds of $52.3 million and recognized a gain of $43.5 million. An unrealized gain of $24.6 million related to prior year’s mark-to-market adjustments were reclassified from accumulated other comprehensive income to net income.

In 2009, the Company recognized a gain of $12.0 million from the sale of AFS securities and received cash proceeds of $17.3 million.

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

Current and Future Income Taxes

Current Tax Expense	Years ended December 31		
($ millions)	**2010**	2009	Change
Neves-Corvo	**77.1**	45.4	31.7
Zinkgruvan	**5.1**	2.2	2.9
Aguablanca	**0.7**	-	0.7
Galmoy	**0.4**	0.3	0.1
Other	**1.9**	3.2	(1.3)
Current tax expense	**85.2**	51.1	34.1

The increase in current income tax expense is a reflection of higher taxable earnings, partially offset by the utilization of prior years' tax losses.

The corporate tax rates in the countries where the Company has mining operations range from 25% in Ireland to 30% in Spain. To December 31, 2010, the Company has paid a total of $57.0 million in income taxes, including $48.1 million paid in Portugal, $4.8 million in Sweden, $2.3 million in Spain, $1.2 million in Cyprus and $0.6 million in Ireland.

During the year, the statutory tax rate in Portugal changed from 26.5% to 29%. As a result, an additional $14.2 million future tax expense was recorded reflecting the effects on future income tax assets and liabilities.

Future Tax Expense (Recovery)	Years ended December 31		
($ millions)	**2010**	2009	Change
Neves-Corvo	**13.2**	(27.7)	40.9
Zinkgruvan	**13.4**	12.5	0.9
Aguablanca	**6.9**	(10.8)	17.7
Galmoy	**-**	-	-
Other	**(5.5)**	(28.4)	22.9
Future tax expense (recovery)	**28.0**	(54.4)	82.4

Future income tax expense for 2010 was $82.4 million higher than the prior year and reflects the utilization of prior years' tax losses.

Mining Operations

Production Overview

	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Copper (tonnes)										
Neves-Corvo	**74,011**	23,105	19,353	20,342	11,211	86,462	22,150	19,756	22,189	22,367
Zinkgruvan	**540**	540	-	-	-	-	-	-	-	-
Aguablanca	**5,484**	1,263	1,156	1,432	1,633	6,989	1,718	1,595	1,803	1,873
	80,035	24,908	20,509	21,774	12,844	93,451	23,868	21,351	23,992	24,240
Zinc (tonnes)										
Neves-Corvo	**6,422**	897	2,237	1,446	1,842	501	293	208	-	-
Zinkgruvan	**72,206**	18,546	15,916	20,624	17,120	70,968	19,598	13,439	17,896	20,035
Galmoy*	**11,501**	4,039	4,418	2,388	656	29,932	120	1,504	14,066	14,242
	90,129	23,482	22,571	24,458	19,618	101,401	20,011	15,151	31,962	34,277
Lead (tonnes)										
Zinkgruvan	**36,636**	8,602	9,641	10,286	8,107	36,183	10,289	7,261	8,972	9,661
Galmoy*	**2,932**	868	1,261	667	136	7,669	104	850	3,506	3,209
	39,568	9,470	10,902	10,953	8,243	43,852	10,393	8,111	12,478	12,870
Nickel (tonnes)										
Aguablanca	**6,296**	1,062	1,363	1,715	2,156	8,029	2,324	1,784	1,960	1,961

* includes payable metal in sales of ore (50% attributable to Galmoy – see MD&A page 21)

Production was marginally lower than guidance (*See commentary under individual mine discussion)*.

Cash Cost Overview

	Cash cost / lb (US dollars)		**Cash cost / lb (local currency)**	
	2010	2009	**2010**	2009
Neves-Corvo (Local in €)				
Gross cost	**1.40**	1.16	**1.06**	0.83
By-product **	**(0.07)**	(0.02)	**(0.05)**	(0.02)
Net Cost – Cu/lb	**1.33**	1.14	**1.01**	0.81
Zinkgruvan (Local in SEK)				
Gross cost	**0.79**	0.69	**5.75**	5.22
By-product **	**(0.57)**	(0.43)	**(4.15)**	(3.25)
Net Cost - Zn/lb	**0.22**	0.26	**1.60**	1.97
Aguablanca (Local in €)				
Gross cost	**10.36**	7.13	**7.81**	5.10
By-product **	**(3.28)**	(2.73)	**(2.47)**	(1.95)
Net Cost - Ni/lb	**7.08**	4.40	**5.34**	3.15

**By-product is after related TC/RC

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

Neves-Corvo Mine

Neves-Corvo is an underground mine, 100 km north of Faro, Portugal, in the western part of the Iberian Pyrite Belt. The mine has been a significant producer of copper since 1989 and in 2006 commenced treating zinc ores. The processing of zinc-rich ores was suspended in November 2008 pending an improvement in zinc prices and the zinc facility was converted to treat copper ore. Zinc production was restarted at a limited rate in 2010 and is expected to recommence full scale zinc production at an annualized rate of 50,000 tonnes per annum by Q3 2011.

Operating Statistics

	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Ore mined, copper (tonnes)	**2,537,927**	776,682	630,304	649,641	481,300	2,509,460	633,337	619,567	620,155	636,401
Ore mined, zinc (tonnes)	**74,295**	1,449	38,960	16,133	17,753	-	-	-	-	-
Ore milled, copper (tonnes)	**2,499,563**	750,798	603,340	674,628	470,797	2,569,603	632,696	642,605	622,822	671,480
Ore milled, zinc (tonnes)	**100,331**	-	38,960	18,506	42,865	-	-	-	-	-
Grade per tonne										
Copper (%)	**3.4**	3.5	3.8	3.5	2.8	3.9	4.0	3.6	4.3	3.9
Zinc (%)	**5.7**	-	6.5	6.6	4.6	-	-	-	-	-
Recovery										
Copper (%)	**86**	87	85	86	86	86	88	84	84	86
Zinc (%)	**73**	-	80	77	66	-	-	-	-	-
Concentrate grade										
Copper (%)	**24.2**	24.3	23.9	24.1	24.4	24.8	24.9	24.5	25.0	24.8
Zinc (%)	**44.5**	-	47.8	43.2	41.9	-	-	-	-	-
Production- tonnes (metal contained)										
Copper	**74,011**	23,105	19,353	20,342	11,211	86,462	22,150	19,756	22,189	22,367
Zinc	**6,422**	897	2,237	1,446	1,842	501	293	208	-	-
Silver (oz)	**725,260**	223,242	176,094	203,035	122,889	722,501	193,345	164,554	168,072	196,530
Sales ($000s)	**541,313**	224,964	135,159	120,980	60,210	448,742	163,755	107,757	103,818	73,412
Operating earnings ($000s)[1]	**332,692**	154,736	84,786	67,140	26,030	263,361	106,619	66,874	54,645	35,223
Cash cost (€ per pound)[2]	**1.01**	0.99	0.92	0.96	1.29	0.81	0.83	0.81	0.80	0.78
Cash cost ($ per pound)[2]	**1.33**	1.34	1.19	1.20	1.78	1.14	1.22	1.21	1.10	1.01

Operating Earnings[1]

Operating earnings of $332.7 million were $69.3 million higher than 2009. Higher metal prices ($145.6 million effect) and favourable exchange rates ($13.4 million effect), were partially offset by lower sales volume ($41.1 million effect), higher unit costs ($40.5 million effect) and an $8.1 million additional royalty charge relating to 2008 arising from the disallowance of certain one-off costs incurred in that year. The lower metal production, and consequently higher costs, related primarily to the effect of industrial action at the start of the year. Industrial action is estimated to have resulted in the reduction of copper production for the year by around 10,000 tonnes.

Production

Copper production was marginally below guidance (75,000 tonnes) owing to restrictions on milling resulting from heavy rain, coupled with an increase in fine material, restricting the crusher. Mine production was at record levels in the quarter and high inventories of broken ore were held at quarter-end.

For the year, ore and waste mined were at record levels. Copper ore milled was in-line with last year; however, lower grades contributed less contained metal. The lower head-grade reflects: the general down-trend as high-grade zones are depleted; a lower cut-off grade based on higher copper prices; sequence delays in high-grade stopes owing to ground control restrictions (as referred in the Q3 2010 report); and milling of low-grade surface stockpiles in Q1 2010 to minimize the effects of industrial action.

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[1] Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, general and administration costs and stock-based compensation. See page 40 of this MD&A for discussion of Non-GAAP measures.

[2] Cash cost per pound of payable copper sold is the sum of direct cash costs and inventory changes less by-product credits. See Non-GAAP Performance Measures on page 40 of this MD&A.

With all lines running on copper ores, the zinc produced during the fourth quarter of 2010 came solely from recovery in the circuit treating tailings in the copper plant.

Cash Costs[1]

Cash costs were largely in-line with guidance ($1.30/lb). The higher costs were primarily the result of the industrial action in the first quarter of 2010 (namely: lower copper production volume; treatment of low-grade ore; and subsequent efforts to recover lost metal production) and sequence delays in high-grade stopes. These were partially offset by a weaker euro and higher by-product credits ($0.04/lb effect).

Neves-Corvo Zinc Expansion Project

The zinc expansion project at Neves-Corvo, designed to produce a minimum of 50,000 tonnes per annum of zinc from existing orebodies, is advancing on schedule and on budget. Production is expected to build from the first half 2011 and reaching full production rates prior to year-end 2011. The estimated cost of the project is €43 million and it is approximately 70% complete.

Lombador Zinc/Copper/Lead Project

A feasibility study is now underway and expected to be completed around the end of the first quarter of 2011. Key components of the study include: incorporation of latest reserve and resource data; finalization of mine design; engineering of the milling circuit; and results of shaft and underground ore-transport capacity studies.

The ramp into Lombador commenced in 2009 and is presently at the 455 level. It is expected to reach the 300 level (approximately 900 metres below surface) by the second quarter of 2012 and this will facilitate the development of an exploration drive on the 335 level to allow underground exploration of the Lombador orebody.

[1] Cash cost per pound of payable copper sold is the sum of direct cash costs and inventory changes less by-product credits. See Non-GAAP Performance Measures on page 40 of this MD&A.

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 million tonnes of ore.

Operating Statistics

	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Ore mined, zinc (tonnes)	**990,657**	273,020	234,236	244,945	238,456	990,655	269,976	205,955	252,971	261,753
Ore mined, copper (tonnes)	**33,640**	33,640	-	-	-	-	-	-	-	-
Ore milled, zinc (tonnes)	**995,884**	266,610	245,543	257,731	226,000	1,028,234	268,839	225,097	276,747	257,551
Ore milled, copper (tonnes)	**27,296**	27,296	-	-	-	-	-	-	-	-
Grade per tonne										
Zinc (%)	**8.0**	7.8	7.3	8.8	8.2	7.5	8.0	6.5	7.0	8.3
Lead (%)	**4.4**	4.0	4.5	4.7	4.3	4.1	4.5	3.8	3.8	4.4
Copper (%)	**2.2**	2.2	-	-	-	-	-	-	-	-
Recovery										
Zinc (%)	**91**	90	89	91	92	92	91	91	92	93
Lead (%)	**84**	81	86	85	84	85	84	85	85	86
Copper (%)	**90**	90	-	-	-	-	-	-	-	-
Concentrate grade										
Zinc (%)	**52.7**	51.8	51.8	53.4	53.5	52.6	52.4	52.7	53.0	52.4
Lead (%)	**74.9**	73.7	74.2	76.9	74.3	74.4	74.5	72.8	74.9	75.3
Copper (%)	**24.0**	24.0	-	-	-	-	-	-	-	-
Production – tonnes (metal contained)										
Zinc	**72,206**	18,546	15,916	20,624	17,120	70,968	19,598	13,439	17,896	20,035
Lead	**36,636**	8,602	9,641	10,286	8,107	36,183	10,289	7,261	8,972	9,661
Copper	**540**	540	-	-	-	-	-	-	-	-
Silver (oz)	**1,800,827**	427,865	507,866	478,106	386,990	1,861,029	505,026	414,555	480,077	461,371
Sales ($000s)	**165,273**	48,421	42,233	38,963	35,656	137,281	52,167	29,800	34,925	20,389
Operating earnings ($000s)[1]	**95,185**	31,764	24,459	19,995	18,967	74,775	32,502	16,123	17,841	8,309
Cash cost (SEK per pound)[2]	**1.60**	1.03	0.85	2.12	2.33	1.97	1.69	1.36	2.05	2.58
Cash cost ($ per pound)[2]	**0.22**	0.15	0.11	0.28	0.33	0.26	0.23	0.20	0.26	0.31

Operating Earnings[1]

Operating earnings of $95.2 million were $20.4 million above 2009. The increase is attributable to higher metal prices ($29.0 million effect) partially offset by an increase in unit costs ($5.5 million effect) and unfavourable exchange rates ($3.2 million earnings effect).

Production

Zinc production fell slightly short of guidance (75,000 tonnes) owing to lower tonnage mined. Orepass blockages, along with shaft/crusher availability and extreme cold weather, hampered production late in the quarter. Completion of the daylight ramp during Q4 2010, commissioning of a new ore pass system (Burkland 650-800 levels) and automating decoupling of the shaft and crusher in Q1 2011 will considerably improve ore and waste handling from underground, and allow for further increases in overall capacity.

Cash Costs[2]

Cash costs were below guidance ($0.30/lb). Compared to last year, higher costs ($0.07/lb) related to increased mine transportation and unplanned plant maintenance, and a stronger SEK ($0.03/lb), were more than offset by higher by-product credits ($0.14/lb). Costs remain in the lowest cost quartile.

Copper Project

The copper plant operated as ore became available. Plans are underway to convert this plant to allow it to treat zinc ores, as and when justified by metal prices.

[1] Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, general and administration costs and stock-based compensation. See page 40 of this MD&A for discussion of Non-GAAP measures.
[2] Cash cost per pound of payable zinc sold is the sum of direct cash costs and inventory changes less by-product credits. See Non-GAAP Performance Measures on page 40 of this MD&A.

Aguablanca Mine

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

Operating Statistics

	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Ore mined (tonnes)	**1,349,336**	288,455	272,825	390,646	397,410	1,441,903	373,626	361,676	389,364	317,237
Ore milled (tonnes)	**1,435,177**	318,826	300,347	369,113	446,891	1,912,675	463,175	478,474	486,931	484,095
Grade per tonne										
Nickel (%)	**0.5**	0.4	0.6	0.6	0.6	0.5	0.6	0.5	0.5	0.5
Copper (%)	**0.4**	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.4
Recovery										
Nickel (%)	**82**	79	82	82	82	77	78	75	77	78
Copper (%)	**93**	93	93	93	92	90	90	91	91	89
Concentrate grade										
Nickel (%)	**6.8**	6.1	7.0	7.0	7.1	6.8	7.3	6.7	6.6	6.3
Copper (%)	**6.1**	7.2	6.0	5.8	5.4	5.9	5.5	6.0	6.1	6.1
Production-tonnes (metal contained)										
Nickel	**6,296**	1,062	1,363	1,715	2,156	8,029	2,324	1,784	1,960	1,961
Copper	**5,484**	1,263	1,156	1,432	1,633	6,989	1,718	1,595	1,803	1,873
Sales ($000s)	**129,784**	31,848	32,502	20,776	44,658	125,146	41,256	30,281	34,376	19,233
Operating earnings (loss) ($000s)[1]	**42,642**	6,651	12,989	(1,538)	24,540	48,854	17,907	11,696	18,468	783
Cash cost (€ per pound)[2]	**5.34**	11.34	4.59	4.32	4.92	3.15	2.93	3.49	3.57	2.77
Cash cost ($ per pound)[2]	**7.08**	15.39	5.93	5.43	6.80	4.40	4.31	4.99	4.89	3.62

Suspension of Operations

As previously reported, high rainfall in December resulted in a significant slope failure affecting the main open-pit access ramp causing suspension of operations. An assessment is underway reviewing alternatives for recommencement of mining operations, including the possible relocation of the main ramp. Reserves represent around five years of production and recommencement of operations, while not expected prior to the end of 2011, is likely.

Operating Earnings[1]

Operating earnings of $42.6 million were $6.2 million below 2009 owing to lower production and nearly twice the amount of waste removed in accordance with plan, compared to 2009. Lower volume ($5.9 million effect) and higher unit costs ($42.2 million effect of which $20.3 million related to the planned higher waste removal) were partially offset by higher metal prices ($37.2 million effect) and favourable foreign exchange ($4.7 million effect).

Production

Production was in-line with guidance (6,150 tonnes of nickel and 5,200 tonnes of copper) provided on December 9, 2010 when suspension of full-scale pit operations was announced. Waste removal, which was a key target for this year, was in accordance with plans.

Cash Costs[2]

Cash cost per pound of $7.08 is higher than guidance ($5.80/lb) owing to the effect of reduced ore mined. The guidance took into account a near doubling of waste removal planned for 2010 (20.6 million tonnes compared to 11.3 million tonnes in 2009).

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[1] Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, general and administration costs and stock-based compensation. See page 40 of this MD&A for discussion of Non-GAAP measures.

[2] Cash cost per pound of payable nickel sold is the sum of direct cash costs and inventory changes less by-product credits. See page 40 of this MD&A for discussion of Non-GAAP measures.

Galmoy Mine

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

Operating Statistics

	Total 2010	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Ore mined (tonnes)	**139,681**	52,498	50,143	22,988	14,052	172,903	-	-	68,673	104,230
Ore sold (tonnes)	**72,983**	19,387	27,756	18,741	7,099	18,318	-	18,318	-	-
Grade per tonne										
Zinc (%)	**22.0**	23.5	23.2	18.7	21.5	17.7	-	-	19.8	16.8
Lead (%)	**7.4**	6.8	8.5	7.2	6.2	5.0	-	-	5.5	4.9
Production- tonnes (metal contained)										
Zinc **	**11,501**	4,039	4,418	2,388	656	29,932	120*	1,504	14,066	14,242
Lead **	**2,932**	868	1,261	667	136	7,669	104*	850	3,506	3,209
Silver	**-**	-	-	-	-	56,044	-	-	24,596	31,448
Sales ($000s)	**12,853**	4,034	5,234	2,430	1,155	34,820	(475)	3,242	21,707	10,346
Operating earnings (loss) ($000s)[1]	**6,937**	3,011	3,611	405	(90)	12,480	373	2,007	9,406	694

* Final production adjustment

** Estimated production on a 50% attributable-share to Lundin Mining from ore treated at an adjacent mine for 2010.

Operating Earnings[1]

Selective mining of high-grade areas, and the extraction of high-grade ore for processing by a third party, yielded operating earnings of $6.9 million in 2010.

Production

Production was marginally below guidance (12,000 tonnes zinc & 4,000 tonnes lead) owing to severe weather precluding shipping for the last 11 days of December. Production is reported based on a 50% attributable-share of the metal contained in ore delivered (after accounting for expected plant recoveries) to a third party processing facility.

Closure Costs

Mine closure is progressing as planned, and agreement has been reached with the authorities to facilitate draw-down of the restricted funds, designated to cover closure costs. When restricted funds are aggregated with asset sales, the closure of Galmoy is likely to yield a surplus. The final mine closure plan is expected to be approved by the three regulating authorities by June 30, 2011.

[1] Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, general and administration costs and stock-based compensation. See page 40 of this MD&A for discussion of Non-GAAP measures.

Tenke Fungurume

(Current holding: Lundin 24.75%, FCX 57.75%, Gécamines 17.5%)

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

In February 2008, the Ministry of Mines, Government of the DRC, sent a letter seeking comment on proposed material modifications to the mining contracts for the Tenke Fungurume concession, including the amount of transfer payments payable to the government, the government's percentage ownership and involvement in the management of the mine, regularization of certain matters under Congolese law and the implementation of social plans.

In October 2010, the government of the DRC announced the conclusion of the review of Tenke Fungurume Mining SARL's mining contracts. The conclusion of the review process confirmed that TFM's existing mining contracts are in good standing and acknowledged the rights and benefits granted under those contracts. TFM's key fiscal terms, including a 30 percent income tax rate, a 2% mining royalty rate and a 1% export fee, will continue to apply and are consistent with the rates in the DRC's current Mining Code. In connection with the review, TFM made several commitments, which have been reflected in amendments to its mining contracts, including: an increase in the ownership interest of Gécamines, which is wholly owned by the government of the DRC, from 17.5% (non-dilutable) to 20.0% (non-dilutable), resulting in a decrease of Freeport effective ownership interest from 57.75% to 56% and Lundin Mining's effective ownership interest from 24.75% to 24%; an additional royalty of $1.2 million for each 100,000 tonnes of proven and probable copper reserves above 2.5 million tonnes at the time new reserves are established by FCX; additional payments totaling $30 million to be paid in six equal installments of $5 million upon reaching certain production milestones; conversion of $50 million in intercompany loans to equity; a payment of approximately $5 million for surface area fees and ongoing surface area fees of approximately $0.8 million annually; incorporating clarifying language stating that TFM's rights and obligations are governed by the Amended and Restated Mining Convention ("ARMC"); and expanding Gécamines' participation in TFM management.

TFM has also reiterated its commitment to the use of local services and Congolese employment. In connection with the modifications, the annual interest rate on advances from TFM shareholders increases from a rate of LIBOR plus 2% to LIBOR plus 6%. In December 2010, the addenda to TFM's ARMC and Amended and Restated Shareholders' Agreement were signed by all parties and are pending a Presidential Decree. TFM's existing mining contracts will be in effect until the Presidential Decree is obtained approving the signed amendments. In addition, the change in Lundin Mining's effective ownership interest in TFM and the conversion of intercompany loans to equity will be effected after obtaining approval of the modifications to TFM's bylaws. In December 2010, TFM made payments totaling $26.5 million, which have been recorded as prepaid contract costs at December 31, 2010.

Production Statistics

100% Basis	**Total 2010**	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Ore mined (000 tonnes)	**8,541**	1,980	2,471	2,389	1,701	6,219	1,891	1,676	1,615	1,037
Ore milled (000 tonnes)	**3,766**	1,017	1,083	797	869	2,111	715	730	621	45
Grade per tonne										
Copper (%)	**3.5**	3.4	3.2	3.9	3.7	3.7	4.2	3.7	3.4	-
Recovery										
Copper (%)	**91**	93	91	91	92	92	95	89	92	-
Production – tonnes										
Copper	**120,271**	31,949	31,115	28,438	28,769	70,001	29,201	24,317	16,483	-
Cobalt	**9,225**	2,922	2,421	1,651	2,231	2,580	1,928	642	10	-
Income (loss) from equity investment ($millions)	**78.6**	35.6	17.5	8.3	17.2	0.3	5.6	(1.0)	(3.4)	(0.9)
Cash costs ($ per pound)[1,2]	**0.90**	0.89	0.86	0.79	1.04	na	na	na	na	na

Income (Loss) from Equity Investment in Tenke

Income of $78.6 million was $78.3 million above the prior year. The increase reflects a full year of commercial production as compared to only four months during 2009. Sales volume of cathode sold during the year, on a 100% basis, amounted to 118,929 tonnes compared to 59,211 tonnes in 2009.

The average price realized for copper sales during the year was $3.45 per pound of cathode sold (2009: $2.85/lb).

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

Production

Copper and cobalt production during the year exceeded nameplate capacity.

Milling throughput is now performing consistently above design capacity and, with the procurement of additional mining equipment and changes to the mine plan, Freeport is expecting production to increase from the 120,000 tpa reached in 2010 to approximately 130,000 tpa in 2011.

Freeport is continuing to address operational issues in the cobalt circuit. Cobalt production has improved steadily over the last three quarters and results for the 2010 year were in excess of nameplate capacity. Further improvements are likely over the next several quarters, particularly with respect to recoveries and impurity removal.

Cash Costs

During the year, cash operating costs averaged $0.90/lb of copper including the cobalt by-product credit. Lundin expects cash costs will benefit in the future as: higher throughput is achieved from planned de-bottlenecking investments; successful implementation of ongoing operating cost reduction efforts; and initiatives to improve operating performance in the SO_2 plant and cobalt circuits.

Excess Overrun Facility

At December 31, 2010, the amount owing to FCX on the Excess Overrun Cost facility for the completed Phase I facilities was $108.4 million, a reduction of $118.7 million during the year ($40.4 million reduction in the fourth quarter).

[1] Cash cost per pound of payable copper sold is the sum of direct cash costs and inventory changes less by-product credits. See Non-GAAP Performance Measures on page 40 of this MD&A.

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

Expansion Studies

Expansion studies are ongoing and a number of new scenarios are being assessed which have the potential, as advised by Freeport, to add 45,000 tonnes to 90,000 tonnes of copper production per year over the next two to three years. It is anticipated that production volumes will increase significantly over time. The capital investment required from Lundin Mining for the year ahead remains uncertain until the results of the feasibility studies have been considered and a final decision made on a second phase of the project.

Tenke Funding

During the year, $30.5 million (2009 - $56.7 million) was advanced to cover sustaining capital, on-going concession exploration and expansion initiatives.

Lundin Mining's 2011 capital investment for Tenke has been assumed, for internal planning purposes, to be $120 million, to fund our share of expansion. Expansion size and timing is contingent upon a number of factors not under the control of Lundin Mining. Final decisions on capital investment levels for 2011 are not yet in place and are ultimately made by Freeport, the mine's operator.

Exploration Highlights

Portugal

Neves-Corvo Mine Exploration (Copper, Zinc)

The 2010 surface drill program at Neves-Corvo saw the completion of 58,250 metres of diamond drilling with a total of 53 individual targets tested. Geophysical surveys were completed in most of the drill holes, and targeting was further enhanced using surface geophysics.

The initial focus of exploration was on expanding high-grade copper and zinc deposits within the Lombador massive sulphide lens leading to an expansion of the recently discovered Lombador-Mid copper deposit. As economic conditions improved, the exploration program was expanded to include a program of large step-outs to test extensions to known orebodies and to test previously untested anomalies. This led to the discovery of the Semblana deposit in the third quarter and the focus of drilling shifted to this new discovery area. By year-end, 20 targets had been tested.

The discovery of the Semblana deposit represents the first new massive sulphide deposit discovery at Neves-Corvo in over 20 years. Drilling in the fourth quarter continued to expand this new deposit. Semblana remains open to expansion in several directions, and a major drill program has been planned for 2011. Step-out and infill drilling will begin in January 2011 with the goal of completing an initial resource estimate for Semblana by mid-year. A total of 80,000 metres of drilling has been budgeted to achieve this objective. Also planned for 2011 is a high-resolution 3D seismic survey over the deposit area which is scheduled for completion in the second quarter and will help to guide the exploration drilling in coming years.

The Semblana discovery supports the belief that Neves-Corvo remains underexplored.

Iberian Pyrite Belt Regional Exploration (Copper, Zinc)

Regional exploration within the Portuguese side of the Iberian Pyrite Belt focused on accelerating target development work, emphasizing geophysical TEM surveying within all concession areas. A total of 3,009 metres were drilled in 2010, testing five targets. Additional drill-testing is planned for 2011.

Spain

Ossa Morena Belt Regional Exploration (Copper, Gold)

In 2010 a total of 2,116 metres in eight holes was drilled at the Alconchel copper-gold project located within the northern part of the Ossa Morena belt of southern Spain. Drilling revealed mineralization that warrants further investigation and this mineralization remains open in all directions. Additional drilling at Alconchel and other copper-gold prospects in the Ossa Morena belt is planned for early 2011. A 1,865 km airborne magnetic/radiometric survey covering the north-western properties within the Ossa Morena belt was in progress at year-end and is expected to be completed in early 2011.

Ireland

Clare Joint Venture Exploration (Zinc, Lead, Silver)

A total of 25,220 metres was drilled on this project during the year and 43 holes were completed in the Kilbricken deposit area. Drilling continues to outline a promising zinc-lead-silver deposit, which remains open along strike in both directions. Geological interpretation of the drill results has successfully identified the main structural controls of the mineralization and will help to focus ongoing drilling. Plans for 2011 include 38,000 metres of drilling which will focus on developing an initial resource at Kilbricken and expanding upon this first resource in addition to testing several regional targets. High-resolution 3D seismic surveying will be carried out over the Kilbricken deposit area in order to help to interpret the structural setting of the deposit and help guide future drilling.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

Metal prices increased over 2010 as global industrial production picked up. The reduction in mine and smelting capacity in 2009 also contributed and most of this idled capacity resumed production in 2010 as a function of the increase in prices. Demand from China continues to be the driving force and is now being supplemented by broader demand in most developing nations.

		Three months ended December 31			Twelve months ended December 31		
(Average LME Prices)		**2010**	2009	Change	**2010**	2009	Change
Copper	US$/pound	**3.92**	3.01	30%	**3.42**	2.34	46%
	US$/tonne	**8,634**	6,643	30%	**7,539**	5,164	46%
Lead	US$/pound	**1.08**	1.04	4%	**0.97**	0.78	24%
	US$/tonne	**2,390**	2,292	4%	**2,148**	1,726	24%
Zinc	US$/pound	**1.05**	1.00	5%	**0.98**	0.75	30%
	US$/tonne	**2,315**	2,211	5%	**2,159**	1,659	30%
Nickel	US$/pound	**10.70**	7.96	35%	**9.89**	6.67	48%
	US$/tonne	**23,598**	17,543	35%	**21,809**	14,700	48%

LME inventory for copper and nickel decreased during 2010: copper by 25% and nickel by 14%. LME zinc and lead inventories increased over the year: zinc by 44% and lead by 42%.

The treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates have increased over 2010. In January 2010, the spot TC was $10 per dmt of concentrate and the spot RC was $0.01 per lb of payable copper. The market remained at these levels until July when it turned and spot terms started to increase. In December 2010 the spot TC reached $78 per dmt of concentrate with a RC of $0.078 per lb of payable copper. A slowdown in demand for concentrates from China and India was behind this increase. Annual negotiations for copper treatment and refining charges are underway. Terms for annual contracts have been agreed at a TC of $56 per dmt of concentrates and a RC of $0.056 per payable lb of copper. These terms are slightly higher than the conditions for 2010 (TC: $46.50, RC: $0.0465). There have also been settlements for the first six months of 2011, only, at a TC of $65 per dmt and a RC of $0.065 per payable lb of copper where the terms for the second half of the year will be set in line with the spot market at the time.

The spot TC for zinc concentrates decreased during the first half 2010 from $200 per dmt, flat, in January to $80 per dmt, flat, in July. During the second half of the year the spot TC increased in line with the increase in the LME zinc price and ended the year at $135 per dmt, flat. During the second half of 2010 the differential between the realized TC under the annual contracts and the spot TC increased to over $100 per dmt. This increase was a function of an increase in demand for zinc concentrates and, consequently, the Company expects an improvement in the TC under annual contracts in favour of the mines for 2011.

Lead consumption in China continued to increase in 2010 and the lead concentrate imports to China remained high. The spot TC for lead concentrates decreased over the year from $140 per dmt, flat, in January 2010 to $80 per dmt in December. The Company expects an improvement in the TC for lead concentrates under annual contracts in favour of the mines for 2011.

The Company's long-term contract for its nickel concentrates expired during the second quarter 2010 and some spot sales were made during the second and third quarter of the year. In July, the Company finalized a new long-term contract with Glencore International AG at terms in line with the recent market conditions.

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents increased by $57.3 million to $198.9 million as at December 31, 2010, from $141.6 million at December 31, 2009. Inflows for the year ended December 31, 2010 included operating cash flows of $277.3 million and proceeds of $83.8 million from sale of AFS securities and investments. Uses of cash included:

- $129.8 million investment in mineral property, plant and equipment;
- $30.5 million for Tenke funding; and
- $145.0 million for repayment of the revolving credit facility.

Working Capital

At December 31, 2010, there is working capital of $290.4 million, compared to $245.6 million at December 31, 2009. The increase in working capital reflects a substantial improvement in liquidity and increased receivables which have benefited from significantly improved metal prices, partially offset by increased income taxes payable, accounts payable and accrued liabilities as a result of higher taxable income and operating costs.

Revolving Credit Facility

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

Aside from a letter of credit issued in the amount of SEK 80 million ($11.9 million), there are no amounts outstanding on the facility.

Shareholders' Equity

Shareholders' equity was $3,168.1 million at December 31, 2010, compared to $2,915.2 million at December 31, 2009. Shareholders' equity increased primarily as a result of net income of $317.1 million and partially offset by translation adjustments in other comprehensive income of $63.4 million.

Contractual Obligations and Commitments

	Payments due by period				
$US thousands	< 1 year	1-3 years	4-5 years	After 5 years	Total
Long-term debt	856	30,638	1,335	1,010	33,839
Capital leases	1,833	2,747	1,244	-	5,824
Asset retirement obligations[1]	6,184	23,146	26,779	55,071	111,180
Capital commitments	26,144	-	-	-	26,144
Operating leases and other	8,538	5,953	149	42	14,682
	43,555	62,484	29,507	56,123	191,669

Off-Balance Sheet Financing Arrangements

The Company had protection for cost overruns related to the development of Phase I of the Tenke copper/cobalt project. Costs above a certain level were funded by Freeport (see page 23 of this MD&A for details.) During the fourth quarter of 2008, capital expenditures on Phase I reached a certain threshold, beyond which the Company was not required to provide cash funding. Freeport contributed the Company's proportionate share of project funding required by advancing amounts to the project on the Company's behalf. The funding is non-recourse to the Company and will be repaid from the operating cash flows of the

[1] Asset retirement obligations are reported on an undiscounted basis and before inflation.

project with first priority to other shareholder advances and dividends. The balance at December 31, 2010 was $108.4 million.

Sensitivities

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

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

Metal	Provisional price on December 31, 2010 ($US/tonne)	Change	Effect on pre-tax earnings ($ millions)
Copper	9,630	+10%	20.3
Zinc	2,360	+10%	4.3
Lead	2,476	+10%	2.7
Nickel	24,743	+10%	1.8

Changes in Accounting Policies

International Financial Reporting Standards ("IFRS")

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

The Company's IFRS conversion plan has three phases which are design and planning, assess and quantify and implementation. During 2010, the IFRS conversion plan was substantially executed. The Company is prepared for the changeover to IFRS in 2011 and the its first mandatory filing under IFRS.

During the final quarter of this year, the Company concluded the review of the opening IFRS balance sheet.

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

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

In assessing the impact of its conversion to IFRS, the Company identified the following significant differences in its current accounting policies and those that it expects to apply under IFRS:

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

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

- **Asset retirement obligations:** Under IAS 37 *Provisions, Contingent liabilities and contingent assets*, the Company has reassessed its ARO under IFRS. The IFRS standard requires the periodic updating of assumptions such as inflation and discount rates. Accordingly, the Company has made adjustments to the ARO liability and related asset.

Presented below is the reconciliation of the Company's opening balance sheet showing the adjustments from CGAAP to IFRS. In preparing the opening balance sheet the Company is required to use the standards in effect as at December 31, 2011 which may differ from the policies the Company currently expects to adopt and as a result the opening balance sheet is subject to change.

Transition to IFRS - Preliminary Opening Consolidated Balance Sheet

Unaudited $US thousands	CGAAP January 1, 2010	Notes	Transition adjustments to IFRS	IFRS January 1, 2010
ASSETS				
Cash and cash equivalents	$ 141,575		$ -	**$ 141,575**
Accounts receivable	195,370		-	**195,370**
Inventories	27,519		-	**27,519**
Prepaid expenses	3,541		-	**3,541**
Current Assets	368,005		-	**368,005**
Reclamation funds	67,076		-	**67,076**
Mineral properties, plant and equipment	1,310,287	(a)	(6,910)	**1,303,377**
Investment in Tenke Fungurume	1,633,740		-	**1,633,740**
Investments and other assets	42,508		-	**42,508**
Deferred income tax assets	68,707	(e)	2,056	**70,763**
Goodwill	249,820		-	**249,820**
	$ 3,740,143		$ (4,854)	**$ 3,735,289**
LIABILITIES				
Accounts payable and accrued liabilities	$ 59,473		-	**$ 59,473**
Accrued liabiliites	48,235		-	**48,235**
Income taxes payable	14,657		-	**14,657**
Current portion of long term debt and capital leases	2,536		-	**2,536**
Current portion of asset retirement obligations	5,830		-	**5,830**
Deferred revenue	5,667		-	**5,667**
Forward sales contracts	40,557		-	**40,557**
Current Liabilities	176,955		-	**176,955**
Long-term debt and capital leases	188,352		-	**188,352**
Other long-term liabilities	11,936		-	**11,936**
Deferred revenue	72,230		-	**72,230**
Provision for pension obligations	16,385		-	**16,385**
Asset retirement obligations and other provisions	120,954	(a)	1,895	**122,849**
Deferred income tax liabilities	238,089	(e)	(568)	**237,521**
	824,901		1,327	**826,228**
SHAREHOLDERS' EQUITY				
Share capital	3,480,487		-	**3,480,487**
Contributed surplus	30,415	(b)	(1,328)	**29,087**
Accumulated other comprehensive income	265,051	(c), (d)	(265,051)	**-**
Deficit	(860,711)		260,198	**(600,513)**
	2,915,242		(6,181)	**2,909,061**
	$ 3,740,143		$ (4,854)	**$ 3,735,289**

Transitional adjustments notes:

a) In applying IAS 37 *Provisions, contingent liabilities and contingent assets*, discount and inflation rates were updated resulting in an increase of the ARO by $1.9 million. Under CGAAP, the historical rates were applied. On election of IFRS 1 *Decommissioning liabilities included in the cost of mineral properties,* the Company has adjusted the mineral property balance by $6.9 million.

b) Under IFRS the Company will recognize a forfeiture rate in its initial recognition of stock option grants. Applied retroactively on all unvested options at the date of transition, contributed surplus was reduced by $1.3 million.

c) On transition to IFRS, and in applying the optional election IFRS 1 *Designation of previously recognized financial instruments*, the Company reclassed deferred gains and losses in AOCI to retained earnings in the amount of $23.5 million.

d) The Company has elected IFRS 1 *Cumulative translation difference.* All cumulative translation differences on the date of transition are deemed to be zero and recognized in retained earnings in the amount of $241.6 million.

e) Related tax effects on above adjustments.

Next steps for 2011

The Company is still finalizing the impacts of the IFRS conversion adjustments on its 2010 statement of operations. However, it is anticipated that the adjustments will not be material.

In 2011, the Company will finalize its IFRS quarterly and annual financial statements and related disclosures. It is expected that all items will be completed within the required timelines for conversion.

Critical Accounting Estimates

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

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

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

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

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

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

Valuation of Mineral Properties and Exploration and Development Properties

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

The Company undertakes a review of the carrying values of mining properties and related expenditures whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable. In undertaking this review, management of the Company is required to make significant estimates of, amongst other things, future production and sale volumes, unit sales prices, future operating and capital costs and reclamation costs to the end of the mine's life. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mining properties and related expenditures.

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

Goodwill

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

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

Income Taxes

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

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

As at December 31, 2010, the Company has estimated non-capital loss carry-forwards of approximately $320.9 million, which can be applied to reduce future income taxes payable. Non-capital losses in Spain and Canada will expire between 2011 and 2030. In Sweden and Ireland, non-capital losses do not have an expiry. The Company may not be able to benefit from a portion of these loss carry-forwards and is uncertain whether they will be utilized in the future. As such, a valuation allowance has been applied against the future tax asset booked on $286.7 million of loss carry-forwards.

Stock-Based Compensation

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

Mine Closure Provisions

The Company has obligations for site restoration and decommissioning related to its mining properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet its obligations. Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. The Company’s policy for recording mine closure provisions is to establish provisions for future mine closure costs at the commencement of mining operations based on the present value of the future cash flows required to satisfy the obligations. The amount of the present value of the provision is added to the cost of the related mining assets and depreciated over the life of the mine. The provision is accreted to its future value over the life of mine through a charge to operating costs.

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

Managing Risks

Risks and Uncertainties

Metal Prices

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

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

Credit Risk

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

Foreign Exchange Risk

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

Derivative Instruments

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

Reclamation Funds and Mine Closure Costs

As at December 31, 2010, the Company had $61.6 million in a number of reclamation funds that will be used to fund future site restoration and mine closure costs at the Company's various mine sites. The Company will continue to contribute annually to these funds as required, based on an estimate of the future site restoration and mine closure costs as detailed in the closure plans. Changes in environmental laws and regulations can create uncertainty with regards to future reclamation costs and affect the funding requirements.

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

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

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

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

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

Competition

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

Foreign Countries and Regulatory Requirements

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

The Company has a significant investment in mining operations located in the DRC. The carrying value of this investment and the Company's ability to advance development plans may be adversely affected by political instability and legal and economic uncertainty. The risks by which the Company's interest in the DRC may be adversely affected include, but not limited to: political unrest; labour disputes; invalidation of governmental orders, permits, agreements or property rights; risk of corruption including violations under U.S. and Canadian foreign corrupt practices statutes; military repression; war; civil disturbances; criminal and terrorist actions; arbitrary changes in laws, regulations, policies, taxation, price controls and exchange controls; delays in obtaining or the inability to obtain necessary permits; opposition to mining from environmental or other non-governmental organizations; limitations on foreign ownership; limitations on the repatriation of earnings; limitations on mineral exports; and high rates of inflation and increased financing costs. These risks may limit or disrupt the Company's projects, restrict the movement of funds or result in the deprivation of contractual rights or the taking of property by nationalization, expropriation or other means without fair compensation. Africa's status as a developing continent may make it more difficult for the Company to obtain any required exploration, development and production financing for its projects.

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

Company’s assets in these countries will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

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

Mining and Processing

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

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

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

Mine Development Risks

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

Environmental and Other Regulatory Requirements

All phases of mining and exploration operations are subject to government regulation including regulations pertaining to environmental protection. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their officers, directors and employees. There can be no assurance that possible future changes in environmental regulation will not adversely affect the Company's operations. As well, environmental hazards may exist on a property in which the Company holds an interest, which were caused by previous or existing owners or operators of the properties and of which the Company is not aware at present. Operations at the Company's mines are subject to strict environmental and other regulatory requirements, including requirements relating to the production, handling and disposal of hazardous materials, pollution controls, health and safety and the protection of wildlife. The Company may be required to incur substantial capital expenditures in order to comply with these requirements. Any failure to comply with the requirements could result in substantial fines, delays in production, or the withdrawal of the Company's mining licenses.

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

Mineral Resource and Reserve Estimates

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

Estimation of Asset Carrying Values

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

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

Funding Requirements and Economic Volatility

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

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

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

Uninsurable Risks

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

No Assurance of Titles or Boundaries

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

Partner in the Tenke Fungurume Project

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

Tax

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

Employee Relations

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

Infrastructure

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

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

Key Personnel

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

Outstanding Share Data

As at February 23, 2011, the Company had 581,604,450 common shares issued and outstanding and 5,796,450 stock options and 171,360 stock appreciation rights outstanding under its stock-based incentive plans.

Non-GAAP Performance Measures

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

- Operating earnings

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

- Cash cost per pound

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

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

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

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

	Three months ended December 31, 2010				Three months ended December 31, 2009			
	Total Tonnes Sold	Pounds (000s)	Cost $/lb	Cash Operating Costs (000s)	Total Tonnes Sold	Pounds (000s)	Cost $/lb	Cash Operating Costs (000s)
Operation								
Neves-Corvo (cu)	23,765	52,393	1.34	70,207	23,126	50,984	1.22	62,200
Zinkgruvan (zn)	14,657	32,313	0.15	4,847	17,187	37,891	0.23	8,715
Aguablanca (ni)	559	1,232	15.39	18,960	2,155	4,751	4.31	20,477
Galmoy (zn)*	-	-	-	970	-	-	-	-
				94,984				91,392
Add: By-product credits				34,180				38,498
Treatment costs				(22,757)				(37,893)
Royalties and other				8,842				6,810
Total Operating Costs				**115,249**				**98,807**

	Twelve months ended December 31, 2010				Twelve months ended December 31, 2009			
	Total Tonnes Sold	Pounds (000s)	Cost $/lb	Cash Operating Costs (000s)	Total Tonnes Sold	Pounds (000s)	Cost $/lb	Cash Operating Costs (000s)
Operation								
Neves-Corvo (cu)	69,935	154,180	1.33	205,059	82,747	182,426	1.14	207,966
Zinkgruvan (zn)	59,405	130,966	0.22	28,813	63,146	139,213	0.26	36,195
Aguablanca (ni)	5,116	11,279	7.08	79,855	7,582	16,715	4.40	73,546
Galmoy (zn)*	-	-	-	5,511	-	-	-	26,096
				319,238				343,803
Add: By-product credits				126,717				119,866
Treatment costs				(103,100)				(135,647)
Royalties and other				25,165				12,299
Total Operating Costs				**368,020**				**340,321**

*** Operating costs for Galmoy in 2010 include shipment and processing of ore by an adjacent mine.**

Management’s Report on Internal Controls

Disclosure controls and procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the Company’s disclosure controls and procedures and has concluded that they were effective as at December 31, 2010.

Internal control over financial reporting

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

Management has used the Committee of Sponsoring Organizations of the Treadway Commission (‘COSO’) framework in to assess the effectiveness of the Company’s internal control over financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting and concluded that it was effective as at December 31, 2010.

Changes in internal control over financial reporting

There have been no changes in the Company’s internal control over financial reporting during the fiscal year ended December 31, 2010 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.

lundin mining

Consolidated Financial Statements

For the Year Ended December 31, 2010

Management's Report

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

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

(Signed) Philip J. Wright	*(Signed) Marie Inkster*
President and Chief Executive Officer	Chief Financial Officer

Toronto, Ontario, Canada
February 23, 2011

Independent Auditor's Report

To the Shareholders
of Lundin Mining Corporation

We have audited the accompanying consolidated financial statements of Lundin Mining Corporation, which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of operations, comprehensive income, changes in shareholders' equity and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lundin Mining Corporation as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(Signed) PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
February 23, 2011

LUNDIN MINING CORPORATION

CONSOLIDATED BALANCE SHEETS

As at December 31, 2010 and 2009

(in thousands of US dollars)	**2010**	2009
ASSETS		
Current		
Cash and cash equivalents (Note 4)	**$ 198,909**	$ 141,575
Accounts receivable (Note 5)	**233,820**	195,370
Inventories (Note 6)	**31,688**	27,519
Prepaid expenses	**5,038**	3,541
	469,455	368,005
Reclamation funds and restricted cash	**61,559**	67,076
Mineral properties, plant and equipment (Note 7)	**1,254,434**	1,310,287
Investment in Tenke Fungurume (Note 8)	**1,742,875**	1,633,740
Investments and other assets (Note 9)	**32,411**	42,508
Future income tax assets (Note 10)	**39,841**	68,707
Goodwill (Note 11)	**232,813**	249,820
	$ 3,833,388	$ 3,740,143
LIABILITIES		
Current		
Accounts payable	**$ 70,976**	$ 59,473
Accrued liabilities (Note 12)	**64,307**	48,235
Income taxes payable	**43,743**	14,657
Current portion of long-term debt and capital leases (Note 13)	**2,512**	2,536
Current portion of asset retirement obligations and other provisions (Note 18)	**5,985**	5,830
Current portion of deferred revenue (Note 15)	**6,087**	5,667
Derivative contracts (Note 16)	**-**	40,557
	193,610	176,955
Long-term debt and capital leases (Note 13)	**37,152**	188,352
Other long-term liabilities (Note 14)	**10,881**	11,936
Deferred revenue (Note 15)	**67,957**	72,230
Provision for pension obligations (Note 17)	**18,816**	16,385
Asset retirement obligations and other provisions (Note 18)	**107,684**	120,954
Future income tax liabilities (Note 10)	**229,177**	238,089
	665,277	824,901
SHAREHOLDERS' EQUITY		
Share capital (Note 19)	**3,485,814**	3,480,487
Contributed surplus	**30,895**	30,415
Accumulated other comprehensive income	**194,989**	265,051
Deficit	**(543,587)**	(860,711)
	3,168,111	2,915,242
	$ 3,833,388	$ 3,740,143

Commitments and contingencies (Note 22)

Subsequent event (Note 27)

See accompanying notes to consolidated financial statements

Approved by the Board of Directors

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

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

LUNDIN MINING CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2010 and 2009
(in thousands of US dollars, except for shares and per share amounts)

		2010		2009
Sales	$	**849,223**	$	745,989
Operating costs		**(368,020)**		(340,321)
Accretion of asset retirement obligations and other provisions		**(3,539)**		(6,918)
General and administration		**(18,761)**		(19,960)
Stock-based compensation (Note 19b)		**(2,333)**		(5,629)
Income from continuing operations before undernoted		**456,570**		373,161
Depreciation, depletion and amortization		**(123,390)**		(170,004)
General exploration and project investigation		**(23,624)**		(22,645)
Interest and bank charges		**(8,763)**		(15,027)
Foreign exchange (loss) gain		**(5,084)**		14,430
Gain (loss) on derivative contracts (Note 16)		**10,223**		(61,496)
Income from equity investment in Tenke Fungurume (Note 8)		**78,614**		297
Long-lived asset impairment (Note 7)		**-**		(53,042)
Gain (loss) on sale of AFS securites and investments (Note 9)		**43,460**		(6,710)
Other income and expenses		**2,266**		5,900
Income from continuing operations before income taxes		**430,272**		64,864
Current income tax expense (Note 10)		**(85,193)**		(51,106)
Future income tax (expense) recovery (Note 10)		**(27,955)**		54,375
Income from continuing operations		**317,124**		68,133
Gain from discontinued operations, net of income taxes (Note 20)		**-**		5,573
Net income	$	**317,124**	$	73,706
Basic and diluted income per share from				
Continuing operations	$	**0.55**	$	0.12
Discontinued operations		**-**		0.01
Basic and diluted income per share	$	**0.55**	$	0.13
Weighted average number of shares outstanding				
Basic		**579,924,538**		550,000,833
Diluted		**580,539,367**		550,045,231

See accompanying notes to consolidated financial statements.

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2010 and 2009
(in thousands of US dollars)

	2010	2009
Net income	**$ 317,124**	$ 73,706
Other comprehensive income (loss), net of taxes		
Changes in the fair value of AFS securities	**36,793**	38,274
Reclassification adjustment of gains included in net income	**(43,460)**	(8,506)
Cumulative foreign currency translation adjustment	**(63,395)**	53,209
	(70,062)	82,977
Comprehensive income	**$ 247,062**	$ 156,683

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 2010 and 2009
(in thousands of US dollars, except share amounts)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance, December 31, 2008	487,433,771	$ 3,331,309	$ 24,758	$ 182,074	$ (934,417)	$ 2,603,724
Exercise of stock options and SARs	158,693	354	(26)	-	-	328
Stock-based compensation	-	-	5,683	-	-	5,683
Reclassification adjustment of gains included in net income	-	-	-	(8,506)	-	(8,506)
Changes in the fair value of AFS securities	-	-	-	38,274	-	38,274
Issuance of common shares, net of costs	92,000,000	148,824	-	-	-	148,824
Net income	-	-	-	-	73,706	73,706
Effects of foreign currency translation	-	-	-	53,209	-	53,209
Balance, December 31, 2009	579,592,464	$ 3,480,487	$ 30,415	$ 265,051	$ (860,711)	$ 2,915,242
Exercise of stock options	982,891	5,327	(1,853)	-	-	3,474
Stock-based compensation	-	-	2,333	-	-	2,333
Reclassification adjustment of gains included in net income	-	-	-	(43,460)	-	(43,460)
Changes in the fair value of AFS securities	-	-	-	36,793	-	36,793
Net income	-	-	-	-	317,124	317,124
Effects of foreign currency translation	-	-	-	(63,395)	-	(63,395)
Balance, December 31, 2010	**580,575,355**	**$ 3,485,814**	**$ 30,895**	**$ 194,989**	**$ (543,587)**	**$ 3,168,111**

See accompanying notes to consolidated financial statements.

LUNDIN MINING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 2010 and 2009
(in thousands of US dollars)

	2010	2009
Cash provided by (used in)		
Operating activities		
Net income	**$ 317,124**	$ 73,706
Items not involving cash		
Accretion of asset retirement obligations and other provisions	**3,539**	6,918
Stock-based compensation	**2,333**	5,629
Depreciation, depletion and amortization	**123,390**	170,004
Unrealized foreign exchange loss (gain)	**1,702**	(33,400)
(Gain) loss on derivative contracts	**(10,223)**	61,496
Income from equity investment in Tenke Fungurume	**(78,614)**	(297)
Long-lived asset impairment	**-**	53,042
(Gain) loss on sale of AFS securities and investments	**(43,460)**	6,710
Future income tax expense (recovery)	**27,955**	(54,375)
Gain on disposal of Aljustrel	**-**	(5,573)
Provision for pension obligations	**1,290**	1,615
Recognition of deferred revenue	**(5,688)**	(5,689)
Other	**(716)**	1,048
Settlement of derivative contracts	**(30,591)**	(20,437)
Reclamation payments and other closure costs	**(5,882)**	(20,647)
Reclamation fund contributions	**(1,321)**	(2,309)
Pension payments	**(858)**	(790)
Changes in non-cash working capital items (Note 26)	**(22,704)**	(99,256)
	277,276	137,395
Investing activities		
Investment in mineral properties, plant and equipment	**(129,770)**	(128,319)
Investment in Tenke Fungurume	**(30,521)**	(56,700)
Investments in AFS securities	**(2,962)**	(2,936)
Proceeds from sale of AFS securities and investments	**83,780**	20,844
Cash outlay on disposition of Aljustrel	**-**	(20,979)
Other	**4,197**	2,264
	(75,276)	(185,826)
Financing activities		
Debt and capital lease repayments	**(157,637)**	(164,547)
Proceeds from long-term debt	**-**	39,483
Common shares issued	**3,474**	149,258
Other	**(1,684)**	(421)
	(155,847)	23,773
Effect of foreign exchange on cash balances	**11,181**	(3,465)
Increase (decrease) in cash and cash equivalents during the year	**57,334**	(28,123)
Cash and cash equivalents, beginning of year	**141,575**	169,698
Cash and cash equivalents, end of year	**$ 198,909**	$ 141,575

Supplemental cash flow information (Note 26).
See accompanying notes to consolidated financial statements.

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Comparative Figures

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

Use of Estimates

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

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

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

Significant Accounting Policies

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

(a) Subsidiaries and investments

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

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

(b) Translation of foreign currencies

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

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

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

(c) Cash and cash equivalents

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

(d) Inventories

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

(e) Mineral properties

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

i. Acquisition costs which consist of payments for property rights and leases, including the estimated fair value of exploration properties acquired as part of a business acquisition or the acquisition of a group of assets.

ii. Exploration and evaluation costs incurred on an area of interest once a determination has been made that a property has potential economically recoverable resources and there is a reasonable expectation that costs can be recovered by future exploitation or sale of the property. Exploration and evaluation expenditures made prior to a determination that a property has economically recoverable resources are expensed as incurred.

iii. Development costs incurred on an area of interest once management has determined that, based on a feasibility study, a property is capable of economical commercial production as a result of having established a proven and probable reserve, are capitalized as development expenses. Development costs are directly attributable to the construction of a mine. When additional development expenditures are made on a property after commencement of production, the expenditure is deferred as mineral property expenditures when it is probable that additional economic benefit will be derived from future operations.

iv. Stripping costs represent cost incurred to remove overburden and other waste materials to access ore. Stripping costs incurred prior to the production phase of a mine are capitalized and included as part of mineral property costs. During the production phase, stripping costs which represent a betterment of the mineral property are capitalized. Capitalized stripping costs are amortized on a unit-of-production basis over the proven and probable reserves to which they relate. All other stripping costs incurred during the production phase of a property are accounted for as variable production costs and are included in the cost of inventory produced during the period in which the cost is incurred.

v. Pre-production expenditures, net of the proceeds from sales generated (if any), relating to any one area of interest are capitalized as mineral property expenditures until such time as production rates achieve sustained commercial production levels.

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

(f) Plant and equipment

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

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

(g) Mining equipment under capital lease

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

(h) Impairment assessment

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

(i) Interest capitalization

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

(j) Goodwill

Acquisitions of businesses are accounted for using the purchase method of accounting whereby all identifiable assets and liabilities are recorded at their fair values as at the date of acquisition. Any excess purchase price over the aggregate fair value of net assets plus or minus the amounts recognized for future income taxes is recorded as goodwill. Goodwill is identified and allocated to reporting units by preparing estimates of the fair value of each reporting unit and comparing this amount to the fair value of the assets and liabilities and related future income tax balances of the reporting unit at the date of acquisition.

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

(k) Derivatives

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

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

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

(l) Deferred revenue

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

(m) Provision for pension obligations

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

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

(n) Asset retirement obligations

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

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

(o) Revenue recognition

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

(p) Stock-based compensation

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

(q) Income taxes

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

(r) Income per share

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

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

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

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

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

- Cash and cash equivalents are classified as held-for-trading and any period change in fair value is recorded in the consolidated statements of operations.

- Accounts receivable are classified as loans and receivables and are measured at amortized cost using the effective interest rate method.

- Investments are classified as AFS when they are acquired for purpose other than near term selling or repurchasing. Any period change in fair value is recorded through other comprehensive income. Where the investment experiences an other than temporary decline in value, the loss is recognized in the consolidated statements of operations.

- Accounts payable, accrued liabilities, long-term debt and capital leases are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

- Derivative instruments, including certain embedded derivatives separated from their host contracts, are classified as held for trading and recorded at fair value.

3. FUTURE ACCOUNTING AND REPORTING CHANGES

Canadian GAAP for publicly accountable entities will be replaced by International Financial Reporting Standards ("IFRS"), effective for interim and annual periods beginning in the first quarter of fiscal 2011. The annual and interim fiscal 2011 consolidated financial statements will include an IFRS opening consolidated balance sheet as at January 1, 2010, fiscal 2011 comparatives, related transitional reconciliation and note disclosures.

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	2010	2009
Cash	**$ 136,898**	$ 102,774
Short-term investments	**62,011**	38,801
	$ 198,909	$ 141,575

5. ACCOUNTS RECEIVALBE

Accounts receivable comprise the following:

	2010	2009
Trade receivables (Note 23)	**$ 207,508**	$ 147,462
VAT and other receivables	**26,312**	47,908
	$ 233,820	$ 195,370

6. INVENTORIES

Inventories comprise the following:

	2010	2009
Ore stockpiles	**$ 5,156**	$ 3,884
Concentrate stockpiles	**6,354**	2,168
Materials and supplies	**20,178**	21,467
	$ 31,688	$ 27,519

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment comprise the following:

December 31, 2010	Cost	Accumulated depreciation, depletion and amortization	**Carrying value**
Mineral properties	$ 1,470,805	$ 648,551	**$ 822,254**
Plant and equipment	479,230	195,431	**283,799**
Exploration properties	51,855	-	**51,855**
Assets under construction	96,526	-	**96,526**
	$ 2,098,416	$ 843,982	**$ 1,254,434**

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

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

The Company acquired equipment through capital lease in the amount of $2.2 million (2009 - $NIL).

During 2010, the Company disposed of non-core exploration properties for total proceeds of $8.0 million. A portion of the proceeds will be received in 2011 and as at year-end, $7.0 million is recorded as receivable. A total gain of $6.1 million was recorded in other income and expenses on disposition of the properties.

During 2009, a write down of $53.0 million was recorded (after tax $37.1 million) related to the Salave gold project in northern Spain. On April 13, 2010, the exploration property was disposed of for gross proceeds of $0.8 million and 5,296,688 shares of the purchaser. Loss on disposal of $1.2 million was recorded in 2010.

8. INVESTMENT IN TENKE FUNGURUME

	Carrying value
Balance, December 31, 2008	$ 1,576,743
Advances	56,700
Share of equity income	297
Balance, December 31, 2009	1,633,740
Advances	30,521
Share of equity income	78,614
Balance, December 31, 2010	$ 1,742,875

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

In October 2010, the government of the DRC announced the conclusion of the review of TFM's mining contracts. The conclusion of the review process confirmed that TFM's existing mining contracts are in good standing and acknowledged the rights and benefits granted under those contracts. TFM's key fiscal terms, including a 30 % income tax rate, a 2% mining royalty rate and a 1% export fee, will continue to apply and are consistent with the rates in the DRC's current Mining Code. In connection with the review, TFM made several commitments, which have been reflected in amendments to its mining contracts, including (1) an increase in the ownership interest of Gécamines from 17.5% (non-dilutable) to 20.0% (non-dilutable), resulting in a decrease of Freeport's effective ownership interest from 57.75% to 56.0% and the Company's effective ownership interest from 24.75% to 24.0%; (2) an additional royalty of $1.2 million for each 100,000 tonnes of proven and probable copper reserves above 2.5 million tonnes at the time new reserves are established by FCX; (3) additional payments totaling $30 million to be paid in six equal installments of $5 million upon reaching certain production milestones; (4) conversion of $50 million in intercompany loans to equity; (5) a payment of approximately $5 million for surface area fees and ongoing surface area fees of approximately $0.8 million annually; (6) incorporating clarifying language stating that TFM's rights and obligations are governed by its Amended and Restated Mining Convention ("ARMC"); and (7) expanding Gécamines' participation in TFM management.

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

TFM has also reiterated its commitment to the use of local services and Congolese employment. In connection with the modifications, the annual interest rate on advances from TFM shareholders increases from a rate of LIBOR plus 2% to LIBOR plus 6%. In December 2010, the addenda to TFM's ARMC and Amended and Restated Shareholders' Agreement were signed by all parties and are pending a Presidential Decree. TFM's existing mining contracts will be in effect until the Presidential Decree is obtained approving the signed amendments. In addition, the change in the Company's effective ownership interest in TFM and the conversion of intercompany loans to equity will be effected after obtaining approval of the modifications to TFM's bylaws. In December 2010, TFM made payments totaling $26.5 million, which have been recorded as prepaid contract costs at December 31, 2010.

During the year ended December 31, 2010, the Company made cash advances of $27.5 million to fund its portion of TFM expenditures (2009 - $56.7 million). The Company has an off-balance sheet financing arrangement whereby FCX was responsible for funding the Company's share of Phase I project development costs that were in excess of agreed budgets. The amounts were funded through loans from FCX to the project and are non-recourse to the Company. The Company also made a transfer bonus payment due under the original contract of $3.0 million.

During the year, $118.7 million was repaid to FCX by TFM in respect of the Company's share of the Excess Overrun Costs to fund the initial phase I project. The remaining principal balance of $108.4 million plus accrued interest will be repaid to FCX on a priority basis from future operating cash flows of TFM.

The following is a summary of the financial information of TF Holdings on a 100% basis, presented in accordance with Canadian GAAP, as at December 31:

		2010		2009
Total assets	**$**	**2,533,463**	$	2,393,814
Total liabilities	**$**	**1,163,678**	$	1,447,239
Total revenue	**$**	**1,106,205**	$	279,799
Net income	**$**	**279,046**	$	22,534

9. INVESTMENTS AND OTHER ASSETS

Investments and other assets include the following:

		2010		2009
AFS securities (a)	**$**	**27,337**	$	39,539
Other assets (b)		**5,074**		2,969
	$	**32,411**	$	42,508

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

a) AFS securities

Investments in AFS securities consist of marketable securities which are carried at fair value based on quoted market prices (Note 23). These investments consist of shares in publicly traded mining and exploration companies.

During the year ended December 31, 2010, the Company recognized a gain of $43.5 million (2009 - $12.0 million) from the sale of AFS securities. Cash proceeds of $52.3 million were received (2009 - $17.3 million). The realized gain of $43.5 million related to mark-to-market adjustments was reclassified from accumulated other comprehensive income to net income.

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

b) Other assets

During 2009, the Company completed the sale of its 49% interest in the Ozernoe zinc project in Russia and recorded a loss on the sale of investment of $18.7 million. Cash proceeds of $35.0 million were received during 2009 and 2010.

10. FUTURE INCOME TAXES

The reconciliation of income taxes computed at Canadian statutory tax rates to the Company's income tax expense for the years ended December 31, 2010 and 2009 is as follows:

		2010		2009
Net income before taxes	**$**	**430,272**	$	70,437
Combined basic federal and provincial rates		**31.0%**		33.0%
Income tax expense based on statutory income tax rates	**$**	**133,341**	$	23,244
Effect of lower tax rates in foreign jurisdictions		**(42,369)**		(7,138)
Effect on future tax balances due to change in foreign statutory tax rates		**14,167**		-
Reversal of prior year's valuation allowance		**(1,164)**		-
Non-deductible and non-taxable items		**3,022**		(9,294)
Other		**6,151**		(10,081)
Income tax expense (recovery)	**$**	**113,148**	$	(3,269)

During 2010, the statutory tax rate in Portugal changed from 26.5% to 29%. As a result, an additional $14.2 million future tax expense was recorded reflecting the net effect on future income tax assets and liabilities.

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

Temporary differences and loss carry-forwards which give rise to future income tax assets and liabilities as at December 31, 2010 and 2009 are as follows:

	2010	2009
Future income tax assets		
Loss carry forwards	**$ 82,175**	$ 101,345
Mineral properties, plant and equipment	**3,360**	3,862
Investments	**100**	3,006
Asset retirement obligations and other mine closure costs	**20,836**	21,150
Reserves and provisions	**3,839**	13,678
Share issue costs	**1,505**	2,181
Other	**10,078**	8,972
	121,893	154,194
Valuation allowance	**(82,052)**	(85,487)
Future income tax assets	**$ 39,841**	$ 68,707
Future income tax liabilities		
Mineral properties, plant and equipment	**$ 206,818**	$ 206,190
Reserves	**19,751**	21,628
Other	**2,608**	10,271
Future income tax liabilities	**229,177**	238,089
Net future income tax liability	**$ 189,336**	$ 169,382

As at December 31, 2010, the Company had accumulated non-capital losses as follows:

Year of expiry	Canada	Spain	Sweden	Ireland	**Total**
2011	$ 4,383	$ -	$ -	$ -	**$ 4,383**
2012	9,978	-	-	-	**9,978**
2013	-	-	-	-	**-**
2014	4,330	-	-	-	**4,330**
2015	7,458	-	-	-	**7,458**
2016 and thereafter	129,585	25,829	33,199	106,096	**294,709**
	$ 155,734	$ 25,829	$ 33,199	$ 106,096	**$ 320,858**

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

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

11. GOODWILL

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

	EuroZinc	Rio Narcea	Total
Balance, December 31, 2008	$ 174,992	$ 67,527	$ 242,519
Effect of changes in foreign exchange rates	5,267	2,034	7,301
Balance, December 31, 2009	180,259	69,561	249,820
Effect of changes in foreign exchange rates	(12,271)	(4,736)	(17,007)
Balance, December 31, 2010	$ 167,988	$ 64,825	$ 232,813

Goodwill resulted from the acquisition of EuroZinc Mining Corporation ("EuroZinc") in 2006, which includes primarily the mining operations of Neves-Corvo, and the acquisition of Rio Narcea Gold Mines, Ltd ("Rio Narcea") in 2007, which includes primarily the mining operations of Aguablanca.

12. ACCRUED LIABILITIES

	2010	2009
Unbilled goods and services	**$ 29,994**	$ 28,858
Payroll obligations	**10,652**	11,242
Royalty payable	**23,661**	8,135
	$ 64,307	$ 48,235

13. LONG-TERM DEBT AND CAPITAL LEASES

	2010	2009
Revolving credit facility (a)	**$ -**	$ 141,620
Somincor debt (b)	**29,276**	38,713
Capital lease obligations (c)	**5,824**	4,693
Rio Narcea debt (d)	**4,564**	5,862
	39,664	190,888
Less: current portion	**2,512**	2,536
	$ 37,152	$ 188,352

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

a) During September 2010, the Company signed an amended and restated credit agreement. The amended agreement provides for a three year revolving credit facility of $300 million. The interest rate on amounts drawn on the facility will range from LIBOR plus 3% to LIBOR plus 4%. The facility is secured by charges against the Company's mining assets and has covenants customarily required for such debt facilities, including minimum tangible net worth and interest coverage.

b) During December 2009, a three year commercial paper program was established by the Company's wholly owned Portuguese subsidiary, Sociedade Mineira de Neves-Corvo S.A. ("Somincor"). The commercial paper has terms of a minimum of 7 days and a maximum of 1 year and bears interest at EURIBOR plus 2%. The effective interest rate at December 31, 2010 was 3%.

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

c) Capital lease obligations relate to leases on mining equipment having lease terms of five to eight years with interest rates at 30-day STIBOR. The effective interest rate at December 31, 2010 was 1.6%.

d) The Rio Narcea debt is an interest free loan extended by the Spanish Department of Trade, Industry and Commerce. It is repayable in equal annual installments of €0.5 million on December 15 of each year through 2017. The debt is recorded using an imputed interest rate of 4.7%.

The principal repayment obligations are scheduled as follows:

	Debt	Capital leases	Total
2011	$ 856	$ 1,656	$ 2,512
2012	29,970	1,579	31,549
2013	668	1,167	1,835
2014	668	553	1,221
2015 and thereafter	1,677	870	2,547
Total	$ 33,839	$ 5,825	$ 39,664

14. OTHER LONG-TERM LIABILITIES

Included in other long-term liabilities are grants received by Somincor of $7.6 million (€5.7 million) (2009 - $9.8 million or €6.8 million) from the Portuguese government and the European Union to promote capital investment. Based on expenditures made and achievement of certain goals, a portion of this grant may not have to be repaid. The portion of the grant that is to be repaid may be interest free if it is to be repaid within two years from receipt of the grant. Otherwise, it will carry an interest of EURIBOR plus 0.75%, payable over a four year term.

15. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

	2010	2009
Balance, beginning of year	**$ 77,897**	$ 79,130
Amortization on delivery of silver in concentrate	**(5,688)**	(5,689)
Effect of changes in foreign exchange rates	**1,835**	4,456
	74,044	77,897
Less: estimated current portion	**6,087**	5,667
Balance, end of year	**$ 67,957**	$ 72,230

a) Neves-Corvo mine

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

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

b) Zinkgruvan mine

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

16. DERIVATIVE CONTRACTS

During the year ended December 31, 2010, the Company paid cash to settle 22,577 tonnes of copper derivative contracts (2009 - 27,328 tonnes), which resulted in a gain of $10.2 million (2009 - loss of $61.5 million).

As at December 31, 2010, there are no contracts outstanding (2009 - 22,577 tonnes with a carrying value of $40.6 million) (Note 23).

17. PROVISION FOR PENSION OBLIGATIONS

The Company has calculated its liability relating to the defined benefit plan at the Zinkgruvan mine using the projected benefit pro-rated on services method. Actuarial assumptions used to determine benefit obligations as at December 31, 2010 and 2009 were as follows:

	2010	2009
Discount rate	**4.5%**	4.0%
Rate of salary increase	**2.5%**	2.5%
Long-term rate of inflation	**2.5%**	0%

Information about Zinkgruvan's defined benefit and other retirement plans as at December 31, 2010 and 2009 are as follows:

	2010	2009
Accrued benefit obligation:		
Balance, beginning of the year	**$ 12,237**	$ 9,924
Current service costs	**492**	858
Interest costs	**546**	442
Actuarial loss (gain)	**537**	(190)
Benefits paid	**(858)**	(790)
Effects of foreign exchange	**1,067**	1,993
Balance, end of the year	**14,021**	12,237
Adjustments of cumulative unrecognized actuarial loss	**760**	528
Unrecognized actuarial (loss) gain	**(537)**	190
Accrued benefit liability	**14,244**	12,955
Provision for indirect taxes on non-vested pension obligations	**2,613**	2,375
Pension obligations covered by insurance policies	**1,959**	1,055
Total provision for pension obligations	**$ 18,816**	$ 16,385

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

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

	2010	2009
Current service costs	**$ 492**	$ 858
Interest costs	**546**	442
Indirect taxes	**252**	315
Pension expense	**$ 1,290**	$ 1,615

In addition, the Company recorded a pension expense of $2.6 million (2009 - $1.9 million) relating to defined contribution plans.

18. ASSET RETIREMENT OBLIGATIONS AND OTHER PROVISIONS

The asset retirement obligations ("ARO") and other provisions relating to the Company's operations are as follows:

	Asset retirement obligations	Other mine closure costs	**Total**
Balance, December 31, 2008	$ 78,816	$ 30,714	**$ 109,530**
Accretion	4,984	-	**4,984**
Accruals for services	-	1,934	**1,934**
Changes in estimates	26,335	-	**26,335**
Effect of changes in foreign exchange rates	2,518	2,130	**4,648**
Payments	(6,009)	(14,638)	**(20,647)**
Balance, December 31, 2009	106,644	20,140	**126,784**
Accretion	5,106	-	**5,106**
Accruals for services	-	547	**547**
Changes in estimates	(2,567)	(2,114)	**(4,681)**
Effects of changes in foreign exchange rates	(5,624)	(2,581)	**(8,205)**
Payments	(5,882)	-	**(5,882)**
Balance, December 31, 2010	97,677	15,992	**113,669**
Less: current portion due within one year	5,777	208	**5,985**
	$ 91,900	$ 15,784	**$ 107,684**

At December 31, 2010, the asset retirement obligation at the Neves-Corvo mine is based on the estimated undiscounted future site restoration costs of $73.9 million (€55.3 million) and a credit-adjusted risk-free interest rate of 4.75%. There was a change in estimate during 2009 which increased the carrying value of the asset retirement obligation and the related asset by $19.6 million. The Company expects the payments for site restoration costs to be incurred during the last 10 years preceding the closure of the Neves-Corvo mine. Based on the current reserve estimate, Neves-Corvo mine's end of mine life is estimated to be 2024. For the year ended December 31, 2010, the Company recorded an accretion expense of $3.0 million (2009 - $2.8 million). The asset retirement obligation for the Neves-Corvo mine was $74.6 million (2009 - $65.2 million).

The asset retirement obligation at the Zinkgruvan mine at December 31, 2010 was $8.5 million (December 31, 2009 - $13.4 million). This was based on estimated undiscounted future site restoration costs of $10.7 million (SEK 71.8 million) and a credit-adjusted risk-free interest rate of 5.5%. There was a change in estimate during 2010, which decreased the carrying value of the asset retirement obligation and the related asset by $6.2 million. This estimate change was a result of a new rehabilitation plan as well as a change in the expected timing of restoration payments now to be incurred commencing in 2018. The Company previously estimated the payment to be made at the end of mine life. The Company has posted environmental bonds in the amount of $11.9 million (SEK 80 million), to be followed by additional bonds of $2.4 million (SEK 16.2 million) and $1.5 million (SEK 10.0 million) in 2016 and 2024, respectively (Note 22c).

The future site restoration and mine closure costs at the Aguablanca mine were determined based on the current life of mine plan with estimated undiscounted future site restoration costs of $16.6 million (€12.4 million) for the mine using a credit-adjusted risk-free interest rate of 5.0%. There was a change in estimate during 2009 which increased the carrying value of the asset retirement obligation and the related asset by $12.0 million. The asset retirement obligation including severance for the Aguablanca mine at December 31, 2010 totaled $20.3 million (December 31, 2009 - $23.8 million). The ARO is expected to be settled in 2014 and 2015.

The asset retirement obligation at the Galmoy mine as at December 31, 2010 was $6.0 million (2009 - $11.6 million) which was based on an undiscounted asset retirement obligation of $6.0 million (€4.4 million) and a credit-adjusted risk-free interest rate of 5.5%. There was an increase of estimate in the amount of $4.8 million during 2009. In 2010, $5.8 million of site restoration and other mine closure payments were made (2009 - $19.3 million). Remaining expenditures for site restoration costs are expected to be incurred in 2011.

19. SHARE CAPITAL

(a) Authorized and issued shares

The authorized share capital consists of an unlimited number of voting common shares with no par value and one special non-voting share with no par value. As at December 31, 2010, 580,575,355 voting common shares (2009 – 579,592,464) were issued and fully-paid.

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

(b) Stock options

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

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

The Company uses the fair value method of accounting for all stock-based payments to employees, directors and officers. Under this method, the Company recorded a stock compensation expense of $2.3 million for 2010 (2009 - $5.6 million) with a corresponding credit to contributed surplus. The fair value of the stock options granted at the date of the grant using the Black-Scholes pricing model assumes risk-free interest rates of 1.2% to 1.4% (2009 – 0.8% to 1.2%) , no dividend yield, expected life of 1.9 to 2.1 years (2009 - 1.5 to 2.1 years) with an expected price volatility ranging from 89% to 93% (2009 - 79% to 101%). As at December 31, 2010, there was $0.8 million of unamortized stock compensation expense (2009 - $1.7 million).

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

The continuity of incentive stock options issued and outstanding during 2010 and 2009 is as follows:

	Number of options	Weighted average exercise price (C$)
Outstanding, December 31, 2008	11,092,020	$ 8.01
Granted during the year	1,448,334	2.79
Cancelled/forfeited during the year	(3,345,651)	8.75
Exercised during the year	(23,333)	2.67
Outstanding, December 31, 2009	9,171,370	6.93
Granted during the year	340,834	4.41
Cancelled/forfeited during the year	(1,463,768)	10.65
Exercised during the year	(982,891)	3.60
Outstanding, December 31, 2010	7,065,545	$ 6.55

During the year ended December 31, 2010, the Company granted 340,834 incentive stock options to employees and officers at a weighted average exercise price of C$4.41 per share that expire between December 31, 2012 and September 16, 2013. In 2009, the Company granted 1,448,334 incentive stock options to employees and officers at a weighted average exercise price of C$2.79 per share that expire between December 31, 2011 and April 22, 2012. The exercise price for each of the options granted during 2010 and 2009 was based on the closing stock price on the date of grant.

The following table summarizes options outstanding as at December 31, 2010, as follows:

	Outstanding options			Exercisable options		
Range of exercise prices (CAD$)	Number of options outstanding	Weighted average remaining contractual life (Years)	Weighted average exercise pPrice (C$)	Number of options exercisable	Weighted average remaining contractual life (Years)	Weighted average exercise price (C$)
$1.24 to $4.41	1,178,341	1.5	$ 3.06	640,826	1.4	$ 3.04
$4.42 to $5.80	3,414,164	2.0	4.45	1,070,824	1.4	4.51
$5.81 to $9.62	433,840	1.6	7.97	433,840	1.6	7.97
$9.63 to $12.73	752,200	1.2	9.93	752,200	1.1	9.93
$12.74 to $13.75	1,287,000	1.7	12.86	1,287,000	1.7	12.86
	7,065,545	1.8	$ 6.55	4,184,690	1.6	$ 8.18

In 2010, 982,891 options (2009 - 23,833) and no stock appreciation rights (2009 – 135,360) were exercised. This resulted in the issuance of 982,891 common shares (2009 – 158,693).

The incremental shares added to the basic weighted average number of common shares to arrive at the fully diluted number of shares for the year ended December 31, 2010 and 2009 relate to the outstanding in-the-money stock options.

(c) Stock appreciation rights

The stock appreciation rights are recorded as a current liability and are adjusted based on the Company's closing stock price at the end of each reporting period. There was no liability related to the stock appreciation rights as at December 31, 2010 and 2009. There were 171,360 stock appreciation rights outstanding at an exercise price of C$10.15 as at December 31, 2010 and 2009.

20. DISCONTINUED OPERATIONS

The Company disposed of the Aljustrel mine in 2009 with a cash outlay of $21.0 million. Gain on disposition of $5.6 million was recorded in 2009.

21. SEGMENTED INFORMATION

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

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

Segmented Information - Operational

For the year ended December 31, 2010

	Neves-Corvo	Zinkgruvan	Aguablanca	Galmoy	Tenke	Other	Total
Sales	$ 541,313	$ 165,273	$ 129,784	$ 12,853	$ -	$ -	$ 849,223
Income (loss) before undernoted	332,692	95,185	42,642	6,937	-	(20,886)	456,570
Depreciation, depletion and amortization	(87,143)	(15,328)	(20,434)	(71)	-	(414)	(123,390)
General exploration and project investigation	(17,554)	-	(1,116)	-	-	(4,954)	(23,624)
Interest and bank charges	(1,429)	(284)	(319)	-	-	(6,731)	(8,763)
Foreign exchange (loss) gain	5,088	(7,694)	(4,964)	(15)	-	2,501	(5,084)
Gain on derivative contracts	10,223	-	-	-	-	-	10,223
Income from equity investment in Tenke	-	-	-	-	78,614	-	78,614
Gain on sale of AFS securities	-	-	-	-	-	43,460	43,460
Other income and expenses	(2,706)	676	782	1,068	-	2,446	2,266
Income tax (expense) recovery	(90,261)	(18,447)	(7,572)	(416)	-	3,548	(113,148)
Net income	$ 148,910	$ 54,108	$ 9,019	$ 7,503	$ 78,614	$ 18,970	$ 317,124
Capital assets*	$ 976,361	$ 224,367	$ 44,517	$ 6,812	$ 1,742,875	$ 2,377	$ 2,997,309
Total segment assets	$ 1,450,384	$ 306,205	$ 195,910	$ 42,469	$ 1,742,875	$ 95,545	$ 3,833,388
Capital expenditures	$ 88,413	$ 37,974	$ 3,127	$ -	$ 30,521	$ 256	$ 160,291

For the year ended December 31, 2009

	Neves-Corvo	Zinkgruvan	Aguablanca	Galmoy	Tenke	Other	Total
Sales	$ 448,742	$ 137,281	$ 125,146	$ 34,820	$ -	$ -	$ 745,989
Income (loss) before undernoted	263,361	74,775	48,854	12,480	-	(26,309)	373,161
Depreciation, depletion and amortization	(126,469)	(15,654)	(27,018)	(71)	-	(792)	(170,004)
General exploration and project investigation	(16,340)	(57)	(948)	-	-	(5,300)	(22,645)
Interest and bank charges	(1,930)	(299)	(1,186)	-	-	(11,612)	(15,027)
Foreign exchange (loss) gain	(5,341)	(2,160)	1,448	(215)	-	20,698	14,430
Loss on derivative contracts	(61,496)	-	-	-	-	-	(61,496)
Income from equity investment in Tenke	-	-	-	-	297	-	297
Long-lived assets impairment	-	-	-	-	-	(53,042)	(53,042)
(Loss) gain on sale of AFS securities and investment	-	-	-	-	-	(6,710)	(6,710)
Other income and expenses	(874)	959	5,285	508	(1,500)	1,522	5,900
Income tax (expense) recovery	(17,683)	(14,641)	10,790	(314)	-	25,117	3,269
Net income (loss) from continuing operations	33,228	42,923	37,225	12,388	(1,203)	(56,428)	68,133
Gain from discontinued operations	-	-	-	-	-	5,573	5,573
Net income (loss)	$ 33,228	$ 42,923	$ 37,225	$ 12,388	$ (1,203)	$ (50,855)	$ 73,706
Capital assets*	$ 1,044,360	$ 190,330	$ 68,315	$ 6,243	$ 1,633,740	$ 1,039	$ 2,944,027
Total segment assets	$ 1,463,122	$ 246,786	$ 234,972	$ 38,614	$ 1,633,740	$ 122,909	$ 3,740,143
Capital expenditures	$ 86,552	$ 36,151	$ 5,346	$ 208	$ 56,700	$ 62	$ 185,019

* Capital assets consist of mineral exploration and development properties, property, plant and equipment, and investments in Tenke Fungurume.

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

Segmented Information - Geographical

For the year ended December 31, 2010

	Portugal	Sweden	Spain	Ireland	DRC	Other	Total
Sales	$ 541,313	$ 165,273	$ 129,784	$ 12,853	$ -	$ -	$ 849,223
Income (loss) before undernoted	332,693	92,818	42,642	6,937	-	(18,520)	456,570
Depreciation, depletion and amortization	(87,143)	(15,361)	(20,434)	(71)	-	(381)	(123,390)
General exploration and project investigation	(17,554)	-	(1,116)	(3,591)	-	(1,363)	(23,624)
Interest and bank charges	(1,442)	(3,279)	(319)	-	-	(3,723)	(8,763)
Foreign exchange (loss) gain	5,064	(6,098)	(4,964)	(15)	-	929	(5,084)
Gain on derivative contracts	10,223	-	-	-	-	-	10,223
Income from equity investment in Tenke	-	-	-	-	78,614	-	78,614
Gain on sale of AFS securities	-	-	-	-	-	43,460	43,460
Other income and expenses	(2,682)	821	1,812	-	-	2,315	2,266
Income tax (expense) recovery	(90,486)	(19,043)	(7,572)	(416)	-	4,369	(113,148)
Net income (loss)	$ 148,673	$ 49,858	$ 10,049	$ 2,844	$ 78,614	$ 27,086	$ 317,124
Capital assets*	$ 976,485	$ 224,452	$ 44,517	$ 6,812	$ 1,742,875	$ 2,168	$ 2,997,309
Total segment assets	$ 1,450,765	$ 316,258	$ 195,910	$ 42,469	$ 1,742,875	$ 85,111	$ 3,833,388
Capital expenditures	$ 88,471	$ 37,974	$ 3,127	$ -	$ 30,521	$ 198	$ 160,291

For the year ended December 31, 2009

	Portugal	Sweden	Spain	Ireland	DRC	Other	Total
Sales	$ 448,742	$ 137,281	$ 125,146	$ 34,820	$ -	$ -	$ 745,989
Income (loss) before undernoted	263,361	71,747	48,852	12,480	-	(23,279)	373,161
Depreciation, depletion and amortization	(126,564)	(15,831)	(27,018)	(71)	-	(520)	(170,004)
General exploration and project investigation	(15,974)	(1,299)	(1,030)	(3,403)	-	(939)	(22,645)
Interest and bank charges	(1,943)	(5,408)	(1,186)	-	-	(6,490)	(15,027)
Foreign exchange (loss) gain	(5,342)	4,764	1,448	(215)	-	13,775	14,430
Loss on derivative contracts	(61,496)	-	-	-	-	-	(61,496)
Income from equity investment in Tenke	-	-	-	-	297	-	297
Long-lived asset impairment	-	-	(53,042)	-	-	-	(53,042)
(Loss) gain on sale of AFS securities and investment	-	(18,346)	-	-	-	11,636	(6,710)
Other income and expenses	(1,994)	484	5,285	508	(1,500)	3,117	5,900
Income tax (expense) recovery	(17,661)	(4,146)	26,703	(314)	-	(1,313)	3,269
Net income (loss) from continuing operations	32,387	31,965	12	8,985	(1,203)	(4,013)	68,133
Gain from discontinued operations	5,573	-	-	-	-	-	5,573
Net income (loss)	$ 37,960	$ 31,965	$ 12	$ 8,985	$ (1,203)	$ (4,013)	$ 73,706
Capital assets*	$ 1,043,362	$ 191,257	$ 68,315	$ 6,243	$ 1,633,740	$ 1,110	$ 2,944,027
Total segment assets	$ 1,462,339	$ 233,345	$ 234,988	$ 38,614	$ 1,633,740	$ 137,117	$ 3,740,143
Capital expenditures	$ 86,559	$ 36,159	$ 5,346	$ 208	$ 56,700	$ 47	$ 185,019

* Capital assets of mineral exploration and development properties, property, plant and equipment, and investments in Tenke Fungurume.

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

22. COMMITMENTS AND CONTINGENCIES

a) The Company's wholly-owned subsidiary, Somincor, has entered into the following commitments:

   i. Royalty payments under a fifty year concession agreement to pay the greater of 10% of net income or 0.75% of mine-gate production. Royalty costs for the year ended December 31, 2010 were $24.3 million (2009 - $6.7 million);

   ii. Use of the railways under a railway transport agreement was extended for two more years, renewable automatically for periods of two years at an estimated annual cost of $5 million per year. The next expiry will be November 2012.

b) Royalty payments relating to the Aguablanca mine are 2% of net sales. Royalty costs for the year ended December 31, 2010 were $2.6 million (2009 - $2.5 million).

c) A Swedish bank issued a bank guarantee to the Swedish authorities in the amount of $11.9 million (SEK 80.0 million) relating to the future reclamation costs at the Zinkgruvan mine. The Company has agreed to indemnify the Swedish bank for this guarantee.

d) As disclosed in Note 15, under agreements with Silver Wheaton, the Company has agreed to deliver all future production of silver contained in concentrate produced from the Zinkgruvan and Neves-Corvo mines. The Silver Wheaton agreement with the Zinkgruvan mine includes a guaranteed minimum delivery of 40 million ounces of silver over an initial 25 year term. If, at the end of the initial term, the Company has not met its minimum obligation, it must pay $1.00 to Silver Wheaton for each ounce of silver not delivered. An aggregate total of 11,158,913 ounces has been delivered since the inception of the contract in 2004.

e) A bonus transfer payment of $3.0 million is to be made on the second anniversary of commercial production of the Tenke Fungurume Mine in 2011.

f) The Company provides certain letters of credit and guarantees for $6.6 million worth of contracts entered into by TFM. These letters of credit expire between 2011 and 2012.

g) The Company is a party to certain contracts relating to leases, office rent and capital commitments. Future minimum payments under these agreements as at December 31, 2010 are as follows:

2011	$ 34,682
2012	5,525
2013	428
2014	92
2015 and thereafter	99
Total	$ 40,826

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

23. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

The Company classifies the fair values of its financial instruments according to the following hierarchy based on the amount of observable inputs used to value the investment:

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

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

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

	December 31, 2010		
	Level 1	Level 2	Level 3
Embedded derivatives in trade receivables	$ -	$ 43,936	$ -
AFS securities	27,337	-	-
	$ 27,337	$ 43,936	$ -

	December 31, 2009		
	Level 1	Level 2	Level 3
Embedded derivatives in trade receivables	$ -	$ 23,734	$ -
AFS securities	39,539	-	-
Derivative contracts	-	(40,557)	-
	$ 39,539	$ (16,823)	$ -

The carrying values of financial instruments approximate their fair values.

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

24. MANAGEMENT OF FINANCIAL RISK

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

Concentration of credit risk
The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Company. The Company believes that its maximum exposure to credit risk as at December 31, 2010 is the carrying value of its trade receivables.

Concentrate produced at the Company's Neves-Corvo and Zinkgruvan mines is sold to a small number of strategic customers with whom the Company has established long-term relationships. Limited amounts are occasionally sold to metals traders on an ad hoc basis. Production from the Aguablanca mine is sold to a trading company under a long term contract which expires in July 2013, extendable for additional 24 months. The payment terms vary and provisional payments are normally received within 2-4 weeks of shipment, in accordance with industry practice, with final settlement up to four months following the date of shipment. Sales to metals traders are made on a cash up-front basis. The failure of any of the Company's strategic customers could have a material adverse effect on the Company's financial position. For the year ended December 31, 2010, the Company derives approximately 73% of its revenue from five major customers (2009 – 77%).

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

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

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

	Within 1 year	1 to 5 years
Accounts payable and accrued liabilities	$ 135,283	$ -
Long-term debt and capital lease obligations	2,512	37,152
Outstanding, December 31, 2010	$ 137,795	$ 37,152

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

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

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

As at December 31, 2010, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars but held by group companies that report in Euros, Swedish Krona and Canadian dollars:

		US Dollar
Cash and cash equivalents	$	105,613
Other working capital items	$	193,982

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

The Company may, at its election, use forward or derivative contracts to manage its exposure to changes in commodity prices, the use of which is subject to appropriate approval procedures. As at December 31, 2010, the Company has no outstanding contractual obligations (2009 - 22,577 tonnes of copper outstanding). The Company is also subject to price risk on the final settlement of its trade receivables.

The sensitivity of the Company's financial instruments recorded as at December 31, 2010 before considering the effect of increased metal prices on smelter treatment charges is as follows:

		Provisional price on December 31, 2010 ($US/tonne)	Change		Effect on pre-tax earnings ($ millions)
Copper	$	9,630	+10%	$	20.3
Zinc	$	2,360	+10%	$	4.3
Lead	$	2,476	+10%	$	2.7
Nickel	$	24,743	+10%	$	1.8

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

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

As at December 31, 2010, holding all other variables constant and considering the Company's outstanding debt of $39.7 million, a 1% change in the interest rate would result in an approximate $0.4 million interest expense on an annualized basis.

25. MANAGEMENT OF CAPITAL RISK

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

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

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

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

The net cash (debt) to shareholders' equity as at December 31, 2010 and 2009 is calculated as follows:

	2010	2009
Cash and cash equivalents	**$ 198,909**	$ 141,575
Debt and capital leases - current and long-term	**(39,664)**	(190,888)
Net cash (debt)	**159,245**	(49,313)
Shareholders' equity	**$ 3,168,111**	$ 2,915,242
Net cash (debt) to shareholders' equity	**5.0%**	(1.7%)

26. SUPPLEMENTAL CASH FLOW INFORMATION

	2010	2009
Changes in non-cash working capital items consist of:		
Accounts receivable and other current assets	**$ (76,665)**	$ (34,839)
Accounts payable and other current liabilities	**53,961**	(64,417)
	$ (22,704)	$ (99,256)
Operating activities included the following cash payments		
Interest paid	**$ 5,867**	$ 15,487
Income taxes paid	**$ 56,995**	$ 37,794

27. SUBSEQUENT EVENT

On January 12, 2011, Inmet Mining Corporation ("Inmet") and the Company announced that they have entered into an arrangement agreement (the "Arrangement Agreement") to merge and create Symterra Corporation ("Symterra").

Under the terms of the Arrangement Agreement, each Inmet shareholder will receive 3.4918 shares of Symterra and each Lundin shareholder will receive 0.3333 shares of Symterra for each share held.

Completion of the proposed merger is conditional on approval of Inmet and the Company's shareholders and satisfaction of other customary approvals including regulatory, stock exchanges and court approvals. The required shareholder approval will be two thirds of the votes cast by each of the holders of Inmet and the Company's common shares at shareholder meetings to be held to consider the proposed merger. Shareholder meetings for Inmet and Lundin are expected to be held on or about March 14, 2011.

The Arrangement Agreement includes customary reciprocal deal protections. Each party has agreed not to solicit any alternative transactions. Each company has agreed to pay the other a break fee of C$120 million in certain circumstances. In addition, each company has granted the other a right to match any competing offer.

lundin mining

Annual Information Form

For the Year Ended December 31, 2010

Dated: March 31, 2011

DEFINITIONS

In this Annual Information Form all units are SI metric unless otherwise noted. Abbreviations are as defined below unless the context otherwise indicates:

Ag means silver.

AIF means this Annual Information Form.

Arrangement Agreement means the agreement entered into on January 12, 2011 to amalgamate Lundin Mining with Inmet Mining Corporation, pursuant to a plan of arrangement, to form Symterra Corporation, and under which each Inmet shareholder will receive 3.4918 shares of Symterra and each Lundin Mining shareholder will receive 0.3333 shares of Symterra.

C$ means Canadian dollars.

CIM means the Canadian Institute of Mining, Metallurgy and Petroleum.

CIM Guidelines means the “CIM Standards on Mineral Resources and Reserves - Definitions and Guidelines” adopted on August 20, 2000 and amended December 11, 2005.

Co means cobalt.

Cu means copper.

DRC means Democratic Republic of the Congo.

dollars or **$** means United States dollars.

€ means the Euro.

EuroZinc means EuroZinc Mining Corporation, which was acquired by the Company on October 31, 2006 and subsequently amalgamated with the Company effective November 30, 2006.

FCX or Freeport means Freeport-McMoRan Copper & Gold Inc., a senior copper mining company with headquarters in Phoenix, Arizona, that owns 70% of TF Holdings and 57.75% of TFM.

Galmoy means Galmoy Mines Ltd. (Ireland), a wholly-owned indirect subsidiary of the Company that owns the Galmoy mine.

Gécamines means La Générale des Carrières et des Mines, the GDRC state-owned mining company.

GDRC means the Government of the DRC.

HSEC means Health, Safety, Environment and Community.

IFC means the International Finance Corporation.

Inmet means Inmet Mining Corporation, a publicly traded Canadian mining company.

LOM means Life of Mine.

Lundin Mining or the **Company** means Lundin Mining Corporation, including Lundin Mining and its subsidiaries.

MD&A means Management’s Discussion and Analysis of results of operations and financial condition of the Company for the fiscal year ended December 31, 2010 dated February 23, 2011.

mtpa means million tonnes per annum.

National Instrument 43-101 means National Instrument 43-101 “Standards for Disclosure For Mineral Projects” adopted by the Canadian Securities Administrators.

Ni means nickel.

NSR means Net Smelter Return.

OMX means the NASDAQ OMX Nordic Exchange, Stockholm.

Oz means ounces.

Pb means lead.

PD / Phelps Dodge means Phelps Dodge Corporation.

Qualified Person means a qualified person within the meaning of National Instrument 43-101, being an individual who is an engineer or geoscientist with at least five years of experience in mineral exploration, mine development or operation and/or mineral project assessment, has experience relevant to the subject matter of the disclosure and is a member in good standing of a professional association.

Rio Narcea means Rio Narcea Gold Mines, Ltd. (Canada), a wholly-owned indirect subsidiary of the Company that indirectly owns the Aguablanca mine located in Spain.

SEDAR means the Canadian Securities Administrator's System for Electronic Document Analysis and Retrieval.

SEK means Swedish kronor.

Silverstone means Silverstone Resources Corp.

Silver Wheaton means Silver Wheaton Corp., which acquired Silverstone in May 2009.

Somincor means Sociedade Mineira de Neves-Corvo, S.A. (Portugal), a wholly-owned indirect subsidiary of the Company that owns the Neves-Corvo mine.

Tenke Holdings means Tenke Holdings Ltd. (Bermuda), a wholly-owned subsidiary of the Company that owns 30% of TF Holdings and a 24.75% indirect interest in TFM.

Tenke Mining means Tenke Mining Corp. which was acquired by the Company on July 3, 2007 and subsequently amalgamated with the Company effective July 31, 2007.

TF Holdings means TF Holdings Ltd. (formerly, Lundin Holdings Ltd.), a Bermuda company owned 30% by Tenke Holdings and 70% by FCX that owns 82.5% of TFM.

TFM means Tenke Fungurume Mining Corp. SARL, a Congolese company that owns the Tenke Fungurume mine

Tenke Fungurume mine means the deposits of copper, cobalt and associated minerals under mining concessions granted to TFM in 1996 at Tenke and Fungurume, Katanga Province, DRC.

tpa/d means tonnes per annum/day.

TSX means the Toronto Stock Exchange.

Zinkgruvan means Zinkgruvan Mining AB (Sweden), a wholly-owned indirect subsidiary of the Company that owns the Zinkgruvan mine.

Zn means zinc.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labor disputes or other unanticipated difficulties with or shortages of labor 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; documentation of the outcome of the contract review process and resolution of administrative disputes in the DRC; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Annual Information Form and in each management discussion and analysis. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of copper, lead, nickel and zinc; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

ITEM 1 INTRODUCTION

1.1. Incorporation by Reference and Date of Information

Specifically incorporated by reference and forming a part of this AIF are the Company's material change reports from January 1, 2010 to the date of this AIF, copies of which have been filed with the Canadian Securities Administrators in each province of Canada and can be found on the SEDAR website at www.sedar.com under the Company's profile.

All information in this AIF is as of December 31, 2010 unless otherwise indicated.

1.2. Currency

The Company reports its financial results and prepares its financial statements in United States dollars. All currency amounts in this AIF are expressed in United States dollars, unless otherwise indicated. The United States dollar exchange rates for the Company's principal operating currencies and for the Canadian dollar are as follows:

As at December 31	2010	2009	2008
Canadian dollar (C$)	0.9946	1.0525	1.2240
EURO (€)	0.7484	0.6974	0.7184
Swedish krona (SEK)	6.7910	7.2125	7.8770

1.3. Accounting Policies and Financial Information

Financial information is presented in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). Unless otherwise indicated, financial information contained in this AIF is presented in accordance with Canadian GAAP.

This AIF refers to various non-GAAP measures, such as "operating earnings" and "cash cost per pound", which are used by the Company to manage and evaluate operating performance at each of Lundin Mining's mines and are widely reported in the mining industry as benchmarks for performance, but do not have standardized meaning. To facilitate a better understanding of these measures as calculated by the Company, please refer to the MD&A, where detailed descriptions and reconciliations, where applicable, have been provided.

1.4. Conversion Table

In this Annual Information Form, metric units are used with respect to Lundin Mining's various mineral properties and operations. Conversion rates from imperial measures to metric units and from metric units to imperial measures are provided in the table set out below.

Imperial Measure	=	Metric Unit	Metric Unit	=	Imperial Measure
2.47 acres		1 hectare	0.4047 hectares		1 acre
3.28 feet		1 metre	0.3048 metres		1 foot
0.62 miles		1 kilometre	1.609 kilometres		1 mile
2.2 pounds		1 kilogram	0.454 kilograms		1 pound
0.032 ounces (troy)		1 gram	31.1 grams		1 ounce (troy)

1.5. Classification of Mineral Reserves and Resources

In this AIF, the definitions of proven and probable mineral reserves and measured, indicated and inferred resources are those used by Canadian provincial securities regulatory authorities and conform to the definitions utilized by the CIM in the CIM Guidelines. Where resources are stated alongside mineral reserves, those resources are inclusive of, not in addition to, the stated reserves.

ITEM 2 CORPORATE STRUCTURE

2.1. Incorporation and Registered Office

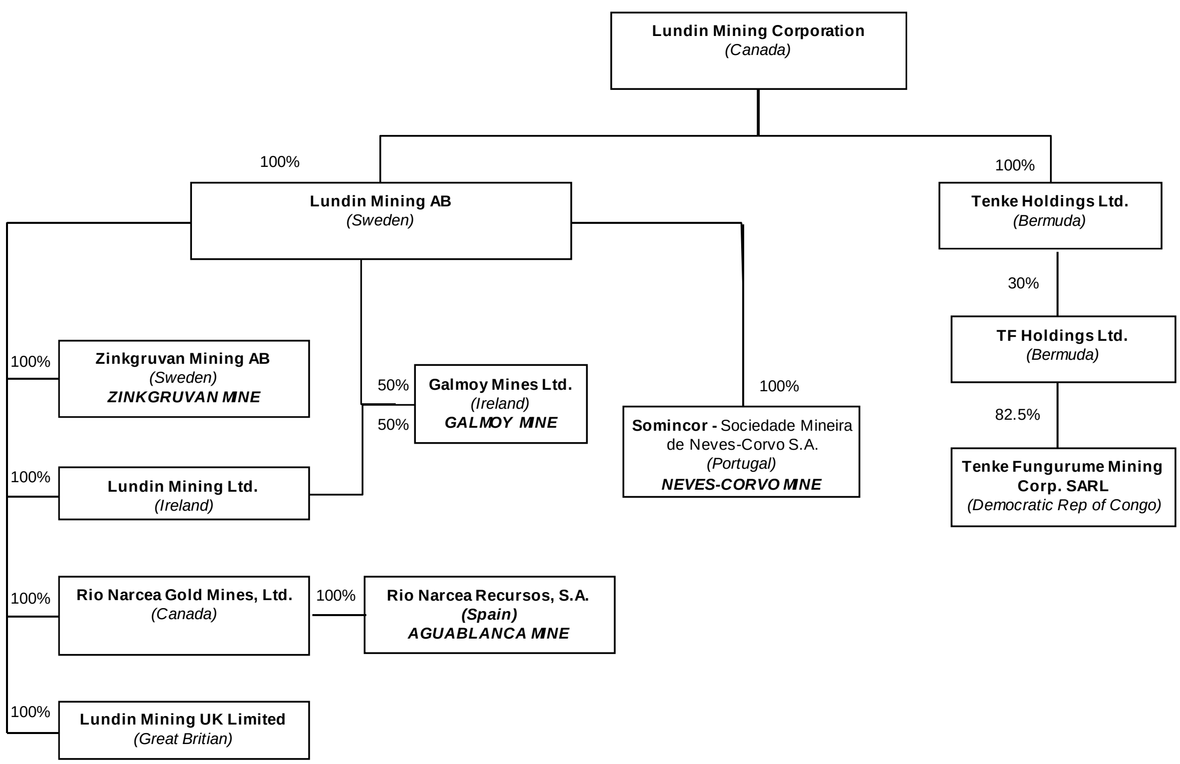
Lundin Mining was incorporated by Articles of Incorporation on September 9, 1994, under the Canada Business Corporations Act as South Atlantic Diamonds Corp. and subsequently changed its name to South Atlantic Resources Ltd. on July 30, 1996, and to South Atlantic Ventures Ltd. on March 25, 2002. The Company changed its name to Lundin Mining Corporation on August 12, 2004.

The Company amalgamated with EuroZinc effective November 30, 2006 and with Tenke Mining effective July 31, 2007.

As at December 31, 2010, the Company's registered and records office was located at 150 King Street West, Suite 1500, Toronto ON M5H 1J9; telephone: +1 416 342 5560.

2.2. Inter-Corporate Relationships

A significant portion of the Company's business is carried on through its various subsidiaries. The following chart illustrates, as at December 31, 2010, the Company's significant subsidiaries, including their respective jurisdiction of incorporation and the percentage of voting securities in each that are held by the Company either directly or indirectly:



ITEM 3 BUSINESS OF THE ISSUER

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

3.1. Three Year History

2008

a) In February, the Company received notice that the Ministry of Mines, GDRC, was commencing discussions regarding TFM's mining contract and the relationship with Gécamines, the DRC state-owned mining company, which holds a 17.5% carried interest in TFM. FCX, who is the operator in accordance with the project's agreements and who holds a 57.75% interest in the project, leads discussions on behalf of TFM.

b) In April, FCX advised the Company of a capital cost increase on the Tenke Fungurume mine to approximately $1.75 billion from the previous estimates of $900 million. The increase included: provision for expanded housing and support facilities for the project work force; enhancements to national roads and bridges; extended social and training initiatives as well as substantial industry-wide escalation in construction costs and the incremental costs to develop the project in Central Africa, where infrastructure and logistics are challenging. The Company contributed $264.1 million to the project during 2008. As of December 2008, on behalf of the Company, Freeport began sole funding the balance of costs to complete construction of Phase I production facilities as part of a budget overrun protection commitment in the underlying FCX/Lundin Mining shareholder's agreement.

c) In May, the Company announced the expansion of the copper plant at the Neves-Corvo mine through the construction of an additional circuit within the existing copper plant to recover copper and zinc that had been previously lost to tailings with a budgeted cost of €9.4 million ($13.2 million). The project was completed on budget in the second half of 2009.

d) In November, following a decline in metal prices, the Company announced that the Aljustrel mine would be placed back on care and maintenance and zinc production from Neves-Corvo would be suspended until zinc prices recover. In December, the Company entered into an agreement for the sale of Pirites Alentejanas, S.A. (Portugal), a wholly-owned indirect subsidiary of the Company that owned the Aljustrel mine, to MTO SGPS, SA. The sale was completed on February 5, 2009.

e) On November 21, the Company announced that it had entered into an arrangement agreement with HudBay Minerals Inc. ("HudBay") to complete a business combination through a plan of arrangement under the Canada Business Corporations Act. The arrangement agreement with HudBay provided for each Lundin Mining common share to be exchanged for 0.3919 of a HudBay common share. In connection with the transaction, Lundin Mining and HudBay entered into a loan agreement providing for a loan to the Company by HudBay of C$135.8 million on a subordinated basis and a share purchase agreement under which HudBay would acquire approximately 97.0 million common shares of Lundin Mining at a price of C$1.40 per share in a private placement, the proceeds of which would be used to repay the loan. The loan agreement was not completed and no funds were advanced under the loan agreement.

f) In December, the Company announced the completion of the private placement transaction with HudBay that was announced in November in connection with the business combination. HudBay subscribed for 96,997,492 common shares of the Company, representing approximately 19.9% of the Company's outstanding common shares after issuance, at a price of C$1.40 per share, for aggregate gross proceeds of approximately C$135.8 million ($111.4 million).

2009

a) In January, the Company announced that the Galmoy zinc/lead/silver mine in Ireland would permanently cease production in May 2009.

b) On February 23, the Company entered into an agreement with HudBay to terminate the arrangement agreement dated November 21, 2008 that provided for, among other things, a mutual release in respect of any and all rights in connection with or arising from the arrangement agreement.

c) In March, the Company announced the intention to voluntarily delist its common shares from the NYSE and at a future date, when permitted under SEC rules, to terminate its registration of its common shares with the SEC. The delisting of the Company's common shares from the NYSE did not affect the listing of the Company's common shares on the TSX or the Swedish Depository Receipts on the OMX.

d) In March, the first copper cathode was produced by the Tenke Fungurume mine in the DRC. Initial high-grade oxide ore facilities at the Tenke Fungurume mine have been designed to produce approximately 115,000 metric tonnes of copper cathode and 8,000 tonnes of cobalt per annum.

e) During April, the Company entered into multiple option collar arrangements to protect against near-term decreases in the price of copper. The contracts established a weighted average floor price of $1.87 per pound and a weighted average maximum price cap of $2.39 per pound. The contracts, due over 12 months ended April 2010, were for approximately 40,000 tonnes of copper. No cash premiums were paid or received under the net zero cost structures. Monthly cash settlements were made where necessary for the contracts. Subsequently, the Company extended the copper price protection for a further three months by entering into additional collars for the months of May, June and July 2010. The contracts, for 3,000 tonnes of copper per month, established a weighted average floor price of $1.89 per pound and a weighted average price cap of $2.89 per pound.

f) On April 27, the Company closed a bought-deal public offering for total gross proceeds of C$188.6 million ($155.8 million). The Company issued 92 million common shares of the Company at a price of C$2.05 per share.

g) On May 11, the Company entered into an agreement with HudBay consenting to the sale by HudBay of all of its shares in the Company. Pursuant to the agreement, the Company and HudBay have terminated all continuing rights and obligations under the termination agreement dated February 23, 2009 and agreed to a mutual release in respect of any and all claims connected with or arising from the subscription agreement.

h) On July 6, the Company completed the restructuring of its credit facility. The revised terms incorporated in the Third Amending Agreement provide for a three-year, fully-revolving credit facility of $225 million.

i) On September 18, the Company completed the sale of its 49% interest in the Ozernoe zinc project in Russia for gross proceeds of $35 million. Proceeds of $3.5 million were received upon closing, with the balance of $31.5 million payable over 10 months. This sale terminates all of the Company’s rights and obligations related to the project.

2010

a) On February 11, the Company announced an agreement with Astur Gold Corp. (formerly Dagilev Capital Corp.) for the sale of the Salave gold project in northern Spain. The sale was completed in April 2010.

b) On February 16, underground mining employees at Neves-Corvo commenced a program of two hour strikes at the beginning of each shift accounting for approximately 40% – 45% of effective production time, once transit times and meal breaks are taken into account. This action terminated on April 1, 2010 but the issue remained unresolved despite a full return to work. Lundin Mining received notice of possible further job action during April, but this was averted by agreement, reached on May 14, 2010, to end industrial action at Neves-Corvo based on a new productivity arrangement.

c) The Zinkgruvan copper plant was commissioned in the third quarter of 2010, and is expected to reach design production of 7,000 tpa of copper in 2013. The capital cost of the copper project was approximately $40 million.

d) On September 1, Lundin Mining's revolving credit facility agreement was amended, increasing the facility to $300 million from $225 million, and extending the term to September 2013. The amended facility provides additional flexibility for future growth projects and reduced carrying costs.

e) In October, the government of the DRC announced the conclusion of the review of Tenke Fungurume Mining S.a.r.l.'s mining contracts. The conclusion of the review process confirmed that TFM's existing mining contracts are in good standing and acknowledged the rights and benefits granted under those contracts. TFM's key fiscal terms, including a 30 percent income tax rate, a 2% mining royalty rate and a 1% export fee, will continue to apply and are consistent with the rates in the DRC's current Mining Code. In connection with the review, TFM made several commitments, which have been reflected in amendments to its mining contracts, including: an increase in the ownership interest of Gécamines, which is wholly owned by the government of the DRC, from 17.5% (non-dilutable) to 20.0% (non-dilutable), resulting in a decrease of Freeport effective ownership interest from 57.75% to 56% and Lundin Mining's effective ownership interest from 24.75% to 24%; an additional royalty of $1.2 million for each 100,000 tonnes of proven and probable copper reserves above 2.5 million tonnes at the time new reserves are established by FCX; additional payments totaling $30 million to be paid in six equal installments of $5 million upon reaching certain production milestones; conversion of $50 million in intercompany loans to equity; a payment of approximately $5 million for surface area fees and ongoing surface area fees of approximately $0.8 million annually; incorporating clarifying language stating that TFM's rights and obligations are governed by the Amended and Restated Mining Convention ("ARMC"); and expanding Gécamines' participation in TFM management.

   TFM has also reiterated its commitment to the use of local services and Congolese employment. In connection with the modifications, the annual interest rate on advances from TFM shareholders increases from a rate of LIBOR plus 2% to LIBOR plus 6%. In December 2010, the addenda to TFM's ARMC and Amended and Restated Shareholders' Agreement were signed by all parties and are pending a Presidential Decree. TFM's existing mining contracts will be in effect until the Presidential Decree is obtained approving the signed amendments. In addition, the change in Lundin Mining's effective ownership interest in TFM and the conversion of intercompany loans to equity will be effected after obtaining approval of the modifications to TFM's bylaws. In December 2010, TFM made payments totaling $26.5 million, which have been recorded as prepaid contract costs at December 31, 2010.

f) During October, Lundin Mining announced that surface exploration drilling focusing on a prospective area close to the Neves-Corvo mine discovered a new high-grade, copper-rich massive sulphide deposit, "Semblana", one kilometre to the northeast of the Zambujal copper-zinc orebody.

Exploration drilling outlined an area of at least 600 metres by 250 metres of massive sulphide + stockwork mineralization in 7 drill holes. This new deposit remains open in almost all directions and appears to be almost flat-lying. An 80,000 metre surface drilling program is planned for 2011.

g) During October, Lundin Mining announced that Mr. Phil Wright the President and CEO would retire during the first half of 2011 and the Board of Directors appointed a committee to address the timing and manner of succession to ensure an orderly and effective transition.

h) Mining operations at Aguablanca were suspended following a major slope failure on the main access ramp caused by heavy rainfall in the second week of December 2010. The mine has approximately five years of reserves remaining and it is expected that production will resume in 2012.

2011

a) On January 12, Inmet and Lundin Mining announced that they entered into an Arrangement Agreement to merge and create Symterra Corporation ("Symterra").

b) On February 28, Equinox Minerals Limited ("Equinox") announced an offer to acquire Lundin Mining for approximately C$4.8 billion in cash and shares of Equinox.

   The offer provides for each Lundin Mining shareholder to be able to elect to receive consideration for each Lundin Mining common share of either C$8.10 in cash or 1.2903 shares of Equinox plus C$0.01, subject to a pro-ration based on a maximum cash consideration of approximately C$2.4 billion and maximum number of shares of Equinox issued of approximately 380 million.

   On March 20, the Board of Directors of Lundin Mining unanimously recommended that Lundin Mining shareholders reject Equinox's unsolicited offer to acquire all the outstanding common shares of Lundin Mining.

c) On March 29, 2011, the Arrangement Agreement entered into by Inmet and Lundin Mining was terminated by mutual agreement. Inmet's right to a break fee of $120 million if Lundin completes a business mining combination with Equinox within 6 months of February 28, 2011 was preserved in the agreement to terminate.

ITEM 4 NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 Principal Products and Operations

Lundin Mining's principal products and sources of sales are copper, zinc, lead and nickel concentrates from Neves-Corvo, Zinkgruvan and Aguablanca. Lundin Mining also holds a 24.75% interest in TFM. Information related to Lundin Mining's segmented information is set forth in Note 21 to the consolidated annual financial statements for the year ended December 31, 2010. The MD&A discusses each operation that is separately defined as a segment.

Production from operations was as follows:

	2010	2009	2008[1]
Copper (tonnes)	**80,035**	93,451	97,944
Zinc (tonnes)[2]	**90,129**	101,401	151,157
Lead (tonnes)[2]	**39,568**	43,852	44,799
Nickel (tonnes)	**6,296**	8,029	8,136
Copper (tonnes) Tenke attributable (24.75%)	**29,767**	17,325	-

[1] Excluding Aljustrel production: 2008 – 16,687 tonnes zinc and 204 tonnes copper.
[2] Includes production from Galmoy mine which ceased operational mining in mid-2009 but continues to mine and sell remnant high-grade ore.

4.2 Employees

At the end of 2010, Lundin Mining has a total of approximately 1,500 employees and 1,200 contract employees located in Canada, UK, Portugal, Sweden, Spain and Ireland.

4.3 Health, Safety, Environment and Community

Lundin Mining's policy is to conduct its business responsibly and in a manner designed to protect our employees, adjacent communities and the natural environment. The Company is committed to achieving a safe, productive and healthy work environment and to upholding the values of human rights. Lundin Mining seeks to create sustainable value for employees, business partners and the communities in which we work. These commitments are described in the Company's HSEC Policy.

The HSEC Policy, approved by the Board of Directors, commits to compliance with legal requirements as a minimum and to go beyond those requirements where deemed appropriate.

HSEC planning is part of the Company's business planning processes to assess the potential safety, health and environmental effects of our activities and integrate these considerations into our operational decisions and processes.

The Company is committed to design, develop and operate its facilities with a view to minimizing the environmental impact of its operations; providing efficient use of energy, water and other resources; reducing or preventing pollution, limiting waste generation and disposal; and where waste must be disposed of, doing so responsibly.

The Company has in place closure plans for all its operations and these are reviewed and updated in accordance with relevant national legislation. Each mine has in place an agreed financial mechanism to meet anticipated closure costs. Wherever practicable, the operations progressively rehabilitate areas no longer required for ongoing operations using environmentally sound methods.

Lundin Mining has a company-wide Health, Safety, Environment and Community Management System ("HSEC System") that formalizes the Company's implementation of the HSEC Policy supporting consistency across sites owned or operated by the Company, and clearly setting out expectations for HSEC management for joint ventures. The management system describes how the Company's operations and projects will comply with the Company's corporate values and the commitments.

The HSEC System exists to:

- Ensure that sound management practices and processes are in place in sites across the Company resulting in strong HSEC performance.

- Describe and formalize the expectations of the Company with respect to HSEC management.
- Provide a systematic approach to the identification of HSEC issues and ensure that a system of risk identification and risk management is in place.
- Provide a framework for HSEC responsibility and a systematic approach for the attainment of corporate HSEC objectives.
- Provide a structure to drive continuing improvement of HSEC programs and performance.

In applying the HSEC System, the Company engages its employees, contractors, the community, regulators and other interested parties to ensure that stakeholder concerns are considered in managing aspects of our business that have the potential to impact health, safety, the environment and communities.

The Company strives for continuous improvement in its HSEC performance through the development of objectives and targets. To achieve this, operations advise and train employees and contractors as necessary to meet HSEC undertakings and the operations establish clear accountabilities for employees, and especially managers, with respect to their HSEC performance.

To ensure that the Company meets its objectives and targets, management monitors and reviews performance and publically reports progress.

4.4 Description of Properties

The following descriptions of Lundin Mining's material properties, being Neves-Corvo, Zinkgruvan, Aguablanca and Tenke Fungurume, are based on filed technical reports, the 2010 Resource and Reserve Estimate Update and on the Company's previously filed material change reports, financial statements and MD&A. Unless noted otherwise, all of the technical reports referenced in this AIF have been filed on SEDAR under the Company's profile. For more detailed information in respect of Lundin Mining's properties, direct reference should be made to these technical reports.

4.4.1 OPERATING MINES

4.4.1.1 NEVES-CORVO MINE

4.4.1.1.1 Project Description and Location

The Neves-Corvo mine, operated by the local Portuguese company Somincor, is situated approximately 220 km southeast of Lisbon in the Alentejo district of southern Portugal. The mine site lies some 15 km southeast of the town of Castro Verde and exploits five major orebodies from an underground mine. The ore is processed on-site and tailings are disposed of in the Cerro de Lobo impoundment some 3 km from the plant. Concentrates are dispatched by rail and road for onward shipping to customers.

The mining operations are contained within a mining concession contract between the State and Somincor covering 13.5 km^2, located in the parishes of Santa Bárbara de Padrões and Senhora da Graça de Padrões, counties of Castro Verde and Almodôvar, district of Beja. The concession provides the rights to exploit the Neves-Corvo deposits for copper, zinc, lead, silver, gold, tin and cobalt for an initial period of fifty years (from November 24, 1994) with two further extensions of twenty years each.

This mining concession is in turn surrounded by an exploration concession, signed in 2006, covering an area of 549 km^2. Somincor also holds one further neighbouring exploration concession with an area of approximately 808 km^2.

The mine is operated under an Integrated Pollution Prevention and Control Licence (IPPC) granted by the Portuguese Environmental Agency in 2008.

4.4.1.1.2 Accessibility, Climate, Local Resource, Infrastructure and Physiography

Neves-Corvo has good connections to the national road network which links with Faro to the south and Lisbon to the north. The mine has a dedicated rail link into the Portuguese rail network and on to the port of Setúbal.

There are no major centres of population close to the mine, although a number of small villages with populations numbered in the hundreds do lie within the mining concession. Most employees travel to the mine by company-provided buses or private cars.

The climate of the region is semi-arid with an average July temperature of 23°C (maximum 40°C) and an average minimum temperature in winter of 3.8°C. Rainfall averages 426 mm, falling mainly in the winter months.

The topography around the mine is relatively subdued, comprising low hills with minimal rock outcrop. The mine collar is 210 m above sea level. The area supports low intensity agriculture confined to stock rearing and the production of cork and olives.

Fresh water is supplied to the mine via a 400 mm diameter pipeline from the Santa Clara reservoir, approximately 40 km west of the mine. The mine is connected to the national grid by a single 150 kV, 50 MVA rated, overhead power line 22.5 km long.

The mining concession provides sufficient surface rights to accommodate the existing mine infrastructure and allow for expansion if required.

4.4.1.1.3 History

The Neves-Corvo orebodies were discovered in 1977. The Portuguese company Somincor was established to exploit the deposit and by 1983, the Corvo, Graça, Neves and Zambujal sulphide deposits had been partially outlined, covering an area of some 1.5 km x 2 km. The Rio Tinto Group ("Rio Tinto") became involved in the project in 1985, effectively forming a 49%:51% joint venture with the Portuguese government (EDM). The project was reappraised with eventual first production commencing from the Upper Corvo and Graça orebodies in January 1989.

During the development of the mine, high-grade tin ores were discovered, associated with the copper mineralization, which led to the rapid construction of a tin plant that was commissioned in 1990.

The railway link through to Setúbal was constructed between 1990-1992 to allow shipment of concentrates and the back-haul of sand for backfill. This was followed between 1992-1994 by a major mine deepening exercise to access the Lower Corvo orebody through the installation of an inclined conveyor ramp linking the 700 and 550 levels.

In June 2004, EuroZinc acquired a 100% interest in Somincor for consideration of €128 million. In October 2006, EuroZinc merged with Lundin Mining and the Lundin Mining name was retained.

In 2006, zinc production was commenced at Neves-Corvo with processing through the modified tin plant. In June 2007, Silver Wheaton (formerly Silverstone) agreed to acquire 100% of the life-of-mine payable silver production from the mine, as the mine produces around 0.5 million ounces per year in copper concentrate. Zinc production was suspended in November 2008 due to the low prevailing zinc price. In September 2009, the decision was made to expand the zinc plant at an estimated cost of €43 million, to a design capacity of 50,000 tpa zinc in concentrate with first production expected in the second half of 2011.

In mid-2009, a copper tailings retreatment circuit was commissioned to recover both copper and zinc, and in late 2010, tailings disposal changed from subaqueous to paste methods at the Cerro do Lobo facility.

In October 2010, surface exploration drilling focusing on a prospective area close to the Neves-Corvo mine discovered a new high-grade, copper-rich massive sulphide deposit, "Semblana", one kilometer to the northeast of the Zambujal copper-zinc orebody.

4.4.1.1.4 Geological Setting

Neves-Corvo is located in the western part of the Iberian Pyrite Belt which stretches through southern Spain into Portugal and which has historically hosted numerous major stratiform volcano-sedimentary massive sulphide deposits.

The Neves-Corvo deposits occur within the Volcanic Sedimentary Complex which consists of acid volcanics separated by shale units, with a discontinuous black shale horizon immediately below the lenses. Above the mineralization, there is a thrust-faulted repetition of volcano-sedimentary and flysch units. The whole assemblage has been folded into a gentle anticline oriented NW-SE which plunges to the southeast, resulting in orebodies distributed on both limbs of the fold. All the deposits have been affected by both sub-vertical and low angle thrust faults, causing repetition in some areas

4.4.1.1.5 Exploration

Exploration work within the mining concession has concentrated primarily on the extension of known orebodies by both underground and surface drilling. Some of the Neves-Corvo orebodies remain open. Drilling from both surface and underground in the last few years has identified significant new zinc and copper mineralization within the Lombador massive sulphide lens and associated stockworks, as well as important bridge fissural copper mineralization between the Lower Corvo, Neves and Lombador orebodies.

In 2010, a new massive sulphide deposit, containing a zone of copper-rich sulphide mineralization, was discovered by surface drilling. The new deposit, named Semblana, lies 1.3 km northeast of the Zambujal orebody and is located in the exploration concession that surrounds the mine.

4.4.1.1.6 Mineralization

Six massive sulphide lenses have been defined at Neves-Corvo comprising Neves (divided into North and South), Corvo, Graça, Zambujal, Lombador (divided North, South and East), and Semblana. The base metal grades are segregated by the strong metal zoning into copper, tin and zinc zones, as well as barren massive pyrite. The massive sulphide deposits are typically underlain by stockwork sulphide zones which form an important part of the copper orebodies.

4.4.1.1.7 Drilling

Surface and underground exploration drilling is an ongoing operation at the mine with the work undertaken by both contractors and in-house drill rigs. Typically, underground fan drilling will produce intersections on either 17.5 or 35 m spacing, with surface drilling on a spacing of 75 to 100 m. As a standard procedure, drill holes, which are all NQ size, are surveyed with an Eastman Single Shot or Reflex EZ-Shot tool at 30 m intervals, which provides an accurate location of the drill intersections.

In 2010, 58,248 m of drilling was completed from surface with 52 holes completed and 17,781 m was drilled from underground.

4.4.1.1.8 Sampling and Analysis

Industry standard exploration drill core splitting, sampling and density measurement protocols and procedures are in place at Neves-Corvo. In addition to drill core sampling, underground grade control sampling is carried out using face sampling in the drift-and-fill mined areas and short diamond drill holes in the bench-and-fill areas. Samples are prepared on-site and analyzed at the mine's fully accredited assay laboratory facility.

4.4.1.1.9 Security of Samples

Data and sample security procedures that conform to industry standards are in place at Neves-Corvo. All drill cores are logged and photographed, and the cores and sampling splits are stored on-site. Traceability records prevent errors of identification and ensure sample history can be followed.

4.4.1.1.10 Mineral Resource and Reserve Estimates

Mineral resources at Neves-Corvo are estimated using three dimensional interpretation and modelling methods with specialized software (Leapfrog® Vulcan® 3D). The Ordinary Kriging method of interpolation is used to estimate metal grades and a multiple regression formula using the estimated metal grades is used to estimate density.

Mineral reserves are calculated by the Neves-Corvo mine planning department primarily using Vulcan® 3D software. Stoping volumes are determined according to access, cut-off grade, planned and unplanned dilution and ore loss. An effective minimum mining width of 5 m is applied.

Details of the June 2010 mineral resource and reserve estimates for Neves-Corvo are included in Schedule A, attached to this AIF.

4.4.1.1.11 Mining Operations

Neves-Corvo is a major underground mine. The mine access is provided by one vertical 5 m diameter shaft, hoisting ore from the 700 m level (mine datum is 1,000 m below sea level), and a ramp from surface. A conveyor decline descends from the 700 m level to the 550 m level and provides ore hoisting from the deeper levels of the mine. The mine is highly mechanized and a number of different stoping methods are employed but the most prominent are bench-and-fill and drift-and-fill. Backfill is provided by hydraulically placed sand, paste tailings and internally generated waste rock.

Two processing plants are established at Neves-Corvo. The copper plant treats copper ores and has a maximum capacity of approximately 2.4 mtpa and the zinc plant (former tin plant) which treats zinc. The zinc plant is being expanded to 1.0 mtpa capacity with commissioning due in mid-2011. Both processing plants comprise secondary crushing, rod and ball mill grinding circuits, flotation cells and concentrate thickening and dewatering. In mid-2009, modifications to the copper plant were completed to regrind and recover additional copper and zinc concentrate from the copper tailings stream.

Concentrates are transported by road to a Spanish smelter or by rail to a dedicated port facility at Setúbal from where they are shipped to smelter customers.

Tailings disposal was changed from subaqueous to paste techniques during 2010 following approval by the Portuguese authorities. Tailings are thickened and pumped from a new facility located at the Cerro de Lobo tailings impoundment, 3 km from the mine site.

Copper and zinc concentrates from the mine are sold to a variety of smelter customers that are primarily European based. Multi-year sales contracts are normally agreed with customers and treatment, refining and penalty charges are typical of those for copper and zinc sulphide concentrates.

The mine operates under an IPPC licence (No. 18/2008) granted by the Portuguese Environmental Agency in 2008. The licence includes conditions covering Environmental Management Systems, tailings and waste rock disposal, water and energy consumption, emissions to atmosphere, emissions to water courses and water treatment, noise, industrial waste disposal, emergency and closure planning. Key environmental issues include the acid-generating potential of the ore and waste rocks; the close proximity of the Oeiras river to the mine site; the groundwater is a significant aquifer and connects to local water supplies and the Oeiras river; and the dispersal of dust and noise from the mine site. The mine permit requires that closure plans for the mine are updated every 5 years, and an accumulating closure fund is in place to cover final closure costs.

The corporation tax rate in Portugal is 27.5%, and a local tax of 1.5% is also payable. Royalties are either a profit-related royalty of 10%, or a revenue-based royalty of 1% (at the State's discretion). The payment may be reduced by 0.25% of the revenue-based royalty provided that the corresponding amount of such percentage is spent on mining development investment.

The current copper reserves at Neves-Corvo will support a mine life of around 10 years with copper production, based on currently known reserves, gradually decreasing, and planned zinc production increasing. Exploration efforts will continue to be focused on discovering new high-grade copper resources. A feasibility study on further increases in zinc production based on a small upper section of Lombador South, is now expected to be completed in Q2 2011 and commissioning of the expanded zinc plant to cater for production from Lombador is targeted for mid-2013. Initial feed for this expanded plant is expected to come from existing Neves-Corvo orebodies until full development of Lombador is achieved in 2014. The Lombador access ramp is being accelerated to reach a depth of 900 m below surface by Q2 2012 in order to facilitate further exploration The mine is able to fund all currently planned capital programmes through cash flow.

4.4.1.1.12 Exploration and Development

Surface drilling will principally target the newly discovered Semblana orebody while the underground drilling will focus on upgrading the Lombador North and South, Neves North and South, Zambujal and Corvo orebodies. A high resolution 3D seismic survey covering the entire near-mine area is also planned in an attempt to detect further massive sulphide lenses.

Exploration drilling will also be conducted in the surrounding exploration license areas through the follow-up of geophysical anomalies.

Further information on the Neves-Corvo mine can be obtained by referencing the following technical reports filed on SEDAR:

1. Reserves and Resource Update, Neves-Corvo, Portugal dated May 2008 and prepared by Neil Burns.
2. Technical Report on the Neves-Corvo Mine, Southern Portugal dated October 2007 and prepared by Mark Owen and Owen Mihalop of Wardell Armstrong International Ltd.

4.4.1.2 ZINKGRUVAN MINE

4.4.1.2.1 Project Description and Location

The Zinkgruvan mine is located approximately 200 km west of Stockholm in south-central Sweden. The mine site is some 15 km from the town of Askersund and comprises a deep underground mine, a processing plant and associated infrastructure and tailings disposal facilities. Concentrates are trucked from the mine to the inland port of Otterbäcken on Lake Vänern from where they are shipped via canal and sea to European smelter customers.

The mining operations are contained within two exploitation concessions covering the deposit and its immediate area. The "Zinkgruvan Concession" was amalgamated from a large number of smaller rights in 2000, has an area of 254 ha and is valid until 2025. The neighboring "Klara Concession" was granted in 2002, has an area of 355 ha and is valid until 2027. These concessions are automatically extendable for periods of 10 years provided the concession is being regularly exploited. In addition, the mine currently holds exploration concessions in the area totaling 10,096 ha. For exploitation concessions granted before 2005, there are no mining royalties in Sweden.

The mine is currently operated under an Environmental Licence granted by the Swedish authorities that is valid until December 2017.

4.4.1.2.2 Accessibility, Climate, Local Resource, Infrastructure and Physiography

Zinkgruvan has good local road access and is close to the main E18 highway linking Stockholm and Oslo. Rail and air links are available at the town of Örebro some 35 km distant. Lake Vänern, the largest lake in Sweden, is some 50 km distant and provides access to coastal shipping via a series of inland canals and the port of Göteborg.

The climate of the area is mild in the summer with average temperatures of 18°C, while in the winter temperatures are below freezing with a lowest average of -4°C in February. Annual rainfall is approximately 750 mm with modest snowfalls during the winter months.

The topography around the mine comprises gently rolling terrain approximately 175 m above sea level. The area is largely forested and is bisected by slow-moving streams in shallow valleys.

There is ready access to power, telephone lines and domestic water and industrial water sources. The mine owns sufficient freehold surface land to accommodate the existing and planned mine infrastructure.

4.4.1.2.3 History

The Zinkgruvan deposit has been known since the sixteenth century but it was not until 1857 that large scale production commenced under the ownership of the Belgian Vieille Montagne company. The processing plant for these operations was initially based in Åmmeberg on the shores of Lake Vättern with ore transported approximately 5 km from the mine site by narrow gauge railway.

In the mid-1970s, a decision was made to significantly expand production to 600,000 tpa. A new shaft, P2, was sunk to access deeper ore and a new concentrator and tailings facility established adjacent to the mine site.

In 1990, Vieille Montagne merged with Union Miniere, and in 1995, North Limited of Australia acquired Union Miniere. In August 2000, Rio Tinto became the owner of the mine following its acquisition of North. In June 2004, Lundin Mining purchased the mine from Rio Tinto.

In December 2004, Silver Wheaton agreed to purchase the LOM silver production from the Zinkgruvan mine. In October 2007, the Zinkgruvan Expansion Programme was announced, a project to increase ore production by 300,000 tpa through the addition of copper to the current zinc-lead production.

In late 2010, the copper plant was commissioned and is expected to reach design production of 7,000 tpa of copper in 2013. In November 2010, an access ramp from the surface to the underground workings was completed, allowing a significant increase in the mine's operational flexibility.

4.4.1.2.4 Geological Setting

Zinkgruvan is located in the south-west corner of the Proterozoic aged Bergslagen greenstone belt. The district is composed of a series of small, elongated basins with felsic metavolcanics overlain by metasediments. The basins are surrounded by mainly granitoid intrusions of which the oldest are the same age as the metavolanics.

The Zinkgruvan deposit is situated in an east-west striking synclinal structure. The tabular-shaped Zn-Pb-Ag orebodies occur in a 5 to 25 m thick stratiform zone in the upper part of the metavolcanic-sedimentary group. The orebody is 5 km long and is proven to a depth of 1,500 m below surface. A major sub-vertical fault splits the ore deposit in two parts, the Knalla mine to the west and the Nygruvan to the east.

4.4.1.2.5 Exploration

Exploration has focused primarily on replacing depleted resources initially by exploring the Nygruvan area at depth and more recently in the Knalla area to the west. Due to the depth of the exploration areas and relatively complex geometry, future exploration will be done by underground drilling. Additional underground development is required in order to provide drill platforms to fully evaluate the potential of new zones intersected from surface drilling.

4.4.1.2.6 Mineralization

The Zinkgruvan orebodies are dominated by sphalerite and galena and are generally massive, well banded and stratiform. Remobilization of galena and silver has occurred in response to metamorphism and deformation, and is most pronounced in the lead-rich western extension of Nygruvan and in the Burkland area.

Copper stockwork mineralization has been identified in the structural hanging wall of the Burkland deposit. Chalcopyrite is the main copper mineral and occurs as coarse disseminations and patches within a marble host rock.

4.4.1.2.7 Drilling

Underground exploration, comprising resource and stope definition drilling, is carried out on an ongoing basis. Stope definition holes are drilled from underground with intersections typically on 15 by 20 m centres. All drill holes are surveyed at 3 m intervals using Maxibore surveying equipment which provides an accurate location of the drill intersections. In 2010, 15,998 m of drilling was completed from underground.

4.4.1.2.8 Sampling and Analysis

Industry standard exploration drill core splitting, sampling and density measurement protocols and procedures are in place. Samples are prepared on-site and sent to ACME's laboratory in Vancouver, Canada for assay.

4.4.1.2.9 Security of Samples

Data and sample security procedures that conform with industry standards are in place at Zinkgruvan. All drill core is logged and photographed, and the cores and sampling splits are stored on-site in a new purpose built facility at the mine site. Traceability records prevent errors of identification and ensure sample history can be followed.

4.4.1.2.10 Mineral Resource and Reserve Estimates

Mineral resources at Zinkgruvan are estimated using two methods: the polygonal method and 3D block modelling. The polygonal method is generally used at the early stages of resource assessment and is carried out on parts of Nygruvan, Cecilia, Mellanby, Borta Bakom and Sävsjön. The remaining areas of Nygruvan and all of Burkland are estimated using block modelling with Microstation® AutoCad and Prorok® software. Ordinary Kriging is used for grade estimation and density estimation uses a regression formula based on estimated metal grades.

Mineral reserves are calculated from the resources using Prorok and Microstation® software. A zinc equivalent cut-off is applied together with dilution and mining recovery factors that are based on the mine's long operating experience.

Details of the June 2010 mineral resource and reserve estimate for Zinkgruvan are included in Schedule A, attached to this AIF.

4.4.1.2.11 Mining Operations

Zinkgruvan is an underground mine with a long history. Mine access is currently via three shafts, with the principle P2 shaft providing hoisting and man access to the 800 m and 850 m levels with the shaft bottom at 900 m. A ramp connecting the underground workings with surface was completed in 2010 and now provides vehicle access direct to the mine. A system of ramps is employed to exploit resources below the shaft and the deepest mine level is now at 1,130 m below surface. The mine is highly mechanized and uses longhole primary secondary panel stoping in the Burkland area of the mine, sublevel benching in the Nygruvan area and "Avoca" mining in the Cecilia area. All stopes are backfilled with either paste tailings and cement or waste rock.

The processing plant is located adjacent to the P2 shaft. The run-of-mine ore is secondary crushed and then ground in an AG and ball mill circuit. A bulk flotation concentrate is produced initially before further flotation to separate zinc and lead concentrates. The concentrates are thickened and filtered and then stockpiled under cover. Tailings are pumped some 4 km to a dedicated tailings impoundment from which decant water is returned to the process.

A separate 0.3 mtpa copper treatment line in the processing plant was commissioned during 2010, and copper production has commenced. This line will be further modified to allow it the flexibility to treat zinc-lead ore as well as copper during 2011.

Current mineral reserves at Zinkgruvan are sufficient for a mine life in excess of 10 years and the mine is able to fund all currently planned capital programmes through cash flow.

Zinc and lead concentrates from the mine are sold to a variety of European smelters. Multi-year sales contracts are normally agreed upon with customers and treatment, refining and penalty charges are typical of those for zinc and lead sulphide concentrates. The lead concentrates are particularly high grade and contain elevated levels of silver.

The mine is currently operated under an Environmental Licence granted by the Swedish authorities that is valid until December 2017. The licence includes conditions covering production levels, tailings disposal, water discharge limits, hazardous materials, process chemicals, water recirculation, noise levels, dust pollution, waste handling, energy use and closure planning.

The corporation tax rate in Sweden is 26.3% and Zinkgruvan does not pay mining royalties.

4.4.1.2.12 Exploration and Development

Exploration activities in 2011 will focus on converting inferred resources to indicated resources and continuing exploration drives in order to establish underground drill platforms to allow drilling into depth extensions of known orebodies.

Further information on Zinkgruvan mine can be obtained by referencing the following technical report filed on SEDAR:

1. Mineral Reserves and Mineral Resources of the Zinkgruvan Mine in South-Central Sweden dated March 2009 and prepared by Per Hedström, Lars Malmström and Doug Syme, current or former employees of Zinkgruvan Mining AB.

4.4.1.3 AGUABLANCA MINE

4.4.1.3.1 Project Description and Location

The Aguablanca mine is located approximately 100 km north of Seville in the Extremadura region of southern Spain. The mine lies some 30 km south of the town of Monesterio, and comprises an open pit mine, processing plant and associated waste and tailings management facilities. Concentrates from the mine are trucked to the port of Huelva for onward shipping to customers.

In December 2010, a significant slope failure occurred that affected the main access ramp to the open pit and led to a suspension of mine and mill operations. An assessment reviewing alternatives for recommencement of mining operations has indicated that full operations are likely to restart in 2012. Remaining mineral reserves at the mine represent around 5 years of production.

The mining rights for Aguablanca are covered under a *Reserva Definitiva a Favor del Estado* which consists of 95 contiguous claims covering an area of 2,862 ha. The *Reserva Definitiva* is valid for 30 years from June 2003 and is extendable for a further 30 years. Mining royalties of 2% of Net Smelter Return are payable to the Spanish state.

The mine operates under environmental permits granted by the Spanish Government. These permits cover all aspects of the operations including tailings management and project closure and were obtained in June 2003.

4.4.1.3.2 Accessibility, Climate, Local Resource, Infrastructure and Physiography

Aguablanca has excellent road connections to the new A66 national highway which runs northwards from Seville and connects by a further national highway to the port of Huelva. The mine site lies approximately 10 km east of this road and is adjacent to the village of El Real de la Jara. There is ready access to power, telephone lines and domestic water and industrial water sources.

There are no major population centres close to the mine, although a number of small villages with populations numbered in the hundreds do lie close to the mine. Most employees travel to the mine by private cars.

The climate of the region is Mediterranean with relatively mild winters and hot dry summers. The mine lies at an elevation of 450 to 500 m above sea level in an area of low hills with moderate relief. Vegetation comprises trees and bushes forming classic Mediterranean forest, with local meadows comprising grass, oak, cork and olive trees.

The mine owns sufficient freehold surface land to accommodate the existing and planned mine infrastructure.

4.4.1.3.3 History

Exploration for nickel and copper mineralization has been carried out in the Aguablanca area since the mid-1980s. The Aguablanca deposit was discovered in 1993/4 following stream sediment sampling and subsequent diamond drilling by a Presur (Spanish state)/Rio Tinto Minera joint venture. The Aguablanca project was acquired by Rio Narcea in mid-2001 from the then owner Presur/Atlantic Copper S.A.

Construction of the Aguablanca mine started in November 2003 with first commercial production commencing in January 2005 and the first shipment of concentrate in May of the same year. With the commencement of the open pit mine, a 2.7km long underground decline was developed to allow exploration of the mineralization beneath the planned open pit.

The Aguablanca mine was acquired by Lundin Mining in July 2007 through its purchase of Rio Narcea.

4.4.1.3.4 Geological Setting

The area of the Aguablanca nickel-copper deposit is underlain by mafic and ultramafic rocks of the Aguablanca Stock (AS), which has intruded carbonate rocks of Hercynian age. The AS is a small gabbroic intrusion (approximately 2.3 km^2) located along the northern contact of the much larger Santa Olalla Pluton (SOP). The northern and southern limits of the SOP are marked by major fault zones. A well developed contact metamorphic aureole surrounds the AS and SOP exemplified by skarn mineralization. Aguablanca represents a somewhat unique example of a magmatic sulphide breccia hosted by gabbro and gabbro-norites.

4.4.1.3.5 Exploration

Lundin Mining holds exploration rights over an area of 1,864 km^2, largely to the north and west of Aguablanca, known as the Ossa Morena. Additional exploration potential exists for nickel-copper and copper-gold mineralization within this area.

4.4.1.3.6 Mineralization

There are two mineralized bodies at Aguablanca. The larger South or Main Zone is some 400 m long on strike and dips steeply to the north. It has widths of up to 100 m and a known depth of over 600 m. The North Zone is also steeply dipping, 125 m long, up to 50 m thick and has a known depth of 300 m.

Three main types of sulphide mineralization have been recognized and are currently mined separately before blending from stockpiles.

4.4.1.3.7 Drilling

A total of approximately 3,400 m of drilling was completed in late 2009 – early 2010 in order to increase the data density between the 250 and the 350 mine levels. No other exploration drilling was carried out in 2010.

4.4.1.3.8 Sampling and Analysis

Grade control sampling is carried out using open hole percussion rigs drilling 8 m deep holes on the open pit benches.

Samples are prepared on site and analysed at the mine's assay laboratory facility. Repeat samples are sent to the OMAC laboratory in Ireland for analysis.

4.4.1.3.9 Security of Samples

Data and sample security procedures that conform with industry standards are in place at Aguablanca. All drill core has been labelled, logged and photographed, and the cores and sampling splits are all stored on site. A bar code tagging system is in place at the mine.

4.4.1.3.10 Mineral Resource and Reserve Estimates

Mineral resources at Aguablanca were estimated at 30 June 2010 using three dimensional geological block modelling methods and specialised software (Datamine®). The Ordinary Kriging method of interpolation was used to estimate six metal grades (Ni, Cu, Pt, Pd, Co and Au) and the Inverse Distance Squared method was used for the density estimation.

Mineral Reserves were calculated from the June 2010 Mineral Resource block model within the optimised open pit shell produced by Golder Associates Global Iberica, S.L.U. (using the specialised software Whittle® Four-X) in December 2008.

Details of the June 2010 Mineral Resource and Reserve estimate for Aguablanca are included in Schedule A attached to this AIF.

4.4.1.3.11 Mining Operations

The Aguablanca mine is a single open-pit mine. The pit is mined with 8 m benches and the final slopes are designed with a double bench configuration. During 2010, the open pit was operated by contractor using a conventional drill and blast, and truck and shovel fleet. Waste rock is stacked to the immediate north of the open pit and the waste dumps form the downstream wall of the tailings impoundment.

Run-of-mine ore is stockpiled, blended and then primary crushed. The crushed ore is conveyor fed to a conventional grinding and flotation circuit to produce a bulk nickel-copper concentrate. The concentrate is thickened and filtered to produce a filter cake suitable for onward transport. The concentrate is truck hauled approximately 125 km to Huelva port from where it is shipped to customer smelter facilities. Tailings from the process plant are pumped to a fully lined tailings impoundment to the north of the plant site area. Decant water from the tailings dam is returned to the process plant.

All bulk nickel-copper concentrate produced from the Aguablanca operation is sold under a single, long-term contract. Principle payable metals are nickel and copper with by-product payments made for platinum, palladium, cobalt and gold, and the payment terms are typical of those for bulk nickel/copper sulphide concentrates.

The Aguablanca Mine operates under environmental permits granted by the Spanish Government. These permits include conditions covering environmental management systems, tailings and waste rock disposal, water and energy consumption, emissions to atmosphere, emissions to water courses and water treatment, noise, industrial waste disposal, emergency and closure planning. Key environmental issues include; the potential lack of water during drought periods; the dispersal of dust and noise from the mine site; and mine site rehabilitation.

The corporation tax rate in Spain is 30% and royalties of 2% of NSR apply.

4.4.1.3.12 Exploration and Development

Regional exploration will continue in the Ossa Morena area with both geophysical and surface drilling activity during 2011.

Further information on Aguablanca mine can be obtained by referencing the following recent technical report filed on SEDAR:

1. Technical Report on the Aguablanca Ni-Cu deposit, Extremadura Region, Spain for Lundin Mining Corporation dated March 2009 and prepared by Juan Alverez, Sia Khosrowshahi and Juan Pablo Gonzalez of Golder Associates Global Iberica, S.L.U.

4.4.1.4 GALMOY MINE

The Galmoy zinc-lead mine is located in south-central Ireland in County Kilkenny. Galmoy is an underground mine with most of the workings between 100 m and 160 m below surface. The primary access is by a decline and mine production is carried out by room-and-pillar and by bench-and-fill methods. The Galmoy flow sheet employed a conventional SAG-ball mill grinding circuit with differential flotation for the production of lead and zinc concentrates. Tailings were placed in a fully lined, multi-phase impoundment at the mine site.

The Galmoy mine ceased production at the end of the second quarter 2009. The concentrator closure and rehabilitation is progressing as planned and the restricted cash closure fund accumulated during the mine life is being drawn to meet the closure obligations.

In late 2009, following approval from the relevant Irish authorities, a test batch of high-grade ore was mined and trucked to an adjacent mine for treatment. This was successful and further ore deliveries were made in 2010 and will continue in 2011.

Details of the June 2010 mineral resource and reserve estimate for Galmoy are included in Schedule A attached to this AIF.

4.4.1.5 TENKE FUNGURUME MINE (24.75% EQUITY INTEREST)

4.4.1.5.1 Property Description and Location

TFM's copper-cobalt deposits comprise one of the world's largest known copper-cobalt resources. The deposits are located on contiguous concessions which total 1,437 km^2. These concessions are located in Katanga Province, DRC, approximately 175 km northwest of Lubumbashi, the provincial capital.

Construction started in late 2006 on open-pit and oxide ore processing facilities designed to produce 115,000 tpa of cathode copper and over 8,000 tpa of cobalt in hydroxide. Commissioning of the copper facilities occurred at the end of the first quarter 2009, and of the cobalt hydroxide facilities at the end of the second quarter. By year end 2009, full name plate capacities for both products were being achieved. Subsequent debottlenecking and plant upgrades have allowed expansion to increase to 130,000 tpa of cathode copper and approximately 10,000 tpa cobalt.

The first phase of production is one of several stages of development contemplated with the objective of ultimately producing in excess of 400,000 tpa of copper mining multiple deposits concession-wide.

4.4.1.5.2 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The main highway, railroad and power line connecting Kolwezi and Likasi with Lubumbashi pass through the concessions. Scheduled air services are available between Lubumbashi and the capital at Kinshasa, as well as from Johannesburg, South Africa and Zambia. An airstrip constructed on the concession can accommodate freight aircraft and small passenger jets. Most copper and cobalt product and bulk mine consumables are shipped primarily by truck and to an extent by rail between Tenke and ports in Durban, South Africa and Dar-es-Salaam, Tanzania.

The site climate is characterized as mild, rainy, sub-tropical mid-latitude with dry winters, with three seasons. The average annual rainfall is approximately 1,150 mm. Monthly average temperatures are 28°C (max); 20°C (min) in September and 22°C (max); 13°C (min) in June.

Tailings facilities are located to the north of the process plant site and a first raise of the initial facility was completed during 2010. The current tailings storage location is of sufficient size to handle the majority of currently proven/probable reserves. Other adjacent areas have been identified to provide life-of-mine storage capacity. A potential location for a future sulphide concentrator has been identified as have potential heap leach pad areas.

Electrical power is provided from the national grid. The local Nseke hydro power station is being renovated and expanded as part of the project and new local power lines have been constructed. Water from local boreholes supplements runoff water collected and the project is operated in line with a zero discharge water management philosophy.

The dominant landform is the Dipeta Syncline, an east-west trending valley approximately 15 km long and 3 km wide. The Dipeta River runs along the valley bottom while the Kwatebala, Tenke (formerly called Goma) and Fwaulu orebodies lie on the north-western crest of this valley. The orebodies presently form hills and ridges rising to elevations of about 1,500 m above sea level and up to 170 m above adjacent valleys. The plant site elevation is 1,200 m above sea level. The ore deposits lie on a surface water divide, with waters to the north flowing into the Mofya River and waters to the south flowing into the Dipeta River.

The flora of the concessions is dominated by an agricultural mosaic of croplands and fallow fields. The second most common vegetation type is miombo woodland. The third most common type of vegetation is degraded miombo woodland (miombo woodland that has been impacted by agricultural clearing activity). Copper-cobalt vegetation types occupy less than five percent of the area.

4.4.1.5.3 History and Development Terms

The Tenke Fungurume deposits have a history dating back to at least 1917. A controlling interest in the concessions was acquired from Gécamines following a lengthy tender process, and in November 1996, pursuant to a mining convention and TFM formation agreement, the concessions were transferred to TFM in exchange for a series of transfer bonus payments and other significant commercial and development commitments. TF Holdings paid Gécamines the first stage of the transfer payments ($50 million) in May 1997.

In December 1998, Tenke Mining concluded an option agreement with BHP Copper Inc. (now BHP Billiton ("BHPB")) which established a formal structure for BHPB to acquire, directly or indirectly, a controlling interest in the Tenke Fungurume project. In December 2000, Phelps Dodge Exploration Corporation ("Phelps Dodge"), entered into an agreement with BHPB, whereby Phelps Dodge had the opportunity to earn up to one-half of BHPB's position. On September 13, 2002, BHPB's rights and obligations under the option agreement with the Corporation were formally transferred to Phelps Dodge.

As a result of the DRC's new 2002 World Bank sponsored mining code and other developments resulting from the DRC conflict, an extensive renegotiation process commenced upon formation of the transitional government in 2003, which successfully concluded with amended agreements ("Amended Agreements") in late 2005. Pursuant to the terms agreed in the Amended Agreements, the single purpose joint venture company, TF Holdings then controlled 70:30 by Phelps Dodge and Tenke Mining, agreed to pay Gécamines an additional US$50 million in stages based on pre-agreed development-related milestones. In accordance with shareholding agreements finalized between Phelps Dodge and Tenke Mining in January 2004, Phelps Dodge was obligated to fund $42.5 million of this balance, with Tenke Mining funding the remaining $7.5 million.

Upon the entry into force of the Amended Agreements, TF Holdings paid Gécamines $15 million leaving $35 million due according to the following milestone schedule: $5 million on a positive build decision; $10 million on commencement of commercial operations; and $10 million on each of the two successive anniversaries of commencement of commercial operations. As the deposits have been brought to the 'exploitation stage', TFM enjoys all rights and privileges with respect to mining activity including surface usage. A positive build decision was made in December 2006 by then operator Phelps Dodge.

Under the terms of the Amended Agreements, TF Holdings committed to start the first phase of facilities with a minimum production level of 40,000 tpa copper and associated cobalt. In fact, initial facilities were ultimately designed for a capacity of 115,000 tpa copper production. The Amended Agreements contain objectives without guarantee of reaching in excess of 130,000 tpa copper production by year 5 and 400,000 tpa by year 11 of operations, subject to a number of qualifications including DRC conditions and markets.

TFM was established in December 1996 under the DRC Companies Act and formed for the purpose of developing the deposits of copper, cobalt and associated minerals under mining concession nº 198[1] and mining concession nº 199[2] granted to TFM in 1996 at Tenke and Fungurume. In early 2007, Freeport acquired Phelps Dodge, which resulted in them taking over as operator and owner of a 70% interest in TF Holdings. In mid- 2007, Lundin Mining acquired Tenke Mining, resulting in Lundin Mining controlling the remaining 30% of TF Holdings. This resulted in FCX indirectly holding 57.75% of TFM, and Lundin Mining indirectly holding 24.75% of TFM. Gécamines held the balance of ownership – 17.5% by way of a directly held carried interest in TFM.

In accordance with the Amended Agreements, a Base Metals Royalty is payable at the rate of 2% of net sales. In addition, a 1% net sales metals export duty applies. Full repatriation of funds is allowed, subject to a 10% expatriated dividends withholding tax. Income tax is payable at the rate of 30% and certain other minor taxes and duties apply as defined in TFM's Amended Agreements consistent with the 2002 DRC Mining Code Title IX. In addition to the 15% of the Base Metals Royalty that is defined to be repatriated by the GDRC to the region of the mine, TFM has committed to a 0.3% net sales social fund, to be administered annually to benefit local communities.

In February 2008, the Ministry of Mines, Government of the DRC, sent a letter seeking comment on proposed material modifications to the mining contracts for the Tenke Fungurume concession, including the amount of transfer payments payable to the government, the government's percentage ownership and involvement in the management of the mine, regularization of certain matters under Congolese law and the implementation of social plans.

In October 2010, the government of the DRC announced the conclusion of the review of Tenke Fungurume Mining SARL's mining contracts. The conclusion of the review process confirmed that TFM's existing mining contracts are in good standing and acknowledged the rights and benefits granted under those contracts. TFM's key fiscal terms, including a 30 percent income tax rate, a 2% mining royalty rate and a 1% export fee, will continue to apply and are consistent with the rates in the DRC's current Mining Code. In connection with the review, TFM made several commitments, which have been reflected in amendments to its mining contracts, including: an increase in the ownership interest of Gécamines, which is wholly owned by the government of the DRC, from 17.5% (non-dilutable) to 20.0% (non-dilutable), resulting in a decrease of Freeport effective ownership interest from 57.75% to 56% and Lundin Mining's effective ownership interest from 24.75% to 24%; an additional royalty of $1.2 million for each 100,000 tonnes of proven and probable copper reserves above 2.5 million tonnes at the time new reserves are established by FCX; additional payments totaling $30 million to be paid in six equal installments of $5 million upon reaching certain production milestones; conversion of $50 million in intercompany loans to equity; a payment of approximately $5 million for surface area fees and ongoing surface area fees of approximately $0.8 million annually; incorporating clarifying language stating that TFM's rights and obligations are governed by the Amended and Restated Mining Convention ("ARMC"); and expanding Gécamines' participation in TFM management.

TFM has also reiterated its commitment to the use of local services and Congolese employment. In connection with the modifications, the annual interest rate on advances from TFM shareholders increases from a rate of LIBOR plus 2% to LIBOR plus 6%. In December 2010, the addenda to TFM's ARMC and Amended and Restated Shareholders' Agreement were signed by all parties and are pending a Presidential Decree. TFM's existing mining contracts will be in effect until the Presidential Decree is obtained approving the signed amendments. In addition, the change in Lundin Mining's effective ownership interest in TFM and the conversion of intercompany loans to equity will be effected after obtaining approval of the modifications to TFM's bylaws. In December 2010, TFM made payments totaling $26.5 million, which have been recorded as prepaid contract costs at December 31, 2010.

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[1] Renumbered nº 123 by the *Cadastre Minier Certificat d'Exploitation* nº CAMI/CE/940/2004 dated November 3, 2004; subsequently divided and renumbered nº 123, nº 9707 and nº 9708 by the *Ministère des Mines* through Ministerial Decree dated February 20, 2009.

[2] Renumbered nº 159 by the *Cadastre Minier Certificat d'Exploitation* nº CAMI/CE/941/2004 dated November 3, 2004; subsequently divided and renumbered nº 159, nº 4728 and nº 4729 by the *Ministère des Mines* through Ministerial Decree dated July 7, 2006.

4.4.1.5.4 Geological Setting

The Tenke Fungurume copper-cobalt deposits are typical of those that comprise the Central African Copperbelt. The Copperbelt is located in a major geological structure called the Lufilian Arc, a 500 km fold belt that stretches from Kolwezi in the southern DRC to Luanshya in Zambia. The deposits of the Tenke Fungurume district are located at the northernmost apex of the arc. The arc formed between the Angolan Plate to the southeast and Congo Plate to the northwest during the late Neoproterozic, approximately 650 to 600 million years before present (Ma). Rocks in the arc are exposed in a series of tightly folded and thrust anticlines and synclines, generally trending east-west to southeast-northwest in the southern DRC. The Tenke Fungurume group of sediment hosted copper cobalt deposits occurs near the base of a thick succession of sedimentary rocks belonging to the Katanga System of Proterozoic age (1050-650 Ma).

The older rocks of the basement complex belonging to the Kibara Supergroup, form the framework within which the Katangan sediments were deposited and consist of granitic rocks and metamorphosed sediments. Sedimentation took place in shallow intra-cratonic basins bounded by rifts. A series of cratonic events of Pan African age (650 Ma to 500 Ma) resulted in extensive deformation of these rocks. The principal tectonic event is referred to as the Lifilian Orogeny and this led to the formation of the Lufilian Arc. All of the major Zambian and Congolese copper-cobalt deposits are located along this 500 km long arcuate structure, which extends from Kolwezi in the Congo to Luanshya in Zambia. The Tenke and Fungurume deposits are located in the northernmost apex of the arc.

4.4.1.5.5 Exploration and Concession Potential

The mineral concessions have been subject to multiple phases of exploration over time. Exploration in 2010 focused on finding additional high-grade oxide resources and the investigation of deeper mixed and sulphide mineralization. A total of 43,136 m of diamond drilling was completed during 2010 in 312 individual holes.

In addition to the diamond drilling programmes, green field exploration was carried out during 2010 with surface mapping of numerous, unworked écailles, and regional stream sediment and soil geochemistry sampling over the entire concession.

Due to data and time availability, many of the known deposits have yet to be assessed with mineral resource and reserve models. The Tenke Fungurume concessions remain extensively under-explored.

4.4.1.5.6 Mineralization

The copper-cobalt mineralization is mainly associated with two dolomitic shale horizons (RSF and SDB respectively), each ranging in thickness from 5 to 15 m, separated by 20 m of cellular silicified dolomite (RSC).

The main economic minerals present are malachite, chrysocolla, bornite, and hetrogenite. Primary copper and cobalt mineralogy is predominately chalcocite, digenite, bornite, and carrollite. Oxidation has resulted in widespread alteration producing malachite, pseudomalachite, chrysocolla (hydrated copper silicate) and heterogenite.

The primary copper-cobalt mineral associations are homogeneous in both mineralized zones and any variations are due to the effect of oxidation and supergene enrichment. Consequently the mineral assemblages can be grouped into three main categories dependent upon the degree of alteration – oxide, mixed and sulphide zones. Dolomite and quartz are the main gangue minerals present. Dolomite or dolomitic rocks make up the bulk of the host strata. Weathering of the host rocks is normally depth-related, intensity decreasing with increasing depth, producing hydrated iron oxides and silica at the expense of dolomite, which is leached and removed.

4.4.1.5.7 Drilling

The exploration and drilling history of Tenke Fungurume deposits began in 1919. UMHK explored the surface and drilled exploration core holes between 1919-1921, 1942-1951 and 1958-1968. Gécamines conducted exploration and drilling 1968-70 and 1981-1991. SMTF carried out exploration and core drilling 1971-1976. TFM carried out additional core drilling in 1997. These campaigns totalled 186,376 m of drilling plus mapping, trenching and exploration adits. Exploration core drilling carried out by PD/FCX between 2006 and the end of 2010 comprised 1,886 core holes totaling approximately 287,000 m. Reverse circulation drilling was used locally to drill through unmineralized waste. The 2010 exploration drilling took place on Kwatebala, Fwaulu, Kazinyanga, Fungurume, Mudilandima, Mambilima, Pumpi and the K4 deposits (Katuto, Kamakoka, Kakalalwe, and Leta).

In 2011, exploration will be targeted at the replacement of the mineralization depleted, further increases in oxide resources and ongoing investigation of deeper sulphide resources. A further 50,000 m of drilling is planned, including infill and deeper drilling on the known orebodies of Tenke, Fwaulu and Fungurume, together with green field target drilling on the Zikule, Zakeo and Lutanda outcrops.

4.4.1.5.8 Sampling and Analysis

Industry standard exploration drill core splitting, sampling, and density measurement protocols have been followed by Phelps Dodge and subsequently by FCX. An independent audit to review sampling activities with respect to quality assurance, quality control and sample security was completed in the first quarter 2009. In addition to drill core and drill cutting sampling, open-pit grade control sampling is carried out using a trench cutting tool.

Samples are prepared on-site and analyzed at the mine's assay laboratory facility. Strict QA/QC protocols are in place including placement and assaying of duplicates, blanks and check samples. Laboratory Information Management System is used to manage data.

4.4.1.5.9 Security of Samples

Data and sample security procedures that conform to industry standards are in place. All drill cores are logged and photographed and the cores and sampling splits are stored on-site. These and other traceability records prevent errors of identification and ensure sample history can be followed.

4.4.1.5.10 Mineral Resource and Mineral Reserve Estimates

The current mineral resources at Tenke Fungurume have been estimated for a total of 8 deposits within the concessions: Kwatebala, Tenke, Fwaulu, Mwadinkomba, Kansalawile, Fungurume, Mambilima and Pumpi North.

Mineral resources have been estimated using three dimensional modelling methods with Minesight® software being used for geological modeling. Grade estimation has been carried out using specially developed Local Anisotropy Kriging (LAK) techniques to account for the narrow and complex nature of the orebodies.

The open-pit designs were optimized for all the eight deposits listed above. Datamine NPV Scheduler was used for seven of the deposits, with Tenke being evaluated using Minesight® as it uses a rotated model. In each case, a Lerch Grossman algorithm was used to maximize the gross value of the pit. Pits were designed with 38 degree inter-ramp slope angle, 35 degree overall slope angle and double 5 m benches between berms. Input parameters to the open-pit optimizations were updated in 2010 and include revisions to the mine operating costs, cobalt recovery factors and the gangue acid consumption estimations.

Dilution is potentially a significant issue as mineralized zones are long, typically narrow (6 m to 15 m wide), faulted and folded, and contacts are relatively sharp. To address this issue, the resource and reserve models have block dimensions of 5 m x 2.5 m x 2.5 m; the ore mining fleet uses small equipment and 0.625 m ore cuts broken by the surface miners. For mine planning purposes, resource grades are reduced by 5% to account for anticipated grade dilution during operations. A Minesight® ore control system based on the reserve block model and refined by trench sampling is used to control the selectivity of mining.

Details of the December 2010 resource and reserve estimate for Tenke Fungurume are included in Schedule A attached to this AIF.

4.4.1.5.11 Mining Operations

The Tenke Fungurume operation mines copper-cobalt oxide ores by open-pit mining techniques. Continuous miners are used to break the ore and drill and blast is employed in the waste rock. Conventional loaders and trucks transport the ore to the crusher or stockpiles and the waste to dumps. In 2010, production was sourced primarily from the Kwatebala orebody with some Fwaulu ore also being mined for the first time towards year end. Other orebodies are introduced to the mine plan over time.

The latest proven process technology is being used to extract copper and cobalt. Copper is extracted using standard SAG milling, sulphuric acid leach, solvent extraction and electro-winning to produce a 99.9% pure copper cathode. Solution from the copper SXEW plant feeds the cobalt plant where cobalt hydroxide is produced through purification and precipitation processes. Copper is marketed with guidance from FCX's global copper marketing programme. Cobalt is sold as cobalt hydroxide under contract and on the spot market.

Nominal daily mill feed of oxide ore has increased from the original design of 8,000 tpd to 10,000 tpd following plant debottlenecking and upgrading. Planned copper production levels have increased from 115,000 tpa to 130,000 tpa. Current proven/probable reserves support an initial facility life of more than 40 years of oxide ore feed.

Capital investment of approximately $2.0 billion was made for the initial project facilities, which included aspects to support major future expansions. This included a $140 million loan to accomplish a multi-year provincial hydro power rehabilitation project to provide reliable power to the project and national grid. Total power available to the project resulting from the power loan investment under agreement with SNEL (DRC power authority) is in excess of 200 MW to support expansions, which is more than sufficient for current plans.

Expansion studies for Tenke Fungurume are underway with a number of mining and processing scenarios being evaluated by FCX.

4.4.1.5.12 Environmental and Social Aspects

The project has been developed in accordance with Equator Principles, Voluntary Principles of Security and Human Rights, applicable World Bank/IFC standards and the Extractive Industries Transparency Initiative. Development and operation are subject to a number of DRC laws, regulations, standards dealing with the protection of public health, public safety and the environment. Permits and authorizations are in place for construction and operation.

Key environmental issues addressed by the project include mitigation of damage to sensitive indigenous flora unique to highly mineralized areas of the DRC copper belt, design of the project to zero discharge objectives, and adoption of fully plastic-lined process water and tailings storage impoundments. As this is the first commercial development of mining on the concessions, there are no known existing environmental liabilities.

Key social investments addressed during project development include extensive community consultation, stimulation of both direct and indirect employment – during construction, employment peaked at more than 8,000 DRC nationals and during operations, direct employment is expected in the range of 2,000 personnel. Indirect effects are expected to be responsible for more than 5,000 jobs created in the region.

Other social investments include medical, fresh water supply, education, agricultural and regional infrastructure investments in power, roads and border crossings.

4.4.1.5.13 Reference Reports

Further information on the Tenke Fungurume mine can be obtained by referencing the following technical report filed on SEDAR:

1. Technical Report for the Tenke Fungurume mine dated March 31, 2011 prepared by John Nilsson, P.Eng, of Nilsson Mine Services Ltd. and Ronald G. Simpson, P.Geo, of GeoSim Services Inc.

4.4.2 MINE CLOSURES

Lundin Mining acquired the Vueltas del Rio mine in Honduras, as part of the acquisition of Rio Narcea in 2007. Reclamation of the property is ongoing.

Production ceased in 2008 at the Storliden zinc-copper mine in northern Sweden. A rehabilitation programme has been completed in accordance with the approved closure plan and the site is now subject to a long-term monitoring program.

ITEM 5 RISKS AND UNCERTAINTIES

The Company is subject to various risks and uncertainties, including but not limited to, those listed below. Unless the context indicates or implies otherwise, references in this section to the "Company" include the Company and its subsidiaries:

Metal Prices

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

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

Credit Risk

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

Foreign Exchange Risk

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

Derivative Instruments

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

Reclamation Funds and Mine Closure Costs

As at December 31, 2010, the Company had $61.6 million in a number of reclamation funds that will be used to fund future site restoration and mine closure costs at the Company's various mine sites. The Company will continue to contribute annually to these funds as required, based on an estimate of the future site restoration and mine closure costs as detailed in the closure plans. Changes in environmental laws and regulations can create uncertainty with regards to future reclamation costs and affect the funding requirements.

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

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

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

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

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

Competition

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

Foreign Countries and Regulatory Requirements

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

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

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

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

Mining and Processing

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

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

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

Mine Development Risks

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

Environmental and Other Regulatory Requirements

All phases of mining and exploration operations are subject to government regulation including regulations pertaining to environmental protection. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their officers, directors and employees. There can be no assurance that possible future charges in environmental regulation will not adversely affect the Company's operations. As well, environmental hazards may exist on a property in which the Company holds an interest which were caused by previous or existing owners or operators of the properties and of which the Company is not aware at present. Operations at the Company's mines are subject to strict environmental and other regulatory requirements, including requirements relating to the production, handling and disposal of hazardous materials, pollution controls, health and safety and the protection of wildlife. The Company may be required to incur substantial capital expenditures in order to comply with these requirements. Any failure to comply with the requirements could result in substantial fines, delays in production, or the withdrawal of the Company's mining licenses.

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

Mineral Resource and Reserve Estimates

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

Estimation of Asset Carrying Values

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

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

Funding Requirements and Economic Volatility

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

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

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

Uninsurable Risks

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

No Assurance of Titles or Boundaries

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

Partner in the Tenke Fungurume Mine

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

Tax

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

Employee Relations

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

Infrastructure

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

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

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

ITEM 6 DESCRIPTION OF SHARE CAPITAL

6.1 General Description of Capital Structure

The authorized share capital of the Company consists of an unlimited number of common shares without nominal or par value, and one special share without nominal or par value. The special share is not outstanding.

The holders of common shares are entitled to receive notice of and attend all meetings of shareholders with each common share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. The holders of Common Shares are entitled to dividends if, as and when declared by the Board of Directors of the Company. The common shares are entitled, upon liquidation, dissolution or winding up of the Company, to receive the remaining assets of the Company available for distribution to shareholders.

6.2 Dividends

There are no restrictions which prevent the Company from paying dividends. The Company has not paid dividends on its common shares in the last five years and it has no present intentions of paying any dividends on its Common Shares, as it anticipates that all available funds will be invested to finance the growth of its business. The directors of the Company will determine if and when dividends should be declared and paid in the future, based on the Company's financial position at the relevant time.

ITEM 7 MARKET FOR SECURITIES

7.1 Exchange Listings

The Common Shares of the Company are traded in Canada on the TSX under the symbol "LUN". In Sweden, the Common Shares are represented by Swedish Depository Receipts which trade on the O-list of the NASDAQ OMX Nordic Exchange under the symbol "LUMI".

7.2 Trading Price and Volume

The following table provides information as to the monthly high and low closing prices of the Company's Common Shares during the 12 months of the most recently completed financial year, as well as the volume of shares traded for each month on the TSX:

Month	High (C$)	Low(C$)	Volume
January 2010	5.11	4.19	62,535,300
February 2010	4.62	4.05	70,673,676
March 2010	5.39	4.38	103,384,370
April 2010	5.65	4.79	79,543,072
May 2010	4.66	3.50	130,600,317
June 2010	4.09	3.01	145,221,429
July 2010	4.00	2.98	99,110,850
August 2010	4.30	3.74	104,635,795
September 2010	5.32	4.42	73,072,681
October 2010	6.90	5.03	120,822,738
November 2010	6.91	6.18	83,810,671
December 2010	7.27	6.71	62,340,193

7.3 Escrowed Securities

There are no Lundin Mining securities in escrow.

ITEM 8 DIRECTORS AND OFFICERS

8.1 Name, Address, Occupation and Security Holding of Directors and Officers

The Board of Directors of the Company is currently comprised of eight directors who are elected annually and whose term of office will expire at the Company's annual meeting scheduled to be held not later than August 5, 2011. Each director holds office until the next annual meeting of shareholders or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws of the Company. The names, provinces and countries of residence of each of the directors and officers of the Corporation as at March 31, 2011, their respective positions and offices held with the Company, their principal occupations within the preceding five years and the number of securities of the Company owned by them as at the date of this AIF is set forth in the following table:

Name, residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of securities owned (directly or indirectly) or controlled at present [(1)]
Lukas H. Lundin British Columbia, Canada *Chairman and Director*	Chairman and a director of the Company; chairman and director of a number of publicly traded resource-based companies which include Denison Mines Corp., Lucara Diamond Corp., NGEx Resources Inc., Atacama Minerals Corp. and Vostok Nafta Investment Ltd.; and director of Lundin Petroleum AB.	September 9, 1994	1,771,449 common shares
Philip J. Wright United Kingdom *President, Chief Executive Officer and Director*	President and Chief Executive Officer of the Company since January 16, 2008.	January 16, 2008	--
Colin K. Benner British Columbia, Canada *Director*	President and director of CKB Mining Inc.; director of a number of publically traded companies; Interim CEO of HudBay from March 9, 2009 to March 23, 2009; Vice Chairman and Chief Executive Officer of Skye Resources Inc. from March to August 2008; Vice Chairman, Chief Executive Officer and Director of the Company from October 31, 2006 to April 1, 2007; Vice Chairman, Chief Executive Officer and a director of EuroZinc Mining Corporation from December 21, 2004 to October 31, 2006.	October 31, 2006	116,668 common shares
Donald K. Charter Ontario, Canada *Director*	President & CEO of Corsa Capital Ltd since August 2010; since January 2006, he has been the President of 3Cs Corporation, his private consulting and investment company, and a director sitting on a number of public company boards; prior to December 2005, Chairman, President and Chief Executive Officer of Dundee Securities Corporation; Executive Vice President of Dundee Corporation and Dundee Wealth Management.	October 31, 2006	11,424 common shares
John H. Craig Ontario, Canada *Director*	Lawyer, partner of Cassels Brock & Blackwell LLP.	June 11, 2003	186,849 common shares

Name, residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of securities owned (directly or indirectly) or controlled at present [(1)]
Brian D. Edgar British Columbia, Canada *Director*	Executive Chairman of Metalline Mining Company; director of a number of publicly traded companies.	September 9, 1994	230,000 common shares
Dale C. Peniuk C.A. British Columbia, Canada *Director*	Chartered Accountant; financial consultant to the mining industry; formerly an assurance partner with KPMG LLP, Chartered Accountants; director of a number of publicly traded companies.	October 31, 2006	17,600 common shares[(2)]
William A. Rand British Columbia, Canada *(Lead) Director*	President and director of Rand Edgar Investment Corp.; director of a number of publicly traded companies.	September 9, 1994	223,424 common shares
João Carrêlo United Kingdom *Executive Vice President and Chief Operating Officer*	Executive Vice President and Chief Operating Officer of the Company since April 2007; Chief Operating Officer of the Company in Iberia from October 2006 to March 2007. Chief Operating Officer for EuroZinc from June 2005 to October 2006.	N/A	Nil common shares
Paul K. Conibear British Columbia, Canada *Senior Vice President, Corporate Development*	Senior Vice President, Corporate Development since October 2009; Senior Vice President, Projects, of the Company from July 3, 2007 to October 2009; President and Chief Executive Officer of Suramina Resources Inc. from June 11, 2007 – September 30, 2007; President and Chief Executive Officer of Tenke Mining Corporation from November 26, 2002 to July 13, 2007.	N/A	609,904 common shares[(3)]
James A. Ingram Ontario, Canada *Corporate Secretary*	Corporate Secretary of the Company since February 17, 2010; previously, Vice President, Secretary and General Counsel with Hudson's Bay Company from 1998 – 2009.	N/A	Nil
Marie Inkster Ontario, Canada *Chief Financial Officer*	Chief Financial Officer of the Company since May 1, 2009; Vice President, Finance of the Company from September 2008 – April 30, 2009; Vice President, Finance, GBS Gold International Inc.; from September 2007 to June 2008; from 2002 to 2007, LionOre Mining International Ltd., last position held being that of Vice President/ Controller.	N/A	14,200
Jinhee Magie Ontario, Canada *Vice President, Finance*	Vice President, Finance of the Company since May 1, 2009; Director of Finance of the Company from September 2008 – April 30, 2009; formerly, Director of Corporate Compliance, LionOre Mining International Ltd.	N/A	5,000 common shares

Name, residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of securities owned (directly or indirectly) or controlled at present [(1)]
Josephine McCabe United Kingdom *Vice President, Human Resources*	Vice President, Human Resources of the Company since January 2009; formerly in a series of HR leadership positions in the BP Group, including Head of Human Resources for LPG Global Business Unit until November 2008.	N/A	Nil
Peter Nicoll Ontario, Canada *Vice President Health, Safety, Environment and Community*	Vice President of HSEC of Lundin Mining since July 2008; Vice President, Safety, Health, Environment and Corporate Social Responsibility of Uranium One from August 2007 to June 2008; Director, Office of Environmental Health and Safety, University of Toronto, February 2006 - August 2007.	N/A	Nil
Neil O'Brien Ontario, Canada *Senior Vice President, Exploration and Business Development*	Senior Vice President, Exploration and New Business Development of the Company since March, 2007; Vice President of Exploration of the Company since September 2005.	N/A	49,500 common shares
Mikael Schauman Sweden *Vice President, Marketing*	Vice President, Marketing of the Company since February 2007; formerly Senior Non-Ferrous Concentrates Trader at Mitsui & Co. Metals (USA), Inc.	N/A	Nil

(1) On a non-diluted basis. The information as to common shares beneficially owned has been provided by the directors and officers themselves.
(2) Includes 15,000 common shares registered in the name of Mr. Peniuk's spouse and 100 common shares registered in the name of Mr. Peniuk's child.
(3) Includes 80,850 common shares registered in the name of Mr. Conibear's spouse.

Certain directors and officers of the Company have other business interests and do not devote all of their time to the affairs of the Company. See "Conflicts of Interest" below.

The directors and officers of the Company hold, as a group, a total of 3,236,018 common shares, representing 0.06% of the number of common shares of the Company issued and outstanding as at the date hereof.

There are currently four standing committees of the Board; namely, the Audit Committee, the Human Resources/Compensation Committee, the Corporate Governance and Nominating Committee and the Health, Safety, Environment and Community Committee. The following table identifies the members of each of these Committees:

Audit Committee	Human Resources and Compensation Committee	Corporate Governance and Nominating Committee	Health, Safety, Environment and Community Committee
Dale C. Peniuk (Chair) William A. Rand Donald K. Charter	Donald K. Charter (Chair) William A. Rand Dale C. Peniuk	Brian D. Edgar (Chair) John H. Craig Dale C. Peniuk	Colin K. Benner (Chair) Brian D. Edgar Philip J. Wright

8.2 Corporate Cease Trade Orders or Bankruptcies

Except as noted below, no director, officer of the Company, or shareholder holding a sufficient number of shares of the Company to materially affect control of the Company, is, or within the ten years before the date of this Annual Information Form has been, a director or officer of any other corporation that, while that person was acting in that capacity:

(a) was the subject of a cease trade or similar order, or an order that denied such corporation access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; or

(b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold the assets of such corporation.

Messrs. Rand and Edgar were directors of New West Energy Services Inc. (formerly Lexacal Investment Corp.) (TSX-V) when, on September 5, 2006, a cease trade order was issued against that company by the British Columbia Securities Commission for failure to file its financial statements within the prescribed time. The default was rectified and the order was rescinded on November 9, 2006.

Mr. Benner was a director of Tahera Diamond Corporation (TAH-TSX) ("Tahera") which, on January 16, 2008, was granted creditor protection by the Ontario Superior Court of Justice under the Companies' Creditor Arrangement Act ("CCAA"). Mr. Benner resigned as a director of Tahera on September 29, 2008. Pursuant to a number of extensions, Tahera remained under CCAA protection and was sold to a third party.

Ms. Inkster was Vice President, Finance of GBS Gold International Inc. ("GBS") from September 2007 to June 2008. On September 15, 2008, GBS put its Australian group of subsidiaries into voluntary liquidation proceedings. In March 2009, GBS announced that it had agreed to transfer its remaining valued assets to the secured promissory noteholders pursuant to the terms of a note indenture and general security deed entered into on May 27, 2008. The shares of GBS have been suspended from trading on the NEX board and it has effectively ceased business.

The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors, officers and any controlling shareholder of the Company individually.

8.3 Penalties or Sanctions

No director, officer of the Company, or shareholder holding a sufficient number of shares of the Company to materially affect control of the Company, has been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

8.4 Personal Bankruptcies

During the ten years preceding the date of this Annual Information Form, no director, officer or shareholder holding a sufficient number of shares of the Company to affect materially the control of the Company, or a personal holding company of any such person, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold his or her assets.

The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors, officers and any control shareholder of the Company individually.

8.5 Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or the terms of such participation. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for their participation in larger programs, the involvement in a greater number of programs or a reduction in financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of Canada, the directors or the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and the financial position at that time.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors of officers in accordance with the *Canada Business Corporations Act* and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. Other than as disclosed above, the directors and officers of the Company are not aware of any such conflicts of interest in any existing or contemplated contracts with or transactions involving the Company.

ITEM 9 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

9.1 Legal Proceedings

The Company is not currently a party to any material legal proceedings; however, from time to time, the Company may become party to routine litigation incidental to Lundin Mining's business.

9.2 Regulatory Actions

No penalties or sanctions were imposed by a court relating to securities legislation or by a securities regulatory authority during the Company's recently completed financial year, nor were there any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, nor were any settlement agreements entered into before a court relating to securities legislation or with a securities regulatory authority during the Company's recently completed financial year.

ITEM 10 AUDIT COMMITTEE

10.1 Overview

The Audit Committee of the Company's Board of Directors is principally responsible for:

- recommending to the Company's Board of Directors the external auditor to be nominated for election by the Company's shareholders at each annual general meeting and approving the compensation of such external auditor;
- overseeing the work of the external auditor;

- reviewing the Company's annual and interim financial statements, MD&A and press releases regarding earnings before they are reviewed and approved by the Board of Directors and publicly disseminated by the Company; and
- reviewing the Company's financial reporting procedures with respect to the public disclosure of financial information extracted or derived from its financial statements.

10.2 Audit Committee Mandate/Charter

The Company's Board of Directors has adopted an audit committee mandate (the "Mandate") which sets out the audit committee's purpose, procedures, organization, powers, roles and responsibilities. The complete Mandate is attached as Schedule B to this AIF.

10.3 Composition of the Audit Committee

Below are the details of each audit committee member, including his name, whether he is independent and financially literate as such terms are defined under National Instrument 52-110 – Audit Committees ("NI 52-110") and his education and experience as it relates to the performance of his duties as an audit committee member. The qualifications and independence of each member is discussed below and in the Company's Management Information Circular dated April 14, 2009 prepared in connection with the Company's annual meeting of shareholders held on May 15, 2009, a copy of which is available under the Company's profile on the SEDAR website at www.sedar.com.

Member Name	Independent[(1)]	Financially Literate[(2)]	Education and Experience Relevant to Performance of Audit Committee Duties
Dale C. Peniuk (Chair)	Yes	Yes	Mr. Peniuk is a chartered accountant and a graduate of the University of British Columbia (B.Comm). Mr. Peniuk was an assurance partner with KPMG LLP Canada from 1996 to 2006 and was the leader of their British Columbia mining practice. In addition to Lundin Mining, he is presently a director and audit committee Chair of Argonaut Gold Inc., Capstone Mining Corp., Sprott Resource Lending Corp. (formerly Quest Capital Corp.) and Rainy River Resources Ltd.
William A. Rand	Yes	Yes	Mr. Rand is a retired corporate and securities lawyer and mining executive with a B.Comm. from McGill University (Honours in Economics and Major in Accounting), who has sat on a number of boards and audit committees of public companies for over 30 years. Through this education and experience, Mr. Rand has experience overseeing and assessing the performance of companies and public accountants with respect to the preparation, auditing and evaluation of financial statements.
Donald K. Charter	Yes	Yes	Mr. Charter has both an Honours B.A. in economics and an LLB, both from McGill University. Mr. Charter has attained financial experience and exposure to accounting and financial issues in his current role as Corporate Director and in his previous roles as Chairman and Chief Executive Officer of Dundee Securities Corporation and as Executive Vice President of Dundee Corporation and Dundee Wealth Management.

Notes:

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment, or is otherwise deemed to have a material relationship under NI 52-110.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues and can reasonably be expected to be raised by the Company's financial statements.

10.4 Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company has not relied on the exemption in Section 2.4 (De Minimis Non-Audit Services), Section 3.2 (Initial Public Offerings), Section 3.4 (Events Outside Control of Members), Section 3.5 (Death, Disability or Resignation of Audit Committee Members) of NI 52-110 or an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions) of NI 52-110.

10.5 Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Company's Board.

10.6 Pre-Approval Policies and Procedures

All audit and non-audit services performed by the external auditor are pre-approved by the Audit Committee.

10.7 External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Company by its external auditors during the financial year ended December 31, 2010. Services billed in C$, SEK or € were translated using average exchange rates that prevailed during 2010.

Fiscal Year Ending	Audit Fees(1)	Audit-Related Fees(2)	Tax Fees(3)	All other Fees(4)
December 31, 2010	$952,663	$91,545	$22,961	$35,056
December 31, 2009	$1,268,204	$55,434	$79,756	-

(1) Audit fees represent the aggregate fees billed by the Company's auditors for audit services.
(2) Audit-related fees represent the aggregate fees billed for assurance and related services by the Company's auditors that are reasonably related to the performance of the audit or review of the Company's financial statements and not disclosed in the Audit Fees column.
(3) Tax fees represent the aggregate fees billed for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.
(4) All other fees represent the aggregate of fees billed for products and services provided by the Company's auditors other than services reported under clauses (1), (2) and (3) above.

PricewaterhouseCoopers LLP, Chartered Accountants, have prepared the Independent Auditors' Report dated February 23, 2011 in respect of the Company's consolidated audited financial statements as at and for the years ended December 31, 2010 and 2009. PricewaterhouseCoopers LLP have advised the Company that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

ITEM 11 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the best of the Company's knowledge, none of the directors, officers or principal shareholders of the Company, and no associate or affiliate of any of them, has or has had any material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Company other than as follows:

(a) the agreement entered into between the Company and HudBay dated November 21, 2008 which was terminated pursuant to a Termination Agreement between the Company and HudBay dated February 23, 2009. In this connection, Messrs. Colin K. Benner and Donald K. Charter, both of whom are directors of the Company, were also directors of HudBay. Mr. Benner formerly served as Chief Executive Officer of the Company from October 2006 to March 2007 and as the Chief Executive Officer of Skye Resources Inc. prior to its acquisition by HudBay in August 2008 and as interim CEO of HudBay from March 9, 2009 to

March 23. Mr. Benner also served as Vice Chairman of the Company from October 2006 to January 2008. Mr. John Craig, a director of the Company, is a partner of Cassels Brock & Blackwell, LLP, Canadian legal advisor to HudBay in connection with the Arrangement.

ITEM 12 TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the common shares of the Company is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia and Toronto, Ontario.

ITEM 13 MATERIAL CONTRACTS

There were no other contracts, other than those entered into in the ordinary course of business, that were material to the Company and that were entered into between January 1, 2010 and up to the date of this AIF or that were entered into prior to January 1, 2002 and remain in effect during 2010, other than as follows:

(a) Credit Agreement dated May 28, 2007, First Amending Agreement and Second Amending Agreement and Waiver dated May 15, 2008 and March 6, 2009, respectively, and the Third Amending Agreement dated July 6, 2009 between the Company and the Bank of Nova Scotia et al, pursuant to which the Company secured a five-year $225 million non-revolving and a $575 million revolving credit facility for general corporate purposes collateralized by shares owned by the Company in its subsidiaries. These loan facilities were used in part to acquire 100% of the issued and outstanding shares of Rio Narcea Gold Mines, Ltd. ("Rio Narcea"). Following the purchase of Rio Narcea, the Company sold its Tasiast gold project for $225 million and retired the non-revolving credit facility.

(b) Amended and Restated Credit Agreement dated September 1, 2010 between the Company and the banking syndicate comprising Bank of Nova Scotia, Bank of Montreal, WestLB AG, ING Bank N.V., Export Development Canada and Skandinaviska Enskilda Banken AB, to increase the amount of the revolving credit facility from $225 million to $300 million. The restated agreement is for a full three- year term to September 2013, with reduced borrowing costs.

(c) Lundin Mining and Inmet entered into an Arrangement Agreement dated January 12, 2011. Pursuant to the Arrangement Agreement and the accompanying Plan of Arrangement Lundin Mining and Inmet will amalgamate and continue as Symterra such that, in accordance with the Arrangement, each Lundin Mining shareholder will receive 0.3333 common shares of Symterra for each Lundin Mining share held, and each shareholder of Inmet will receive 3.4918 Symterra shares for each common share of Inmet held.

ITEM 14 INTERESTS OF EXPERTS

The Qualified Persons as defined by NI 43-101 who have supervised the preparation of the Company's mineral reserve and mineral resource estimates during 2010 or authored portions of the technical reports disclosed in this AIF are as follows:

- Messrs. John Nilsson, P.Eng., Nilsson Mine Services Ltd., and Ronald G. Simpson, P.Geo, GeoSim Services Inc. in respect of the Tenke Fungurume mineral resource and mineral reserve estimate and technical report;
- Messrs. Graham Greenway, Corporate Resource Geologist, an employee of Lundin Mining and John Andreatidis, General Manager, an employee of Somincor, in respect of the Neves-Corvo mineral resource and mineral reserve estimate;
- Mr. Neil Burns and Messrs. Mark Owen and Owen Mihalop of Wardell Armstrong International Ltd., in respect of the Neves-Corvo technical reports;

- Lars Malmström, Resource Manager, an employee of Zinkgruvan Mining AB, in respect of the Zinkgruvan mineral resource and mineral reserve estimate;
- Messrs. Per Hedström, Doug Syme and Lars Malmström, Resource Manager, an employee of Zinkgruvan Mining AB, in respect of the Zinkgruvan technical report;
- Messrs. Stephen Gatley, Director Technical Services, and Graham Greenway, Corporate Resource Geologist, employees of Lundin Mining, in respect of the Aguablanca mine mineral resource and mineral reserve;
- Messrs. Juan Alvarez, Sia Khosrowshahi and Juan Pablo Gonzalez of Golder Associates Global Iberica, S.L.U., and Mr. Stephen Gatley, an employee of Lundin Mining (author of the section entitled "Additional Requirements for Development and Production Properties") in respect of the Aguablanca technical report.; and
- Mr. Paul McDermott, Technical Services Superintendent, an employee of Galmoy mine, in respect of the Galmoy mineral resource and mineral reserve.

No person or company named or referred to under this Item beneficially owns, directly or indirectly, 1% or more of any class of the Corporation's outstanding securities.

ITEM 15 ADDITIONAL INFORMATION

Additional information regarding the Company is available on SEDAR website at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, if any, and securities authorized for issuance under equity compensation plans is contained in the Company's Management Information Circular dated April 1, 2010 prepared in connection with the annual and special meeting of shareholders of the Company held on May 7, 2010. Additional financial information is provided in the audited consolidated financial statements of the Company as at December 31, 2010 and 2009, together with auditors' report thereon and the notes thereto, and MD&A for the year ended December 31, 2010.

SCHEDULE A

RESOURCE AND RESERVE ESTIMATE – 2010

Mineral Reserves

	Category	000's Tonnes	Cu %	Zn %	Pb %	Ag g/t	Ni %	Co %	Cu T	Zn T	Pb T	Ag Oz	Ni T	Co T	Lundin Interest
									Contained Metal 000's (Ounces millions)						
Copper															
Neves-Corvo	Proven	21,176	3.6	1.0	0.3	43			770	210	65	29			*100%*
	Probable	2,071	2.7	0.6	0.5	48			57	13	10	3			*100%*
	Total	**23,246**	**3.6**	**1.0**	**0.3**	**43**			**827**	**222**	**74**	**32**			***100%***
Zinkgruvan	Proven	2,790	2.6	0.4		32			73	11		3			*100%*
	Probable	80	2.4	0.4		29			2	-		-			*100%*
	Total	**2,870**	**2.6**	**0.4**		**32**			**74**	**11**		**3**			***100%***
Tenke	Proven	58,717	3.1					0.3	1,822					204	*24.75%*
Fungurume	Probable	78,040	2.8					0.3	2,215					204	*24.75%*
	Total	**136,757**	**3.0**					**0.3**	**4,038**					**408**	***24.75%***
Zinc															
Neves-Corvo	Proven	34,319	0.4	6.7	1.6	64			131	2,312	550	70			*100%*
	Probable	8,232	0.3	7.7	1.9	56			27	635	156	15			*100%*
	Total	**42,552**	**0.4**	**6.9**	**1.7**	**62**			**159**	**2,947**	**706**	**85**			***100%***
Zinkgruvan	Proven	8,311		9.2	4.8	105				765	399	28			*100%*
	Probable	2,655		8.6	3.1	63				228	82	5			*100%*
	Total	**10,966**		**9.1**	**4.4**	**95**				**993**	**481**	**33**			***100%***
Galmoy	Proven	464		18.5	6.6	52				86	31	1			*100%*
	Probable	4		10.0	1.3	11				-	-	-			*100%*
	Total	**468**		**18.4**	**6.6**	**52**				**86**	**31**	**1**			***100%***
Nickel															
Aguablanca	Proven	6,867	0.5				0.6		32				43		*100%*
	Probable	530	0.3				0.3		1				2		*100%*
	Total	**7,397**	**0.5**				**0.6**		**34**				**45**		***100%***
Note: totals may not summate correctly due to rounding								**Lundin's share**	**2,093**	**4,260**	**1,292**	**154**	**45**	**101**	

Mineral Resources - inclusive of reserves

	Category	000's Tonnes	Cu %	Zn %	Pb %	Ag g/t	Ni %	Co %	Cu T	Zn T	Pb T	Ag Oz	Ni T	Co T	Lundin Interest
									Contained Metal 000's (Ounces millions)						
Copper															
Neves-Corvo	Measured	36,995	3.4	1.2	0.4	50			1,239	440	141	59			*100%*
	Indicated	3,895	2.4	1.0	0.6	53			94	39	22	7			*100%*
	Inferred	26,319	1.9	1.0	0.3	41			487	250	87	35			*100%*
Zinkgruvan	Measured	4,114	2.6	0.4		31			107	16		4			*100%*
	Indicated	238	2.3	0.3		27			5	1		-			*100%*
	Inferred	988	2.2	0.3		33			22	3		1			*100%*
Tenke	Measured	119,349	3.0					0.3	3,530					376	*24.75%*
	Indicated	336,361	2.6					0.2	8,594					777	*24.75%*
	Inferred	218,172	2.0					0.2	4,287					500	*24.75%*
Zinc															
Neves-Corvo	Measured	58,047	0.4	6.2	1.4	61			209	3,616	801	114			*100%*
	Indicated	13,929	0.3	6.9	1.5	53			47	965	209	24			*100%*
	Inferred	26,791	0.4	4.9	1.0	53			96	1,323	268	45			*100%*
Zinkgruvan	Measured	9,253		10.5	5.3	114				972	490	34			*100%*
	Indicated	5,189		10.2	4.9	94				529	254	16			*100%*
	Inferred	5,121		9.4	3.3	70				481	169	12			*100%*
Galmoy	Measured	958		18.2	4.7	37				174	45	1			*100%*
	Indicated	132		10.5	0.8	7				14	1	-			*100%*
	Inferred	8		9.5	1.3	19				1	-	-			*100%*
Nickel															
Aguablanca	Measured	12,131	0.5				0.6		61				70		*100%*
	Indicated	1,820	0.2				0.3		4				6		*100%*
	Inferred	822	0.1				0.3		1				2		*100%*
								Lundin's share not including Inferred Resources	**4,768**	**6,767**	**1,963**	**258**	**76**	**285**	

Notes on Mineral Reserves and Resources Table

Mineral reserves and resources are shown on a 100 percent basis for each mine. Mineral resources for all operations are inclusive of reserves and all estimates, with the exception of Tenke Fungurume, are prepared as at June 30, 2010. The Tenke Fungurume estimate is dated December 31, 2010.

Estimates for all 100% owned operations are prepared by or under the supervision of a Qualified Person as defined in National Instrument 43-101. Tenke proven and probable mineral reserves, estimated by the operator Freeport, are prepared to SEC standards and reviewed by Lundin Mining's independent Qualified Persons.

Neves-Corvo

The mineral resources are reported above cutoff grades of 1.0% for copper and 3.0% for zinc. The copper mineral reserves are reported above a cutoff of 1.6% while for zinc mineral reserves a cutoff of 4.3% is used for orebodies above the 550 level and 6.0% for the deeper Lombador orebody below the 550 level. Mineral reserves and resources for Neves-Corvo were estimated by the mine's geology and engineering department under the guidance of Nelson Pacheco, Chief Geologist and Fernando Cartaxo, Mine Planning Engineer. Qualified Persons are Graham Greenway, Group Resource Geologist, employed by Lundin Mining and John Andreatidis, General Manager, employed by Neves-Corvo mine.

Zinkgruvan

The zinc mineral resources and reserves are reported above a 3.1% zinc equivalent cutoff. The copper mineral resources and reserves are reported above cutoff grades of 1.5% copper and 2.0% copper, respectively. The Qualified Person responsible for the 2010 Zinkgruvan mineral resource and reserve estimate is Lars Malmström, Resource Manager, employed by Zinkgruvan mine.

Aguablanca

The mineral resources are reported above a 0.2% nickel cutoff and the mineral reserves above a 0.25% nickel cutoff. Mineral resources for Aguablanca were estimated by Graham Greenway, Lundin Mining. Mineral reserves were calculated by Aden Muñoz, Mine Manager, Aguablanca. Qualified Persons are Graham Greenway, Group Resource Geologist, and Stephen Gatley, Director Technical Services, both employed by Lundin Mining.

Galmoy

The mineral resources are reported above a cutoff of 4.5% zinc equivalent. The mineral reserves are those tonnes above a 6.0% zinc equivalent cutoff that are amenable to mining and treatment at an adjacent mine. The Qualified Person responsible for the Galmoy mineral resource and reserve estimate is Paul McDermott, Technical Services Superintendent, an employee of Galmoy mine.

Tenke Fungurume

The 2010 mineral resources are based on a cutoff of 1.30% copper equivalent and a cobalt-to-copper factor of 4.00. The 2010 mineral reserves are based on pit limits defined in the current mine plan, use a cutoff grade of 0.99% copper equivalent and a cobalt-to-copper equivalency factor of 4.00. The mineral resources and mineral reserves were prepared by staff of Freeport. The mineral reserve estimates for Tenke have been reviewed by John Nilsson, P.Eng of Nilsson Mine Services Ltd on behalf of Lundin Mining. The mineral resource estimates have been reviewed by John Nilsson, P.Eng, and Ron Simpson, P.Geo of GeoSim Services Inc. who are independent consultants and Qualified Persons. In addition to the mineral reserves, work-in-progress stockpiles at Tenke Fungurume are estimated to contain 8.4 million tonnes grading 0.96% copper and 0.47% cobalt.

LUNDIN MINING CORPORATION

AUDIT COMMITTEE MANDATE SCHEDULE B

A. PURPOSE

The overall purpose of the Audit Committee (the "Committee") is to ensure that the Corporation's management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements of the Corporation and to review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts.

B. COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the Board of Directors (the "Board"), all of whom shall be "independent directors", as that term is defined in Multilateral Instrument 52-110, "Audit Committees".
2. All of the members of the Committee shall be "financially literate" (i.e. able to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements).
3. At least one member of the Committee shall have accounting or related financial expertise (i.e. able to analyze and interpret a full set of financial statements, including the notes thereto, in accordance with generally accepted accounting principles).
4. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
5. Unless the Board shall have appointed a chair of the Committee or in the event of the absence of the chair, the members of the Committee shall elect a chair from among their number.
6. The secretary of the Committee shall be designated from time to time from one of the members of the Committee or, failing that, shall be the Corporation's Corporate Secretary, unless otherwise determined by the Committee.
7. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
8. The Committee shall have access to such officers and employees of the Corporation and to the Corporation's external auditors, and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.
9. Meetings of the Committee shall be conducted as follows:

   (a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the Chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;

   (b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee;

   (c) the Chair of the Committee shall be responsible for developing and setting the agenda for Committee meetings and determining the time and place of such meetings;

   (d) the following management representatives shall be invited to attend all meetings, except executive sessions and private sessions with the external auditors:

(i) Chief Executive Officer; and
(ii) Chief Financial Officer.

(e) other management representatives shall be invited to attend as necessary; and

(f) notice of the time and place of every meeting of the Committee shall be given in writing to each member of the Committee a reasonable time before the meeting.

10. The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its Chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

11. The Committee shall have authority to engage independent counsel and other advisors as it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Audit Committee and to communicate directly with the internal and external auditors.

C. ROLES AND RESPONSIBILITIES

1. The overall duties and responsibilities of the Committee shall be as follows:

(a) to assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation's annual and quarterly consolidated financial statements;

(b) to establish and maintain a direct line of communication with the Corporation's internal and external auditors and assess their performance;

(c) to ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of internal financial controls; and

(d) to report regularly to the Board on the fulfilment of its duties and responsibilities.

2. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:

(a) to recommend to the Board a firm of external auditors to be engaged by the Corporation, and to verify the independence of such external auditors;

(b) to review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;

(c) review the audit plan of the external auditors prior to the commencement of the audit;

(d) to review with the external auditors, upon completion of their audit:

(i) contents of their report;
(ii) scope and quality of the audit work performed;
(iii) adequacy of the Corporation's financial and auditing personnel;
(iv) co-operation received from the Corporation's personnel during the audit;
(v) internal resources used;
(vi) significant transactions outside of the normal business of the Corporation;
(vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
(viii) the non-audit services provided by the external auditors;

(e) to discuss with the external auditors the quality and not just the acceptability of the Corporation's accounting principles; and

(f) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.

3. The duties and responsibilities of the Committee as they relate to the Corporation's internal auditors are to:

   (a) periodically review the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;

   (b) review and approve the internal audit plan; and

   (c) review significant internal audit findings and recommendations, and management's response thereto.

4. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:

   (a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;

   (b) review compliance under the Corporation's Business Conduct Policy and to periodically review this policy and recommend to the Board changes which the Committee may deem appropriate;

   (c) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and

   (d) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.

5. The Committee is also charged with the responsibility to:

   (a) review the Corporation's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;

   (b) review and approve the financial sections of:

      (i) the annual report to shareholders;
      (ii) the annual information form;
      (iii) prospectuses; and
      (iv) other public reports requiring approval by the Board,

   and report to the Board with respect thereto;

   (c) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;

   (d) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;

   (e) review and report on the integrity of the Corporation's consolidated financial statements;

   (f) review the minutes of any audit committee meeting of subsidiary companies;

   (g) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;

   (h) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts;

(i) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board of Directors following each annual general meeting of shareholders; and

(j) establish procedures for:

    (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

    (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

2011

Notice of Annual Meeting
and
Management Information Circular

lundin mining

lundin mining

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that an annual meeting (the "**Meeting**") of the shareholders of **LUNDIN MINING CORPORATION** (the "**Corporation**") will be held at the Ontario Bar Association Conference Centre, 2nd Floor, 20 Toronto Street, (Yonge/King Street) Toronto, Ontario, on Friday, June 24, 2011 at the hour of 10:00 a.m. (Toronto time), for the following purposes:

1. To receive the audited consolidated financial statements of the Corporation for the year ended December 31, 2010 and the report of the auditors thereon;

2. To elect the directors for the ensuing year; **(Resolution 1)**

3. To appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation for the ensuing year, and to authorize the directors to fix the remuneration to be paid to the auditors; **(Resolution 2)**

4. To transact such further and other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

This Notice is accompanied by a Management Information Circular (**"Circular"**) and form of proxy. The nature of the business to be transacted at the meeting is described in further detail in the Circular.

All shareholders are entitled to attend and vote at the Meeting in person or by proxy. Registered shareholders who are unable to attend the Meeting are requested to complete, date, sign and deliver the enclosed form of proxy to Computershare Investor Services Inc. ("**Computershare**"), 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1, Attention: Proxy Department. If a shareholder does not deliver a proxy to Computershare by 10:00 a.m. (Toronto, Ontario, time) on Wednesday, June 22, 2011 (or not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, before any adjournments or postponements of the Meeting at which the proxy is to be used), or deposit it with the Secretary of the Corporation or the chairman of the Meeting prior to the time of voting at the Meeting, then the shareholder will not be entitled to vote at the Meeting by proxy.

As provided in the *Canada Business Corporations Act*, the directors have fixed a Record Date of May 20, 2011. Accordingly, shareholders registered on the books of the Corporation at the close of business on the May 20, 2011 are entitled to receive notice of the Meeting and to vote at the Meeting or any adjournment thereof.

If you are a non-registered shareholder and receive these materials through your broker or other intermediary, please complete and return the voting instruction form or other authorization in accordance with the instructions provided to you by your broker or intermediary.

Dated at Toronto, Ontario this 24th day of May, 2011.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Philip J. Wright,
President and Chief Executive Officer

VOTING INFORMATION

Solicitation of Proxies

This Management Information Circular (the "Circular") is furnished in connection with the solicitation of proxies being undertaken by the management of Lundin Mining Corporation (the "Corporation", or "Lundin Mining") for use at the annual meeting of the Corporation's shareholders to be held on Friday, June 24, 2011 at the time and place and for the purposes set forth in the accompanying notice of meeting or at any adjournment thereof (the "Meeting"). Management's solicitation of proxies will primarily be by mail and may be supplemented by telephone or other means of communication to be made, without compensation other than their regular fees or salaries, by directors, officers and employees of the Corporation. The cost of solicitation by management will be borne by the Corporation.

It is anticipated that this Circular, together with the accompanying notice of meeting and form of proxy will be mailed to shareholders of the Corporation on or about May 31, 2011.

Unless otherwise stated, the information contained in this Circular is as of May 19, 2011. All monetary amounts referred to herein are stated in United States currency, unless otherwise indicated.

Appointment of Proxyholder

The persons named as proxyholders in the enclosed form of proxy are directors and/or officers of the Corporation (the "**Management Proxyholders**"). **A registered shareholder ("Registered Shareholder") has the right to appoint a person or company other than one of the Management Proxyholders to represent the Registered Shareholder at the Meeting by striking out the printed names and inserting that other person or company's name in the blank space provided. A proxyholder need not be a shareholder. If a shareholder appoints one of the Management Proxyholders as a nominee and there is no direction by the Registered Shareholder, the Management Proxyholder shall vote the proxy FOR all proposals set out in the enclosed proxy form, including FOR the election of the directors and the appointment of the auditors.**

The instrument appointing a proxyholder must be signed in writing by the Registered Shareholder, or such shareholder's attorney authorized in writing. If the Registered Shareholder is a corporation, the instrument appointing a proxyholder must be in writing signed by an officer or attorney of the corporation duly authorized by resolution of the directors of such corporation, which resolution must accompany such instrument. **An instrument of proxy will only be valid if it is duly completed, signed, dated and received at the office of the Corporation's registrar and transfer agent, Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 by 10:00 a.m. (Toronto, Ontario time) on Wednesday, June 22, 2011 (or not less than 48 hours, excluding Saturdays, Sundays and holidays before any adjournments of the Meeting at which the proxy is to be used), or it is deposited with the Secretary of the Corporation or the chairman of the Meeting prior to the time of voting at the Meeting.**

If you have any questions about the procedures to be followed to vote at the Meeting or about obtaining, completing and depositing the required form of proxy, you should contact Computershare Investor Services Inc. by telephone (toll free) at 1-800-564-6253 or by e-mail at service@computershare.com.

Voting of Proxies

Common shares of the Corporation represented by properly executed proxies in the accompanying form will be voted or withheld from voting on each respective matter in accordance with the instructions of the Registered Shareholder on any ballot that may be called for and, if the shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the shares represented by such proxy will be voted accordingly. **If no choice is specified, the person designated in the accompanying form of proxy will vote FOR all matters proposed by management at the Meeting.**

Exercise of Discretion

The enclosed proxy, when properly completed and delivered and not revoked, gives discretionary authority to the persons named therein with respect to any amendments or variations of matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of

Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the person designated in the accompanying form of proxy to vote in accordance with their best judgment on such matters. As of the date of this Circular, management of the Corporation knows of no such amendment, variation or other matter to come before the Meeting.

Voting by Beneficial (Non-registered) Shareholders

The information in this section is important to many shareholders as a substantial number of shareholders do not hold their shares in their own name.

Shareholders who hold common shares of the Corporation through their brokers, intermediaries, trustees, or other nominees (such shareholders being collectively called "**Beneficial Shareholders**") should note that only proxies deposited by shareholders whose names appear on the share register of the Corporation may be recognized and acted upon at the Meeting. If common shares are shown on an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases the name of such Beneficial Shareholder **will not** appear on the share register of the Corporation. Such shares will most likely be registered in the name of the broker or an agent of the broker. In Canada, the vast majority of such shares will be registered in the name of "**CDS & Co.**", the registration name of The Canadian Depository for Securities Limited, which acts as a nominee for many brokerage firms. Such shares can only be voted by brokers, agents, or nominees and can only be voted by them in accordance with instructions received from Beneficial Shareholders. **As a result, Beneficial Shareholders should carefully review the voting and instructions provided by their broker, agent or nominee with this proxy Circular and ensure that they direct the voting of their shares in accordance with those instructions**.

Applicable regulatory policies require brokers and intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Each broker or intermediary has its own mailing procedures and provides its own return instructions to clients. The purpose of the form of proxy or voting instruction form provided to a Beneficial Shareholder by such shareholder's broker, agent or nominee is limited to instructing the registered holder on how to vote such shares on behalf of the Beneficial Shareholder. Most brokers in Canada now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (formerly ADP Independent Investor Communication Corporation) ("**Broadridge**"). Broadridge typically prepares voting instruction forms, mails those forms to Beneficial Shareholders and asks those Beneficial Shareholders to return the forms to Broadridge or follow specific telephone or other voting procedures. Broadridge then tabulates the results of all instructions received by it and provides appropriate instructions respecting the voting of such shares at the Meeting. **A Beneficial Shareholder receiving a voting instruction form from Broadridge cannot use that form to vote their shares at the Meeting. Instead, the voting instruction form must be returned to Broadridge or the alternate voting procedures must be completed well in advance of the Meeting in order to ensure that such shares are voted.**

Beneficial Shareholders should follow the instruction on the forms that they receive and contact their intermediaries promptly if they need assistance.

Revocation of Proxy

A Registered Shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing, including a proxy bearing a later date, executed by the Registered Shareholder or by his attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The instrument revoking the proxy must be deposited at the registered office of the Corporation, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the Secretary of the Corporation or the chairman of the Meeting prior to the time of voting at the Meeting. Only Registered Shareholders have the right to revoke a proxy. **Beneficial Shareholders who wish to change their vote must arrange for their respective intermediaries to revoke the proxy on their behalf.**

Record Date

Shareholders registered as at May 20, 2011 (the "**Record Date**") are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the proxy to attend and vote, deliver their proxies at the place and within the time set forth in the notes to the proxy.

Interest of Certain Persons in Matters to be Acted Upon

Except as otherwise set out herein, no director or executive officer of the Corporation, or any person who has held such a position since the beginning of the last completed financial year end of the Corporation, nor any nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors.

Voting Securities and Principal Holders Thereof

The Corporation is authorized to issue an unlimited number of common shares and one special share, of which 582,061,678 common shares are issued and outstanding as of May 19, 2011. Each common share is entitled to one vote on all matters to be acted upon at the Meeting.

The following table sets forth those persons who, to the knowledge of the directors and executive officers of the Corporation, beneficially own or exercise control or direction, directly or indirectly, over common shares carrying more than 10% of the voting rights attached to all common shares of the Corporation:

Voting Rights

Name of Shareholder	Number of Common Shares	Percentage of Common Shares
Lorito Holdings S.à.r.l. ("**Lorito**")[(1)] Luxembourg	35,894,790	6.2%
Zebra Holdings and Investments S.à.r.l. ("**Zebra**")[(1)] Luxembourg	27,320,064	4.7%

Note:
(1) Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settlor was the late Adolf H. Lundin.

BUSINESS OF THE MEETING

1. Financial Statements

The audited consolidated financial statements of the Corporation for the year ended December 31, 2010 and the report of the auditor thereon have been provided to shareholders who have validly requested such statements separately and are available on SEDAR at www.sedar.com.

2. Election of Directors

Nominees

Directors are elected annually. The board of directors of the Corporation (the "**Board of Directors**" or the "**Board**") has accepted a recommendation of the Corporate Governance and Nominating Committee for a simplified corporate structure and has determined that the size of the Board should be 8 directors. The number of directors to be elected is 8. Unless authority to vote is withheld, the shares represented by the proxies hereby solicited will be voted by the persons named therein **FOR** the election of the nominees whose names are set forth below. All 8 nominees are presently members of the Board of Directors and the dates on which they were first elected or appointed are indicated below. Management does not contemplate that any nominee will be unable or unwilling to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote **FOR** another nominee in their discretion, unless the shareholder has specified in the accompanying form of proxy that such shareholder's shares are to be withheld from voting on the election of directors.

Each of the following persons is nominated to hold office as a director until the next annual meeting or until his or her successor is duly elected or appointed.

Nominees

Name, province, and country of residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of voting securities beneficially owned or controlled or directed, directly or indirectly[1]
Lukas H. Lundin British Columbia, Canada *Chairman*	Chairman and a director of the Company; chairman and director of a number of publicly traded resource-based companies which include Denison Mines Corp., Lucara Diamond Corp., NGEx Resources Inc., Atacama Minerals Corp. and Vostok Nafta Investment Ltd.; and director of Lundin Petroleum AB.	September 9, 1994	1,771,449 common shares
Philip J. Wright [5] France *President & Chief Executive Officer*	President and Chief Executive Officer of the Corporation since January 16, 2008.	January 16, 2008	Nil
Colin K. Benner [5] British Columbia, Canada *Director*	President and director of CKB Mining Inc.; Director of a number of publically traded companies; Interim CEO of HudBay Minerals Inc. from March 9, 2009 to March 23, 2009; Vice Chairman and Chief Executive Officer of Skye Resources Inc. from March to August 2008; Vice Chairman, Chief Executive Officer and Director of the Corporation from October 31, 2006 to April 1, 2007; and Vice Chairman, Chief Executive Officer and a Director of EuroZinc Mining Corporation from December 21, 2004 to October 31, 2006.	October 31, 2006	40,000 common shares
Donald K. Charter [2] [4] Ontario, Canada *Director*	President & CEO of Corsa Coal Corp. since August 2010; since January 2006, he has been the President of 3Cs Corporation, his private consulting and investment company, and a director sitting on a number of public company boards; prior to December 2005, Chairman, President and Chief Executive Officer of a financial services company.	October 31, 2006	11,424 common shares
John H. Craig [3] Ontario, Canada *Director*	Lawyer, partner of Cassels Brock & Blackwell LLP.	June 11, 2003	186,849 common shares
Brian D. Edgar [3] [5] British Columbia, Canada *Director*	Executive Chairman of Silver Bull Resources, Inc.; director of a number of publicly traded companies.	September 9, 1994	230,000 common shares
Dale C. Peniuk [2] [3] [4] British Columbia, Canada *Director*	Chartered Accountant; financial consultant to the mining industry; formerly an Assurance partner with KPMG LLP, Chartered Accountants; Director of a number of publicly traded companies.	October 31, 2006	17,600 common shares[6]
William A. Rand [2] [4] British Columbia, Canada *Director*	President and Director of Rand Edgar Investment Corp.; Director of a number of publicly traded companies.	September 9, 1994	223,424 common shares

Notes:
(1) The information as to common shares beneficially owned has been provided by the directors themselves.
(2) Members of the Audit Committee.
(3) Members of the Corporate Governance and Nominating Committee.
(4) Members of the Human Resources/Compensation Committee.
(5) Members of the Health, Safety, Environment and Community Committee.
(6) Includes 15,000 common shares registered in the name of Mr. Peniuk's spouse and 100 common shares registered in the name of Mr. Peniuk's child.

Corporate Cease Trade Orders or Bankruptcies

Except as noted below, no proposed director is, as of the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:

(a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an "**order**") that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer;

(b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or

(c) while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Messrs. Rand and Edgar were directors of New West Energy Services Inc. (NEW-TSX-V) when, on September 5, 2006, a cease trade order was issued against that company by the British Columbia Securities Commission for failure to file its financial statements within the prescribed time. The default was rectified and the order was rescinded on November 9, 2006.

Mr. Benner was a director of Tahera Diamond Corporation (TAH-TSX) ("**Tahera**") which, on January 16, 2008, was granted creditor protection by the Ontario Superior Court of Justice under the Companies' Creditor Arrangement Act ("**CCAA**"). Mr. Benner resigned as a director of Tahera on September 29, 2008. Pursuant to a number of extensions, Tahera remained under CCAA protection and was sold to a third party.

Individual Bankruptcies

No proposed director of the Corporation has, within the 10 years prior to the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Penalties or Sanctions

No proposed director of the Corporation has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for the proposed director.

3. Appointment and Remuneration of Auditors

The directors of the Corporation recommend the re-appointment of PricewaterhouseCoopers LLP ("**PwC**"), Chartered Accountants, Toronto, Ontario, as auditors of the Corporation to hold office until the termination of the next annual meeting of the Corporation. PwC was first appointed as the auditors of the Corporation on October 19, 2006. It is also proposed that the remuneration to be paid to the auditors be determined by the directors of the Corporation.

The resolution regarding the re-appointment of PwC is an ordinary resolution which requires that it is passed by at least a majority of the votes cast by shareholders who vote in respect of this resolution.

The disclosure required by Form 52-110F1 of National Instrument 52-110, Audit Committees, including the text of the Audit Committee's charter and the fees paid to the Corporation's external auditor, can be found in the Corporation's Annual Information Form dated March 31, 2011 as filed on SEDAR at www.sedar.com.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

In the following pages we describe:

- The Corporation's policies and practices with respect to the compensation of senior managers.
- The role and structure of the Human Resources/Compensation Committee.
- The detailed disclosure of the remuneration of the Named Executive Officers ("**NEOs**"), namely the Chief Executive Officer ("**CEO**"), the Chief Financial Officer ("**CFO**") and the three other most highly compensated executives.

Overview of Compensation Philosophy

The Corporation's aim is to provide market competitive remuneration to attract, retain and motivate the talent required to allow the Corporation to achieve its potential. The total reward package is designed to remunerate on the basis of an individual's personal effectiveness. An underlying principle of the reward package is that good performance will be recognized, and poor performance will not be tolerated or rewarded. A key aspect of remuneration is to align the interests with those of shareholders by tying compensation to performance.

Executive packages are determined on a Total Employment Cost ("**TEC**") basis and include an appropriate balance of base salary, benefits and at-risk remuneration (in the form of short-term incentive and long-term incentive). They are set in the context of the relevant industrial and geographic norms that the Corporation operates within and at a level which will make the organization competitive in its chosen mining and mineral exploration markets.

2010 Approach

No significant change to the structure of the remuneration package has been made in 2010. The current approach, which is based on TEC (as indicated above), remains generally as follows:

- Balanced across the short, medium and longer term;
- Market competitive;
- Base pay is broadly targeted at a median level;
- Short-term incentive (annual cash payment) is based on individual targets which are a subset of the corporate targets, and provides above median remuneration for individuals who demonstrate effectiveness in their roles and in achieving their objectives; and
- Long-term reward (share option grants) provides the opportunity to build ownership in the business and increase personal wealth in the medium term in line with the opportunities for success afforded to the shareholders.

Recruiting and Retention

Lundin Mining's management team has strengthened considerably over the last couple of years. We are satisfied with our ability to attract and retain high calibre individuals capable of working within, and contributing to, the management team.

Aligning Management and Shareholders

The Corporation seeks to align management with shareholders' interests as follows:

- The short-term incentive plan incorporates 'pay-for-performance' into the annual cash remuneration; and
- The long-term incentive plan represents a potentially significant portion of an executive's total remuneration and provides a longer-term focused reward that is subject to the same external market conditions as shareholders.

Human Resource/Compensation Committee Mandate

The Human Resources/Compensation Committee (the "**HRCC**") is responsible for:

- Recommending to the Board the annual salary, bonus and other benefits, direct and indirect, of the CEO;
- Approving the compensation for the Corporation's other executive officers, after considering the recommendations of the CEO;
- Approving other human resources and compensation policies and guidelines;
- Ensuring management compensation is competitive to enable the Corporation to continue to attract individuals of the highest calibre; and
- Recommending the adequacy and form of director compensation to the Board.

Please review the section in this Management Information circular titled "Statement of Corporate Governance Practice" for further information about the duties and responsibilities of the HRCC.

The HRCC currently consists of 3 directors, Messrs. Donald K. Charter (chair), Dale C. Peniuk and William A. Rand, all of whom are independent. The HRCC met 4 times in 2010.

Towards the end of each fiscal year (or as appropriate) the HRCC reviews the performance of the executive officers. The HRCC considers a variety of factors when determining compensation policies and individual compensation levels, including:

- The long-term interests of the Corporation and its shareholders;
- The performance of the Corporation;
- Each officer's personal effectiveness in his or her role;
- Each officer's contractual terms; and
- External market conditions and movements.

The CEO's compensation is assessed taking into account similar factors.

The Corporation sets group and individual performance targets across all facets of the business based on individual (but linked) one page plans covering all managers, and providing a sound basis for determining short-term incentive payments.

In 2010, the HRCC continued to apply the structured methodology for awarding share option grants, under the Long Term Incentive Program (the "**LTIP**"), which was established after a wide-ranging review in 2008. During 2010 no share option grants were made to the NEOs except for a share option grant to the CFO in the amount of 50,000 options made pursuant to her employment agreement.

The HRCC believes that the salary paid to the CEO and each executive officer during the last fiscal year was consistent with the requirements of the position and the incumbent's experience, when considering the salary component as part of TEC. The HRCC used judgement in considering, among other things: the industry in which the Corporation operates; the competitive landscape for hiring executives within this industry; the public nature of the Corporation; the market capitalization of the Corporation; and the responsibilities of the particular executive officer. Given the multiple jurisdictions in which the senior management team of the Corporation operates, and the breadth of the mining and resources sectors in which we compete for talent, the HRCC did not elect to use a fixed comparator group in 2010 for the purposes of salary comparison.

During 2010, management provided the HRCC with information as required on general remuneration issues, and the HRCC referred as appropriate, to independent market data from a number of service providers, including Coopers Consulting (the "**Coopers Mining Survey**") and Hay Management Consultants.

Role of Management in Determining Compensation

The accountability for decisions on executive remuneration is within the mandate of the Board with recommendations from the HRCC. Management plays an important role in supporting the HRCC as required by the HRCC. The CEO and other senior members of his leadership team (including the Vice President, Human Resources) assist with the provision of both external data and analysis. They also give the HRCC the results of performance evaluations for the management team to assist the HRCC in their consideration of changes in the remuneration of individual executives.

The CEO is not a member of the HRCC. He provides input on the performance of senior executives and managers. Discussions affecting the CEO's remuneration package, either directly or indirectly, are held in camera.

Elements of Compensation

The compensation of the Corporation's NEOs for the fiscal year ended December 31, 2010 comprised the following components which, in aggregate, constitute the TEC:

- Base salary
- Short-term incentive (cash award)
- Long-term incentive (stock option grants)
- Retirement benefits
- Other executive benefits

The following describes these components in greater detail.

1. Base Salary

Base salaries for NEOs are set at a level that is required to attract and retain candidates with the required levels of expertise and experience and take into account competitive rates for the relevant position and location. The Coopers Mining Survey, which gives comparisons with companies of comparable size and complexity in the mining industry, is one source of relevant external market data which helps to inform that judgment.

In January 2010, an increase of base salaries of approximately 2% was granted to the executive and management group. Higher adjustments were made for a limited number of individuals based on special reasons (for example, to recognize promotion, or to address misalignment with the market).

The base salaries of the Corporation's NEOs as at December 31, 2010, and adjustments thereto, are shown in the table below

Base Salaries

Name	Title	2010 Base Salary (US$)[1]	Increase to base salary in 2010
Philip Wright	President and Chief Executive Officer	558,325	-
Marie Inkster	Chief Financial Officer	310,720	6.7%
Joao Carrelo	Executive Vice President and Chief Operating Officer	450,584	2%
Paul Conibear	Senior Vice President, Corporate Development	373,835	2%
Neil O'Brien	Senior Vice President, Exploration and Business Development	297,126	2%

Notes:
(1) Average 2010 exchange rates were used in this and the following tables (US$ 0.9710:C$1.00; US$1.3272:€1.00; USD$1.5461:UK£1.00).

2. Short-Term Incentive ("STI")

Context and Process

The Corporation's STI plan delivers an 'at risk' annual cash payment based on a targeted level of incentive for each position and an assessment of an individual's personal effectiveness. The STI payment is one of the outcomes of a holistic process that links business planning with an evaluation of the personal effectiveness of senior executives and managers, using the elements described below:

- **One Page Plans** ("**OPPs**") – These plans are in place for all executives and managers, and, in aggregate, they encompass the overall goals and targets of the Corporation. The OPPs contain linked strategic initiatives and intermediate targets covering: operational matters; health, safety, environment and community; business growth and development; and the identification, development and attainment of better practices. They are not rigid documents but are modified as circumstances dictate.
- **Job Results Descriptors** (''**JRDs**'') – Set out the results to be achieved in each role, and weight the results to be achieved taking into account the deliverables for the position.
- **Personal Effectiveness Reviews** (''**PERs**'') - PER is an individual performance management process which provides a single, holistic methodology for reviewing individual performance in a disciplined, fair and consistent manner . Together, the following two factors form the basis of measuring each manager's overall personal effectiveness, which will, in turn, be the primary determining factor in the payment of short-term incentives, overall reward and retention:
    - **Personal effectiveness** - Measured by achievement of financial and budgetary results, and against the assessment of performance against the objectives set out in the individual's OPP (75% weighting)

- **Management behaviours** – Measured by an evaluation of 24 selected management behaviours covering business skills including planning abilities, leadership and management, problem solving and decision making, teamwork and personal behaviours and abilities including integrity (25% weighting). The selected behaviours are those which are broadly deemed to be of greatest value and influence in driving superior performance in the organization.

For the NEOs, other than the Chief Executive Officer, whose compensation is discussed later in this circular, the following provides details of the basis of evaluation for the 2010 performance year, with an approximate weighting indicated against each:

Basis of Evaluation

NEO	Key Deliverables		Management Behaviours
Marie Inkster, Chief Financial Officer	• Targets met for financial reporting and IFRS project • Amended and renegotiated credit agreements to allow for growth and additional debt • Improved budgeting and cash management	*75%*	*25%*
João Carrêlo, Executive Vice President & Chief Operating Officer	• All key budget deliverables met • Improvement in HSEC performance • Key strategic initiatives met	*75%*	*25%*
Paul Conibear, Senior Vice President, Corporate Development	• Managed Tenke investment post start-up • Key strategic initiatives met	*75%*	*25%*
Neil O'Brien, Senior Vice President, Exploration & Business Development	• Upgraded and expanded near-mine resources • Disposal of non-core exploration assets • Improvement in HSEC performance • All key budget deliverables met • Key strategic initiatives met	*75%*	*25%*

Note – All figures above are expressed as a % of the relevant STI target. The STI target level which applies for each NEO is included in the table below.

The key strategic initiatives included human resources initiatives, process standardization and improvement, operational improvement, customer and revenue growth, financial management, investor relations, HSEC Committee performance, and business growth and development initiatives. In aggregate these, along with the key budgetary deliverables, were designed to improve overall performance, improve financial strength and grow the business.

2010 Performance

2010 was a year of consolidation, growth and consistent delivery. Metal prices remained strong throughout the year, and the Corporation generated an increase of more than 300% in annual net income (before impairment) from $73.7 million, to $317.1 million, and an increase in cash flow from $137.4 million to $277.3 million. In addition, production targets were delivered in line with guidance, mineral reserves were increased once again to replace record ore tonnages mined, and there was continued good performance by the whole organization in both safety and production. The discovery of the Semblana deposit at Neves-Corvo was a particularly important development on the exploration front, and significant progress was also made on a number of key strategic corporate development initiatives. Overall, the Board decided that the performance by the entire Corporation's leadership merited an average payment of approximately 90% of the relevant individual target STI levels. STI target levels are a guideline, and individual incentive award decisions are made taking full account of individual performance and behavioural factors (as described in detail above), corporate performance including extraordinary events in the year and the competitive environment in which the Corporation is operating. In 2010, STI awards made to individuals ranged from zero to more than 100% of that employee's personal target. In particular, the HRCC judged that the personal contribution of four of the NEOs to 2010's overall corporate performance was both exceptional and material, and so it warranted STI awards on this occasion which were commensurate with that level of exceptional performance. Details of the 2010 STI awards to the NEOs are included in the table below.

Summary

The following table records the STI target for each NEO in 2010 as a percentage of base salary as well as their awards for that performance year.

STI Target

Name	2010 Target STI as a Percentage of Base Salary	2010 STI paid
Philip Wright	60%	-
Marie Inkster	50%	291,300
João Carrêlo	60%	464,520
Paul Conibear	40%	291,300
Neil O'Brien	40%	291,300

3. Long-Term Incentive

Purpose of Long-Term Incentives

The Corporation provides long-term incentives through option grants under its stock option plan.

2010 Option Grants

50,000 options were granted to the CFO in 2010, pursuant to her employment agreement. Those options have a term of 3 years and fully vest on grant. No other stock options were granted to NEOs in 2010. A small number of options were granted during the year to other senior managers, which were also related to commitments in their individual employment agreements. Those grants were made under the current incentive stock option plan and have a 3-year term, with one-third of the total grant vesting each year.

The following incentive stock options were granted during the most recently completed financial year to the Corporation's NEOs:

Incentive Stock Options

Name of Executive Officers	Securities Under Options Granted (#)	% of Total Options Granted to All Employees in the Financial Year[1]	Exercise or Base Price ($CAD/Security)	Market Value of Securities Underlying Options on the Date of Grant ($CAD/Security)	Date of Grant	Expiration Date
Philip Wright	-	-	n/a	n/a	n/a	n/a
João Carrêlo	-	-	n/a	n/a	n/a	n/a
Marie Inkster	50,000	14.7%	$4.47	$4.47	Sept 17, 2010	Sept 16, 2013
Paul Conibear	-	-	n/a	n/a	n/a	n/a
Neil O'Brien	-	-	n/a	n/a	n/a	n/a

Note:
(1) A total of 340,834 stock options were granted during the calendar year.

4. Retirement Benefits

In the year ended December 31, 2010, the Corporation provided retirement or pension benefits for executive officers in a manner which was appropriate to their personal contractual arrangements in the country in which they were based for employment purposes. All retirement or pension plans for the NEOs are based on defined contributions.

A retirement savings plan is in place in Canada, to which the Corporation contributes 6% of base salary up to a maximum of C$22,000 per annum (or $21,362). Four of the NEOs, Messrs. Wright, Conibear and O'Brien, and Ms. Inkster, were covered by that plan.

Mr. Carrêlo, who is employed in the UK, has a potential matched contribution of 10% to the contributory retirement savings plan offered in the UK. In previous reports we indicated that he had not yet taken up membership of the plan, and that the matter was outstanding. During 2010, Mr. Carrêlo was able to take up membership, effective from the date of his original employment with the Corporation in Portugal in 2005. As a result, the Compensation Committee approved two contributions totalling £101,122 ($156,345) during the year, as detailed below, to bring his contributions up to date:

- A one-off payment of £80,095 ($123,835) covering the period April 2007 to March 2010 in the UK.
- A one-off payment of £21,027 ($32,510) covering the period August 2005 to March 2007 in Portugal.

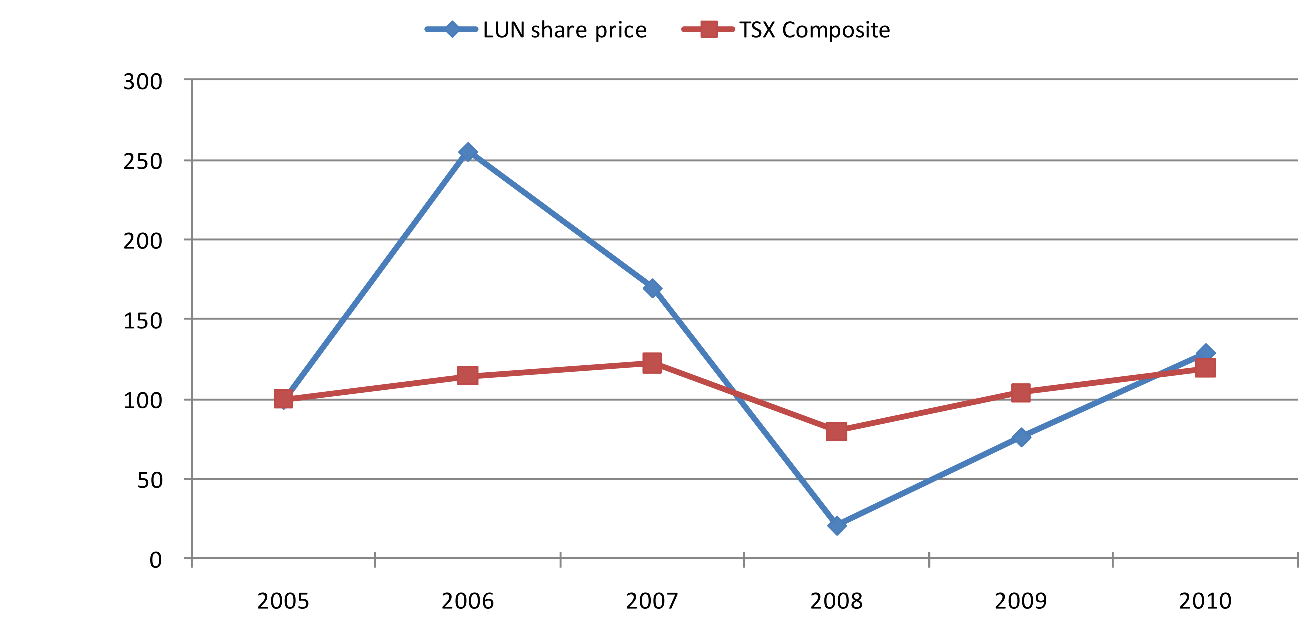
From April 2010 onwards, a regular 10% contribution matched by the Corporation will continue to be made on his behalf as per the terms of his UK employment contract.

5. <u>Other Executive Benefits</u>

'Other benefits' do not form a significant part of the remuneration package of any of our NEOs. In most cases, retirement benefits, health care and life insurance are provided in a manner which is appropriate to the country of employment.

Performance Graph

The following graph compares the yearly percentage change in the cumulative total shareholder return on the Toronto Stock Exchange for C$100 invested in common shares of the Corporation on December 31, 2005 against the cumulative total shareholder return of the S&P/TSX Composite Index for the five most recently completed financial years of the Corporation.



	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08	31-Dec-09	31-Dec-10
LUN share price	100	255	170	21	77	129
TSX Composite	100	115	123	80	104	119

Following the trend of the graph, base salary and annual incentive compensation of the NEOs (in local currency) have risen from a low in 2008, in line with improving share performance in 2009 and 2010.

Compensation of the Chief Executive Officer

As previously disclosed, an Executive Employment Agreement with Mr. Philip Wright was made as of 16th January 2008 and subsequently amended by further agreement to allow for the secondment of Mr. Wright to the UK subsidiary (collectively, "**Employment Agreements**"). The amendment was made by mutual consent in order to better serve the Corporation's global operations by having Mr. Wright spend more time in Europe, while still retaining his executive responsibilities in Canada. Under the Employment Agreements, Mr. Wright agreed to serve the Corporation as President and Chief Executive Officer for an initial term of 2 years with the option to extend beyond that for a further 1 or 2 years (first year extension: Corporation's option; second year extension: with agreement of both the Corporation and Mr. Wright), in consideration of an annual base salary equivalent to C$575,000 ($558,325), payable monthly by the Corporation and its subsidiaries, a comprehensive package of medical, dental and pension benefits, participation in the Corporation's stock option plan, 30 days paid annual vacation, and 4 return airfares to Australia per annum provided by the Corporation.

The original Employment Agreements allow for a payment, in addition to salary ("**Additional Payment**"), calculated net of any gains under the Corporation's short-term and long-term incentive plans. During the initial term, the Additional Payment was equal to C$3,000,000, net of any relevant income taxes. Further payments are prescribed for each extension. In 2010, the Corporation made a payment of C$1,500,000 net (equivalent to $1,728,518 after engrossment for tax) as the final balance of the Additional Payment outstanding for completion of the first 2 year initial term. An amount of C$1,500,000 net (equivalent to $1,668,451 after engrossment for tax) was already advanced in 2009. If applicable, in Years 3 and 4 (the first and second extension periods) the total Additional Payment to be applied across the whole contractual period was defined in the contracts as C$4,000,000 and C$5,000,000 respectively (net of taxes and inclusive of amounts already paid).

Mr. Wright's agreement was extended for a third year in 2010, as per the process defined above. The terms of the extended contract defined in the original Employment Agreements were reviewed by the HRCC, and it was decided that the annual Additional Payment portion available for 2010 (Year 3 of his contract) would be increased to C$1,500,000 (net of tax, and the same level as Years 1 and 2) taking the total over Years 1 to 3 inclusive to C$4,500,000[1] (net of tax).

The Board assessed the Chief Executive Officer's performance against the overall performance of the business, achievement of budgetary results and the achievement of the key strategic initiatives. The Board determined the Chief Executive Officer to have exceeded expectations. Had the Chief Executive Officer been paid 100% of target STI award, the amount would not have exceeded the Additional Payment due in terms of his Employment Agreement and, as no gain was realised under the long-term incentive plan, the Additional Payment was made and has been recorded in the tables under "**all other compensation**".

[1] Since year-end, Mr. Wright's agreement was extended to cover the period post January 15, 2011. The terms of the extended contract defined in the original Employment Agreements were reviewed by the HRCC and, with the consent of Mr. Wright, the contract was changed to a monthly contract with his base salary pro-rated monthly and, with the Additional Payment of C$1.5 million pro-rated at C$125,000 per month (net of tax). With respect to his options and the option offset, the contract was amended to provide that Mr. Wright, upon relinquishing 200,000 of his outstanding options, would be entitled to the gains, if any, on his remaining 400,000 options.

Summary Compensation Table

The following table provides information regarding compensation received in or in respect of the financial year ended December 31, 2010 by each of the Corporation's NEOs, who are the following executive officers of the Corporation: (i) the Chief Executive Officer, (ii) the Chief Financial Officer, and (iii) each of the Corporation's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers during the fiscal year ended December 31, 2010 and whose total salary and bonus exceeds C$150,000; and (iv) any additional individuals for whom disclosure would have been provided under (iii) but for the fact that the individual was not serving as an executive officer of the Corporation as at December 31, 2010.

Summary Compensation

Name and principal position	Year	Salary ($)	Option awards ($)[(1)]	Non-equity incentive plan compensation ($)		All other compensation ($)[(4)]	Total compensation ($)
				Annual incentive plans[(2)]	Long-term incentive plans[(3)]		
Philip Wright,	**2010**	**558,325**	**-**	**-**	**n/a**	**1,751,468**[(5)]	**2,309,793**
President and Chief Executive Officer	2009	505,917	-	-		1,539,559	2,045,476
	2008	523,124	2,260,695	-		13,358	2,797,187
Marie Inkster, [(6)]	**2010**	**310,720**	**105,873**	**291,300**	**n/a**	**40,715**	**748,608**
Chief Financial Officer	2009	249,293	134,618	143,825		21,354	585,219
	2008	78,108	121,099	36,129		5,603	240,939
João Carrêlo,	**2010**	**450,584**	**-**	**464,520**	**n/a**	**253,375**	**1,168,479**
Executive Vice President and Chief	2009	463,707	113,501	285,442		39,776	1,072,034
Operating Officer	2008	489,153	478,289	169,608		16,491	1,153,541
Paul Conibear,	**2010**	**373,835**	**-**	**291,300**	**n/a**	**48,074**	**711,218**
Senior Vice President, Corporate	2009	329,418	102,151	143,825		27,343	705,963
Development	2008	350,914	430,460	103,226		25,253	909,853
Neil O'Brien,	**2010**	**297,126**	**-**	**291,300**	**n/a**	**30,061**	**618,486**
Senior Vice President, Exploration &	2009	263,957	102,151	115,060		25,286	577,852
Business Development	2008	274,510	398,585	71,398		20,907	765,400

Notes:
(1) This amount represents the fair value, on the date of grant, of awards made under the Corporation's stock option plan. See "Long-Term Incentives" herein for details. The grant date fair value has been calculated using the Black-Scholes model according to Section 3870 of the CICA Handbook since it is used consistently by comparable companies. The key assumptions and estimates used for the calculation of the grant date fair value under this model include the risk-free interest rate, expected stock price volatility, expected life and expected dividend yield. Option fair values were calculated in C$ and translated into US$. Reference is made to the disclosure regarding the Corporation's stock option plan in Note 19 in the consolidated audited financial statements for the year ended December 31, 2010 available on the SEDAR website at www.sedar.com.
(2) Represents incentive awards in respect of the corresponding year's performance but are paid the following year.
(3) There are no cash based, long-term incentive plans.
(4) Except as described below, amounts in this column typically consist of, but are not limited to, benefits such as retirement savings benefits, life insurance premiums, parking benefits, pension contribution and medical/dental plans. There are no defined benefit or actuarial plans in place. In the case of Mr. Carrêlo, this figure includes pension contributions for 2005-2010, inclusive, as detailed previously.
(5) This total includes C$1,500,000 net (plus tax of C$280,142 paid by the Corporation which was Mr Wright's 'Additional Payment' described earlier under 'Compensation of Chief Executive Officer)', plus C$23,636 of standard benefits.
(6) Ms Inkster joined the Corporation as Vice President, Finance in September 2008 and was appointed to her role as Chief Financial Officer of the Corporation on May 1, 2009.

Incentive Plan Awards

The following table provides information regarding the equity incentive plan awards for each NEO outstanding as of December 31, 2010:

Outstanding Option Awards

Name	Grant Date	Option Awards			
		Number of securities underlying unexercised options (#)	Option exercise price (C$)	Option expiration date	Value of vested unexercised in-the-money options (C$)[4]
Philip Wright	Sept 4/08	600,000[1]	4.42	Dec 31/11- Dec 31/13[2]	567,997
Marie Inkster	Sept 2/08 May 20/09 Sept 23/09 Sept 17/10	100,000 50,000 50,000 50,000	4.82 2.67 3.77 4.47	Sept 1/11 May 19/12 Sept 22/12 Sept 16/13	710,998
João Carrêlo	May 11/06 Nov 14/07 Dec 6/07 Sept 4/08 May20/09	171,360[3] 100,000 200,000 250,000 100,000	10.15 10.58 9.63 4.42 2.67	May 11/11 Nov 13/12 Dec 5/12 Dec 31/11- Dec 31/13[2] May 19/12	447,997
Paul Conibear	Sept 4/08 May 20/09	270,000 90,000	4.42 2.67	Dec 31/11- Dec 31/13[2] May 19/12	531,000
Neil O'Brien	Sept 24/07 Sept 4/08 May 20/09	240,000 250,000 90,000	12.74 4.42 2.67	Sept 24/12 Dec 31/11- Dec 31/13[2] May 19/12	374,366

Notes:
(1) 200,000 of these options were subsequently cancelled in February 2011.
(2) One-third of the options granted on September 4, 2008, if unexercised, expire each year on December 31, 2011 to December 31, 2013.
(3) These represent stock appreciation rights (SARs).
(4) Based on closing price on December 31, 2010 of C$7.26.

The following table provides information regarding the value on vesting of incentive plan awards for the financial year ended December 31, 2010, plus a summary of cash awards made under the STI plan for 2010 performance.

Incentive Plan Awards Vested or Earned in 2010

Name	Option-based awards – Value vested during the year ($)[1]	Share-based awards – Value vested during year ($)[2]	Non-equity incentive plan compensation – Value earned during year ($)[3]
Philip Wright	-	n/a	n/a
Marie Inkster	25,812	n/a	291,300
João Carrêlo	51,623	n/a	464,520
Paul Conibear	46,461	n/a	291,300
Neil O'Brien	46,461	n/a	291,300

Notes:
(1) Represents the aggregate dollar value that would have been realized if the options had been exercised on the vesting date, based on the difference between the closing price of the common shares of Corporation as traded on the TSX on the vesting date and the exercise price of the options.
(2) There are no awards of this type.
(3) This column represents only the cash 'Short Term Incentive' plan payments referred to earlier in the report.

Pension Plan Benefits

The Corporation does not have any defined benefit or actuarial plans for the NEOs.

Termination and Change of Control Benefits

Each of the Corporation's NEOs as of December 31, 2010 is a party to an employment agreement with the Corporation that sets forth certain instances where payments and other obligations arise on the termination of their employment. See "Payments on Change of Control or Termination" below.

Under the terms of his employment agreement, the CEO, Mr. Philip Wright, is not entitled to any additional payments as a result of involuntary termination or change of control.

The employment agreements for each of Messrs. Carrêlo, Conibear, O'Brien, and Ms. Inkster are indefinite term employment agreements with notice periods ranging between 12 and 24 months. If those agreements are terminated by Lundin Mining without cause, or if the agreement is terminated by the executive officers for "good reason" then payment of salary and, in some cases, STI and benefits will be due for the appropriate notice period as provided in the their respective contract. See "Payments on Change of Control or Termination" below for details. In the majority of cases, this includes a specific provision for 'change of control' such that a material change in the terms of their contract can allow them to trigger the provisions at any time between 6 and 12 months after a change of control.

Other than as set forth above, the Corporation and its subsidiaries have no compensatory plan, contract or arrangement where a Named Executive Officer is entitled to receive more than C$100,000 (including periodic payments or instalments) to compensate such executive officer in the event of resignation, retirement or other termination of the Named Executive Officer's employment with the Corporation or its subsidiaries, a change of control of the Corporation or its subsidiaries, or a change in responsibilities of the Named Executive Officer, with or without a change in control.

Payments on Change of Control or Termination

The following table provides details regarding the estimated incremental payments from the Corporation to the NEOs assuming termination on December 31, 2010.

For clarity, in the case of Change of Control, each of the NEOs has, under the terms of their employment agreements, a commitment that they may not terminate their employment for Good Reason until the expiry of a six month period following it, except in the case of a reduction in the NEO's compensation (other than any year over year change in their awards under incentive compensation plans) or a material change in the NEO's place of employment. During the period 6 to 12 months following a change of control, the NEO may terminate their employment with the Corporation for Good Reason, in which case the termination payments below would apply. In addition, in some cases (viz. Messrs Carrêlo, Conibear and O'Brien) any unvested outstanding stock options would become vested, and exercisable within the termination period (or by their normal expiry date, whichever is the sooner).

Payments on Change of Control or Termination

Name	Severance: Base Salary ($)(1)	Severance: STI ($)(2)	Severance: Value of Benefits ($)(3)	Total ($)
Marie Inkster	310,720	-	-	310,720
João Carrêlo	901,169	729,960	225,131	1,856,260
Paul Conibear	747,670	436,950	92,166	1,276,786
Neil O'Brien	594,252	407,820	60,120	1,062,192

Notes:
(1) Based on 12-24 months' salary, as set out in the individual employment contract, using the average exchange rates in 2010 specified earlier
(2) Where applicable, bonus on termination would be based on the average bonus paid over the 2 preceding fiscal years (2009 and 2010).
(3) Assumes benefits paid at the 2010 rate for the duration of the severance period.

COMPENSATION OF DIRECTORS

Introduction

At the beginning of 2010, the chairman of the Board received annual remuneration of C$200,000 (paid in monthly installments). Each non-executive director received annual remuneration of C$75,000 paid in monthly installments. Non-executive Board members who are also members of a Board committee received C$1,000 per committee meeting. The chair of the Audit Committee received annual remuneration of C$10,000, plus C$1,500 for each committee meeting attended and the chair of each of the other Board committees received annual remuneration of C$5,000, plus C$1,500 for each committee meeting attended.

As at July 1, 2010, pursuant to the recommendations of the HRCC, the directors' compensation was amended. The chairman of the Board receives annual remuneration in the amount of C$200,000. Each non-executive director receives annual remuneration of C$90,000. The chair of the Audit Committee receives annual remuneration of C$25,000 and each committee member receives annual remuneration of C$15,000. The chair of the HRCC receives annual remuneration of C$20,000 and each committee member receives annual remuneration of C$10,000. The chair of each of the other Board committees receives annual remuneration of C$10,000 and each committee member receives annual remuneration of C$5,000. The lead director receives annual remuneration of C$25,000. All of these amounts are paid in monthly installments.

Non-executive directors do not receive any stock options.

It was decided that the chair and the deputy chair of the special committee, created in conjunction with a failed merger transaction, would receive individual one-time payments of C$30,000 and each member would receive individual one-time payments of C$25,000.

Compensation for Services

Namdo Management Services Ltd. ("**Namdo**"), a private corporation owned by Mr. Lukas H. Lundin, chairman and a director of the Corporation, was paid or accrued the sum of $295,000 for services rendered during the fiscal year ended December 31, 2010, plus reimbursement of out-of-pocket expenses at cost. Namdo has approximately 15 employees and provides administrative, investor and public relations and, in some cases, financial services to a number of public companies. Mr. Lundin is paid compensation by Namdo; however, there is no basis for allocating the amounts paid by Namdo to Mr. Lundin as he is not receiving such compensation primarily in respect of his personal services provided to the Corporation.

During the most recently completed financial year, an amount of approximately $747,082 was paid or accrued to the law firm of Cassels Brock & Blackwell LLP, of which Mr. John H. Craig, a director of the Corporation, is a partner, for legal services rendered to the Corporation.

No other director was compensated either directly or indirectly by the Corporation and its subsidiaries during the most recently completed financial year for services as consultants or experts.

Director Compensation Table

The following table provides information regarding compensation paid to the Corporation's non-executive directors during the financial year ended December 31, 2010:

Director Compensation Table

Name	Fees earned (US$)	Share-based awards (US$)	Option-based awards (US$)	Non-equity incentive plan compensation (US$)	Pension value (US$)	All other Compensation (US$)	Total (US$)
Lukas H. Lundin	194,199	-	-	n/a	-	-	194,199
Colin K. Benner	92,973	-	-	n/a	7,282	604	100,860
Donald K. Charter	107,780	-	-	n/a	-	-	107,780
John H. Craig	84,477	-	-	n/a	-	-	84,477
Brian D. Edgar	96,857	-	-	n/a	-	-	96,857
Dale C. Peniuk	114,092	-	-	n/a	-	-	114,092
William A. Rand	113,121	-	-	n/a	-	-	113,121

Notes:
(1) As part of Mr. Benner's termination agreement upon resignation as CEO, he received continuation of RRSP and medical benefits. These benefits ceased on March 31, 2010.

Incentive Plan Awards

The following table provides information regarding the equity incentive plan awards for each director outstanding as of December 31, 2010:

Outstanding Option Awards

Name	Grant Date	Option Awards			
		Number of securities underlying unexercised options (#)	**Option exercise price (C$)**	**Option expiration date**	**Value of vested unexercised in-the-money options** (C$)[1]
Lukas H. Lundin	-	-	-	-	-
Colin K. Benner	-	-	-	-	-
Donald K. Charter[(2)]	June 12, 2006	142,800	$9.14	June 12, 2011	-
John H. Craig	-	-	-	-	-
Brian D. Edgar	-	-	-	-	-
Dale C. Peniuk[(2)]	May 11, 2006	142,800	$10.15	May 11, 2011	-
William A. Rand	-	-	-	-	-

Notes:
(1) Based on closing price at December 31, 2010 of C$7.26.
(2) These options were issued in their capacity as directors of Eurozinc Mining Corporation, prior to amalgamation with Lundin Mining.

Incentive Plan Awards Vested or Earned in 2010

There were no incentive plan awards vested or granted in the financial year ended December 31, 2010, nor any cash awards made under the STI plan for 2009 and 2010 performance.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors or executive officers of the Corporation, proposed nominees for directors, or associates or affiliates of said persons, have been indebted to the Corporation at any time since the beginning of the last completed financial year of the Corporation.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The Corporation's Incentive Stock Option Plan ("**ISOP**"), described below, is the only compensation plan under which equity securities of the Corporation are authorized for issuance.

Equity Compensation Plan Information as of December 31, 2010

Plan Category(1)	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options (C$)	Number of securities remaining available for future issuance under the plan
Equity Compensation Plans approved by security holders	7,236,905	6.64*	13,763,095
Equity Compensation Plans not approved by security holders	-	-	-
Total	7,236,905	6.64	13,763,095

Notes:
(1) Includes 171,360 stock option appreciation rights.

The Corporation's Incentive Stock Option Plan

The ISOP is currently the only equity-based compensation arrangement pursuant to which securities may be issued from treasury of the Corporation. The major features of the ISOP are as follows:

- The Board, or a committee appointed for such purposes, may from time to time grant to directors, officers, eligible employees of, or consultants to, the Corporation or its subsidiaries, or to employees of management companies providing services to the

Corporation (collectively, the "**Eligible Personnel**") options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board or such committee.

- The purpose of the ISOP is to advance the interests of the Corporation by providing Eligible Personnel with a financial incentive for the continued improvement of the Corporation's performance and encouragement to stay with the Corporation. Notwithstanding the provisions of the ISOP which permit directors of the Corporation to receive options, the OMX Nordic Stock Exchange discourages this practice and accordingly, the Corporation does not grant directors of the Corporation stock options.

- The Board has the authority under the ISOP to establish the option price at the time each share option is granted but, in any event, it shall not be lower than the market price of the common shares of the Corporation on the date of grant of the options. The market price shall be calculated as the closing market price on the TSX of the Corporation's common shares on the date of the grant, or, if the date of grant is not a trading day, the closing price of the Corporation's common shares on the last trading day prior to the date of grant.

- The Board has the authority to set the periods within which options may be exercised and the number of options which may be exercised in any such period. This shall be determined by the Board at the time of granting the options provided, however, that all options must be exercisable during a period not extending beyond ten years from the date of the option grant unless otherwise permitted by the TSX.

- The Board has the authority to determine the vesting terms of the options at the date of the option grant and as indicated in any option commitment related thereto. Notwithstanding the foregoing, options granted to consultants providing investor relations services shall vest in stages over a 12 month period with a maximum of one-quarter of the options vesting in any 3 month period.

- The aggregate number of common shares reserved for issuance for all purposes under the Stock Option Plan and all other share based compensation arrangements is 21,000,000. In addition, the ISOP contains the following restrictions on the issuance of options:
    - The aggregate number of common shares reserved for issuance pursuant to the ISOP or any other share based compensation arrangement (pre-existing or otherwise):
        - to any one participant shall not exceed 5% of the Corporation's common shares outstanding from time to time;
        - to any consultant within any one-year period shall not exceed 2% of the common shares of the Corporation outstanding at the time of the grant;
        - to any employee conducting investor relations activities within any one-year period shall not exceed 2% of the common shares of the Corporation outstanding at the time of the grant; and
        - to insiders shall not exceed 10% of the common shares of the Corporation outstanding at any time unless the Corporation obtains disinterested shareholder approval to do so.
    - The aggregate number of common shares issued and options granted pursuant to the ISOP or any other share based compensation arrangement (pre-existing or otherwise):
        - to insiders within any one-year period shall not exceed 10% of the common shares of the Corporation outstanding unless the Corporation has obtained disinterested shareholder approval to do so.
        - to any one insider and such insider's associates within any one-year period shall not exceed 5% of the common shares of the Corporation outstanding from time to time unless the Corporation has obtained disinterested shareholder approval to do so.

- Any common shares subject to a share option which for any reason is cancelled or terminated without having been exercised will again be available for grant under the ISOP.

- Options are not transferable other than by will or the laws of dissent and distribution. Typically, if an optionee ceases to be an Eligible Person for any reason whatsoever other than death, each option held by such optionee will cease to be exercisable 60 days following the termination date (being the date on which such optionee ceases to be an Eligible Person). If an optionee dies, the legal representative of the optionee may exercise the optionee's options within one year after the date of the optionee's death but only up to and including the original option expiry date.

- The Board may from time to time, subject to applicable law and to the prior approval, if required, of the TSX or any other regulatory body having authority over the Corporation or the ISOP or, if required by the rules and policies of the TSX, the shareholders of the Corporation, suspend, terminate or discontinue the ISOP at any time, or amend or revise the terms of the

ISOP or of any option granted under the ISOP and the option commitment relating thereto, provided that no such amendment, revision, suspension, termination or discontinuance shall in any manner adversely affect any option previously granted to an optionee under the ISOP without the consent of that optionee.

The Corporation provides no financial assistance to facilitate the purchase of common shares by Eligible Personnel who hold options granted under the ISOP.

There are 5,469,757 options outstanding exercisable for 5,469,757 common shares, representing approximately 1.0% of the Corporation's common shares currently outstanding. In addition, 15,530,243 options remain available for future issuances pursuant to the Stock Option Plan, representing approximately 2.7% of the Corporation's current outstanding common shares.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During 2010, the Corporation maintained liability insurance for its directors and officers acting in their respective capacities in an aggregate amount of $60,000,000 against liabilities incurred by such persons as directors and officers of the Corporation and its subsidiaries, except where the liability relates to such person's failure to act honestly and in good faith with a view to the best interests of the Corporation. The annual premium paid by the Corporation for this insurance in respect of the directors and officers as a group is $323,364. No premium for this insurance is paid by the individual directors and officers. The insurance contract underlying this insurance does not expose the Corporation to any liability in addition to the payment of the required premium.

STATEMENT OF CORPORATE GOVERNANCE PRACTICE

(presented by the Corporate Governance and Nominating Committee)

Introduction

This statement of corporate governance practice is made with reference to National Policy 58-201, *Corporate Governance Guidelines* and National Instrument 58-101, *Disclosure of Corporate Governance Practices* (hereinafter collectively the "**Governance Guidelines**") which are initiatives of the Canadian Securities Administrators ("**CSA**").

In accordance with the Governance Guidelines, the Corporation has chosen to disclose its system of corporate governance in this Circular. The following text sets forth the steps taken by the Corporation in order to comply with the Governance Guidelines and its system of corporate governance now in force.

Board Governance

The Board has adopted a mandate which acknowledges its responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management. Management is responsible for the day-to-day conduct of the business of the Corporation. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, and to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board considers the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the CEO, sets the standards of conduct for the Corporation.

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its chairman and lead director, nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles and By-Laws of the Corporation and the *Canada Business Corporations Act*, the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

The full text of the Board's mandate is attached hereto as Appendix A.

To assist the Board in its responsibilities, the Board has established four standing committees: the Audit Committee, the Corporate Governance and Nominating Committee, the Health, Safety, Environment and Community Committee and the Human Resources/Compensation Committee. Each committee has a written mandate and reviews its mandate annually.

Composition of the Board

The Board has considered the relationship and status of each director. As of the date hereof, the Board currently consists of 8 directors, a majority of whom are independent.

Mr. Wright is not independent because of his current role as an executive officer. Mr. Lundin, chairman of the Board, is not considered independent due to his direct involvement with management of the Corporation. The remaining directors, Messrs. Benner, Charter, Edgar, Peniuk and Rand do not have any material business relationships with the Corporation and are therefore considered independent under the Governance Guidelines and otherwise independent under National Instrument 52-110, *Audit Committees* ("**NI 52-110**") for the purposes of sitting on the Corporation's Audit Committee. Mr. Craig is also considered independent. While Mr. Craig's law firm provides legal services for the Corporation, the amount of the fees charged by Mr. Craig's law firm for such legal services are considered insignificant relative to the overall fee income of his law practice. Mr. Craig is, however, not eligible to be a member of the Audit Committee because he is a partner of a law firm that provides legal services to the Corporation and is therefore deemed not to be independent pursuant to NI 52-110.

The Board regularly sets aside a portion of each meeting to meet without management and non-independent directors present. In addition, the mandates of the Board and the Corporate Governance and Nominating Committee require that procedures be implemented at such times as are desirable or necessary to enable the Board to function independently of management and to facilitate open and candid discussion among its independent directors.

The Board has appointed William A. Rand, an independent director, as lead director to act as effective leader of the Board, to ensure that the Board's agenda will enable it to successfully carry out its duties and to provide leadership for the Board's independent directors. As lead director, Mr. Rand, among other things, presides at meetings of the Board and of the Corporation's shareholders, ensures that the Board is alert to its obligations and responsibilities and that it fully discharges its duties, communicates with the Board to keep the Board up to date on all major developments, and acts as a liaison between the Board and management of the Corporation.

Board and Committee Meetings – Attendance Record

Below is the attendance record of each director for all Board and committee meetings held during the period from January 1, 2010 to December 31, 2010:

Directors Attendance Record

			Board Committees									
	Board		Audit		Human Resources/ Compensation		Corporate Governance/ Nominating		Health, Safety, Environment and Community		Special Committee	
Directors	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)
Colin K. Benner	7	8	-	-	-	-	-	-	4	4	-	-
Donald K. Charter	8	8	8	8	4	4	-	-	-	-	3	3
John H. Craig	8	8	-	-	-	-	2	2	-	-	-	-
Brian D. Edgar	8	8	-	-	-	-	2	2	4	4	-	-
Lukas H. Lundin	8	8	-	-			-	-	-	-	-	-
Dale C. Peniuk	8	8	8	8	2	2	-	-	-	-	3	3
William A. Rand	8	8	8	8	4	4	-	-	-	-	3	3
Philip J. Wright	8	8	-	-	-	-	-	-	4	4	-	-

Note:
(1) Represents number of meetings the Director was eligible to attend.

Directors' Other Board Memberships

Several of the directors of the Corporation serve as directors of other reporting issuers. Currently, the following directors serve on the boards of directors of other public companies as listed below:

Directors' Other Board Memberships

Director	Public Company Board Membership[1]
Colin K. Benner	Adriana Resources Inc. (TSX-V), Capstone Mining Corp. (TSX), Corsa Coal Corp. (TSX-V) Creston Moly Corp. (TSX-V), Dalradian Resources Inc. (TSX), Gammon Gold Inc. (TSX), Troon Ventures Ltd. (TSX-V)
Donald K. Charter	Adriana Resources Inc. (TSX-V), Dundee Real Estate Investment Trust (TSX), IAMGOLD Corporation (TSX)
John H. Craig	Atacama Minerals Corp. (TSX-V), Africa Oil Corp. (TSX-V), Black Pearl Resources Inc. (TSX), Consolidated HCI Holdings Corp. (TSX), Corsa Coal Corp. (TSX-V), Denison Mines Corp. (TSX/AMEX), Etrion Corporation (TSX)
Brian D. Edgar	Black Pearl Resources Inc. (TSX), Denison Mines Corp. (TSX/AMEX), Lucara Diamond Corp. (TSX-V), Shamaran Petroleum Ltd. (TSX-V), Silver Bull Resources, Inc. (TSX/AMEX)
Lukas H. Lundin	Atacama Minerals Corp. (TSX-V), Denison Mines Corp. (TSX/AMEX), Fortress Minerals Corp. (TSX-V), Lucara Diamond Corp. (TSX-V), Lundin Petroleum AB (OMX-Nordic), NGEx Resources Inc. (TSX), Vostok Nafta Investment Ltd. (OMX-Nordic)
Dale C. Peniuk	Argonaut Gold Inc. (TSX), Capstone Mining Corp. (TSX), Rainy River Resources Ltd. (TSX-V), Sprott Resource Lending Corp. (TSX/AMEX)
William A. Rand	Denison Mines Corp. (TSX/AMEX); Lundin Petroleum AB (OMX-Nordic/TSX) New West Energy Services Inc. (TSX-V), NGEx Resources Inc. (TSX), Vostok Nafta Investment Ltd. (OMX-Nordic)
Philip J. Wright	Nil

Notes:
(1) Does not include boards where the director is an employee.

Legend:

TSX	=	Toronto Stock Exchange
TSX-V	=	Toronto Stock Exchange Venture Exchange
AMEX	=	New York Stock Exchange Amex Equities
OMX-Nordic	=	OMX Nordic Stock Exchange (previously, the Stockholm Stock Exchange)
NYSE	=	New York Stock Exchange

Position Descriptions

The Board has adopted a written position description for each of the chairman, lead director, CEO, CFO and the chair of each Board committee.

Orientation and Education

The Corporation provides new directors with an orientation package upon joining the Corporation that includes financial and technical information relevant to the Corporation's operations, and periodically arranges for project site visits to familiarize members of the Board with the Corporation's operations and ensure that their knowledge and understanding of the Corporation's business remains current. During 2010, the directors visited the Tenke Fungurume mine, one of the Corporation's mines located in the Democratic Republic of Congo in Africa, to view first hand this modern copper mining facility.

Board members are encouraged to communicate with management and auditors, to keep themselves current with industry trends and development, and to attend related industry seminars. Board members have full access to the Corporation's records. The Corporation's legal counsel also provides directors and senior officers with summary updates of any developments relating to the duties and responsibilities of directors and officers and to any other corporate governance matters. In addition, the Board will provide any further continuing education opportunities for all directors, where required, so that individual directors may maintain or enhance their skills and abilities as directors.

Board Diversity

The Corporation recognizes that improving diversity on the Board of Directors and among its senior executives presents the Corporation with an opportunity to develop a competitive advantage by ensuring that the Corporation appeals to potential employees from the broadest possible talent pool. To that end, while the focus always has been, and will continue to be, to recruit and appoint the most qualified individuals, the Corporation proposes to make a greater effort to locate qualified women as candidates for nomination to the Board. Women are well represented in senior executive positions.

Ethical Business Conduct

The Board has adopted a formal written Code of Conduct and Ethical Values Policy (the "**Code of Conduct**") for its directors, officers and employees.

Individuals governed by the Code of Conduct are required to disclose in writing all business, commercial or financial interests or activities which might reasonably be regarded as creating an actual or potential conflict with their duties. Individuals must avoid all situations in which their personal interests conflict or may conflict with their duties to the Corporation or with the economic interest of the Corporation. All business transactions with individuals, corporations or other entities that could potentially, directly or indirectly, be considered to be a related party, must be approved by the Board of Directors regardless of the amount involved.

Directors, officers and employees are encouraged to report violations of the Code of Conduct on a confidential and, if preferred, anonymous basis, in accordance with the complaints procedure set out in the Code of Conduct. The Audit Committee may request special treatment for any complaint, including the involvement of the Corporation's external auditors or outside counsel or other advisors. All complaints are required to be documented in writing by the person(s) designated to investigate the complaint, who shall report forthwith to the chair of the Audit Committee. On an annual basis, or otherwise upon request from the Board of Directors, the Code of Conduct requires the chair of the Audit Committee to prepare a written report to the Board summarizing all complaints received during the previous year, all outstanding unresolved complaints, how such complaints are being handled, the results of any investigations and any corrective actions taken.

The Code of Conduct is available on the Corporation's website and has been filed and is accessible through SEDAR on the Corporation's profile at www.sedar.com.

The Audit Committee has also established a Fraud Reporting and Investigation (Whistleblower) Policy to encourage employees, officers and directors to raise concerns regarding questionable accounting, internal controls, auditing or other fraudulent matters, on a confidential basis free from discrimination, retaliation or harassment.

Board Committees

The Board has established four standing committees; namely, the Audit Committee, the Corporate Governance and Nominating Committee, the Health, Safety, Environment and Community Committee and the Human Resources/Compensation Committee.

Audit Committee

The Audit Committee (**"AC"**) is comprised of 3 directors. The current members of the AC are Dale C. Peniuk (chair), Donald K. Charter and William A. Rand, all of whom are independent and financially literate for the purposes of NI 52-110.

The AC oversees the accounting and financial reporting processes of the Corporation and its subsidiaries and all audits and external reviews of the financial statements of the Corporation, on behalf of the Board, and has general responsibility for oversight of internal controls, and accounting and auditing activities of the Corporation and its subsidiaries. All auditing services and non-audit services to be provided to the Corporation by the Corporation's auditors are pre-approved by the AC. The AC reviews, on a continuous basis, any reports prepared by the Corporation's external auditors relating to the Corporation's accounting policies and procedures, as well as internal control procedures and systems. The AC is also responsible for examining all financial information, including annual and quarterly financial statements, prepared for securities commissions and similar regulatory bodies prior to filing or delivery of the same. The AC also oversees the annual audit process, the quarterly review engagements, the Corporation's internal accounting controls, the Corporation's Fraud Reporting and Investigation (Whistleblower) Policy, any complaints and concerns regarding accounting, internal control or audit matters and the resolution of issues identified by the Corporation's external auditors. The AC recommends to the Board annually the firm of independent auditors to be nominated for appointment by the shareholders.

The Board appoints the members of the AC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the AC and may fill any vacancy in the AC.

The AC meets a minimum of 4 times a year. The AC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

Additional information relating to the Audit Committee, including a copy of the Audit Committee's mandate, is provided in the Corporation's Annual Information Form for the year ended December 31, 2010, a copy of which is available on the SEDAR website at www.sedar.com.

Human Resources/Compensation Committee

The HRCC consists of 3 directors, all of whom are independent within the meaning of the Governance Guidelines. The HRCC currently includes Donald K. Charter (chair), Dale C. Peniuk and William A. Rand. The Board has adopted a formal written mandate for the HRCC.

The principal purpose of the HRCC is to implement and oversee human resources and compensation policies approved by the Board of Directors of the Corporation. The duties and responsibilities of the HRCC include, without limitation, the following:

- Recommending to the Board the annual salary, bonus and other benefits, direct and indirect, of the CEO;
- Approving the compensation for the Corporation's other executive officers, after considering the recommendations of the CEO;
- Approving other human resources and compensation policies and guidelines;
- Ensuring management compensation is competitive to enable the Corporation to continue to attract individuals of the highest calibre; and
- Recommending the adequacy and form of director compensation to the Board.

The Board appoints the members of the HRCC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the HRCC and may fill any vacancy in the HRCC.

The HRCC meets regularly each year on such dates and at such locations as the chair of the HRCC determines. The HRCC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel or advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee (the "**CGNC**") consists of 3 directors, all of whom are independent within the meaning of the Governance Guidelines. The CGNC currently consists of Brian D. Edgar (chair), John H. Craig and Dale C. Peniuk. The Board has adopted a formal written mandate for the CGNC.

The principal purposes of the CGNC is to provide a focus on corporate governance that will enhance corporate performance, and to ensure on behalf of the Board of Directors and shareholders that the Corporation's corporate governance system is effective in the discharge of its obligations to the Corporation's stakeholders. The duties and responsibilities of the CGNC include, without limitation, the following:

- to develop and monitor the Corporation's overall approach to corporate governance issues and, subject to approval by the Board, to implement and administer a system of corporate governance which reflects superior standards of corporate governance practices;

- to recommend to the Board a slate of nominees for election as directors of the Corporation at the Annual Meeting of Shareholders;

- to report annually to the Corporation's shareholders, through the Corporation's annual management proxy circular or annual report to shareholders, on the Corporation's system of corporate governance and the operation of its system of governance;

- to analyze and report annually to the Board the relationship of each director to the Corporation as to whether such director is a related director or an unrelated director; and

- to advise the Board or any of the committees of the Board of any corporate governance issues which the CGNC determines ought to be considered by the Board or any such committee.

The Board appoints the members of the CGNC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the CGNC and may fill any vacancy in the CGNC.

The CGNC meets regularly each year on such dates and at such locations as the chair of the CGNC determines. The CGNC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

Health, Safety, Environment and Community Committee

The Health, Safety, Environment and Community Committee (the "**HSEC Committee**") consists of 3 directors. The HSEC Committee currently consists of Colin K. Benner (chair), Brian D. Edgar and Philip J. Wright. The Board has adopted a formal written mandate for the HSEC Committee.

The principal purpose of the HSEC Committee is to assist the Board in its oversight of:

- health, safety, environment and community risks;
- compliance with applicable legal and regulatory requirements associated with health, safety, environmental and community matters;
- performance in relation to health, safety, environmental and community matters;
- the performance and leadership of the health, safety, environment and community function; and
- external annual reporting in relation to health, safety, environmental and community matters.

The Board appoints the members of the HSEC Committee for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the HSEC Committee and may fill any vacancy in the HSEC Committee.

The HSEC Committee meets a minimum of 4 times a year. The HSEC Committee has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

Assessment of the Board

In accordance with the Board's mandate, the Board, through the CGNC, undertakes assessments of itself, its committees and each individual director's effectiveness and contribution on an annual basis.

The CGNC prepares and delivers an Annual Board Effective Assessment questionnaire to each member of the Board. The questionnaire is divided into four parts dealing with: (i) Board Responsibility; (ii) Board Operations; (iii) Board Effectiveness; and (iv) Individual Assessments. The CGNC reviews and considers the responses received and makes a final report, with recommendations (if any) to the Board of Directors. This process occurs prior to the consideration by the CGNC of nominations for Board member elections at the Corporation's annual meeting each year.

Review of Adequacy and Form of Compensation of Directors

The extent and level of directors' compensation is determined by the Board, as a whole, after considering the recommendations of the HRCC, which has been mandated to review the adequacy and form of the compensation of directors to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director.

Shareholder Communications

The Board has put structures in place to ensure effective communication between the Corporation, its shareholders and the public. The Corporation has established a Disclosure and Confidentiality Policy. Significant shareholder concerns are brought to the attention of management or the Board. Shareholders are informed of corporate developments by the issuance of timely press releases which are concurrently posted to the Corporation's website and are available on SEDAR at www.sedar.com.

Under its mandate, the Board is required to oversee the Corporation's communications policy. The Board monitors the policies and procedures that are in place to provide for effective communication by the Corporation with its shareholders and with the public generally, including effective means to enable shareholders to communicate with senior management and the Board. The Board also monitors the policies and procedures that are in place to ensure a strong, cohesive, sustained and positive image of the Corporation with shareholders, governments and the public generally.

Presented by the Corporate Governance and Nominating Committee:

Brian D. Edgar (chair)
John H. Craig
Dale C. Peniuk

MANAGEMENT CONTRACTS

Management functions of the Corporation are performed by directors, executive officers or senior officers of the Corporation and not, to any substantial degree, by any other person with whom the Corporation has contracted.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the best of the Corporation's knowledge, no informed person of the Corporation, proposed directors or any associate or affiliate of any of them, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction since the commencement of the Corporation's most recently completed financial year which has materially affected or will materially affect the Corporation or any of its subsidiaries.

OTHER BUSINESS

Management of the Corporation knows of no other matters which will be brought before the Meeting, other than those referred to in the Notice of Meeting. Should any other matters properly be brought before the Meeting, the Common Shares represented by the proxies solicited hereby will be voted on those matters in accordance with the best judgment of the persons voting such proxies.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on the SEDAR website under the Corporation's profile at www.sedar.com. Financial information related to the Corporation is contained in the Corporation's financial statements and related management's discussion and analysis. Copies of the Corporation's consolidated audited financial statements and Annual Information Form prepared for its fiscal year ended December 31, 2010 may be obtained free of charge by writing to the Corporate Secretary of the Corporation at Suite 1500, 150 King Street West, P.O. Box 38, Toronto, Ontario, Canada, M5H 1J9 or may be accessed on the Corporation's website at www.lundinmining.com or under the Corporation's profile on the SEDAR website at www.sedar.com.

CERTIFICATE OF APPROVAL

The contents and the distribution of this Circular have been approved by the Board.

DATED at Toronto, Ontario this 24th day of May, 2011.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) Philip J. Wright,
President and Chief Executive Officer

APPENDIX A
LUNDIN MINING CORPORATION MANDATE OF THE BOARD OF DIRECTORS

A. INTRODUCTION

The Board of Directors (the "**Board**") has the responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management. Management is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, and to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, shall set the standards of conduct for the Corporation.

B. PROCEDURES AND ORGANIZATION

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair, nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles and By-Laws of the Corporation and the Canada Business Corporations Act (the "**Act**"), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

C. DUTIES AND RESPONSIBILITIES

The Board's principal duties and responsibilities fall into a number of categories which are outlined below.

1. Legal Requirements

(a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;

(b) The Board has the statutory responsibility to:

- (i) manage or, to the extent it is entitled to delegate such power, to supervise the management of the business and affairs of the Corporation by the senior officers of the Corporation;
- (ii) act honestly and in good faith with a view to the best interests of the Corporation;
- (iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and
- (iv) act in accordance with its obligations contained in the Act and the regulations thereto, the Corporation's Articles and By-Laws, securities legislation of each province and territory of Canada, and other relevant legislation and regulations.

2. Independence

The Board has the responsibility to ensure that appropriate structures and procedures are in place to permit the Board to function independently of management, including endeavouring to have a majority of independent directors as well as an independent Chair or an independent Lead Director, as the term "independent" is defined in National Instrument 58-101 "Disclosure of Corporate Governance Practices".

3. Strategy Determination

The Board has the responsibility to ensure that there are long-term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees in developing and approving the mission of the business of the Corporation and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Corporation's business.

4. **Managing Risk**

The Board has the responsibility to identify and understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

5. **Division of Responsibilities**

The Board has the responsibility to:

(a) appoint and delegate responsibilities to committees where appropriate to do so; and

(b) develop position descriptions for:

- (i) the Board;
- (ii) the Chairman and Vice-Chairman of the Board;
- (iii) the Chair of each Board Committee;
- (iv) the Chief Executive Officer;
- (v) the Chief Financial Officer;
- (vi) the Chief Operating Officer; and
- (vii) the President.

(c) ensure that the directors of the Corporation's subsidiaries are qualified and appropriate in keeping with the Corporation's guidelines and that they are provided with copies of the Corporation's policies for implementation by the subsidiaries.

To assist it in exercising its responsibilities, the Board hereby establishes four standing committees of the Board: the Audit Committee, the Human Resources/Compensation Committee, the Corporate Governance and Nominating Committee and the Environment, Safety and Health Committee. The Board may also establish other standing committees from time to time.

Each committee shall have a written mandate that clearly establishes its purpose, responsibilities, members, structure and functions. Each mandate shall be reviewed by the Board regularly. The Board is responsible for appointing committee members.

6. **Appointment, Training and Monitoring Senior Management**

The Board has the responsibility:

(a) to appoint the Chief Executive Officer, to monitor and assess the Chief Executive Officer's performance, to satisfy itself as to the integrity of the Chief Executive Officer, and to provide advice and counsel in the execution of the Chief Executive Officer's duties;

(b) to develop or approve the corporate goals or objectives that the Chief Executive Officer is responsible for;

(c) to approve the appointment of all senior corporate officers, acting upon the advice of the Chief Executive Officer and to satisfy itself as to the integrity of such corporate officers;

(d) to ensure that adequate provision has been made to train, develop and compensate management and for the orderly succession of management and to ensure that all new directors receive a comprehensive orientation, fully understand the role of the Board and its committees, the nature and operation of the Corporation's business and the contribution that individual directors are required to make;

(e) to create a culture of integrity throughout the Corporation;

(f) to ensure that management is aware of the Board's expectations of management;

(g) to provide for succession of management; and

(h) to set out expectations and responsibilities of directors including attendance at meetings and review of meeting materials.

7. **Policies, Procedures and Compliance**

The Board has the responsibility:

(a) to ensure that the Corporation operates at all times within applicable laws, regulations and ethical standards; and

(b) to approve and monitor compliance with significant policies and procedures by which the Corporation is operated.

8. **Reporting and Communication**

The Board has the responsibility:

(a) to ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;

(b) to ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;

(c) to ensure the timely reporting of developments that have a significant and material impact on the value of the Corporation;

(d) to report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year;

(e) to develop appropriate measures for receiving shareholder feedback; and

(f) to develop the Corporation's approach to corporate governance and to develop a set of corporate governance principles and guidelines.

9. **Monitoring and Acting**

The Board has the responsibility:

(a) to monitor the Corporation's progress towards it goals and objectives and to revise and alter its direction through management in response to changing circumstances;

(b) to take action when performance falls short of its goals and objectives or when other special circumstances warrant;

(c) to ensure that the Corporation has implemented adequate control and information systems which ensure the effective discharge of its responsibilities; and

(d) to make regular assessments of itself, its committees and each individual director's effectiveness and contribution.

OTHER SUPPLEMENTARY INFORMATION

1. List of directors and officers at February 23, 2011:

(a) **Directors:**
Lukas H. Lundin, *Chairman*
William A. Rand, *Lead Director*
Philip J. Wright
Colin K. Benner
Brian D. Edgar
Dale C. Peniuk
Donald K. Charter
John H. Craig

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

2. Financial Information

The report for the first quarter 2011 is expected to be published on or before May 14, 2011.

3. Other information

Address (Head office):
Lundin Mining Corporation
Suite 1500 – 150 King Street West
P.O. Box 38
Toronto, ON M5H 1J9
Canada
Telephone: +1 416 342 5560
Fax: +1 416 348 0303

Address (UK office):
Lundin Mining – UK
70 Oathall Road
West Sussex
RH16 3EL
United Kingdom
Telephone: +44 1 444 411 900
Fax: +44 1 444 456 901

Website: www.lundinmining.com.
The corporate number of the Company is 306723-8.

For further information, please contact:
Sophia Shane, Investor Relations, North America, +1-604-689-7842, sophias@namdo.com
Robert Eriksson, Investor Relations, Sweden: +46 8 545 015 50, robert.eriksson@vostoknafta.com
John Miniotis, Senior Business Analyst: +1-416-342-5560, john.miniotis@lundinmining.com