

# lundin mining

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

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This management's discussion and analysis ("MD&A") has been prepared as of October 29, 2014 and should be read in conjunction with the Company's condensed interim consolidated financial statements for the three and nine months ended September 30, 2014. Those financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. The Company's presentation currency is United States ("US") dollars. Reference herein of \$ is to United States dollars, C\$ is to Canadian dollars, SEK is to Swedish krona and € refers to the Euro.

### **About Lundin Mining**

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

### **Cautionary Statement on Forward-Looking Information**

*Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act. This report includes, but is not limited to, forward looking statements with respect to the Company's estimated full year metal production, cash costs, exploration expenditures, and capital expenditures, as noted in the Outlook section and elsewhere in this document. These estimates and other forward-looking statements are based on a number of assumptions and are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to the estimated cash costs, timing and amount of production from the Eagle project, cost estimates for the Eagle project, foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; litigation risks; and other risks and uncertainties, including those described in the Risk and Uncertainties section of the Company's Annual Information Form and in each Management's Discussion and Analysis. Forward-looking information may also be based on other various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of copper, zinc, lead and nickel; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.*

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## Highlights

### Operational Performance

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

- Neves-Corvo produced 10,904 tonnes of copper and 17,908 tonnes of zinc in the third quarter of 2014. Production from the Lombador ore body resulted in a 22% increase in zinc production over the prior year comparable period. Lower copper head grades, metallurgical recoveries and ore throughput resulted in lower copper production compared with the third quarter of 2013, but production year-to-date still remains in-line with our full-year guidance for 2014. Copper cash costs<sup>1</sup> of \$1.96/lb for the quarter were moderately higher than our latest full-year guidance (\$1.85/lb).
- Zinc production of 20,050 tonnes at Zinkgruvan met expectations and was higher than the comparable period in 2013 due to a third consecutive quarter of record mine production of zinc ore. Lead production of 6,531 tonnes met expectations but was below the comparable period in 2013 primarily due to lower head grades. Cash costs for zinc of \$0.48/lb were higher than guidance (\$0.35/lb) in part due to lower lead by-product credits, net of treatment charges.
- Aguablanca had yet another strong quarter of operational performance, with current quarter production of 1,958 tonnes of nickel and 1,919 tonnes of copper. This met expectations for the third quarter of 2014 and exceeded production levels of the prior year comparable period. Cash costs of \$5.89/lb of nickel for the quarter, though higher than prior quarters, remain in-line with our mine plan and full year guidance expectations.

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

- Lundin's attributable share of third quarter production included 12,694 tonnes of copper cathode and 851 tonnes of cobalt in hydroxide. The Company's attributable share of Tenke's sales included 12,229 tonnes of copper at an average realized price of \$3.11/lb and 895 tonnes of cobalt at an average realized price of \$9.99/lb.
- Attributable operating cash flow from Tenke for the third quarter of 2014 was \$48.4 million (\$113.9 million year-to-date). Cash distributions received by Lundin Mining in the quarter were \$33.8 million (\$73.2 million year-to-date), in-line with expectations.
- Operating cash costs for the third quarter of 2014 were \$1.10/lb of copper sold, better than the revised full-year guidance of \$1.16/lb.

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

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

<sup>1</sup> Cash costs per pound is a non-GAAP measure – see page 29 of this MD&A for discussion of non-GAAP measures.

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

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

## Financial Performance

- Operating earnings<sup>1</sup> for the third quarter of 2014 were \$42.9 million, a decrease of \$16.0 million from the \$58.9 million reported in the comparable quarter of 2013. The decrease was largely attributable to lower metal shipments (\$9.9 million) at Zinkgruvan and Aguablanca, and the closure of our Galmoy operation (\$4.2 million).

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

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

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

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

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

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

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

<sup>1</sup> Operating earnings is a non-GAAP measure – see page 29 of this MD&A for discussion of non-GAAP measures.

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

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

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

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

### **Corporate Highlights**

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

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

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

## Financial Position and Financing

- Net debt<sup>1</sup> position at September 30, 2014 was \$214.7 million compared to \$119.3 million at December 31, 2013 and \$174.4 million at June 30, 2014.
- The \$40.3 million increase in net debt during the quarter was attributable to investments in mineral properties, plant and equipment of \$128.7 million, of which \$95.5 million was attributable to the development of the Eagle project, partially offset by operating cash flows of \$57.5 million, and distributions from Tenke and Freeport Cobalt of \$33.8 million and \$1.0 million, respectively.

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

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

## Outlook

### 2014 Production and Cost Guidance

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

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

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

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

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

## 2014 Capital Expenditure Guidance

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

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

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

## 2014 Exploration Guidance

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

## Selected Quarterly Financial Information

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

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

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

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



## Sales Overview

### Sales Volumes by Payable Metal

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

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

### Sales Analysis

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

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

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

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

### Quarterly Reconciliation of Realized Prices

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

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

1. Includes provisional price adjustments on current period sales.

## Year to Date Reconciliation of Realized Prices

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

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

1. Includes provisional price adjustments on current period sales.

## Provisionally valued sales as of September 30, 2014

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

## Financial Results

### Operating Costs

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

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

### Depreciation, Depletion and Amortization

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

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

### General Exploration and Business Development

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

### Income from Equity Investment in Associates

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

### Finance Income and Costs

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

## Other Income and Expense

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

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

## Current and Deferred Taxes

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

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

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

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

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

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

## Mining Operations

### Production Overview

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

## Cash Cost Overview

	Three months ended September 30,			
	2014	2013	2014	2013
	Cash cost/lb (US dollars)		Cash cost/lb (local currency)	
<b>Neves-Corvo (Local in €)</b>				
Gross cost	2.85	2.92	2.16	2.20
By-product <sup>1</sup>	(0.89)	(0.69)	(0.68)	(0.52)
<b>Net Cost - cost/lb Cu</b>	<b>1.96</b>	<b>2.23</b>	<b>1.48</b>	<b>1.68</b>
<b>Zinkgruvan (Local in SEK)</b>				
Gross cost	0.88	0.94	6.15	6.11
By-product <sup>1</sup>	(0.40)	(0.88)	(2.82)	(5.71)
<b>Net Cost - cost/lb Zn</b>	<b>0.48</b>	<b>0.06</b>	<b>3.33</b>	<b>0.40</b>
<b>Aguablanca (Local in €)</b>				
Gross cost	7.99	6.98	6.04	5.27
By-product <sup>1</sup>	(2.10)	(3.31)	(1.56)	(2.49)
<b>Net Cost - cost/lb Ni</b>	<b>5.89</b>	<b>3.67</b>	<b>4.48</b>	<b>2.78</b>
	Nine months ended September 30,			
	2014	2013	2014	2013
	Cash cost/lb (US dollars)		Cash cost/lb (local currency)	
<b>Neves-Corvo (Local in €)</b>				
Gross cost	2.80	2.50	2.07	1.89
By-product <sup>1</sup>	(0.91)	(0.54)	(0.67)	(0.41)
<b>Net Cost - cost/lb Cu</b>	<b>1.89</b>	<b>1.96</b>	<b>1.40</b>	<b>1.48</b>
<b>Zinkgruvan (Local in SEK)</b>				
Gross cost	0.97	0.99	6.47	6.41
By-product <sup>1</sup>	(0.60)	(0.68)	(3.97)	(4.42)
<b>Net Cost - cost/lb Zn</b>	<b>0.37</b>	<b>0.31</b>	<b>2.50</b>	<b>1.99</b>
<b>Aguablanca (Local in €)</b>				
Gross cost	7.24	7.19	5.36	5.46
By-product <sup>1</sup>	(2.61)	(3.14)	(1.92)	(2.38)
<b>Net Cost - cost/lb Ni</b>	<b>4.63</b>	<b>4.05</b>	<b>3.44</b>	<b>3.08</b>

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

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

## Neves-Corvo Mine

Neves-Corvo is an underground mine, located 100 km north of Faro, Portugal, in the western part of the Iberian Pyrite Belt. The mine has been a significant producer of copper since 1989 and in 2006 commenced treating zinc ores. The facilities include a shaft with a total hoisting capacity of up to 4.7 mtpa, a copper plant with 2.5 mtpa processing capacity and a zinc plant with 1.2 mtpa processing capacity. The zinc plant has the flexibility to process zinc or copper ores.

### Operating Statistics

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

### Operating Earnings

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

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

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

### Production

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

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



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

### **Cash Costs**

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

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

### **Projects**

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

## Zinkgruvan Mine

The Zinkgruvan mine is located approximately 250 km south-west of Stockholm, Sweden. Zinkgruvan has been producing zinc, lead and silver on a continuous basis since 1857. The operation consists of an underground mine, processing facilities and associated infrastructure with a nominal production capacity of 1.3 million tonnes of ore.

### Operating Statistics

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

### Operating Earnings

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

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

### Production

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

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

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

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

### **Cash Costs**

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

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

## Aguablanca Mine

The Aguablanca nickel-copper mine is located in the province of Badajoz, 80 km by road to Seville, Spain, and 140 km from a major seaport at Huelva. Current operations consist of an open pit mine and an on-site processing facility (milling and flotation) with a production capacity of 1.9 million tonnes per annum. Development is underway on an underground mining project, which is expected to extend mine production until at least 2018.

### Operating Statistics

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

### Operating Earnings

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

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

### Production

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

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

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

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

**Cash Costs**

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

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

**Underground Project**

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

## Tenke Fungurume

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

### Operating Statistics

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

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

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

### Income from Equity Investment

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

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

### Production

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

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

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

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

### **Cash Costs**

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

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

### **Tenke Cash Flow**

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

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

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

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

## **Eagle Mine**

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

### **Project Development**

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

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

### **Mine**

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

### **Mill**

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

### **Transportation**

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

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

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



## **Exploration**

### **Eagle Resource Exploration, USA (Nickel, Copper)**

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

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

### **Los Rulos Joint Venture Exploration, Chile (Copper, Gold)**

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

### **Peru (Copper)**

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

### **Eastern Europe (Copper, Gold)**

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

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

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

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

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

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

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

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

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

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

## Liquidity and Financial Condition

### Cash Reserves

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

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

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

### Working Capital

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

### Long-Term Debt

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

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

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

### Commitments

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

(\$ thousands)

2014	59,444
2015	12,085
<b>Total</b>	<b>71,529</b>

### Shareholders' Equity

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

## Sensitivities

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

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

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

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

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

## Financial Instruments

Summary of financial instruments:

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

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

Fair value through profit and loss (FVTPL securities) – The fair value of investments in shares is determined based on quoted market price and the fair value of warrants is determined using a valuation model that

incorporates such factors as the quoted market price, strike price and the volatility of the related shares of which the warrants can be exchanged for and the expiry date of the warrants.

Fair value through other comprehensive income (“OCI”) (Available-for-sale or “AFS” securities) – The fair value of investments in shares is determined based on quoted market price and the fair value of warrants is determined using a valuation model that incorporates such factors as the quoted market price, strike price and the volatility of the related shares and the expiry date of the warrants.

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

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

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

## **Related Party Transactions**

### **Tenke Fungurume**

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

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

### **Freeport Cobalt**

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

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

## Key Management Personnel

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

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

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

## Changes in Accounting Policies

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

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

## Critical Accounting Estimates and Judgments

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

## Managing Risks

### Risks and Uncertainties

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

## Outstanding Share Data

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

## Non-GAAP Performance Measures

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

### Net Cash/Debt

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

Net cash/debt can be reconciled as follows:

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

### Operating Earnings

“Operating earnings” is a performance measure used by the Company to assess the contribution by mining operations to the Company’s net earnings or loss. Operating earnings is defined as sales, less operating costs (excluding depreciation) and general and administrative expenses.

### Operating Cash Flow per Share

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

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

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

### Cash Cost per Pound

Copper, zinc and nickel cash costs per pound are key performance measures that management uses to monitor performance. Management uses these statistics to assess how well the Company's producing mines are performing compared to plan and to assess overall efficiency and effectiveness of the mining operations. Lundin provides cash cost information as it is a key performance indicator required by users of the Company's financial information in order to assess the Company's earnings potential and performance relative to its peers. Cash cost is not an IFRS measure and, although it is calculated according to accepted industry practice, the Company's disclosed cash costs may not be directly comparable to other base metal producers.

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



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

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

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

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

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

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

## **Management's Report on Internal Controls**

### ***Disclosure controls and procedures***

Disclosure controls and procedures ("DCP") have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operation of disclosure controls and procedures.

### ***Internal control over financial reporting***

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

### ***Control Framework***

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

### ***Changes in internal control over financial reporting***

There have been no changes in the Company's internal control over financial reporting during the three month period ended September 30, 2014, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### ***Other Information***

Additional information regarding the Company is included in the Company's Annual Information Form ("AIF") which is filed with the Canadian securities regulators. A copy of the Company's AIF can be obtained from the Canadian Securities Administrators' website at [www.sedar.com](http://www.sedar.com).

## Other Supplementary Information

### 1. *List of directors and officers at October 29, 2014:*

#### (a) **Directors:**

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

#### (b) **Officers:**

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

### 2. **Financial Information**

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

### 3. **Other information**

Address (Corporate head office):

Lundin Mining Corporation  
Suite 1500, 150 King Street West  
P.O. Box 38  
Toronto, Ontario M5H 1J9  
Canada

Telephone: +1-416-342-5560

Fax: +1-416-348-0303

Website: [www.lundinmining.com](http://www.lundinmining.com)

Address (UK office):

Lundin Mining UK Limited  
Hayworthe House, 2 Market Place  
Haywards Heath, West Sussex  
RH16 1DB  
United Kingdom

Telephone: +44-1-444-411-900

Fax: +44-1-444-456-901

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

#### **For further information, please contact:**

Sophia Shane, *Investor Relations, North America*: +1-604-689-7842: [sophias@namdo.com](mailto:sophias@namdo.com)

Robert Eriksson, *Investor Relations, Sweden*: +46-(0)8-440-54-50, [robert.eriksson@lundin-petroleum.se](mailto:robert.eriksson@lundin-petroleum.se)

John Miniotis, *Senior Manager, Corporate Development and Investor Relations*: +1-416-342-5560, [john.miniotis@lundinmining.com](mailto:john.miniotis@lundinmining.com)

Condensed Interim Consolidated Financial Statements of

# **Lundin Mining Corporation**

September 30, 2014  
(Unaudited)

**LUNDIN MINING CORPORATION**CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS  
(Unaudited - in thousands of US dollars)September 30,  
2014 December 31,  
2013**ASSETS**

## Current

Cash and cash equivalents	\$ 150,757	\$ 116,640
Trade and other receivables (Note 3)	95,618	114,196
Income taxes receivable	20,461	24,909
Inventories (Note 4)	61,864	44,651
	<b>328,700</b>	<b>300,396</b>

## Non-Current

Restricted funds	38,680	63,869
Marketable securities and other assets (Note 5)	13,679	21,617
Mineral properties, plant and equipment (Note 6)	1,874,176	1,784,868
Investment in associates (Note 7)	2,051,477	2,063,846
Deferred tax assets	22,189	24,031
Goodwill	158,194	173,383
	<b>4,158,395</b>	<b>4,131,614</b>

**\$ 4,487,095**      **\$ 4,432,010****LIABILITIES**

## Current

Trade and other payables (Note 9)	\$ 135,468	\$ 155,500
Income taxes payable	281	1,903
Current portion of deferred revenue	4,247	4,849
Current portion of long-term debt and finance leases (Note 10)	17,568	3,341
Current portion of reclamation and other closure provisions (Note 12)	5,757	8,712
	<b>163,321</b>	<b>174,305</b>

## Non-Current

Deferred revenue	47,456	56,163
Long-term debt and finance leases (Note 10)	341,973	225,435
Reclamation and other closure provisions (Note 12)	143,959	142,958
Other long-term liabilities	2,935	3,234
Provision for pension obligations	18,096	20,752
Deferred tax liabilities	121,024	139,558
	<b>675,443</b>	<b>588,100</b>

**838,764**      **762,405****SHAREHOLDERS' EQUITY**

Share capital	3,516,530	3,509,343
Contributed surplus	42,974	40,379
Accumulated other comprehensive loss	(145,443)	(27,620)
Retained earnings	234,270	147,503
	<b>3,648,331</b>	<b>3,669,605</b>
	<b>\$ 4,487,095</b>	<b>\$ 4,432,010</b>

Commitments (Note 18)

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

**APPROVED BY THE BOARD OF DIRECTORS**(Signed) Lukas H. Lundin  
Director(Signed) Dale C. Peniuk  
Director

## LUNDIN MINING CORPORATION

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS

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

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

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

## LUNDIN MINING CORPORATION

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited - in thousands of US dollars)

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

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Unaudited - in thousands of US dollars, except for shares)

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

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

## LUNDIN MINING CORPORATION

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited - in thousands of US dollars)

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

Supplemental cash flow information (Note 22)

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



# LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2014 and 2013

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

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## 1. NATURE OF OPERATIONS

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

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

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

### (i) Basis of presentation and measurement

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

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

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

### (ii) Critical accounting estimates and judgments

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

### (iii) Accounting principles

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

#### *Changes in Accounting Policies*

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

*IFRIC 21, Accounting for Levies Imposed by Governments*, clarifies the obligating event giving rise to a liability to pay a levy. This obligating event is the activity described in the relevant legislation that triggers

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2014 and 2013

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

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payment of the levy. This standard is effective for annual periods beginning on or after January 1, 2014. The Company has concluded there was no significant impact of adopting this standard.

### (iv) New accounting pronouncements

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

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

### 3. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

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

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2014 and 2013

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

### 4. INVENTORIES

Inventories are comprised of the following:

	September 30, 2014	December 31, 2013
Ore stockpiles	\$ 15,733	\$ 12,227
Concentrate stockpiles	26,122	14,470
Materials and supplies	20,009	17,954
	<b>\$ 61,864</b>	<b>\$ 44,651</b>

### 5. MARKETABLE SECURITIES AND OTHER ASSETS

Marketable securities and other assets comprise the following:

	September 30, 2014	December 31, 2013
Marketable securities (a)	\$ 9,761	\$ 17,347
Other assets	3,918	4,270
	<b>\$ 13,679</b>	<b>\$ 21,617</b>

#### a) Marketable securities

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

The changes in marketable securities are as follows:

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

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

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2014 and 2013

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

### 6. MINERAL PROPERTIES, PLANT AND EQUIPMENT

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

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

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

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

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

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2014 and 2013

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

Depreciation, depletion and amortization is comprised of:

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

## 7. INVESTMENT IN ASSOCIATES

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

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

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

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

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2014 and 2013

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

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### 8. INCOME TAXES

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

### 9. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

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

### 10. LONG-TERM DEBT AND FINANCE LEASES

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

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

## LUNDIN MINING CORPORATION

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For the three and nine months ended September 30, 2014 and 2013

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

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

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

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

## 11. SHARE CAPITAL

### (a) Restricted share units

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

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

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

### (b) Stock options

The Company has an incentive stock option plan (the "Plan") available for certain employees and officers to acquire shares in the Company. The plan was adopted on May 9, 2014. The term of any options granted are

## LUNDIN MINING CORPORATION

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For the three and nine months ended September 30, 2014 and 2013

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

approved by the Board of Directors and may not exceed five years from the date of grant. The total number of options that are issuable under the plan is 30,000,000. The vesting requirements for the options include the passage of a specified time period, as well as continued employment.

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

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

## 12. RECLAMATION AND OTHER CLOSURE PROVISIONS

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

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

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

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



## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2014 and 2013

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

### 13. OPERATING COSTS

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

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

### 14. EMPLOYEE BENEFITS

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

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

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Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2014 and 2013

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

### 15. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

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

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

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

### 16. FINANCE INCOME AND COSTS

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

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

  

Finance income	\$ 5,580	\$ 217	\$ 3,519	\$ 1,179
Finance costs	(6,584)	(3,905)	(10,129)	(11,001)
<b>Total finance costs, net</b>	<b>\$ (1,004)</b>	<b>\$ (3,688)</b>	<b>\$ (6,610)</b>	<b>\$ (9,822)</b>

## LUNDIN MINING CORPORATION

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### 17. OTHER INCOME AND EXPENSES

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

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

  

Other income	\$ 11,068	\$ 518	\$ 11,968	\$ 16,448
Other expenses	(5,440)	(805)	(8,693)	(10,693)
<b>Total other income (expenses), net</b>	<b>\$ 5,628</b>	<b>\$ (287)</b>	<b>\$ 3,275</b>	<b>\$ 5,755</b>

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

### 18. COMMITMENTS

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

2014	\$ 59,444
2015	12,085
<b>Total</b>	<b>\$ 71,529</b>

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

### 19. SEGMENTED INFORMATION

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

# LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2014 and 2013

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

## For the three months ended September 30, 2014

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

## For the nine months ended September 30, 2014

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

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

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## For the three months ended September 30, 2013

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

## For the nine months ended September 30, 2013

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

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

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

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

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

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

## 20. RELATED PARTY TRANSACTIONS

- a) **Transactions with associates** - The Company enters into transactions related to its investment in associates. These transactions are entered into in the normal course of business and on an arm's length basis (Note 7).
- b) **Key management personnel** - The Company has identified its directors and certain senior officers as its key management personnel. The employee benefits for key management personnel are as follows:

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

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

## LUNDIN MINING CORPORATION

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

### 21. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

Marketable securities/restricted funds – The fair value of investments in shares is determined based on quoted market price and the fair value of warrants is determined using a valuation model that incorporates such factors as the quoted market price, strike price, the volatility of the related shares of which the warrants can be exchanged for and the expiry date of the warrants.

## LUNDIN MINING CORPORATION

Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2014 and 2013

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

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

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

### 22. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended		Nine months ended	
	September 30		September 30	
	2014	2013	2014	2013
Changes in non-cash working capital items consist of:				
Trade receivable, inventories and other current assets	\$ 20,789	\$ 7,315	\$ (7,874)	\$ (2,097)
Trade payable and other current liabilities	(9,899)	(19,264)	(4,560)	(15,938)
	\$ 10,890	\$ (11,949)	\$ (12,434)	\$ (18,035)

Operating and investing activities included the following cash payments:

Interest received	\$ 289	\$ 217	\$ 998	\$ 1,140
Interest paid	\$ 3,071	\$ 555	\$ 8,071	\$ 1,731
Income taxes (refunded) paid	\$ (6,762)	\$ 16,209	\$ (4,797)	\$ 27,666

### 23. SUBSEQUENT EVENT

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

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

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

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

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