lundin mining

2014 Annual Filings

December 31, 2014

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Management's Discussion and Analysis
For the year ended December 31, 2014

This management's discussion and analysis ("MD&A") has been prepared as of February 18, 2015 and should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 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, CLP is to Chilean pesos, SEK is to Swedish krona and € refers to the Euro.

About Lundin Mining

Lundin Mining Corporation ("Lundin", "Lundin Mining" or the "Company") is a diversified Canadian base metals mining company with operations in Chile, 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 annual 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 estimated operating and cash costs, foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems and flooding; including 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; inability to successfully integrate the Candelaria operations or realize its anticipated benefits; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Annual Information Form. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of copper, nickel, lead and zinc; that the Company can access financing, appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Highlights

Operational Performance

For 2014, all of the Company's operations substantially met or performed better than guided on production. Aggregate capital spending was below guidance.

Candelaria (80%): On November 3, 2014, the Company announced the closing of its acquisition of an 80% ownership stake in the Candelaria/Ojos del Salado copper mining operations and supporting infrastructure (together, "Candelaria") from Freeport-McMoRan Inc. ("Freeport"). For the period from November 3, 2014 to December 31, 2014, the Candelaria processing plants collectively produced, on a 100% basis, 28,590 tonnes of copper, 318,000 ounces of silver, and 16,200 ounces of gold in concentrate.

Eagle (100%): Eagle production ramped-up sooner than expected and production of both nickel (4,300 tonnes) and copper (3,905 tonnes) exceeded expectations for the year. Commercial production was achieved in November 2014 and Eagle finished the year with higher than expected throughput, grades and recoveries. By year end, both copper and nickel concentrate quality were respectively at, and above, steady state product specifications. Total project spend for 2014 was $280 million, including capitalized interest, below guidance of $300 million due to under budget performance and timing of payments.

Neves-Corvo (100%): Neves-Corvo produced 51,369 tonnes of copper and 67,378 tonnes of zinc for the year ended December 31, 2014. Production from the Lombador ore body helped contribute to a 26% increase in zinc production over the prior year, and an annual zinc production record. Copper production met guidance, but lower copper head grades, metallurgical recoveries and ore throughput resulted in lower copper production compared to the year ended December 31, 2013. Copper cash costs[1] of $1.85/lb for the year were in-line with our latest full-year guidance ($1.85/lb).

Zinkgruvan (100%): Zinc production of 77,713 tonnes at Zinkgruvan met expectations and was higher than the year ended December 31, 2013 due primarily to record tonnages of ore mined and milled. Lead production of 32,363 tonnes slightly exceeded expectations and was in-line with 2013. Cash costs for zinc of $0.37/lb were largely in-line with guidance ($0.35/lb).

Aguablanca (100%): Aguablanca had a strong year of operational performance, with annual production of 8,631 tonnes of nickel and 7,390 tonnes of copper. Both metals exceeded production expectations for the year ended December 31, 2014 as well as the prior year. Cash costs of $4.38/lb of nickel for the year were slightly higher than full year guidance ($4.25/lb) due to the lower price of by-product credits.

Tenke and Freeport Cobalt (24%): Tenke operations continue to perform well and the Kokkola cobalt business performed in accordance with expectations.

- Lundin's attributable share of annual Tenke production included 48,636 tonnes of copper cathode and 3,200 tonnes of cobalt in hydroxide. The Company's attributable share of Tenke's sales included 46,306 tonnes of copper at an average realized price of $3.06/lb and 3,214 tonnes of cobalt at an average realized price of $9.66/lb.

- Attributable operating cash flow from Tenke for the year ended December 31, 2014 was $158.5 million. Cash distributions received by Lundin Mining in the year were $85.8 million from Tenke and $8.6 million from Freeport Cobalt for aggregate cash distributions to the Company of $94.4 million.

- Tenke cash costs for the year ended December 31, 2014 were $1.15/lb of copper sold, better than the latest 2014 full-year guidance of $1.16/lb.

[1] Cash costs per pound is a non-GAAP measure – see page 42 of this MD&A for discussion of non-GAAP measures.

Production Summary:

Total 2014 production, compared to the latest guidance and prior years, was as follows:

Years ended December 31 (contained tonnes)		**2014 Actual**	*2014 Guidance*[a]	2013 Actual	2012 Actual	2011 Actual
Copper	Candelaria (80%)	**22,872**	*n/a*	nil	nil	nil
	Eagle	**3,905**	*2,000 - 3,000*	nil	nil	nil
	Neves-Corvo	**51,369**	*50,000 - 55,000*	56,544	58,559	74,109
	Zinkgruvan	**3,464**	*3,000 - 4,000*	3,460	3,059	1,768
	Aguablanca	**7,390**	*6,000 - 7,000*	6,242	2,260	nil
	Tenke (24%)[b]	**48,636**	*48,400*	50,346	38,105	31,523
	Total attributable	**137,636**	*109,400 - 117,400*	116,592	101,983	107,400
Zinc	Neves-Corvo	**67,378**	*60,000 - 65,000*	53,382	30,006	4,227
	Zinkgruvan	**77,713**	*75,000 - 80,000*	71,366	83,209	75,147
	Galmoy (in ore)	**nil**	*nil*	nil	8,989	32,071
	Total	**145,091**	*135,000 - 145,000*	124,748	122,204	111,445
Nickel	Eagle	**4,300**	*2,000 - 3,000*	nil	nil	nil
	Aguablanca	**8,631**	*7,500 - 8,500*	7,574	2,398	nil
	Total	**12,931**	*9,500 - 11,500*	7,574	2,398	nil
Lead	Neves-Corvo	**3,192**	*3,500 - 4,500*	1,496	87	nil
	Zinkgruvan	**32,363**	*29,000 - 32,000*	32,874	37,246	32,339
	Galmoy (in ore)	**nil**	*nil*	nil	1,131	8,791
	Total	**35,555**	*32,500 - 36,500*	34,370	38,464	41,130

a - Revised guidance as disclosed in the Company's MD&A for the three and nine months ended September 30, 2014.

b - Lundin Mining's attributable share of Tenke 's production was reduced from 24.75% to 24.0% effective March 26, 2012.

- Operating earnings[1] for the year ended December 31, 2014 were $304.3 million, an increase of $61.2 million from the $243.1 million reported in 2013. The increase was due to the inclusion of Candelaria's results from November 3, 2014 ($67.8 million), start of commercial production at Eagle in the fourth quarter of 2014 ($28.5 million) and the impact of higher net metal prices in 2014 ($11.5 million), partially offset by the closure of our Galmoy operations in 2013 ($11.2 million), lower sales volumes, primarily copper, at our other operating sites ($24.2 million) and higher treatment and refining charges ($17.1 million).

- For the year ended December 31, 2014, sales of $951.3 million increased $223.5 million from the prior year ($727.8 million). The increase is due to incremental sales from Candelaria and Eagle of $215.2 million and $47.3 million, respectively, partially offset by the impact from the closure of Galmoy ($18.3 million) and higher treatment and refining costs ($17.1 million).

- Average London Metal Exchange ("LME") metal prices for nickel and zinc for the year ended December 31, 2014 were higher (12% - 13%) than that of the prior year, while lead and copper prices were lower (2% - 6%) in 2014 (see page 26 of this MD&A for details).

- Operating costs (excluding depreciation) of $619.7 million in the current year were $158.5 million higher than the $461.2 million in the prior year. Excluding the incremental impact on operating costs from Candelaria of $147.4 million, operating costs of $472.3 million for the year were $11.1 million higher than prior year operating costs. The increase was primarily attributable to the incremental operating costs from Eagle ($18.8 million) partly offset by the closure of our Galmoy operations ($7.2 million).

[1] Operating earnings is a non-GAAP measure – see page 42 of this MD&A for discussion of non-GAAP measures.

- Net earnings of $123.4 million ($0.19 per share) in the current year were $13.3 million lower than the $136.7 million ($0.23 per share) reported in 2013.

  Excluding the after-tax impairment of $32.3 million related to the Company's Portuguese exploration concessions, net earnings in 2014 were $19.0 million higher than 2013. The increase is attributable to earnings generated by Candelaria and Eagle.

- Cash flow from operations for the year was $187.4 million compared to $154.3 million for 2013. The comparative increase in cash flow of $33.1 million is mostly attributable to higher operating earnings ($61.2 million), partially offset by changes in non-cash working capital and long-term inventory of $18.9 million. In addition, the Company benefited from the receipt of insurance proceeds in both 2013 and 2014 for business interruption at the Aguablanca mine from an open pit ramp failure which occurred in late-2010; however, amounts received in 2013 were $11.4 million more than that received in 2014 (2013 - $15.1 million; 2014 - $3.7 million).

Corporate Highlights

- On November 3, 2014, the Company announced the closing of its acquisition of an 80% ownership stake in the Candelaria/Ojos del Salado copper mining operations and supporting infrastructure from Freeport. Total cash consideration of $1,852 million was paid, consisting of a $1,800 million base purchase price plus $52 million for cash and non-cash working capital and other agreed adjustments. In addition, contingent consideration of up to $200 million will also be payable, calculated as 5% of net copper revenue in any annual period over the next five years, if the realized average copper price exceeds $4.00 per pound.

  The acquisition was funded by $1,000 million in senior secured note financing, C$674 million ($601.5 million) in subscription receipt equity financing and an upfront payment of $648 million under a stream agreement with a subsidiary of Franco-Nevada Corporation. The Company also repaid its $250 million term loan with the proceeds from the financings and executed an amendment to its $350 million revolving credit facility which remains in place under pre-existing terms. The remaining 20% ownership stake continues to be held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation (collectively "Sumitomo").

- On November 24, 2014, the Company announced the achievement of commercial production at its Eagle Mine. The milestone was reached within two months of start-up and well before the target of the first quarter of 2015.

Financial Position and Financing

- Net debt[1] position at December 31, 2014 was $829.2 million compared to $119.3 million at December 31, 2013. Net debt as of February 17, 2015 was approximately $710.0 million.

- The $709.9 million increase in net debt during the year was attributable to:

  - additional net debt acquired in connection with the acquisition of the Candelaria Mining Complex of approximately $833.5 million (which represents $1,000 million of senior secured notes, less cash acquired of $104.4 million and excess cash raised for general corporate purposes of $62.1 million);
  - investments in mineral properties, plant and equipment of $414.0 million, $272.2 million of which was related to the completion of the construction of the Eagle mine; offset by
  - operating cash flows of $187.4 million;
  - repayment of a term loan of $250.0 million; and
  - distributions received from Tenke and Freeport Cobalt of $85.8 million and $8.6 million, respectively.

[1] Net cash/debt is a non-GAAP measure – see page 42 of this MD&A for discussion of non-GAAP measures.

- The Company has a revolving debt facility available for borrowing up to $350 million. As at December 31, 2014, the Company had no amount drawn on the credit facility, only a letter of credit in the amount of $10.2 million (SEK 80 million).

Outlook

Market Conditions

Metal prices have declined significantly from our expected base case values set in December 2014. Consequently, the Company has performed an analysis to determine the impact on the 2015 plan and we are progressing immediately with initiatives to protect earnings and cash flows in the event the current price environment continues for a prolonged period or weakens further. The Company is advancing production optimizations, cost savings and cost deferrals that are expected to protect cash flows and profits in 2015. These are reflected in the updated capital expenditure and exploration investment guidance below. To the extent that base metals markets improve, spending restraint plans will be re-assessed as certain expenditures and deferrals would be reconsidered in a moderately stronger metal price environment.

2015 Production and Cost Guidance

- Production and cash costs guidance was provided on December 4, 2014 (see news release entitled "Lundin Mining Provides Operating Outlook for 2015-2017").
- Guidance on Tenke's copper production and cash costs have been updated to reflect the most recent guidance provided by Freeport.
- The Company has identified possible savings in operating costs and is assessing the impact on cash costs. Updated guidance taking into account revised metal prices, currency exchange rates and other input cost assumptions will be issued with results for the quarter ended March 31, 2015.
- As per our December 2014 disclosure, current production and cash cost guidance for 2015 is:

(contained tonnes)		Tonnes	Cash Costs[a]
Copper	*Candelaria (80%)*	*130,000 - 135,000*	*$1.55/lb*[c]
	Eagle	*20,000 - 23,000*	
	Neves-Corvo	*50,000 - 55,000*	*$1.80/lb*
	Zinkgruvan	*3,500 - 4,000*	
	Aguablanca	*4,500 - 5,000*	
	Tenke (24%)[b]	*48,400*	*$1.31/lb*
	Total attributable	*256,400 - 270,400*	
Zinc	*Neves-Corvo*	*68,000 - 73,000*	
	Zinkgruvan	*78,000 - 82,000*	*$0.38/lb*
	Total	*146,000 - 155,000*	
Nickel	*Aguablanca*	*5,800 - 6,500*	*$5.00/lb*
	Eagle	*25,000 - 28,000*	*$2.00/lb*
	Total	*30,800 - 34,500*	
Lead	*Neves-Corvo*	*4,000 - 5,000*	
	Zinkgruvan	*27,000 - 30,000*	
	Total	*31,000 - 35,000*	

a. Cash costs remain dependent upon exchange rates (forecast at €/USD:1.30, USD/SEK:7.00, USD/CLP:575) and metal prices (forecast at Cu: $3.00/lb, Zn: $1.05/lb, Pb: $1.00/lb, Ni: $8.00/lb, Co: $13.00/lb).

b. Freeport has provided 2015 sales and cash costs guidance. Tenke's 2015 production is assumed to approximate sales guidance.

c. Cash costs exclude capital expenditures for deferred stripping and by-product credits have been adjusted for the terms of the streaming agreement but exclude any allocation of upfront cash received.

Commentary on 2015 Production Guidance by Mine

- **Candelaria:** Attributable share of Candelaria production is expected to be more than double our current copper production levels. A five year mine plan optimization is underway with results expected in the second half of the year.
- **Eagle:** Full production rates of 2,000 tonnes/day mill feed are expected to be achieved in the first quarter of 2015.
- **Neves-Corvo:** Copper production is expected to be maintained above 50,000 tonnes per annum with a significant zinc by-product credit. Overall average mill feed copper grade and recovery have been reassessed for this year's guidance to reflect 2014 performance and the ongoing effects of out of reserve material. Zinc production assumes plant capacity continues at current levels of 1.16 million tonnes per annum throughput with no additional debottlenecking or zinc expansion investments. Lead by-product increases as greater percentages of Lombador zinc ore is mined.
- **Zinkgruvan:** Zinc production is expected to be between 78,000 - 82,000 tonnes of zinc per annum consistent with recent years. Lead production varies with head grade according to mine plan.
- **Aguablanca:** Open pit mining has been extended into Q1 2015. Production from underground mining will ramp up in the second quarter of 2015 and continue until at least 2018. Production in the first half of 2015 will be predominantly drawn from a 500,000 tonne stockpile accumulated in the last few months of open pit mining, with increasing contribution from underground mining as production volumes increase as the year progresses. Production is expected to dip in the second and third quarter of 2015 as the stockpile is consumed and underground mining ramps up.
- **Tenke:** Freeport expects modest increases in sales in 2015 over 2014, with sales of copper cathode forecast at approximately 201,800 tonnes and cobalt sales of 14,500 tonnes.

2015 Capital Expenditure Guidance

The Company has initiated action plans to respond to the lower metal price environment. As a result, capital expenditures are expected to be less than the $470 million previously guided. The Company has identified $70 million of savings opportunities that can be achieved in 2015 through cancellation or deferral of certain capital expenditures.

Revised Capital Expenditure Guidance

($ millions)	Original Guidance	Reductions	Revised Guidance
by Mine			
Candelaria	$ 300	$ 55	$ 245
Eagle	15	-	15
Neves-Corvo	95	10	85
Zinkgruvan	45	5	40
Aguablanca	15	-	15
	$ 470	$ 70	$ 400

- **New investment in Tenke -** $90 million (2014: $47 million), estimated by the Company as its share of expansion related initiatives, such as a second acid plant, and sustaining capital funding for 2015. All of the Tenke capital expenditures and exploration programs are expected to be self-funded by cash flow from Tenke operations.

  Assuming forecast metal prices and operating conditions are met, the Company now believes it is reasonable to expect Lundin Mining's attributable cash distributions from Tenke to be in the range of $30 to $40 million in 2015, taking into account self-funding of the new acid plant project, and other expenditures such as exploration, small projects and routine sustaining capital. The Tenke cash distribution guidance will be reviewed by Lundin Mining quarterly with respect to market price conditions. Final decisions on capital investments and the amounts and timing of any cash distributions for 2015 are ultimately made by Freeport, the mine's operator.

Exploration Investment

- The Company has reviewed its exploration spending in response to current market conditions and has planned to cancel or defer $15 million of expenditures from an original budget of $75 million. Total exploration expenses for 2015 (excluding Tenke) are now expected to be in the range of $60 million (2014: $36 million). Approximately $35 million is expected to be directed toward near mine targets at Candelaria, with the remainder being invested to advance exploration activities at our existing mines and for existing South American and Eastern European exploration projects.

Selected Quarterly and Annual Financial Information

($ millions, except per share amounts)	Years ended December 31,[1] **2014**	2013	2012
Sales	**951.3**	727.8	721.1
Operating costs	**(619.7)**	(461.2)	(385.0)
General and administrative expenses	**(27.3)**	(23.5)	(27.4)
Operating earnings	**304.3**	243.1	308.7
Depreciation, depletion and amortization	**(208.7)**	(148.1)	(122.4)
General exploration and business development	**(74.7)**	(43.7)	(66.1)
Income from equity investment in associates	**89.8**	94.0	101.5
Finance income and costs, net	**(28.1)**	(12.8)	(7.5)
Other income and expenses, net	**19.1**	(1.5)	(0.3)
Asset impairment	**(47.1)**	-	(67.3)
Earnings before income taxes	**54.6**	131.0	146.6
Income tax recovery / (expense)	**68.8**	5.7	(23.4)
Net earnings	**123.4**	136.7	123.2
Attributable to:			
Lundin Mining Corporation shareholders	**112.6**	136.7	123.2
Non-controlling interests	**10.8**	-	-
Net earnings	**123.4**	136.7	123.2
Shareholders' equity[2]	**4,638.7**	3,669.6	3,473.1
Cash flow from operations	**187.4**	154.3	194.0
Capital expenditures (including advances to Tenke)	**414.0**	240.6	174.4
Total assets	**7,326.7**	4,432.0	3,990.5
Long-term debt & finance leases	**980.9**	225.4	7.0
Net (debt) / cash	**(829.2)**	(119.3)	265.1
Key Financial Data:			
Basic and diluted earnings per share attributable to shareholders	**0.19**	0.23	0.21
Operating cash flow per share[3]	**0.38**	0.31	0.33
Dividends	**-**	-	-
Shares outstanding:			
Basic weighted average	**600,442,231**	584,276,739	582,942,459
Diluted weighted average	**602,357,872**	584,938,925	584,013,588
End of period	**718,168,173**	584,643,063	584,005,006

1. Except where otherwise noted, financial data has been prepared in accordance with IFRS as issued by the International Accounting Standards Board.
2. Adoption of IAS 19, *Employee benefits*, effective January 1, 2013, resulted in cessation of use of the corridor method for provision of pension obligations. Accordingly, the Company revised all applicable comparative figures.
3. Operating cash flow per share is a non-GAAP measure – see page 42 of this MD&A for discussion of non-GAAP measures.

($ millions, except per share data)	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13
Sales	443.0	166.6	191.8	149.9	186.9	176.4	176.3	188.2
Operating earnings	144.1	42.9	74.2	43.1	66.9	58.9	49.2	68.1
Net earnings	36.6	33.7	39.7	13.3	42.1	27.9	16.6	50.1
Attributable to shareholders	25.8	33.7	39.7	13.3	42.1	27.9	16.6	50.1
Earnings per share attributable to shareholders:[2]								
Basic and Diluted	0.04	0.06	0.07	0.02	0.07	0.05	0.03	0.09
Cash flow from operations	68.4	57.7	33.8	27.6	55.2	26.5	26.7	45.9
Capital expenditures	100.3	126.1	97.2	90.4	114.6	52.4	37.0	36.6
Net (debt) / cash	(829.2)	(214.7)	(174.4)	(155.0)	(119.3)	(72.8)	221.1	199.4

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

Sales Overview

Sales Volumes by Payable Metal

	2014					2013				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)										
Candelaria (80%)	**27,709**	27,709	-	-	-	-	-	-	-	-
Eagle	**2,114**	2,114	-	-	-	-	-	-	-	-
Neves-Corvo	**48,007**	14,527	12,136	11,009	10,335	53,394	14,197	11,469	14,102	13,626
Zinkgruvan	**3,427**	966	714	881	866	3,269	890	892	693	794
Aguablanca	**2,634**	689	683	626	636	2,795	647	615	573	960
	83,891	46,005	13,533	12,516	11,837	59,458	15,734	12,976	15,368	15,380
Zinc (tonnes)										
Neves-Corvo	**54,849**	15,629	12,967	15,978	10,275	43,199	11,254	11,971	12,981	6,993
Zinkgruvan	**65,802**	16,429	17,915	15,109	16,349	59,486	15,216	14,763	16,960	12,547
Galmoy	**189**	-	-	-	189	9,151	2,029	2,777	3,513	832
	120,840	32,058	30,882	31,087	26,813	111,836	28,499	29,511	33,454	20,372
Nickel (tonnes)										
Eagle	**2,356**	2,356	-	-	-	-	-	-	-	-
Aguablanca	**5,233**	1,462	1,187	1,342	1,242	5,472	1,346	1,180	1,157	1,789
	7,589	3,818	1,187	1,342	1,242	5,472	1,346	1,180	1,157	1,789
Lead (tonnes)										
Neves-Corvo	**3,182**	279	873	1,081	949	980	539	304	99	38
Zinkgruvan	**30,486**	7,541	5,014	11,260	6,671	29,785	6,438	10,397	8,113	4,837
Galmoy	**99**	-	-	-	99	3,394	983	1,002	1,285	124
	33,767	7,820	5,887	12,341	7,719	34,159	7,960	11,703	9,497	4,999

Sales Analysis

($ thousands)	2014 $	2014 %	2013 $	2013 %	Change $
by Mine					
Candelaria	**215,192**	23	-	-	215,192
Eagle	**47,280**	5	-	-	47,280
Neves-Corvo	**373,148**	39	420,308	58	(47,160)
Zinkgruvan	**194,009**	20	173,836	24	20,173
Aguablanca	**120,421**	13	114,027	16	6,394
Galmoy	**1,264**	-	19,611	2	(18,347)
	951,314		727,782		223,532
by Metal					
Copper	**518,205**	54	398,246	55	119,959
Zinc	**192,525**	20	158,009	22	34,516
Nickel	**124,608**	13	77,423	11	47,185
Lead	**59,696**	7	62,464	9	(2,768)
Other	**56,280**	6	31,640	3	24,640
	951,314		727,782		223,532

Year ended December 31,

Sales for the current year were $223.5 million higher compared to the year ended December 31, 2013, as a result of incremental sales from Candelaria ($215.2 million) and Eagle ($47.3 million), partially offset by lost sales on the closure of Galmoy ($18.3 million) and higher treatment and refining charges ($17.1 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.

Year to Date Reconciliation of Realized Prices

2014									
	Twelve months ended December 31, 2014								
($ thousands, except per pound amounts)		**Copper**		**Zinc**		**Nickel**		**Lead**	**Total**
Current period sales[1]		596,191		264,898		128,543		70,093	1,059,725
Prior period price adjustments		(24,334)		(1,062)		(218)		(34)	(25,648)
Sales before other metals and TC/RC		571,857		263,836		128,325		70,059	1,034,077
Other metal sales									56,280
Less: TC/RC									(139,043)
Total Sales									**951,314**
Payable Metal (tonnes) - 100% basis		**90,818**		**120,840**		**7,589**		**33,767**	
Current period sales ($/lb)[1]	$	2.98	$	0.99	$	7.68	$	0.94	
Prior period price adjustments ($/lb)		(0.12)		-		(0.01)		-	
Realized prices ($/lb)	**$**	**2.86**	**$**	**0.99**	**$**	**7.67**	**$**	**0.94**	

2013									
	Twelve months ended December 31, 2013								
($ thousands, except per pound amounts)		**Copper**		**Zinc**		**Nickel**		**Lead**	**Total**
Current period sales[1]		440,181		214,706		76,945		72,439	804,271
Prior period price adjustments		(8,689)		(2,364)		529		(276)	(10,800)
Sales before other metals and TC/RC		431,492		212,342		77,474		72,163	793,471
Other metal sales									31,640
Less: TC/RC									(97,329)
Total Sales									**727,782**
Payable Metal (tonnes)		**59,458**		**111,836**		**5,472**		**34,159**	
Current period sales ($/lb)[1]	$	3.36	$	0.87	$	6.38	$	0.96	
Prior period price adjustments ($/lb)		(0.07)		(0.01)		0.04		-	
Realized prices ($/lb)	$	**3.29**	**$**	**0.86**	**$**	**6.42**	**$**	**0.96**	

1. Includes provisional price adjustments on current period sales.

Provisionally valued sales for the year ended December 31, 2014

Metal	**Tonnes Payable**	**Valued at $ per lb**	**Valued at $ per tonne**
Copper	75,841	2.87	6,318
Zinc	16,673	0.98	2,169
Nickel	3,699	6.86	15,118
Lead	5,453	0.84	1,860

Annual Financial Results

Operating Costs

Operating costs of $619.7 million for the year ended December 31, 2014 were $158.5 million higher than the year ended December 31, 2013. Excluding the incremental impact on operating costs from Candelaria of $147.4 million, operating costs were $11.1 million higher than prior year operating costs. The increase was primarily attributable to the incremental operating costs on start-up of Eagle ($18.8 million) partly offset by closure of our Galmoy operations ($7.2 million).

General and Administrative Expenses

General and administrative expenses of $27.3 million for the year ended December 31, 2014 were $3.8 million higher than the year ended December 31, 2013, mostly due to higher personnel costs.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expense for the year ended December 31, 2014 increased $60.6 million from the previous year. The increase was primarily due to the acquisition of Candelaria ($49.2 million) and the start of commercial production at Eagle ($22.9 million), partially offset by the impact of an extension of the mine life, as part of the development of the underground mine, at Aguablanca ($13.5 million).

Depreciation by operation	**Year ended December 31,**		
($ thousands)	**2014**	2013	Change
Candelaria	**49,244**	-	49,244
Eagle	**24,250**	1,324	22,926
Neves-Corvo	**96,551**	98,047	(1,496)
Zinkgruvan	**29,521**	26,498	3,023
Aguablanca	**8,409**	21,890	(13,481)
Other	**728**	390	338
	208,703	148,149	60,554

General Exploration and Business Development

General exploration and business development costs increased from $43.7 million in 2013 to $74.7 million for the year ended December 31, 2014. The increase is attributable to higher corporate development ($25.1 million) and project development expenditures ($4.5 million) in the current year period. Most of the corporate development expenses relate to transaction costs incurred in connection with the acquisition of Candelaria. 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 $88.0 million were recognized for the year ended December 31, 2014 (2013 - $97.8 million). Refer to the section titled "Tenke Fungurume" contained in this MD&A for further discussion.

Finance Income and Costs

For the year ended December 31, 2014, net finance costs increased $15.3 million from the prior year. The increase was primarily attributable to interest expenses ($13.9 million) associated with the senior secured notes, write off of deferred financing fees ($3.2 million) associated with the Company's $250 million term loan, and a loss on the disposal of marketable securities of $4.9 million in the current year, partially offset by lower revaluation losses on marketable securities ($7.9 million).

Other Income and Expense

Net other income and expense is comprised of foreign exchange gains and losses and other incidental items. Net other income for the year ended December 31, 2014 was $19.1 million compared to net other expenses of $1.5 million for the year ended December 31, 2013. The increase in net other income relates primarily to foreign exchange gains which increased from a loss of $13.8 million in 2013 to a gain of $20.3 million in 2014. This was offset by insurance proceeds of $3.7 million received in 2014, compared to $15.1 million received in 2013, relating to the 2010 slope failure at the Aguablanca mine.

A foreign exchange gain of $20.3 million in the current year and foreign exchange loss of $13.8 million for the year ended December 31, 2013, relates to cash and trade receivables denominated in foreign currencies that were held in the Company's various entities. Period end exchange rates at December 31, 2014 were $1.21:€1.00 (December 31, 2013 – $1.33:€1.00) and $1.00:SEK7.81 (December 31, 2013 - $1.00:SEK6.51).

Asset Impairment

During 2014, the Company recognized an impairment of $47.1 million ($32.3 million net of tax) related to its Portuguese exploration concessions. This impairment was recognized to reflect the finalization and cessation of the exploration program; there are no future plans for further exploration work in the area.

Income Taxes

Income taxes by mine

Income tax expense (recovery) ($ thousands)	**Year ended December 31,** **2014**	2013	Change
Candelaria	**2,376**	-	2,376
Eagle	**(20,132)**	(2,789)	(17,343)
Neves-Corvo	**(34,173)**	(5,616)	(28,557)
Zinkgruvan	**(7,143)**	7,910	(15,053)
Aguablanca	**10,265**	(2,014)	12,279
Other	**(19,929)**	(3,276)	(16,653)
	(68,736)	(5,785)	(62,951)

Income taxes by classification

Income tax expense (recovery) ($ thousands)	**Year ended December 31,** **2014**	2013	Change
Current income tax	**5,300**	12,471	(7,171)
Deferred income tax	**(74,036)**	(18,256)	(55,780)
	(68,736)	(5,785)	(62,951)

Income tax recovery of $68.7 million for the year ended December 31, 2014 was $62.9 million higher than the $5.8 million recovery recorded in the prior year.

Neves-Corvo received tax credits of $20.7 million relating to 2014 and prior periods to offset current taxes payable. A $6.4 million deferred tax recovery was also recorded to reflect a change in future tax rates. The tax rate in Portugal has decreased from 29.5% to 27.5% commencing in 2015.

The decrease of $15.1 million in Zinkgruvan is largely due to the utilization of losses of related companies, which had a tax impact of $13.2 million, in the current year and a prior period adjustment of $4.9 million.

Aguablanca's net income increased significantly in 2014 when compared to 2013 which resulted in an increase in the tax expense, partially offset by a decrease in future taxes of $3.2 million. The tax rate in Spain has decreased from 30% in 2014 to 28% for 2015 and 25% for 2016.

Eagle incurred taxable losses while in the development stage, increasing deferred tax assets by $17.3 million for the year. The Company expects Eagle to have taxable profits to fully recover the deferred tax assets by the end of 2016.

Other significant factors affecting the year-over-year increase was the recognition of a deferred tax asset of $23.6 million on losses in Canada that were not previously recognized. The Company has determined that it is probable that there will be future taxable profits that will allow the deferred tax to be recovered. The deferred tax recovery of $23.6 million was partially offset by $5.4 million payable as a prior period adjustment in Sweden.

Fourth Quarter Financial Results

Sales

Sales of $443.0 million for the three months ended December 31, 2014 were $256.1 million higher than the comparable period in 2013. Excluding the incremental impact on sales from Candelaria of $215.2 million, sales were $40.9 million higher than prior year comparable period. The increase was attributable to the incremental sales from Eagle of $47.3 million.

Fourth Quarter Reconciliation of Realized Prices

2014	Three months ended December 31, 2014				
($ thousands, except per pound amounts)	**Copper**	**Zinc**	**Nickel**	**Lead**	**Total**
Current period sales[1]	334,673	70,954	58,930	14,794	479,351
Prior period provisional adjustments	(15,536)	(357)	(1,083)	(34)	(17,010)
Sales before other metals and TC/RC	319,137	70,597	57,847	14,760	462,341
Other metal sales					36,447
Less: TC/RC					(55,757)
Total Sales					**443,031**
Payable Metal (tonnes) - 100% basis	**52,932**	**32,058**	**3,818**	**7,820**	
Current period sales ($/lb)[1]	$ 2.87	$ 1.00	$ 7.00	$ 0.86	
Prior period provisional adjustments ($/lb)	(0.14)	-	(0.13)	-	
Realized prices ($/lb)	**$ 2.73**	**$ 1.00**	**$ 6.87**	**$ 0.86**	

2013	Three months ended December 31, 2013				
($ thousands, except per pound amounts)	**Copper**	**Zinc**	**Nickel**	**Lead**	**Total**
Current period sales[1]	115,811	56,998	18,688	17,011	208,508
Prior period provisional adjustments	(1,483)	(651)	(570)	87	(2,617)
Sales before other metals and TC/RC	114,328	56,347	18,118	17,098	205,891
Other metal sales					7,143
Less: TC/RC					(26,113)
Total Sales					**186,921**
Payable Metal (tonnes)	**15,734**	**28,499**	**1,346**	**7,960**	
Current period sales ($/lb)[1]	$ 3.34	$ 0.91	$ 6.30	$ 0.97	
Prior period provisional adjustments ($/lb)	(0.04)	(0.01)	(0.19)	-	
Realized prices ($/lb)	$ **3.30**	**$ 0.90**	**$ 6.11**	**$ 0.97**	

1. Includes provisional price adjustments on current period sales.

Operating Earnings

For the three months ended December 31, 2014, operating earnings of $144.1 million were $77.2 million higher than the comparable period in 2013. Excluding the incremental impact on operating earnings from Candelaria of $67.8 million, operating earnings were $9.4 million higher than prior year comparable period operating earnings. Incremental operating earnings from Eagle ($28.5 million) were partially offset by lower metal prices and prior period price adjustments ($9.8 million), higher treatment costs ($4.9 million), additional closure provisions at our operating locations ($3.4 million) and the closure of Galmoy ($3.2 million).

Net Earnings
Net earnings of $36.6 million ($0.04 per share) in the current quarter were $5.5 million lower than the $42.1 million ($0.07 per share) reported in 2013.

Excluding the after-tax impairment of $32.3 million ($0.05 per share) related to the Company's Portuguese exploration concessions, net earnings for the fourth quarter of 2014 were $26.8 million higher than the comparable period in 2013. The increase is attributable to earnings generated by Candelaria and Eagle.

Cash Flow from Operations
For the three months ended December 31, 2014, cash flow from operations was $68.4 million, compared to $55.2 million for the three months ended December 31, 2013. The increase of $13.2 million in cash flow is mostly attributable to an increase in operating earnings ($77.2 million), offset by changes in non-cash working capital and long-term inventory ($25.5 million), Candelaria transaction fees ($20.6 million) and higher current income tax expense ($14.9 million).

Mining Operations

Production Overview

	2014					2013				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Copper (tonnes)										
Candelaria (80%)[1]	**22,872**	22,872	-	-	-	-	-	-	-	-
Eagle	**3,905**	3,606	299	-	-	-	-	-	-	-
Neves-Corvo	**51,369**	14,220	10,904	13,480	12,765	56,544	15,499	12,629	14,102	14,314
Zinkgruvan	**3,464**	1,034	544	903	983	3,460	894	973	447	1,146
Aguablanca	**7,390**	2,020	1,919	1,799	1,652	6,242	1,685	1,485	1,516	1,556
	89,000	43,752	13,666	16,182	15,400	66,246	18,078	15,087	16,065	17,016
Zinc (tonnes)										
Neves-Corvo	**67,378**	17,333	17,908	17,909	14,228	53,382	14,456	14,723	13,940	10,263
Zinkgruvan	**77,713**	19,131	20,050	19,293	19,239	71,366	18,340	18,743	18,599	15,684
	145,091	36,464	37,958	37,202	33,467	124,748	32,796	33,466	32,539	25,947
Nickel (tonnes)										
Eagle	**4,300**	4,093	207	-	-	-	-	-	-	-
Aguablanca	**8,631**	2,481	1,958	2,212	1,980	7,574	2,113	1,788	1,876	1,797
	12,931	6,574	2,165	2,212	1,980	7,574	2,113	1,788	1,876	1,797
Lead (tonnes)										
Neves-Corvo	**3,192**	467	866	1,054	805	1,496	849	416	231	-
Zinkgruvan	**32,363**	7,503	6,531	9,196	9,133	32,874	7,119	8,703	10,461	6,591
	35,555	7,970	7,397	10,250	9,938	34,370	7,968	9,119	10,692	6,591

1. Production results are for the period of Lundin Mining's ownership, commencing November 3, 2014.

Cash Cost Overview

	Cash cost/lb (US dollars)			
	Three months ended December 31,		Year ended December 31,	
	2014	2013	**2014**	2013
Candelaria [1]				
Gross cost	**1.70**	n/a	**1.70**	n/a
By-product[2]	**(0.21)**	n/a	**(0.21)**	n/a
Net Cost - cost/lb Cu	**1.49**	n/a	**1.49**	n/a
Eagle				
Gross cost	**5.50**	n/a	**5.50**	n/a
By-product[2]	**(2.71)**	n/a	**(2.71)**	n/a
Net Cost - cost/lb Ni	**2.79**	n/a	**2.79**	n/a
Neves-Corvo				
Gross cost	**2.52**	2.30	**2.72**	2.44
By-product[2]	**(0.77)**	(0.55)	**(0.87)**	(0.54)
Net Cost - cost/lb Cu	**1.75**	1.75	**1.85**	1.90
Zinkgruvan				
Gross cost	**0.92**	0.99	**0.95**	0.98
By-product[2]	**(0.55)**	(0.62)	**(0.58)**	(0.66)
Net Cost - cost/lb Zn	**0.37**	0.37	**0.37**	0.32
Aguablanca				
Gross cost	**6.00**	5.66	**6.90**	6.81
By-product[2]	**(2.26)**	(2.71)	**(2.52)**	(3.03)
Net Cost - cost/lb Ni	**3.74**	2.95	**4.38**	3.78

1. Cash cost results are for the period of Lundin Mining's ownership, commencing November 3, 2014.

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

Capital Expenditures

	Year ended December 31,					
	2014			2013		
($ thousands)	Sustaining	Expansionary	**Total**	Sustaining	Expansionary	Total
by Mine						
Candelaria	18,320	-	**18,320**	-	-	-
Eagle	5,727	272,224	**277,951**	-	95,085	95,085
Neves-Corvo	52,574	21,629	**74,203**	65,299	35,000	100,299
Zinkgruvan	28,063	-	**28,063**	32,903	-	32,903
Aguablanca	985	13,894	**14,879**	1,526	10,261	11,787
Other	568	-	**568**	553	-	553
	106,237	307,747	**413,984**	100,281	140,346	240,627

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

Candelaria

Compañia Contractual Minera Candelaria ("CCMC") and Compañia Contractual Minera Ojos del Salado ("CCMO", collectively "Candelaria") produce copper concentrates from one open pit and three underground mines located near Copiapó in the Atacama Province, Region III of Chile. CCMC consists of an open pit mine and an underground mine, Candelaria Norte, providing copper ore to an on-site concentrator with a capacity of 75,000 tonnes per day. CCMO comprises two underground mines, Santos and Alcaparrosa. The Santos mine provides copper ore to an on-site concentrator with a capacity of 3,800 tonnes per day, while ore from the Alcaparrosa mine is treated at the CCMC concentrator. The Company holds an 80 percent ownership interest in Candelaria with the remaining 20 percent interest held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation.

Operating Statistics

		2014			
(100% Basis)[1]	**Total**	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**4,855**	4,855	n/a	n/a	n/a
Ore milled (000s tonnes)	**4,347**	4,347	n/a	n/a	n/a
Grade					
Copper (%)	**0.7**	0.7	n/a	n/a	n/a
Gold (g/t)	**0.2**	0.2	n/a	n/a	n/a
Silver (g/t)	**2.6**	2.6	n/a	n/a	n/a
Recovery					
Copper (%)	**91.8**	91.8	n/a	n/a	n/a
Gold (%)	**71.8**	71.8	n/a	n/a	n/a
Silver (%)	**89.3**	89.3	n/a	n/a	n/a
Production (contained metal)					
Copper (tonnes)	**28,590**	28,590	n/a	n/a	n/a
Gold (000 oz)	**16**	16	n/a	n/a	n/a
Silver (000 oz)	**318**	318	n/a	n/a	n/a
Sales ($000s)	**215,192**	215,192	n/a	n/a	n/a
Operating earnings ($000s)	**67,801**	67,801	n/a	n/a	n/a
Cash cost ($ per pound) [2]	**1.49**	1.49	n/a	n/a	n/a

1. Operating results are for the period of Lundin Mining's ownership, commencing November 3, 2014.
2. Includes the impact of the streaming agreement but excludes any allocation of upfront cash received and capitalized stripping costs.

Operating Earnings

Sales for the period from November 3, 2014 to December 31, 2014 were $215.2 million with $187.1 million from copper, and $21.9 million, $5.5 million and $0.7 million coming from gold, silver and magnetite, respectively. Operating earnings for the period were $67.8 million, in-line with expectations.

Production

The Candelaria mill benefited from favourable rock quality during November and December, generating better than average throughput in the period.

Cash Costs

Copper cash costs for the period from November 3, 2014 to December 31, 2014 of $1.49/lb excluded $13.6 million in deferred stripping costs from Phase 10 of the Candelaria open pit. Approximately 13,000 oz of gold and 240,000 oz of silver were subject to terms of a streaming agreement in which $400/oz and $4.00/oz were received for gold and silver, respectively.

Projects

Candelaria has applied to the Chilean mining authorities for an extension of mining licenses until 2030. A part of this application includes a project to construct a new tailings management facility as the existing facility will reach capacity at the end of 2017. This project is in the detailed engineering phase and construction is expected to start in the second half of 2015 following receipt of applicable permits.

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. Commercial production commenced in November 2014 and is expected to produce an average of 17ktpa each of nickel and copper over the current mine life of 8 years.

Operating Statistics

		2014			
	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**198**	126	72	nil	nil
Ore milled (000s tonnes)	**174**	138	36	nil	nil
Grade					
Nickel (%)	**3.2**	3.6	1.3	nil	nil
Copper (%)	**2.4**	2.8	1.0	nil	nil
Recovery					
Nickel (%)	**78.5**	81.8	43.7	nil	nil
Copper (%)	**93.9**	94.9	83.2	nil	nil
Production (contained metal)					
Nickel (tonnes)	**4,300**	4,093	207	nil	nil
Copper (tonnes)	**3,905**	3,606	299	nil	nil
Sales ($000s)	**47,280**	47,280	nil	nil	nil
Operating earnings / (loss) ($000s)	**28,484**	28,597	(32)	(43)	(38)
Cash cost ($ per pound)	**2.79**	2.79	nil	nil	nil

Operating Earnings

November marked the first month of sales at Eagle, with sales and operating earnings for the year ended December 31, 2014 exceeding expectations.

Production

Commercial production was achieved in November 2014, well ahead of the first quarter of 2015 target. Commercial production was defined as the ability to maintain average production metrics of 75% of designed throughput, 75% nickel recovery, and 11%-16% nickel grade in concentrate for a period of 30 days.

Mine development and stope production significantly exceeded expectations for 2014. Processing of ore in the mill also significantly exceeded expectations. For the year ended December 31, 2014, mill production exceeded both nickel and copper production guidance. The mill continued to focus on improving the stability of concentrate grades and recoveries.

Project

Excellent project safety performance continued into the ramp up phase, having completed the year with 1.38 million man hours without a lost time injury. Wrap up activities on the project continue and are expected to be completed in early 2015. Total project spend for 2014 was $280 million, including capitalized interest, below guidance of $300 million due to timing of payments and overall lower than expected project costs. Total cumulative spend since acquisition of Eagle of $378 million remains on track to be finalized well under the original $400 million budget established at the time of acquisition in July 2013.

Transportation

County road upgrade work over the haul route between the mine and mill continues with only one bridge remaining to be completed in the spring of 2015. As indicated above, concentrate production has been better than expected and as a consequence, Eagle has entered into a number of short term rail car leases to transport the additional production.

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	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, copper (000 tonnes)	**2,540**	647	619	636	638	2,535	674	618	648	595
Ore mined, zinc (000 tonnes)	**1,119**	282	268	298	271	968	236	255	266	211
Ore milled, copper (000 tonnes)	**2,503**	604	623	631	645	2,525	664	628	654	579
Ore milled, zinc (000 tonnes)	**1,102**	266	269	296	271	974	232	265	264	213
Grade										
Copper (%)	**2.5**	3.0	2.3	2.5	2.3	2.6	2.8	2.4	2.5	2.7
Zinc (%)	**8.0**	8.4	8.8	7.6	7.0	7.1	8.1	7.3	6.6	6.2
Recovery										
Copper (%)	**80.2**	78.7	77.6	81.6	81.9	84.5	80.7	81.1	86.0	90.8
Zinc (%)	**74.0**	75.0	73.1	74.6	72.7	74.1	74.0	73.2	76.1	73.2
Production (contained metal)										
Copper (tonnes)	**51,369**	14,220	10,904	13,480	12,765	56,544	15,499	12,629	14,102	14,314
Zinc (tonnes)	**67,378**	17,333	17,908	17,909	14,228	53,382	14,456	14,723	13,940	10,263
Lead (tonnes)	**3,192**	467	866	1,054	805	1,496	849	416	231	-
Silver (000 oz)	**1,388**	321	322	407	338	1,306	402	263	314	327
Sales ($000s)	**373,148**	104,640	94,875	97,361	76,272	420,308	111,818	96,076	104,407	108,007
Operating earnings ($000s)	**109,394**	25,853	24,527	39,035	19,979	158,546	46,136	29,214	35,338	47,858
Cash cost (€ per pound)	**1.40**	1.41	1.48	1.19	1.53	1.43	1.28	1.68	1.41	1.39
Cash cost ($ per pound)	**1.85**	1.75	1.96	1.62	2.10	1.90	1.75	2.23	1.85	1.83

Operating Earnings

Operating earnings of $109.4 million for the year ended December 31, 2014 were $49.1 million lower than 2013. The decrease is mainly attributable to lower copper metal prices and prior period price adjustments, partially offset by higher zinc prices ($19.7 million), lower net sales volumes (lower copper sales, partially offset by higher zinc and lead sales - $22.1 million) and higher copper and zinc treatment and refining charges ($10.4 million).

Production

Copper production for the year ended December 31, 2014 was lower than the comparable period in 2013 by 5,175 tonnes (or 9%). Copper head grades, metallurgical recoveries and mill throughput were all lower in the current year resulting in lower copper production. There was strong production in the fourth quarter which only partially addressed some lower than anticipated copper grades from Lower Corvo earlier in the year. High grade, more complex ore from Zambujal was the basis for the higher production towards the end of the year, albeit at slightly reduced recovery.

Zinc production for the year ended December 31, 2014 was higher than the comparable period in 2013 by 13,996 tonnes (or 26%). The increase is largely a consequence of an increased proportion of zinc ore being derived from bulk stopes in the higher grade Lombador deposit. Over 50% of the zinc ore is now being sourced from this area.

Production of 3,192 tonnes of lead in concentrate during the year was derived as a by-product from the zinc circuit.

Cash Costs

Copper cash costs of $1.85/lb for the year ended December 31, 2014 were in-line with our latest guidance but lower than 2013 cash costs of $1.90/lb. The decrease from the prior period was a result of higher zinc and lead by-product credits, net of treatment charges.

Projects

The Lombador Phase One construction project was successfully handed over to operations during the year, and mine production from the new area is progressing very well. Grades of Lombador zinc mined in 2014 were higher than originally modelled, leading to better than expected production.

A zinc expansion feasibility study at Neves-Corvo is progressing, targeting the possibility of doubling zinc production at the mine. A new crusher and conveyor option was adopted for the underground materials handling solution, along with an expansion to the existing Santa Barbara hoisting shaft. Mine layouts and designs are completed, and life of mine production schedules are currently being refined based on the most recent Neves-Corvo copper and zinc Mineral Reserves. Additional metallurgical test work has been commissioned to further strengthen definition of ore variability, and an updated comprehensive flotation model prepared. Work on associated surface infrastructure components is also well advanced. An environmental impact assessment report for the zinc expansion is under preparation. Completion of the study is now scheduled for mid-year 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	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined, zinc (000 tonnes)	**1,063**	265	279	262	257	911	216	230	222	243
Ore mined, copper (000 tonnes)	**167**	42	36	55	34	214	61	58	43	52
Ore milled, zinc (000 tonnes)	**1,054**	270	264	272	248	924	217	229	248	230
Ore milled, copper (000 tonnes)	**167**	43	42	47	35	222	59	58	49	56
Grade										
Zinc (%)	**8.2**	7.7	8.4	8.0	8.6	8.5	9.1	9.0	8.5	7.5
Lead (%)	**3.7**	3.4	3.1	4.1	4.4	4.2	3.9	4.5	4.9	3.4
Copper (%)	**2.3**	2.6	1.5	2.2	2.9	1.7	1.6	1.9	1.1	2.2
Recovery										
Zinc (%)	**90.4**	92.7	90.6	88.6	89.9	90.7	92.7	90.9	88.5	90.6
Lead (%)	**82.5**	82.1	80.0	83.3	84.0	84.8	83.6	84.5	85.5	85.2
Copper (%)	**90.7**	92.6	85.7	88.2	94.2	89.8	91.7	88.2	82.6	92.9
Production (contained metal)										
Zinc (tonnes)	**77,713**	19,131	20,050	19,293	19,239	71,366	18,340	18,743	18,599	15,684
Lead (tonnes)	**32,363**	7,503	6,531	9,196	9,133	32,874	7,119	8,703	10,461	6,591
Copper (tonnes)	**3,464**	1,034	544	903	983	3,460	894	973	447	1,146
Silver (000 oz)	**2,433**	603	550	631	649	2,468	558	668	728	514
Sales ($000s)	**194,009**	47,554	48,233	55,144	43,078	173,836	43,875	49,288	44,811	35,862
Operating earnings ($000s)	**89,591**	22,892	22,861	27,299	16,539	71,486	17,818	25,634	13,664	14,370
Cash cost (SEK per pound)	**2.55**	2.71	3.33	1.10	2.89	2.10	2.44	0.40	2.83	2.72
Cash cost ($ per pound)	**0.37**	0.37	0.48	0.17	0.45	0.32	0.37	0.06	0.43	0.42

Operating Earnings

Operating earnings for the year of $89.6 million were $18.1 million higher than the $71.5 million reported in 2013. Higher net metal prices and prior period price adjustments ($15.5 million) in combination with a stronger US dollar ($5.2 million), were partially offset by higher treatment and refining charges ($6.6 million).

Production

Zinkgruvan achieved a historic new milestone this year with record tonnage of ore mined and milled. As a result, zinc production for the full year was 9% higher than 2013 levels. Lead production for the year was in-line with 2013 levels as mining took place in areas with lower lead grades.

Copper production for the year was consistent with 2013 copper production. Higher head grades were offset by lower throughput as mining and milling of zinc ore was prioritized.

Cash Costs

Zinc cash costs of $0.37/lb for the year were in-line with guidance of $0.35/lb. Cash costs were higher than prior year ($0.32/lb) largely as a result of lower prices of by‑product metals ($0.08/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, an underground mine in development, and an on-site processing facility (milling and flotation) with a production capacity of 1.9 million tonnes per annum. The underground mine will commence production in the second quarter of 2015 and is expected to extend mine production until at least 2018.

Operating Statistics

	2014					2013				
	Total	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000s tonnes)	**1,755**	600	606	365	184	1,785	459	539	409	378
Ore milled (000s tonnes)	**1,660**	432	384	426	418	1,606	438	378	387	403
Grade										
Nickel (%)	**0.6**	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.5
Copper (%)	**0.5**	0.5	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4
Recovery										
Nickel (%)	**82.5**	83.3	82.0	82.5	82.0	82.8	81.8	82.6	83.8	82.4
Copper (%)	**93.9**	93.4	94.0	94.0	94.2	93.8	94.2	94.2	93.9	93.2
Production (contained metal)										
Nickel (tonnes)	**8,631**	2,481	1,958	2,212	1,980	7,574	2,113	1,788	1,876	1,797
Copper (tonnes)	**7,390**	2,020	1,919	1,799	1,652	6,242	1,685	1,485	1,516	1,556
Sales ($000s)	**120,421**	28,365	23,509	39,258	29,289	114,027	26,162	25,278	19,787	42,800
Operating earnings ($000s)	**38,072**	7,681	2,264	15,117	13,010	27,559	7,529	6,397	787	12,846
Cash cost (€ per pound)	**3.32**	2.99	4.48	3.70	2.18	2.85	2.16	2.78	2.69	3.53
Cash cost ($ per pound)	**4.38**	3.74	5.89	5.05	2.98	3.78	2.95	3.67	3.50	4.66

Operating Earnings

Operating earnings for the year were $38.1 million compared to $27.6 million in 2013. The increase is a result of higher net metal prices and prior period price adjustments ($15.6 million).

Production

Nickel production for the year ended December 31, 2014 was higher than the comparable period in 2013 by 1,057 tonnes (or 14%). Higher head grades from the bottom of the open pit and higher mill throughput contributed to the increase.

Copper production for the year was higher than the comparable period in 2013 by 1,148 tonnes (or 18%). Again, higher head grades and mill throughput contributed to the increase.

Open pit mining is expected to be completed in the first quarter of 2015, with subsequent stope production from the underground mine ramping up as the year progresses. Processing will continue with stockpiled ore from the open pit during the first half of 2015 pending full scale underground mining rates being achieved towards year end.

Cash Costs

Nickel cash costs of $4.38/lb for the year ended December 31, 2014 were slightly higher than guidance and the prior year comparable period primarily due to the lower price of by-product credits, net of treatment charges.

Underground Project

Underground development is advancing with the first extraction sub-level beneath the open pit now in progress. Underground stope production is scheduled for the second quarter of 2015. Exploration drilling will take place in 2015 that may potentially increase Mineral Reserves and improve the return of the overall underground project.

Tenke Fungurume

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

Operating Statistics

	2014					2013				
100% Basis	**Total**	Q4	Q3	Q2	Q1	Total	Q4	Q3	Q2	Q1
Ore mined (000 tonnes)	**13,073**	2,531	3,106	3,485	3,951	13,231	3,739	3,347	2,763	3,382
Ore milled (000 tonnes)	**5,372**	1,262	1,424	1,380	1,306	5,428	1,409	1,338	1,364	1,317
Grade										
Copper (%)	**4.1**	4.0	4.1	4.1	4.1	4.2	3.9	3.9	4.6	4.4
Recovery										
Copper (%)	**92.6**	91.8	91.3	92.7	94.7	91.4	90.6	91.6	89.9	93.7
Production (contained metal)										
Copper (tonnes)	**202,648**	48,421	52,893	51,870	49,464	209,774	50,645	49,541	55,126	54,462
Cobalt (tonnes)	**13,334**	3,401	3,545	3,418	2,970	12,751	4,247	3,659	2,305	2,540
Income from equity investment ($000s) [1]	**88,016**	18,237	25,939	24,853	18,987	97,769	22,425	24,185	19,276	31,883
Attributable share of operating cash flows ($000s)	**158,483**	44,625	48,373	37,802	27,683	168,385	50,091	42,219	32,436	43,639
Cash cost ($ per pound) [2]	**1.15**	1.37	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 allocations.

[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 $88.0 million in the current year was $9.8 million lower than the prior year due to lower realized copper metal prices and lower copper sales volumes. Volume of copper cathode sold during the year, on a 100% basis, was 192,941 tonnes, lower than the 205,851 tonnes sold in the comparable period of last year, due to timing of sales.

The average price realized for copper sales during the year was $3.06/lb, compared to $3.21/lb in 2013. The average realized price for cobalt sold during the year was $9.66/lb (2013: $8.02/lb).

Production

Tenke produced 202,648 tonnes of copper for the year ended December 31, 2014, lower than the prior year production of 209,774 tonnes due primarily to slightly lower grades and throughput. Cobalt production for the year was 13,334 tonnes, 5% higher than the prior year of 12,751 tonnes due to improved recoveries.

The expanded milling facilities at Tenke continue to exceed original design capacity with throughput averaging 14,700 metric tonnes of ore per day ("mtpd") for the year ended December 31, 2014. Mining rate during the year was approximately 141,273 mtpd, slightly lower than expectations due to the start of mining in new areas.

Construction of the new acid plant is advancing with civil works progressing on site. The acid plant is scheduled to be completed in 2016 and, with the current acid production from the existing acid plant, will significantly reduce the need to import third party acid as well as support future expansion initiatives.

Freeport is expecting annual sales volumes to be approximately 201,800 tonnes of copper and 14,500 tonnes of cobalt in 2015.

Cash Costs

Cash costs for copper, net of cobalt by-product credits, were $1.15/lb for the year. This is a decrease from the prior year of $1.21/lb due to significant cobalt by-product credits. Freeport projects 2015 cash costs to approximate

$1.31/lb of copper, based on current sales volume and cost estimates and assuming an average cobalt price of $13.00/lb.

Tenke Cash Flow

Lundin’s attributable share of operating cash flow at Tenke for the year was $158.5 million, lower than the $168.4 million recognized in 2013, with the decrease largely attributable to lower copper prices and sales.

Lundin Mining's share of 2014 capital investment for Tenke was $47.3 million, which was fully funded by cash flow from Tenke operations. The Company's estimated share of 2015 capital investment, which is also expected to be self-funded by cash flow from Tenke operations, is expected to be $90 million. Key capital spending areas in 2015 include a second acid plant and a tailings management facility expansion.

The Company received cash distributions of $85.8 million for the year ended December 31, 2014. In addition, the Company received cash distributions from the Freeport Cobalt business of $8.6 million, resulting in total cash distributions from Tenke related investments of $94.4 million, in line with the Company’s most recent guidance.

Exploration

Eagle Resource Exploration, USA (Nickel, Copper)
A 3D seismic survey was completed over Eagle and Eagle East deposits. Data processing and target modelling is in progress for definition of new drill targets. To support seismic interpretation, borehole geophysical property measurements were completed on 9 holes. Surface drilling with one rig resumed in the fourth quarter after completion of the seismic survey targeting the down-plunge extension of the Eagle East feeder dike using directional drilling. Two successive step-outs intersected rocks interpreted to be the Eagle East feeder with elevated levels of nickel-copper mineralization, some of which contained semi-massive sulphides and strongly mineralized intrusive breccia. This supports the model tracing the feeder dyke to a deeper, massive sulphide bearing staging chamber. A total of 2,579 meters were drilled from surface in the year, and a total of 7,536 meters were drilled from underground.

Los Rulos Exploration, Chile (Copper, Gold)
An 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, including trenching, mapping and geophysics, resulted in two targets. Drill testing was completed at the Armandino target during the third quarter of 2014. While a notable mineralized system was encountered, results were less than anticipated. A decision was made to exit the agreement in December 2014.

Peru (Copper)
Work in Peru focused on new copper project evaluations, principally on the Elida Project, an undrilled porphyry copper prospect located close to the coast in central Peru. Initial targeting and permitting work on the Elida Project was completed in the third quarter of 2014. Mobilization for an initial drill program started in September and drilling commenced in October, with drilling continuing into 2015.

Eastern Europe (Copper, Gold)
Project evaluation work is continuing on new copper and zinc-lead opportunities in favourable parts of Eastern Europe and Near East regions. An exploration program was initiated at a porphyry copper property located in Central Turkey which was optioned in the second quarter of 2014. Drill target definition work was completed, including mapping, grid soil sampling, rock geochemical sampling, trenching and induced polarization geophysics, which outlined a large copper geochemical anomaly associated with outcropping porphyry copper mineralization and coincident geophysical anomalies. Defined drill targets will be tested in the first quarter of 2015.

Candelaria Regional Exploration (Copper, Gold)
Immediately after the acquisition of Candelaria in early November, steps were taken to commence a large property wide exploration program. A significant underground drill campaign was initiated, and 8 drill rigs have been mobilized as the first phase of a larger 2015 exploration program to expand Candelaria asset reserves and resources.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

The average metal prices for copper and lead were lower in 2014 compared to the average prices for 2013, while the prices for zinc and nickel were higher in the current year. After declining on worries over the Chinese economy and Chinese credit issues during the first quarter of 2014, the prices for copper and lead remained stable during the second and third quarter, while the prices of zinc and nickel increased substantially over the same period. Zinc and nickel increases have been based on strong fundamentals and the anticipation of a shortage of both metals in 2015 and forward. However, the collapse of the oil price combined with a stronger US dollar resulted in all metal prices falling during the fourth quarter of 2014. Zinc and nickel fell less relative to copper and lead and managed to end the year with higher prices than at the end of 2013.

		Three months ended December 31,			**Twelve months ended December 31,**		
(Average LME Price)		**2014**	2013	Change	**2014**	2013	Change
Copper	US$/pound	3.00	3.24	-7%	3.11	3.32	-6%
	US$/tonne	6,624	7,153		6,862	7,322	
Zinc	US$/pound	1.01	0.86	17%	0.98	0.87	13%
	US$/tonne	2,235	1,907		2,164	1,909	
Nickel	US$/pound	7.17	6.31	14%	7.65	6.81	12%
	US$/tonne	15,799	13,909		16,867	15,004	
Lead	US$/pound	0.91	0.96	-5%	0.95	0.97	-2%
	US$/tonne	2,000	2,111		2,096	2,141	

The LME inventory for lead and nickel increased during 2014 and ended the year 4% and 58% higher, respectively, than the closing levels of 2013. The LME inventory for copper and zinc decreased during 2014 and ended the year 52% and 26% lower, respectively, than the closing levels of 2013.

During the first half of 2014, the treatment charges ("TC") and refining charges ("RC") in the spot market for copper concentrates dropped from a spot TC in January of $100 per dmt of concentrate and a spot RC of $0.10 per lb of payable copper to a TC of $86 per dmt of concentrate and a spot RC of $0.086 per lb of payable copper in July. In January 2014, Indonesia introduced a progressive export tax for copper concentrates and the two major Indonesian copper mines, Grasberg and Batu Hijau, stopped exporting copper concentrates and started to accumulate inventory. This removed substantial quantities of copper concentrates from the market. In August, the two Indonesian copper mines negotiated a reduced export tax in return for committing to study the construction of new smelting capacity in the country. As a consequence, exports of copper concentrates from Indonesia resumed, along with the accumulated inventory, which led to an increase in the spot TC in August to $105 per dmt of concentrate with a RC of $0.105 per lb of payable copper. During the second half of the year, the spot TC was trading in a range of $96-$107 per dmt with a RC of $0.096-$0.107 per lb of payable copper which was above the 2014 benchmark for long term contracts set at a TC of $92 per dmt and a RC of $0.092 per payable lb. The increase in the spot market led to an increase in the annual benchmark for 2015 of a TC of $107 per dmt with a RC of $0.107 per lb of payable copper.

The spot TC for zinc concentrates during the first quarter of 2014 traded at $133-$149 per dmt, flat. During the second quarter, the arbitrage between the SHFE (Shanghai Futures Exchange) price for zinc and the zinc price on the LME (London Metal Exchange) narrowed and during the third quarter the arbitrage turned negative. This made imports of zinc concentrates to China less profitable which in turn put upward pressure on the TC. In August, the spot TC had increased to $175 per dmt, flat. During the fourth quarter of 2014, the arbitrage recovered but the spot TC continued on an upward trend because the arctic shipping season, which ends in October, made more zinc concentrates available to the market. The spot TC for zinc concentrates ended the year at $200 per dmt, flat. During the year there was very little spot activity in the markets outside of China. The annual negotiations for TC under long term contracts between miners and smelters for 2015 have begun but very little progress has been made to-date. The Company expects that there will be a settlement for the 2015 annual TC in March at the earliest.

Imports of lead concentrates to China were estimated to be around 15%-20% higher in 2014 compared to 2013 despite the negative arbitrage between the lead price of the SHFE and the LME, which ranged from $130-$235 per mt lead during 2014. The spot TC for the first seven months of the year was trading between $130 and $140 per dmt of lead concentrates, flat. In August, the spot TC increased to $160 per dmt, flat, and have been trading between $160 and $170 per dmt, flat, for the balance of the year. Lead concentrates are less of a homogenous product than copper and zinc concentrates, there is no single benchmark TC. The qualities differ in the content of lead, precious metals and impurities and each quality is priced on its own merits. In December 2014, the Company concluded terms for the majority of its long-term contracts for Zinkgruvan lead concentrates. The TC agreed for 2015 has improved, in favour of the Company, compared to the annual TC for 2014. In December 2014, the company also entered into a one year contract for 100% of the 2015 lead concentrate production of the Neves-Corvo mine, also at improved terms compared to 2014.

During 2014, the Company entered into several long-term contracts for the sale of the nickel and copper concentrates from the Eagle mine. The concentrates will be partly railed to North American destinations with the balance shipped overseas. Deliveries under the contracts commenced in October 2014 and the first overseas shipment was executed in December 2014. The contracts are based on current market terms and conditions.

The Company's nickel concentrate production from Aguablanca is sold under a long-term contract at terms which are in-line with recent market conditions. The contract provides for regular monthly delivery and pricing of the concentrates which ensures that nickel realizations correlate closely with LME averages over the year.

Liquidity and Financial Condition

Cash Reserves

Cash and cash equivalents increased by $58.2 million to $174.8 million as at December 31, 2014, from $116.6 million at December 31, 2013. Cash inflows for the year ended December 31, 2014 included proceeds from: senior secured notes of $978.3 million, common shares issued of $584.3 million, upfront payment from a stream agreement of $632.1 million, operating cash flows of $187.4 million, and receipt of distributions from associates of $94.4 million. Use of cash was primarily directed towards the acquisition of Candelaria ($1,747.4 million, net), investments in mineral properties, plant and equipment ($414.0 million), and repayment of the term loan ($250.0 million).

Working Capital

Working capital of $510.5 million as at December 31, 2014 increased significantly from the $143.0 million reported for December 31, 2013. The increase from the prior period is due to the acquisition of Candelaria.

Long-Term Debt

As at December 31, 2014, the Company had outstanding $550 million of 7.5% Senior Secured Notes due 2020 and $450 million of 7.875% Senior Secured Notes due 2022.

In addition, the Company has an undrawn $350 million revolving credit facility, expiring in October 2017. A letter of credit has been issued in the amount of SEK 80 million ($10.2 million).

Subject to various risks and uncertainties (*see Managing Risks section, page 34*), 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.

Shareholders' Equity

Shareholders' equity was $4,638.7 million at December 31, 2014, compared to $3,669.6 million at December 31, 2013. Shareholders' equity increased primarily as a result of the issuance of shares ($582.2 million) in relation to the Candelaria acquisition, and net earnings of $123.4 million, partly offset by foreign currency translation adjustments of $170.6 million in other comprehensive income. Also included in the equity section of the balance sheet is the non-controlling interest representing the 20% of Candelaria that is owned by Sumitomo.

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, the Chilean peso 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 December 31, 2014 ($US/tonne)	Change	Effect on operating earnings ($millions)
Copper	75,841	6,318	+/-10%	+/-$47.9
Zinc	16,673	2,169	+/-10%	+/-$3.6
Nickel	3,699	15,118	+/-10%	+/-$5.6
Lead	5,453	1,860	+/-10%	+/-$1.0

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 twelve months ended December 31, 2014 ($millions)
Chilean peso	+/-10%	+/-$22.9
Euro	+/-10%	+/-$34.3
Swedish krona	+/-10%	+/-$10.9
British pound	+/-10%	+/-$0.9
Canadian dollar	+/-10%	+/-$2.4

Contractual Obligations and Commitments

The Company has the following contractual obligations and capital commitments as at December 31, 2014:

	Payments due by period				
US$ thousands	<1 years	1-3 years	4-5 years	> 5 years	Total
Long-term debt	607	1,207	-	1,000,000	1,001,814
Finance leases	1,325	628	218	-	2,171
Reclamation and closure provisions[1]	8,995	22,730	32,848	198,883	263,456
Capital commitments	40,804	-	-	-	40,804
Operating leases and other	19,274	7,715	3,996	4,733	35,718
	71,005	32,280	37,062	1,203,616	1,343,963

1. Reclamation and closure provisions are reported on a discounted basis, after inflation.

Financial Instruments

Summary of financial instruments:

	Fair value at December 31, 2014 ($ thousands)	Basis of measurement	Associated risks
Trade and other receivables	82,837	Carrying value	Credit/Market/Exchange
Trade receivables	322,130	FVTPL	Credit/Market/Exchange
Marketable securities and restricted funds	35,109	FVTPL	Market/Liquidity
Marketable securities	698	Fair value through OCI	Market/Liquidity
Trade and other payables	227,450	Carrying value	Exchange
Long-term debt and finance leases	982,820	Amortized cost	Interest
Other long-term liabilities	10,001	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 marketable securities 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 – 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.

For the year ended December 31, 2014, the Company recognized decreased sales of $25.6 million (2013: $10.8 million) on final settlement of provisionally priced transactions from the prior year, a revaluation loss and a realized loss on FVTPL securities totalling $6.4 million (2013: $9.4 million) and a revaluation loss of $0.1 million on AFS securities (2013: $9.0 million). In addition, a foreign exchange gain of $20.3 million (2013: loss of $13.8 million) was realized in the year on cash and trade receivables denominated in foreign currencies that were held in the Company's various 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.

During the year ended December 31, 2014, the Company received $85.8 million of cash distributions from Tenke.

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 $8.6 million of cash distributions from Freeport Cobalt during the year ended December 31, 2014.

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:

		2014		2013
Wages and salaries	**$**	**6,765**	$	6,283
Pension benefits		**133**		135
Share-based compensation		**2,713**		1,805
	$	**9,611**	$	8,223

During the year ended December 31, 2014, the Company paid $0.2 million (2013: $0.3 million) for management services provided by a company owned by the Chairman of the Company and paid $0.7 million (2013: $0.8 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

New Accounting Policies Adopted During the Year

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.

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, but 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.

Critical Accounting Estimates and Assumptions

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

Areas where critical accounting estimates and assumptions have the most significant effect on the amounts recognized in the consolidated financial statements include:

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

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

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

Valuation of mineral properties and exploration properties - The Company carries its mineral properties at cost less any provision for impairment. The Company expenses exploration costs which are related to specific projects until the commercial feasibility of the project is determinable. The costs of each property and related capitalized development expenditures are depleted over the economic life of the property on a units-of-production basis. Costs are charged to the consolidated statement of earnings when a property is abandoned or when there is a recognized impairment in value.

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

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

Valuation of Investment in Tenke Fungurume and Freeport Cobalt - The Company carries its investment at cost and adjusts for its share of earnings and capital transactions of the investee. The Company reviews the carrying value of the investment whenever events or changes in circumstances indicate that impairment may be present. In undertaking this review, the Company makes reference to future operating results and cash flows. For the investment in Tenke Fungurume, this requires making significant estimates of, amongst other things, reserve and resource quantities, and future production and sale volumes, metal prices and future operating and capital costs to the end of the mine's life. For the investment in Freeport Cobalt, critical assumptions are made related to future sale volumes, operating and capital costs and metal prices. These estimates are subject to various risks and uncertainties which may ultimately have an effect on the expected recoverability of the carrying values of the investments.

Goodwill - The amount by which the purchase price of a business acquisition exceeds the fair value of identifiable assets and liabilities acquired is recorded as goodwill. Goodwill is allocated to the CGUs acquired based on the assessment of which CGU would be expected to benefit from the synergies of the acquisition. Estimates of recoverable value may be impacted by changes in metal prices, foreign exchange rates, discount rates, level of capital expenditures, operating costs and other factors that may be different from those used in determining fair value. Changes in estimates could have a material impact on the carrying value of the goodwill. Refer to the financial statement notes for sensitivities.

For CGUs that have recorded goodwill, the estimated recoverable amount of the unit is compared to its carrying value at least once each year, or when circumstances indicate that the value may have become impaired.

Reclamation and other closure provisions - The Company has obligations for reclamation and other closure activities related to its mining properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of obligations is based on future expectations, a number of estimates and assumptions are made by management in the determination of closure provisions. The reclamation and other closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company's policy for recording reclamation and other closure provisions is to establish provisions for future mine closure costs based on the present value of the future cash flows required to satisfy the obligations. This provision is updated as the estimate for future closure costs change. The amount of the present value of the provision is added to the cost of the related mining assets and depreciated over the life of the mine. The provision is accreted to its future value over the life of mine through a charge to finance costs.

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

Share based compensation - The Company grants stock options to certain employees under its incentive stock option plan. The fair value of stock options is estimated using the Black Scholes option pricing model and are expensed over their vesting periods. Option pricing models require the input of highly subjective assumptions including expected price volatility of the underlying shares and life of the options. Changes in the input assumptions can materially affect the fair value estimate. Assumption details are discussed in the notes to the financial statements.

Critical Accounting Judgments

Management exercises judgment in applying the Company's accounting policies. These judgments are based on management's best estimate. Areas where critical accounting judgments have the most significant effect on the consolidated financial statements include:

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

The determination of the ability of the Company to utilize tax loss carry forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilization of the losses.

Managing Risks

Risks and Uncertainties

Metal Prices

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

If the market prices for metals fall below the Company's full production costs and remain at such levels for any sustained period of time, the Company may, depending on hedging practices, experience losses and may decide to discontinue mining operations or development of a project at one or more of its properties. If the prices drop significantly, the economic prospects of the mines and projects in which the Company has an interest could be significantly reduced or rendered uneconomic. Low metal prices will affect the Company's liquidity, and if they persist for an extended period of time, the Company may have to look for other sources of cash flow to maintain liquidity until metal prices recover. The Company does not currently hedge metal prices.

Foreign Exchange Risk

The Company's revenue from operations is received in US dollars while most of its operating expenses are incurred in CLP, Euro and SEK. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and operating results. The Company does not currently engage in foreign currency hedging activities.

Credit Risk

The Company is exposed to various counterparty risks, particularly credit risk, associated with trade receivables. The Company manages this risk through evaluation and monitoring of industry and economic conditions and assessment of customers' financial reports. The Company transacts with credit worthy customers to minimize credit risk and if necessary, employs pre-payment arrangements and the use of letters of credit, where appropriate, but cannot always be assured of the solvency of its customers.

Derivative Instruments

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

Reclamation Funds and Mine Closure Costs

As at December 31, 2014, the Company had $48.5 million in a number of reclamation funds that will be used to fund future site reclamation and mine closure costs at the Company's various mine sites. The Company will continue to contribute to these funds as required, based on an estimate of the future site reclamation and mine closure costs as detailed in the closure plans. Changes in environmental laws, regulations and standards can create uncertainty with regards to future reclamation costs and affect the funding requirements.

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

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

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

The Company has received regulatory approval for closure at its Galmoy mine and closure activities are nearing completion. Active mine closure will be followed by a 30 year aftercare program. From time to time Galmoy may need to seek regulatory approval for amendments to its mine closure plan and its environmental licenses. Mining activity at Galmoy ceased in the fourth quarter of 2012 and all remnant high grade ore was transported to an adjacent mine for treatment during 2013 and 2014.

Rehabilitation programs at the Storliden mine were substantially completed in 2012. The Company has recently carried out further work on the surface water management system and additional re-vegetation. The site remains subject to an ongoing aftercare monitoring program until 2020. The Company also has closure programs in place associated with legacy mining operations previously carried on in Honduras. The active closure phase at this former gold mine was completed in early 2014 and has moved to a three year aftercare monitoring program.

The Company also retains responsibility for a legacy processing and tailing site at Ammeberg that was a part of the historic Zinkgruvan operations which date from 1857. The area has been rehabilitated and is currently used as a golf course and marina facility. A human and environmental risk assessment was submitted to the Swedish authorities in 2013 following the identification of locally elevated zinc concentrations near the old mill site. It is anticipated that a final remediation target will be set by the local authority in the near future.

Competition

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

Foreign Countries and Regulatory Requirements

The Company has operations in Chile, the US, Portugal, Sweden and Spain and exploration properties in various countries, including Chile and Peru. Accordingly these operations are subject to political, economic and social uncertainties and various laws and environmental regulations. The implementation of new or the modification of existing laws and regulations affecting the mining and metals industry could have a material adverse impact on the Company.

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

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

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

Business Arrangements

We have entered into a number of business arrangements where we do not have full control, such as Candelaria, Tenke Fungurume and Freeport Cobalt and a number of exploration projects. There may be risks associated with our partners in these arrangements which include, but are not limited to: disagreement on how to develop, operate or finance projects; differences between partners in economic or business goals; lack of compliance with agreements; insolvency of a partner; limits placed on our power to control decision-making and possible limitations in our ability to sell our interest in a particular project.

Mining and Processing

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

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

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

Price and Availability of Energy and Key Operating Supplies/Services

The Company's mining operations and facilities are intensive users of electricity and carbon based fuels. Energy prices can be affected by numerous factors beyond the Company's control, including global and regional supply and demand, political and economic conditions and applicable regulatory regimes. The availability of energy may be negatively impacted due to a variety of reasons including, fluctuations in climate, severe weather conditions, inadequate infrastructure capacity, equipment failure or the ability to extend supply contracts on economical terms. The prices and various sources of energy the Company relies on may be negatively impacted and any such change could have an adverse effect on profitability.

Key operating supplies, such as: explosives, reagents, tires and spare parts are necessary for the ongoing operations of our mines and mills. If these supplies become unavailable or their costs increases significantly, the profitability of the Company's operations would be negatively impacted.

Concentrate treatment and transportation costs are also a significant component of costs. Transportation costs have been volatile in recent years due to a number of factors, including changes in fuel prices, changes in the global economy and a shortage of ocean vessels or rail cars available to ship concentrate. Treatment and refining costs have also been volatile in recent years. Increases in these rates or lack of available ocean vessels or rail cars may have a significant adverse impact on results of operations, cash flows and financial position.

Mine Development Risks

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

The capital expenditures and timeline needed to develop a new mine or expansion are considerable and the economics of and the ability to complete a project can be affected by many factors, including; inability to complete construction and related infrastructure in a timely manner; changes in the legal and regulatory environment; currency fluctuations; industrial disputes, availability of parts, machinery or operators; delays in the delivery of major process plant equipment; inability to obtain, renew or maintain the necessary permits, licenses or approvals; unforeseen natural events and political and other factors. Factors such as changes to technical specifications, failure to enter into agreements with contractors or suppliers in a timely manner, and shortage of capital may also delay the completion of construction or commencement of production or require the expenditure of additional funds. Although the Company's feasibility studies are generally completed with the Company's knowledge of the operating history of similar orebodies in the region, the actual operating results of its development projects may differ materially from those anticipated, and uncertainties related to operations are even greater in the case of development projects. Many major mining projects constructed in the last several years, or under construction currently, have experienced cost overruns that substantially exceeded the capital cost estimated during the basic engineering phase of those projects. There can be no assurance that the Company's development projects will be able to be developed successfully or economically or that they will not be subject to the other risks described in this section.

Exploration Risk

Exploration of mineral properties involves significant financial risk. Very few properties that are explored are later developed into operating mines. Whether a mineral deposit will be commercially viable depends on a number of factors, including; the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; and government regulation, including regulations relating to prices, taxes, royalties land tenure, land use, importing and exporting of minerals and environment protection. As a result, the Company cannot provide assurance that its exploration efforts will result in any new commercial mining operations or yield new mineral reserves.

Community Relations

The Company's relationships with the communities in which it operates and other stakeholders are critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to us, the Company's operations, or extractive industries generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts, in this respect, will mitigate this potential risk.

Environmental Laws and Regulations

All phases of mining and exploration operations are subject to extensive environmental regulation. These regulations mandate, among other things, the preparation of environmental assessments before commencing certain operations, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Some laws and regulations may impose strict as well as joint and several liability for environmental contamination, which could subject the Company to liability for the conduct of others or for its own actions that were in compliance with all applicable laws at the time such actions were taken. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Any future changes in environmental regulation could adversely affect the Company's ability to conduct its operations. Moreover, public interest in environmental protection has increased over the years and environmental organizations have opposed, with some degree of success, certain mining operations.

In addition, environmental conditions may exist on properties in which the Company holds or will hold an interest that are unknown and/or have been caused by previous or existing owners or operators of such properties, but the remediation of which may be the Company's responsibility. The Company may also acquire properties with environmental risks, and indemnification proceeds, if any, may not be adequate to pay all the fines, penalties and costs (such as clean-up and restoration costs) incurred related to such properties. Some of the Company's properties also have been used for mining and related operations for many years before they were acquired and were acquired as is or with assumed environmental liabilities from previous owners or operators. The Company has been required to address contamination at its properties in the past and may need to address contamination at its properties in the future, either for existing environmental conditions or for leaks or discharges that may arise from ongoing operations or other contingencies. Contamination from hazardous substances, either at the Company's properties or other locations for which the Company may be responsible, may subject it to liability for the investigation or remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources. The occurrence of any of these adverse events could have a material adverse effect on the Company's future growth, results of operations, cash flows and financial position.

Production at certain of our mines involves the use of various chemicals, including certain chemicals that are designated as hazardous substances. Should such chemicals leak or otherwise be discharged from the containment system, the Company may become subject to liability for cleanup work that may not be insured.

The failure of the Company to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed or causing the withdrawal of mining licenses, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Compensation may be required for those suffering loss or damage and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Government Approvals, Licenses and Permits

The Company's mining and exploration activities require a number of licenses, permits and approvals from various governmental authorities. With the exception of certain of Aguablanca's water licenses (see *Infrastructure*), the Company is presently complying in all material respects with all necessary licenses and permits under applicable laws and regulations to conduct our current operations. However, such licenses and permits are subject to change in various circumstances, and certain permits and approvals are required to be renewed from time to time. Additional permits or permit renewals will need to be obtained in the future. The granting, renewal and continued effectiveness of these permits and approvals are, in most cases, subject to some level of discretion by the applicable regulatory authority. Certain governmental approval and permitting processes are subject to public comment and can be appealed by project opponents, which may result in significant delays or in approvals being withheld or withdrawn. There can be no assurance that the Company will be able to obtain or maintain all necessary licenses and permits as are required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost. Any of these factors could have a material adverse effect on the Company's results of operations and financial position.

Mineral Resource and Reserve Estimates

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

Estimation of Asset Carrying Values

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

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

Funding Requirements and Economic Volatility

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

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

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

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, work force health issues, contaminations, labour disputes, changes in regulatory environment, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, as well as political and social instability. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. In addition, it is not always possible to obtain insurance against all such risks. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to the mining companies. The Company may decide not to insure against certain risks because of high premiums compared to the benefit offered by such insurance or other reasons and does not maintain insurance against political risks.

No Assurance of Titles or Boundaries

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

Market Price of Common Shares

The Company's share price may be significantly affected by short-term changes in commodity prices or in the Company's financial condition or results of operations. Other factors unrelated to the Company's performance may also have an effect on the price of the Company's common shares. The market price of the Company's common shares, at any given point in time, may not accurately reflect its long-term value.

Litigation

The Company is subject, from time to time, to litigation and may be involved in disputes with other parties in the future, which may result in litigation. The Company cannot accurately predict the outcome of any litigation. If the Company cannot resolve these disputes favourably, the Company's activities, financial condition, results of operations, future prospects and share price may be materially adversely affected.

Tax

The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The tax systems in certain of these countries are complicated and subject to changes. By this reason, future negative effects on the result of the Company due to changes in tax regulations cannot be excluded. Any such changes in taxation laws or reviews and assessments could result in higher taxes being payable by the Company which could adversely affect the Company's profitability. Repatriation of earnings to Canada from other countries may be subject to withholding taxes. The Company has no control over changes in tax regulations and withholding tax rates.

Employee Relations

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

Infrastructure

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

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

Acquisition and Integration

The strategic acquisition of a mining company, property or asset may change the scale of the Company's business and operation, exposing the Company to new geographic, political, operational and financial risks, many of which are inherent in our existing operations (as identified above). In addition, the Company may discover it has acquired a substantial undisclosed liability with little recourse against the seller. Such liabilities could have an adverse impact on the Company's business, financial condition, results of operations and cash flows. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, complete effective due diligence activities, negotiate acceptable terms and efficiently and effectively integrate the acquired operations into the Company.

The Company's recent acquisition of Candelaria is subject to the acquisition and integration risks, as noted above, in addition to many, if not all, of the other risk factors identified in this section.

Key Personnel

It is crucial that that the Company motivates, retains and attracts highly skilled employees, but there can be no assurance that the Company will successfully retain current key personnel or attract additional qualified personnel to manage the Company's current or future needs.

Outstanding Share Data

As at February 18, 2015, the Company has 718,228,173 common shares issued and outstanding and 12,636,984 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 and can be reconciled as follows:

($thousands)	**December 31, 2014**	December 31, 2013
Current portion of long-term debt and finance leases	**(1,932)**	(3,341)
Long-term debt and finance leases	**(980,888)**	(225,435)
	(982,820)	(228,776)
Deferred financing fees (included in above)	**(21,165)**	(7,182)
	(1,003,985)	(235,958)
Cash and cash equivalents	**174,792**	116,640

Net debt	**(829,193)**	(119,318)

Operating Earnings

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

Operating Cash Flow per Share

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

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

	Year ended December 31,	
($thousands, except share and per share amounts)	**2014**	2013
Cash provided by operating activities	187,366	154,322
Add: Changes in non-cash working capital items	37,873	25,785
Operating cash flow before changes in non-cash working capital items	225,239	180,107
Basic weighted average common shares outstanding	600,442,231	584,276,739
Operating cash flow per share	**0.38**	0.31

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 and to assess overall efficiency and effectiveness of the mining operations. 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 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 December 31, 2014				Three months ended December 31, 2013			
	Total Tonnes Sold	**Pounds (000s)**	**Cash Costs $/lb**	**Operating Costs ($000s)**	**Total Tonnes Sold**	**Pounds (000s)**	**Cash Costs $/lb**	**Operating Costs ($000s)**
Operation								
Candelaria (Cu)	34,636	76,359	1.49	113,775	-	-	-	-
Eagle (Ni)	2,356	5,194	2.79	14,491	-	-	-	-
Neves-Corvo (Cu)	14,527	32,027	1.75	56,047	14,197	31,299	1.75	54,773
Zinkgruvan (Zn)	16,429	36,220	0.37	13,401	15,216	33,546	0.37	12,412
Aguablanca (Ni)	1,462	3,223	3.74	12,054	1,346	2,967	2.95	8,753
Galmoy (Zn) [2]				-				1,276
				209,768				77,214
Add: By-product credits, net of treatment costs				81,784				47,728
Treatment costs				(40,417)				(16,621)
Non-cash inventory				24,762				(695)
Royalties and other				15,040				5,743
Total Operating Costs				**290,937**				**113,369**

	Twelve months ended December 31, 2014				Twelve months ended December 31, 2013			
	Total Tonnes Sold	**Pounds (000s)**	**Cash Costs $/lb**	**Operating Costs ($000s)**	**Total Tonnes Sold**	**Pounds (000s)**	**Cash Costs $/lb**	**Operating Costs ($000s)**
Operation								
Candelaria (Cu)	34,636	76,359	1.49	113,775	-	-	-	-
Eagle (Ni)	2,356	5,194	2.79	14,491	-	-	-	-
Neves-Corvo (Cu)	48,007	105,837	1.85	195,798	53,394	117,714	1.90	223,657
Zinkgruvan (Zn)	65,802	145,069	0.37	53,676	59,486	131,144	0.32	41,966
Aguablanca (Ni) [1]	5,233	11,537	4.38	50,532	5,472	12,064	3.78	45,602
Galmoy (Zn) [2]				-				5,105
				428,272				316,330
Add: By-product credits, net of treatment costs				236,062				193,413
Treatment costs				(89,225)				(62,663)
Non-cash inventory				25,003				3,995
Royalties and other				19,629				10,080
Total Operating Costs				**619,741**				**461,155**

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 and has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that they were effective as at December 31, 2014.

Internal control over financial reporting

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

Control Framework

Management has used the Internal Control – Integrated Framework (2013 Framework) issued by 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. Management conducted an evaluation of the effectiveness of internal control over financial reporting and concluded that it was effective as at December 31, 2014.

Limitations on scope of design

During the year, the Company acquired Candelaria, however the Company has not had sufficient time to fully assess the design of DCP and ICFR inherent in the organization and accordingly has limited the scope of the above assessment on the design of DCP and ICFR to exclude this operation.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the three month period ended December 31, 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.

lundin mining

Consolidated Financial Statements

For the Year Ended December 31, 2014

Management's Report

The accompanying consolidated financial statements of Lundin Mining Corporation (the "Company") and other information contained in the management's discussion and analysis are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as outlined in Part 1 of the Handbook of Canadian Institute of Chartered Professional Accountants, and include some amounts that are based on management's estimates and judgment.

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

(Signed) Paul K. Conibear	*(Signed) Marie Inkster*
President and Chief Executive Officer	Senior Vice President and Chief Financial Officer

Toronto, Ontario, Canada
February 18, 2015

February 18, 2015

Independent Auditor's Report

To the Shareholders of
Lundin Mining Corporation

We have audited the accompanying consolidated financial statements of Lundin Mining Corporation, which comprise the consolidated balance sheets as at December 31, 2014 and 2013 and the consolidated statements of earnings, comprehensive income, changes in equity and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F:+1 416 365 8215, www.pwc.com/ca

LUNDIN MINING CORPORATION

CONSOLIDATED BALANCE SHEETS (in thousands of US dollars)		**December 31, 2014**		December 31, 2013
ASSETS				
Current				
Cash and cash equivalents (Note 4)	**$**	**174,792**	$	116,640
Trade and other receivables (Note 5)		**404,967**		114,196
Income taxes receivable		**49,241**		24,909
Inventories (Note 6)		**162,074**		44,651
		791,074		300,396
Non-Current				
Restricted funds (Note 7)		**57,007**		63,869
Long-term inventory (Note 6)		**154,725**		-
Marketable securities and other assets (Note 8)		**18,226**		21,617
Mineral properties, plant and equipment (Note 9)		**3,927,291**		1,784,868
Investment in associates (Note 10)		**2,059,199**		2,063,846
Deferred tax assets (Note 11)		**57,671**		24,031
Goodwill (Note 12)		**261,482**		173,383
		6,535,601		4,131,614
	$	**7,326,675**	$	4,432,010
LIABILITIES				
Current				
Trade and other payables (Note 13)	**$**	**274,213**	$	155,500
Income taxes payable		**6,380**		1,903
Current portion of deferred revenue (Note 14)		**65,098**		4,849
Current portion of long-term debt and finance leases (Note 15)		**1,932**		3,341
Current portion of reclamation and other closure provisions (Note 16)		**8,995**		8,712
		356,618		174,305
Non-Current				
Deferred revenue (Note 14)		**602,244**		56,163
Long-term debt and finance leases (Note 15)		**980,888**		225,435
Reclamation and other closure provisions (Note 16)		**254,461**		142,958
Other long-term liabilities		**10,001**		3,234
Provision for pension obligations (Note 19)		**17,030**		20,752
Deferred tax liabilities (Note 11)		**466,759**		139,558
		2,331,383		588,100
		2,688,001		762,405
SHAREHOLDERS' EQUITY				
Share capital		**4,099,038**		3,509,343
Contributed surplus		**45,021**		40,379
Accumulated other comprehensive loss		**(199,023)**		(27,620)
Retained earnings		**260,109**		147,503
Equity attributable to Lundin Mining Corporation shareholders		**4,205,145**		3,669,605
Non-controlling interests		**433,529**		-
		4,638,674		3,669,605
	$	**7,326,675**	$	4,432,010

Commitments and contingencies (Note 23)

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

APPROVED BY THE BOARD OF DIRECTORS

(Signed) Lukas H. Lundin (Signed) Dale C. Peniuk

LUNDIN MINING CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
For the years ended December 31, 2014 and 2013
(in thousands of US dollars, except for shares and per share amounts)

		2014		2013
Sales	**$**	**951,314**	$	727,782
Operating costs (Note 18)		**(619,741)**		(461,155)
Depreciation, depletion and amortization (Note 9)		**(208,703)**		(148,149)
General and administrative expenses		**(27,238)**		(23,570)
General exploration and business development (Note 20)		**(74,685)**		(43,668)
Income from equity investment in associates (Note 10)		**89,796**		93,967
Finance income (Note 21)		**3,527**		1,945
Finance costs (Note 21)		**(31,635)**		(14,745)
Other income (Note 22)		**29,859**		17,506
Other expenses (Note 22)		**(10,785)**		(18,949)
Asset impairment (Note 9)		**(47,064)**		-
Earnings before income taxes		**54,645**		130,964
Current tax expense (Note 11)		**(5,300)**		(12,471)
Deferred tax recovery (Note 11)		**74,036**		18,256
Net earnings	**$**	**123,381**	$	136,749
Net earnings attributable to:				
Lundin Mining Corporation shareholders	**$**	**112,606**	**$**	136,749
Non-controlling interests		**10,775**		-
Net earnings	**$**	**123,381**	**$**	136,749
Basic and diluted earnings per share attributable to Lundin Mining Corporation shareholders	**$**	**0.19**	**$**	0.23
Weighted average number of shares outstanding (Note 17)				
Basic		**600,442,231**		584,276,739
Diluted		**602,357,872**		584,938,925

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2014 and 2013
(in thousands of US dollars)

		2014		2013
Net earnings	**$**	**123,381**	$	136,749
Other comprehensive (loss) income, net of taxes				
Items that may be reclassified to net earnings:				
Unrealized loss on marketable securities		**(91)**		(8,989)
Impairment losses on marketable securities reclassified to net earnings (Note 21)		**-**		5,221
Effects of foreign currency translation		**(170,643)**		53,548
Items that will not be reclassified to net earnings:				
Remeasurements for post-employment benefit plans		**(669)**		(187)
Other comprehensive (loss) income		**(171,403)**		49,593
Comprehensive (loss) income	**$**	**(48,022)**	$	186,342
Comprehensive (loss) income attributable to:				
Lundin Mining Corporation shareholders	**$**	**(58,797)**	$	186,342
Non-controlling interests		**10,775**		-
Comprehensive (loss) income	**$**	**(48,022)**	$	186,342

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2014 and 2013

(in thousands of US dollars, except for shares)

	Number of shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Retained earnings	Non-controlling interests	Total
Balance, December 31, 2013	584,643,063	$ 3,509,343	$ 40,379	$ (27,620)	$ 147,503	$ -	$ 3,669,605
Non-controlling interest arising on business combination	-	-	-	-	-	437,754	437,754
Distributions	-	-	-	-	-	(15,000)	(15,000)
Exercise of stock options	1,368,110	7,490	(2,457)	-	-	-	5,033
Share issuance (Note 17)	132,157,000	582,205	-	-	-	-	582,205
Share-based compensation	-	-	7,099	-	-	-	7,099
Net earnings	-	-	-	-	112,606	10,775	123,381
Other comprehensive loss	-	-	-	(171,403)	-	-	(171,403)
Total comprehensive loss	-	-	-	(171,403)	112,606	10,775	(48,022)
Balance, December 31, 2014	**718,168,173**	**$ 4,099,038**	**$ 45,021**	**$ (199,023)**	**$ 260,109**	**$ 433,529**	**$ 4,638,674**
Balance, December 31, 2012	584,005,006	$ 3,505,398	$ 34,140	$ (77,213)	$ 10,754	$ -	$ 3,473,079
Net earnings	-	-	-	-	136,749	-	136,749
Other comprehensive income	-	-	-	49,593	-	-	49,593
Total comprehensive income	-	-	-	49,593	136,749	-	186,342
Exercise of stock options	588,057	3,684	(1,290)	-	-	-	2,394
Share issuance	50,000	261	-	-	-	-	261
Share-based compensation		-	7,529	-	-	-	7,529
Balance, December 31, 2013	584,643,063	$ 3,509,343	$ 40,379	$ (27,620)	$ 147,503	$ -	$ 3,669,605

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

LUNDIN MINING CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013

(in thousands of US dollars)

	2014	2013
Cash provided by (used in)		
Operating activities		
Net earnings	**$ 123,381**	$ 136,749
Items not involving cash and other adjustments		
Depreciation, depletion and amortization	**208,703**	148,149
Share-based compensation	**7,168**	7,301
Income from equity investment in associates	**(89,796)**	(93,967)
Unrealized foreign exchange (gain) loss	**(7,465)**	7,812
Deferred tax recovery	**(74,036)**	(18,256)
Recognition of deferred revenue (Note 14)	**(16,885)**	(16,660)
Reclamation and closure provisions	**15,581**	2,451
Finance income and costs	**28,108**	12,800
Asset impairment	**47,064**	-
Other	**68**	2,284
Reclamation payments	**(8,202)**	(6,881)
Pension payments	**(1,659)**	(1,675)
Changes in long-term inventory	**(6,791)**	-
Changes in non-cash working capital items (Note 29)	**(37,873)**	(25,785)
	187,366	154,322
Investing activities		
Investment in mineral properties, plant and equipment	**(413,984)**	(240,627)
Capitalized interest expense	**(7,573)**	(3,047)
Acquisition of Candelaria, net of cash acquired (Note 3)	**(1,747,373)**	-
Acquisition of Eagle Project (Note 3)	**-**	(317,955)
Acquisition of Freeport Cobalt (Note 10)	**-**	(116,253)
Distributions from associates (Note 10)	**94,443**	149,427
Restricted funds withdrawal (contribution), net	**3,164**	(9,415)
Proceeds from sale of marketable securities, net	**4,302**	1,178
Other	**1,252**	(50)
	(2,065,769)	(536,742)
Financing activities		
Proceeds from common shares issued, acquisition financing (Note 17)	**579,293**	261
Proceeds from common shares issued, stock option exercise	**5,033**	1,301
Proceeds from senior secured notes, net (Note 15)	**978,302**	-
Proceeds received from stream agreement, net (Note 14)	**632,064**	-
Proceeds from other long-term debt, net (Note 15)	**132,481**	306,581
Long-term debt repayments (Note 15)	**(362,696)**	(87,490)
Distributions to non-controlling interests	**(15,000)**	-
Interest paid, net	**(1,511)**	(578)
	1,947,966	220,075
Effect of foreign exchange on cash balances	**(11,411)**	3,881
Increase (decrease) in cash and cash equivalents during the year	**58,152**	(158,464)
Cash and cash equivalents, beginning of year	**116,640**	275,104
Cash and cash equivalents, end of year	**$ 174,792**	$ 116,640

Supplemental cash flow information (Note 29)

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

1. NATURE OF OPERATIONS

Lundin Mining Corporation (the "Company") is a diversified Canadian base metals mining company. The Company's wholly-owned operating assets include the Neves-Corvo copper/zinc mine located in Portugal, the Zinkgruvan zinc/lead mine located in Sweden, the Aguablanca nickel/copper mine located in Spain and the Eagle nickel/copper mine located in the United States ("US"). The Company also owns 80% of the Candelaria and Ojos del Salado copper/gold mining complex located in Chile ("Candelaria"), 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(i) Basis of presentation and measurement

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and with interpretations of the International Financial Reporting Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which have been measured at fair value.

The Company's presentation currency is United States ("US") dollars. Reference herein of $ is to US dollars, C$ is to Canadian dollars, SEK is to Swedish Krona, € refers to the Euro and CLP refers to the Chilean peso.

Balance sheet items are classified as current if receipt or payment is due within twelve months. Otherwise, they are presented as non-current.

These consolidated financial statements were approved by the Board of Directors of the Company for issue on February 18, 2015.

(ii) Significant accounting policies

The Company has consistently applied the accounting policies to all the years presented. The significant accounting policies applied in these consolidated financial statements are set out below.

(a) Basis of consolidation

The financial statements consist of the consolidation of the financial statements of the Company and its subsidiaries.

Subsidiaries are entities over which the Company has control, including the power to govern the financial and operating policies in order to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are de-consolidated from the date that control ceases.

Where necessary, adjustments are made to the results of the subsidiaries and entities to bring their accounting policies in line with those used by the Company. Intra-group transactions, balances, income and expenses are eliminated on consolidation.

For non wholly-owned, controlled subsidiaries, the net assets attributable to outside equity shareholders are presented as "non-controlling interests" in the equity section of the consolidated balance sheet. Net earnings for the period that is attributable to non-controlling interests are calculated based on the ownership of the minority shareholders in the subsidiary. The Company's non-controlling interests are related to the remaining 20% ownership stake of Candelaria held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation ("non-controlling interests").

(b) Investments in associates

An associate is an entity over which the Company has significant influence, but not control, and is neither a subsidiary, nor an interest in a joint venture.

Investments in which the Company has the ability to exercise significant influence are accounted for by the equity method. Under this method, the investment is initially recorded at cost and adjusted thereafter to record the Company's share of post-acquisition earnings or loss of the investee as if the investee had been consolidated. The carrying value of the investment is also increased or decreased to reflect the Company's share of capital transactions, including amounts recognized in other comprehensive income ("OCI"), and for accounting changes that relate to periods subsequent to the date of acquisition.

(c) Translation of foreign currencies

The functional currency of each entity within the Company is the currency of the primary economic environment in which it operates. For many of the Company's entities, this is the currency of the country in which each operates. The Company's presentation currency is US dollars.

Transactions denominated in currencies other than the functional currency are recorded using the exchange rates prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the rates prevailing on the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in the consolidated statement of earnings in the period in which they arise. Exchange differences arising on the translation of non-monetary items carried at fair value are included in the consolidated statement of earnings. However, exchange differences arising on the translation of certain non-monetary items are recognized as a separate component of equity.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into US dollars, which is the presentation currency of the group, at the rate of exchange prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period where these approximate the rates on the dates of transactions.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on deposit with banks, and highly liquid short-term interest bearing investments with a term to maturity at the date of purchase of 90 days or less which are subject to an insignificant risk of change in value.

(e) Reclamation funds

Reclamation funds include cash that has been pledged for reclamation and closure activities and is not available for immediate disbursement.

(f) Inventories

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

Materials and supplies inventories are valued at the lower of average cost less allowances for obsolescence or net realizable value.

If carrying value exceeds net realizable amount, a write-down is recognized. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

(g) Mineral properties

Mineral properties are carried at cost, less accumulated depletion and any accumulated impairment charges. Expenditures of mineral properties include:

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

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

iii. Deferred stripping costs which represent the cost incurred to remove overburden and other waste materials to access ore in an open pit mine. Stripping costs incurred prior to the production phase of the mine are capitalized and included as part of the carrying value of the mineral property. During the production phase, stripping costs which provide probable future economic benefits, provide identifiable improved access to the ore body and which can be measured reliably are capitalized to mineral properties. Capitalized stripping costs are amortized using a unit-of-production basis over the proven and probable reserve to which they relate.

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

Incidental pre-production expenditures net of the proceeds from sales generated, if any, are recognized in the consolidated statement of earnings. Once a mining operation has achieved commercial production, capitalized mineral property expenditures for each area of interest are depleted on a unit-of-production basis using proven and probable reserves.

(h) Plant and equipment

Plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment charges. Depreciation is recorded on a straight-line basis over the estimated useful life of the asset or over the estimated remaining life of the mine, if shorter. Residual values and useful lives are reviewed annually. Gains and losses on disposals are calculated as proceeds received less the carrying amount and are recognized in the consolidated statement of earnings.

Useful lives are as follows:

	Number of years
Buildings	20 - 30
Plant and machinery	3 - 20
Equipment	5 - 7

(i) Mining equipment under finance lease

Assets held under finance leases are initially recognized as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Interest expense is recognized in the consolidated statement of earnings.

(j) Impairment

At each reporting period, the Company assesses whether there is an indication that an asset or group of assets may be impaired. When impairment indicators exist, the Company estimates the recoverable amount of the asset and compares it against the asset's carrying amount. The recoverable amount is the higher of the fair value less cost of disposal and the asset's value in use. If the carrying value exceeds the recoverable amount, an impairment loss is recorded in the consolidated statement of earnings during the period.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. The cash flows are based on best estimates of expected future cash flows from the continued use of the asset and its eventual disposal.

Fair value less cost of disposal is best evidenced if obtained from an active market or binding sale agreement. Where neither exists, the fair value is based on the best estimates available to reflect the amount that could be received from an arm's length transaction.

Reversals of impairment arise from subsequent reviews of the impaired assets where the conditions which gave rise to the original impairments are deemed no longer to apply. The carrying value of the asset is increased to the revised estimate of its recoverable amount. The increased carrying amount cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as a gain in the consolidated statement of earnings in the period it is determined.

(k) Borrowing costs

Interest and financing costs on debt or other liabilities that are directly attributed to the acquisition, construction and development of a qualifying asset are capitalized to the asset. All other borrowing costs are expensed as incurred.

(l) Business combinations and goodwill

Acquisitions of businesses are accounted for using the purchase method of accounting whereby all identifiable assets and liabilities are recorded at their fair values as at the date of acquisition. Any excess purchase price over the aggregate fair value of net assets is recorded as goodwill. Goodwill is identified and allocated to cash-generating units ("CGU"), or groups of CGUs, that are expected to benefit from the synergies of the acquisition. Goodwill is not amortized. Any excess of the aggregate fair value of net assets over the purchase price is recognized in the consolidated statement of earnings.

Goodwill is reviewed for impairment at least annually or when events or circumstances indicate that an assessment for impairment is required. For purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant CGUs, or groups of CGUs, that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the CGU may be impaired. For goodwill arising on an acquisition in a financial year, the CGU to which the goodwill has been allocated is tested for impairment before the end of that financial year.

When the recoverable amount of the CGU is less than the carrying amount of that CGU, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to that CGU first, and then to the other assets of that CGU pro rata on the basis of the carrying amount of each asset in the CGU. Any impairment loss for goodwill is recognized directly in the consolidated statement of earnings. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

(m) Derivatives

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

Embedded derivatives identified in non-derivative instrument contracts are recognized separately unless closely related to the host contract. All derivative instruments, including certain embedded derivatives that are separated from their host contracts, are recorded on the consolidated balance sheets at fair value and mark-to-market adjustments on these instruments are included in the consolidated statement of earnings.

(n) Deferred revenue

Deferred revenue consists of payments received by the Company in consideration for future commitments. The Company records a portion of the deferred revenue as sales, when substantial risks and rewards have been transferred.

(o) Provision for pension obligations

The Company's Zinkgruvan mine has an unfunded defined benefit pension plan based on employee pensionable remuneration and length of service. The cost of the defined benefit pension plan is determined annually by independent actuaries. The actuarial valuation is based on the projected benefit method pro-rated on service which incorporates management's best estimate of future salary levels, retirement ages of employees and other actuarial factors. Actuarial gains and losses are recorded in other comprehensive income.

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

(p) Reclamation and other closure provisions

The Company has obligations for reclamation and other closure costs such as site restoration, decommissioning activities and end of mine life severance related to its mining properties. These costs are a normal consequence of mining, and the majority of these expenditures are incurred at the end of the life of the mine.

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

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

The Company records the fair value of its reclamation and other closure provisions as a non-current liability as incurred and records a corresponding increase in the carrying value of the related asset. The provision is discounted using a current market pre-tax discount rate. Charges for accretion and reclamation expenditures are recorded as operating activities. Reclamation and other closure provision is recorded as part of the mineral property and depreciated accordingly. In subsequent periods, the carrying amount of the liability is accreted by a charge to the consolidated statement of earnings to reflect the passage of time and the liability is adjusted to reflect any changes in the timing of the underlying future cash flows.

Changes to the obligation resulting from any revisions to the timing or amount of the original estimate of costs are recognized as an increase or decrease in the reclamation and other closure provision, and a corresponding change in the carrying amount of the related long-lived asset. Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, a provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the consolidated statement of earnings.

(q) Revenue recognition

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

(r) Share-based compensation

The Company grants share-based awards in the form of share options in exchange for the provision of services to certain employees. The share options are equity-settled awards. The Company determines the fair value of the awards on the date of grant. This fair value is charged to the consolidated statement of earnings using a graded vesting attribution method over the vesting period of the options, with a corresponding credit to contributed surplus. When the share options are exercised, the applicable amounts of contributed surplus are transferred to share capital. At the end of the reporting period, the Company updates its estimate of the number of awards that are expected to vest and adjusts the total expense to be recognized over the vesting period.

(s) Current and deferred income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable earnings for the year. Taxable earnings differ from earnings as reported in the consolidated statement of earnings because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items of income or expense that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable earnings will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable earnings nor the accounting earnings. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and investments in associates, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.
Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to earnings, except when it relates to items charged or credited directly to equity, in which case the deferred tax is reflected in equity.

Income tax assets and liabilities are offset when there is a legally enforceable right to offset the assets and liabilities and when they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balance on a net basis.

(t) Earnings per share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during each reporting period. Diluted earnings per share is calculated assuming the proceeds from the exercise of vested exercisable in-the-money stock options are used to purchase common shares at the average market price during the period and cancelled. If the calculated result is dilutive, it is included in the diluted earnings per share calculation.

(u) Financial instruments

Financial instruments are recognized on the consolidated balance sheet on the trade date, the date on which the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be classified and measured at fair value on initial recognition. Measurement in subsequent periods is dependent upon the classification of the financial instrument. The Company classifies its financial instruments in the following categories:

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified as FVTPL if it has been acquired principally for the purpose of selling it in the near term or it is a derivative that is not designated and effective as a hedging instrument. A financial asset other than a financial asset held for trading may be designated as FVTPL upon initial recognition if the financial asset forms part of a group of financial assets which is managed and its performance is evaluated on a fair value basis by management.

Subsequent re-measurements of FVTPL assets are re-valued with any gains or losses recognized in the consolidated statement of earnings.

Transaction costs for FVTPL assets are expensed.

Available for sale ("AFS")

A financial asset is classified as AFS if it is a non-derivative financial asset that is designated as AFS or is not classified as loans and receivables, a held-to-maturity investment or FVTPL.

AFS assets are measured at fair value with changes in fair values recognized in other comprehensive income. When an AFS asset has sustained a loss in value which is significant or prolonged, the loss is recognized in the consolidated statement of earnings. Subsequent losses related to impaired AFS investments will also be recognized in the consolidated statement of earnings and subsequent gains will be recognized in OCI.

Loans and receivables

Loans and receivables include financial assets that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate.

Financial liabilities at amortized cost

Financial liabilities are measured at amortized cost using the effective interest method. Bank debt and long-term debt are recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(v) Government grants

Grants from the government are recognized at their fair value where there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions. Government grants relating to costs are deferred and recognized in the consolidated statement of earnings over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to plant and equipment are credited to the cost of the property for which the grant was received. The Company only recognizes grants when there is reasonable assurance that the conditions attached will be complied with and the grants will be received.

(iii) New accounting policies adopted during the year

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

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

(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, but 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.

(v) **Critical accounting estimates and assumptions**

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates and assumptions. These estimates and assumptions are based on management’s best knowledge of the relevant facts and circumstances taking into account previous experience, but actual results may differ materially from the amounts included in the financial statements.

Areas where critical accounting estimates and assumptions have the most significant effect on the amounts recognized in the consolidated financial statements include:

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

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

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

Valuation of long-term inventory - The Company carries its long-term inventory at lower of production cost and net realizable value ("NRV"). If carrying value exceeds, net realizable amount, a write-down is required. The write-down may be reversed in a subsequent period if the circumstances which caused it no longer exist.

The Company reviews the NRV periodically. In particular, for the NRV of the long-term inventory the Company makes significant estimates related to future production and sales volumes, metal prices, foreign exchange rates, reserve and resource quantities, future operating and capital costs. These estimates are subject to various risks and uncertainties and may have an effect on the NRV estimate and the carrying value of the long-term inventory.

Valuation of mineral properties and exploration properties - The Company carries its mineral properties at cost less any provision for impairment. The Company expenses exploration costs which are related to specific projects until the commercial feasibility of the project is determinable. The costs of each property and related capitalized development expenditures are depleted over the economic life of the property on a units‑of‑production basis. Costs are charged to the consolidated statement of earnings when a property is abandoned or when there is a recognized impairment in value.

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

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

Valuation of Investment in Tenke Fungurume and Freeport Cobalt - The Company carries its investment at cost and adjusts for its share of earnings and capital transactions of the investee. The Company reviews the carrying value of the investment whenever events or changes in circumstances indicate that impairment may be present. In undertaking this review, the Company makes reference to future operating results and cash flows. For the investment in Tenke Fungurume, this requires making significant estimates of, amongst other things, reserve and resource quantities, and future production and sale volumes, metal prices and future operating and capital costs to the end of the mine's life. For the investment in Freeport Cobalt, critical assumptions are made related to future sale volumes, operating and capital costs and metal prices. These estimates are subject to various risks and uncertainties which may ultimately have an effect on the expected recoverability of the carrying values of the investments.

Goodwill - The amount by which the purchase price of a business acquisition exceeds the fair value of identifiable assets and liabilities acquired is recorded as goodwill. Goodwill is allocated to the CGUs acquired based on the assessment of which CGU would be expected to benefit from the synergies of the acquisition. Estimates of recoverable value may be impacted by changes in metal prices, foreign exchange rates, discount rates, level of capital expenditures, operating costs and other factors that may be different from those used in determining fair value. Changes in estimates could have a material impact on the carrying value of the goodwill. Refer to Note 12 for sensitivities.

For CGUs that have recorded goodwill, the estimated recoverable amount of the unit is compared to its carrying value at least once each year, or when circumstances indicate that the value may have become impaired.

Reclamation and other closure provisions - The Company has obligations for reclamation and other closure activities related to its mining properties. The future obligations for mine closure activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of obligations is based on future expectations, a number of estimates and assumptions are made by management in the determination of closure provisions. The reclamation and other closure provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company's policy for recording reclamation and other closure provisions is to establish provisions for future mine closure costs based on the present value of the future cash flows required to satisfy the obligations. This provision is updated as the estimate for future closure costs change. The amount of the present value of the provision is added to the cost of the related mining assets and depreciated over the life of the mine. The provision is accreted to its future value over the life of mine through a charge to finance costs.

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

Share‑based compensation - The Company grants stock options to certain employees under its incentive stock option plan. The fair value of stock options is estimated using the Black‑Scholes option pricing model and are expensed over their vesting periods. Option pricing models require the input of highly subjective assumptions including expected price volatility of the underlying shares and life of the options. Changes in the input assumptions can materially affect the fair value estimate. Assumption details are discussed in Note 17(c).

(vi) **Critical accounting judgments in applying the entity's accounting policies**

Management exercises judgment in applying the Company's accounting policies. These judgments are based on management's best estimates. Areas where critical accounting judgments have the most significant effect on the consolidated financial statements include:

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

The determination of the ability of the Company to utilize tax loss carry‑forwards to offset deferred tax liabilities requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is "probable" that the Company will benefit from these prior losses and other deferred tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilization of the losses.

3. BUSINESS COMBINATIONS

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

a) Candelaria acquisition

On November 3, 2014 the Company acquired 80% of Compañia Contractual Minera Candelaria S.A. and Compañia Contractual Minera Ojos del Salado S.A. copper mining operations and supporting infrastructure ("Candelaria Acquisition") from Freeport-McMoRan Inc. ("Freeport" or "FCX"). Total cash consideration paid was $1,852 million, consisting of a $1,800 million base purchase price plus $52 million for cash and non-cash working capital and other agreed adjustments. In addition, contingent consideration of up to $200 million is also payable and calculated as 5% of net copper revenue 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 continues to be held by Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation.

The Candelaria Acquisition was funded by a $1,000 million senior secured note financing, a US$601.5 million (C$674 million) subscription receipt equity financing and a $648 million upfront payment under the stream agreement with a subsidiary of Franco-Nevada Corporation ("Franco Nevada") (Note 14). The Company also repaid its existing $250 million term loan with the proceeds from the financings.

The purchase price is as follows:

Cash consideration	$	1,851,759
Cash acquired		(104,386)
Contingent consideration		8,100
Purchase price	**$**	**1,755,473**

The fair value of the contingent consideration was calculated using a valuation method technique which involved determining probabilities for future copper prices. This liability has been recorded in other long-term liabilities.

Assets acquired and liabilities assumed

Trade and other receivables	$	207,741
Income taxes receivable		8,549
Inventories		156,996
Long-term inventory		147,934
Other assets		6,485
Deferred tax assets		2,611
Mineral properties, plant and equipment		2,159,828
Goodwill		108,845
Total assets	$	2,798,989
Trade and other payables	$	117,633
Current portion of reclamation and other closure provisions		5,482
Reclamation and other closure provisions		94,629
Deferred tax liabilities		388,018
Total liabilities	$	605,762
Non-controlling interests		437,754
Total assets acquired and liabilities assumed, net	**$**	**1,755,473**

In accordance with the acquisition method of accounting, the purchase price has been allocated to the underlying assets acquired and liabilities assumed, based primarily upon their estimated fair values at the date of acquisition. The purchase price allocation is preliminary subject to final tax analysis.

We primarily used a discounted cash flow model (net present value of expected future cash flows) to determine the fair value of the mineral interests and long-term inventory, and used a replacement cost approach in determining the fair values of real property, plant and equipment. Expected future cash flows are based on estimates of projected revenues, production costs, capital expenditures and expected conversions of resources to reserves based on the life of mine plan as at the acquisition date.

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

The excess of the purchase price over the net identifiable assets acquired represents goodwill. The goodwill recognized primarily represents future mineral resource development potential. The goodwill is not expected to be deductible for income tax purposes.

The Company used the proportionate method in measuring non-controlling interest at the acquisition date.

Total proceeds received and funds used:

Common share issuance, net proceeds	$	579,293
Senior secured notes, net proceeds		978,302
Stream agreement, net proceeds		632,064
Total proceeds received	**$**	**2,189,659**

Purchase price	$	1,851,759
Term loan repayment, including accrued interest		250,101
Acquisition related fees		25,706
General corporate purposes		62,093
Total funds used	**$**	**2,189,659**

Acquisition related fees are recorded in the consolidated statement of earnings as a business development cost (Note 20).

The revenue included in the consolidated statement of earnings since November 3, 2014 contributed by Candelaria was $215.2 million. The net earnings was $17.1 million for the same period.

If Candelaria had been consolidated from January 1, 2014, the consolidated statement of earnings would show pro forma sales of $1,767.5 million and net earnings of $235.6 million.

b) Eagle acquisition

On July 17, 2013 the Company acquired 100% of Eagle Mine LLC, which owns a nickel/copper underground mine and an associated mill that were under development ("Eagle Project" or "Eagle") located in the Upper Peninsula of Michigan, USA. Total cash consideration paid was $314.9 million, including project expenditures from January 1, 2013 until transaction closing, July 17, 2013 of $64.9 million. On acquisition, the Company drew down $200 million on its credit facility to fund a portion of the acquisition price of the Eagle Project. The remaining amounts were funded using cash on hand.

Based on management's judgment, this project did not meet the definition of a business as key processes and infrastructure were not present nor readily obtainable at the date of acquisition. Accordingly, the Company has accounted for the Eagle Project as an asset acquisition. The identifiable assets were measured at cost and then assigned a carrying amount based on their relative fair values.

The purchase price is as follows:

Cash consideration	$	314,908
Acquisition costs		3,047
Purchase price	**$**	**317,955**

Assets acquired and liabilities assumed:

Mineral properties, plant and equipment	$	341,829

Inventories		30
Trade and other payables		(16,946)
Reclamation and other provisions		(6,958)
Total assets acquired and liabilities assumed, net	**$**	**317,955**

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

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following:

		December 31, 2014		December 31, 2013
Cash	**$**	**114,751**	$	116,603
Short-term deposits		**60,041**		37
	$	**174,792**	$	116,640

5. TRADE AND OTHER RECEIVABLES

Trade and other receivables are comprised of the following:

		December 31, 2014		December 31, 2013
Trade receivables	**$**	**360,909**	$	85,435
Value added tax		**17,522**		15,432
Other receivables		**11,085**		9,246
Prepaid expenses		**15,451**		4,083
	$	**404,967**	$	114,196

The Company does not have any significant balances that are past due nor any allowance for doubtful accounts. The Company's credit risk is discussed in Note 27.

The fair value of trade and other receivables, including the embedded derivative arising from provisionally priced trade receivables, is disclosed in Note 26.

The carrying amounts of trade and other receivables are denominated as follows: $364.0 million, €14.7 million, CLP 8.4 billion, SEK 33.4 million and C$3.7 million as at December 31, 2014 (2013 - $84.8 million, €17.6 million, SEK 19.1 million and C$1.3 million).

6. INVENTORIES

Inventories are comprised of the following:

		December 31, 2014		December 31, 2013
Ore stockpiles	**$**	**22,261**	$	12,227
Concentrate stockpiles		**40,656**		14,470
Materials and supplies		**99,157**		17,954
	$	**162,074**	$	44,651

Long-term inventory is comprised of ore stockpiles of $154,725 as at December 31, 2014 (2013 - $nil).

The cost of inventories expensed and included in total operating costs for the year was $780.8 million (2013 - $575.4 million).

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

7. RESTRICTED FUNDS

Restricted funds are comprised of the following:

		December 31, 2014		December 31, 2013
Reclamation funds	**$**	**48,465**	$	53,136
Restricted cash		**8,542**		10,733
	$	**57,007**	$	63,869

8. MARKETABLE SECURITIES AND OTHER ASSETS

Marketable securities and other assets comprise the following:

		December 31, 2014		December 31, 2013
Marketable securities (a)	**$**	**6,181**	$	17,347
Other assets (b)		**12,045**		4,270
	$	**18,226**	$	21,617

a) Marketable securities

Marketable securities include fair value through profit and loss (“FVTPL”) and available for sale (“AFS”) investments. The Company has investments in companies holding exploration projects considered to have development potential. These investments are classified as AFS investments and revaluations related to these investments are recorded in OCI. In 2013, certain AFS investments were impaired and gains and losses related to these investments are recognized in finance income and costs (Note 21).

Revaluation on and loss on disposal of marketable securities designated as FVTPL are recorded in finance income and costs (Note 21).

During 2014, the Company received cash proceeds of $4.3 million (2013 - $2.5 million) from disposals of marketable securities and a loss on disposal of $4.9 million (2013 - $nil) was recorded.

b) Other assets

Included in other assets are employee related receivables of $5.2 million (2013 - $nil).

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

9. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Mineral properties, plant and equipment comprise 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	-	316,063	341,829
Additions	63,760	3,438	501	209,274	276,973
Disposals and transfers	1,891	57,873	(721)	(72,816)	(13,773)
Effects of foreign exchange	56,553	26,881	2,860	1,874	88,168
As at December 31, 2013	1,779,004	758,467	63,230	474,815	3,075,516
Candelaria Acquisition	1,217,348	904,909	-	37,571	2,159,828
Additions	82,840	1,333	-	320,753	404,926
Impairment	-	-	(47,064)	-	(47,064)
Disposals and transfers	248,719	466,549	(501)	(725,422)	(10,655)
Effects of foreign exchange	(240,763)	(99,756)	(6,978)	(8,624)	(356,121)
As at December 31, 2014	**$ 3,087,148**	**$ 2,031,502**	**$ 8,687**	**$ 99,093**	**$ 5,226,430**

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	103,822	44,327	-	-	148,149
Disposals and transfers	(2,810)	(8,324)	-	-	(11,134)
Effects of foreign exchange	28,650	13,477	-	-	42,127
As at December 31, 2013	961,356	329,292	-	-	1,290,648
Depreciation	127,345	81,358	-	-	208,703
Disposals and transfers	(1,421)	(7,346)	-	-	(8,767)
Effects of foreign exchange	(141,967)	(49,478)	-	-	(191,445)
As at December 31, 2014	**$ 945,313**	**$ 353,826**	**$ -**	**$ -**	**$ 1,299,139**

Net book value	Mineral properties	Plant and equipment	Exploration properties	Assets under construction	Total
As at December 31, 2013	$ 817,648	$ 429,175	$ 63,230	$ 474,815	$ 1,784,868
As at December 31, 2014	**$ 2,141,835**	**$ 1,677,676**	**$ 8,687**	**$ 99,093**	**$ 3,927,291**

During the quarter ended December 31, 2014, the Company completed the Candelaria Acquisition, thus acquiring $2.2 billion of mineral properties, plant and equipment. During 2014, the Company capitalized $13.6 million of deferred stripping costs to mineral properties.

Included in the mineral properties balance at December 31, 2014 is $394.5 million (2013 - $nil) which is non-depreciable.

Also during 2014, the Company capitalized $7.6 million (2013 - $3.0 million) of borrowing costs related to the credit facility drawn for the acquisition and development of the Eagle Project.

The Eagle Project entered commercial production effective November 2014, at which time capitalization of interest was ceased and depreciation was commenced. Commercial production was defined as the ability to maintain average production metric of 75% of designed throughput, 75% nickel recovery, and 11% - 16% nickel grade in concentrate for a period of 30 days. As a result of commercial production, $650.0 million of assets under construction were reclassified into mineral properties and plant and equipment.

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

The net carrying amount of equipment under finance leases is $2.2 million (2013 - $4.9 million).

During 2014, the Company recognized an exploration property impairment of $47.1 million ($32.3 million net of tax) related to its Portuguese regional exploration concessions. This impairment was recognized to reflect the cessation of the exploration program; there are no current plans for further exploration work in the area.

Depreciation, depletion and amortization is comprised of:

		2014		2013
Operating costs	**$**	**208,334**	$	147,839
General and administrative expenses		**369**		310
Depreciation, depletion and amortization	**$**	**208,703**	$	148,149

10. INVESTMENT IN ASSOCIATES

		Tenke Fungurume		Freeport Cobalt		Total
As at December 31, 2012	$	2,003,053	$	-	$	2,003,053
Acquisition		-		116,253		116,253
Distributions		(141,810)		(7,617)		(149,427)
Share of equity income (loss)		97,769		(3,802)		93,967
As at December 31, 2013		1,959,012		104,834		2,063,846
Distributions		(85,828)		(8,615)		(94,443)
Share of equity income		88,016		1,780		89,796
As at December 31, 2014	**$**	**1,961,200**	**$**	**97,999**	**$**	**2,059,199**

a) Investment in Tenke Fungurume

The Company holds a 30% interest in TF Holdings Limited ("TFH"), a Bermuda company, which in turn holds an 80% interest in a Congolese subsidiary company, Tenke Fungurume Mining Corp S.A.R.L ("TFM"). FCX holds the remaining 70% interest in TFH. TFM holds a 100% interest in the Tenke Fungurume copper/cobalt mine. The Company's and FCX's effective interests in TFM are 24% and 56%, respectively. La Générale des Carrières et des Mines ("Gécamines"), a DRC Government-owned corporation, owns a free-carried 20% interest.

FCX is the operator of the Tenke Fungurume mine. The Company exercises significant influence over TFM and accordingly, the Company uses the equity method to account for this investment.

The Company received cash distributions of $85.8 million in 2014 (2013 - $141.8 million).

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

		December 31, 2014		December 31, 2013
Total current assets	**$**	**828,368**	$	648,488
Total non-current assets	**$**	**3,968,766**	$	3,884,643
Total current liabilities	**$**	**198,039**	$	99,144
Total non-current liabilities	**$**	**497,475**	$	559,085

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

		2014		2013
Total sales	**$**	**1,586,753**	$	1,666,725
Net earnings attributable to TFHL's shareholders	**$**	**293,388**	$	325,897

Reconciliation of summarized financial information				
Net earnings attributable to TFHL's shareholders	**$**	**293,388**	$	325,897
Effective ownership interest		**30%**		30%
Share of equity income	**$**	**88,016**	$	97,769

b) Investment in Freeport Cobalt

In 2013, the Company acquired a 24% ownership interest in Freeport Cobalt, a cobalt refinery in Finland, and its related sales and marketing business for a purchase price of $116.3 million. FCX holds a 56% ownership interest and Gécamines owns the remaining 20% interest in Freeport Cobalt. The Company received cash distributions of $8.6 million in 2014 (2013 - $7.6 million).

11. CURRENT AND DEFERRED INCOME TAXES

		2014		2013
Current tax expense (recovery):				
Current tax on net earnings	**$**	**17,748**	$	10,220
Adjustments in respect of prior years		**(12,448)**		2,251
		5,300		12,471
Deferred tax (recovery) expense:				
Origination and reversal of temporary differences		**(50,888)**		(17,664)
Change in tax rates		**(9,594)**		1,898
Utilization of previously unrecognized tax losses and temporary differences		**(13,554)**		(7,823)
Tax losses for which no deferred income tax asset was recognized		**-**		5,333
		(74,036)		(18,256)
Total tax recovery	**$**	**(68,736)**	$	(5,785)

Current tax of $17.7 million reflects tax on net taxable earnings of $31.3 million offset by tax credits of $13.6 million in Portugal. Included in the adjustments in respect of prior years in 2014 are Portuguese tax credits received for the years 2012 and 2013 of $11.4 million.

Tax on the Company's earnings before income tax differs from the amount that would arise using the weighted average rate applicable to consolidated net earnings as follows:

		2014		2013
Earnings before income tax	**$**	**54,645**	$	130,964
Combined basic federal and provincial rates		**26.5%**		26.5%
Income taxes based on Canadian statutory income tax rates	**$**	**14,481**	$	34,705
Effect of lower tax rates in foreign jurisdictions		**(15,322)**		(28,524)

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

Tax calculated at domestic tax rates applicable to earnings in the respective countries		**(841)**		6,181
Tax effects of:				
Non-deductible and non-taxable items		**(20,564)**		4,454
Change in tax rates		**(9,594)**		1,898
Adjustments in respect of prior years		**(17,181)**		(1,848)
Tax losses for which no deferred income tax asset was recognized		**-**		5,333
Utilization of previously unrecognized tax losses and temporary differences		**(9,301)**		(7,823)
Tax recovery associated with government grants and other tax credits		**(9,861)**		(14,309)
Other		**(1,394)**		329
Total tax recovery	**$**	**(68,736)**	$	(5,785)

The weighted average applicable tax rate for 2014 was -1.54% (2013 – 4.7%). The decrease in the tax rate is caused by an increase in the ratio of income from the equity investment in Tenke Fungurume (held through a subsidiary with a zero tax rate) to consolidated net earnings and also due to the change of profitability of the Company's subsidiaries in the respective countries that have tax rates ranging from 21% to 35%.

In November 2014, Portugal and Spain both substantively enacted lower tax rates, resulting in a $9.6 million in deferred tax recovery from the re-measurement of deferred tax balances. In Portugal, the tax rate decreased from 29.5% to 27.5% commencing 2015 and in Spain, the tax rate decreased from 30% to 28% effective 2015 and to 25% effective 2016.

During 2013, Neves-Corvo received tax credits of $14.3 million to offset 2013 taxes payable. Aguablanca and Galmoy mines utilized deferred tax assets and tax losses which had not been recognized in prior periods to offset 2013 taxable income resulting in a tax recovery of $7.8 million.

Deferred tax assets (liabilities), net

		December 31, 2014		December 31, 2013
Deferred tax liabilities:				
Deferred tax liabilities to be settled after more than 12 months		**(394,064)**		(122,685)
Deferred tax liabilities to be settled within 12 months		**(15,024)**		7,158
Deferred tax liabilities, net	**$**	**(409,088)**	$	(115,527)

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

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

	As at December 31, 2013	(Expensed)/ recovered	Credited to equity	Acquisition of Candelaria	Effects of foreign exchange	As at December 31, 2014
Deferred tax assets:						
Loss carryforwards	$ 38,203	$ 97,913	$ -	$ -	$ (236)	$ 135,880
Reclamation and other closure provisions	28,495	15,286	-	17,901	(2,385)	59,297
Pension obligations	2,779	1,133	-	157	(464)	3,605
Future tax credits	11,144	(6,364)	-	-	(823)	3,957
Long-term inventory	-	1,643	-	14,220	-	15,863
Share issuance costs	-	-	2,912	-	-	2,912
Fair value gains	-	3,643	-	2,277	-	5,920
Other	2,516	622	-	193	622	3,953
Deferred tax liabilities:						
Mineral properties, plant & equipment	(179,559)	(45,890)	-	(398,002)	16,626	(606,825)
Reserves	(19,105)	5,928	-	-	2,163	(11,014)
Mining royalty taxes	-	(483)	-	(22,153)	-	(22,636)
Cumulative translation adjustments	-	605	-	-	(605)	-
	$ (115,527)	$ 74,036	$ 2,912	$ (385,407)	$ 14,898	$ (409,088)

	As at December 31, 2012	(Expensed)/ recovered	Effects of foreign exchange	As at December 31, 2013
Deferred tax assets:				
Loss carryforwards	$ 8,745	$ 29,311	$ 147	$ 38,203
Reclamation and other closure provisions	21,801	5,680	1,014	28,495
Pension obligations	2,760	16	3	2,779
Future tax credits	-	10,734	410	11,144
Other	5,280	(2,624)	(140)	2,516
Deferred tax liabilities:				
Mineral properties, plant & equipment	(151,417)	(22,461)	(5,681)	(179,559)
Reserves	(16,953)	(1,823)	(329)	(19,105)
	$ (129,784)	$ 18,833	$ (4,576)	$ (115,527)

The Company did not recognize deductible temporary differences of $67.2 million (2013 - $55.5 million) in respect of mineral properties, plant and equipment, marketable securities and other assets.

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. Due to the business combination in 2014 and expected future profits, the Company recognized $26.5 million in deferred tax assets that were unrecognized in prior periods. In total, $49.4 million in deferred tax assets in respect of tax losses have been recognized as it is probable that there will be future taxable profit to recover the deferred tax assets.

The Company, however, did not recognize deferred tax assets of $41.2 million (2013 - $67.9 million) in respect of tax losses amounting to $159.0 million (2013 - $259.9 million) that can be carried forward against future taxable income, as indicated below:

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

Year of expiry	Canada	Ireland	Total
2015	$ 6,395	$ -	$ 6,395
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019 and thereafter	91,284	61,275	152,559
	$ 97,679	$ 61,275	$ 158,954

The non-capital losses for Ireland have an indefinite life.

The aggregate amount of temporary differences related to investments in subsidiaries and associates for which deferred tax liabilities have not been recognized is $401.6 million as at December 31, 2014 (2013 - $413.7 million).

12. GOODWILL

The Company recognizes goodwill resulting from the acquisition of the Neves-Corvo mine and through the Candelaria Acquisition.

Goodwill is allocated to the CGUs as follows:

	Candelari	**Ojos**	**Neves-Corvo**	**Total**
Balance at December 31, 2012	$ -	$ -	$ 165,877	$ 165,877
Effects of foreign exchange	-	-	7,506	7,506
Balance at December 31, 2013	-	-	173,383	173,383
Candelaria Acquisition	98,132	10,713	-	108,845
Effects of foreign exchange	-	-	(20,746)	(20,746)
Balance at December 31, 2014	**$ 98,132**	**$ 10,713**	**$ 152,637**	**$ 261,482**

Impairment Testing

The Company performs an impairment assessment annually, or more frequently if there are impairment indicators, for the carrying amount of its CGU where goodwill is allocated.

The Company did not make any significant changes to the valuation methodology used to assess CGU impairment since the last annual test. The recoverable value of a CGU is determined using cash flow projections based on life-of-mine financial plans. The key assumptions used in cash flow projections consist of forecasted commodity prices, treatment and refining charges, reserve and resource quantities, operating costs, capital expenditures, reclamation and other closure costs, discount rates and foreign exchange rates.

Commodity prices used in the cash flow projections are within the range of current market consensus observed during the fourth quarter of 2014. The valuation for the recoverable amount is most sensitive to long-term copper and zinc prices, as well as Euro, CLP and US dollar exchange rates.

Operating costs and capital expenditures included in the cash flow projections are based on long-term operating plans which consider past and estimated future performance.

Candelaria

Candelaria's purchase price allocation was performed as at November 3, 2014 at which time fair values were assigned for assets acquired and liabilities assumed (Note 3). The goodwill from the Candelaria business combination has been allocated entirely to the Candelaria segment. As at December 31, 2014, the recoverable amount of the Candelaria CGU was assessed using fair value less costs of disposal, based on the observable transaction price of the acquisition (a level 2 measurement) and no significant costs of disposal. In assessing recoverable amount Management considered whether there were changes in observable market condition since the acquisition date.

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

Neves-Corvo

For the Neves-Corvo CGU impairment review, the Company used a FVLCD model. An after-tax discount rate of 9% per annum (2013 – 9%) was assumed. For metal prices, the Company assumed a copper price of $3.00/lb (2013 - $3.00/lb to $3.50/lb) and for zinc a range of $1.05/lb to $1.10/lb (2013 - $1.00/lb to $1.15/lb), in order to calculate the present values of cash flows over the economic years of the Company's life-of-mine plan. Foreign exchange assumptions applied to the impairment test for €/$ was forecasted at 1.25 (2013 – 1.30). The reserves and resources were based on the Company's last published statement dated June 30, 2014. Incorporated in the FVLCD, the Company developed fair value estimates for resources not captured in the cash flow model. These estimates were benchmarked using third-party market information. Since the recoverable amount of the CGU was determined to be higher than the carrying value, no impairment was recognized.

Sensitivity analysis to factors which have the most significant impact were performed for the cash flow model. Several scenarios were reviewed where key inputs were changed: metal prices (+/-5%), the foreign exchange (+/-5%) and the discount rate (+/-1%). These changes did not have any impact on the goodwill impairment assessment.

13. TRADE AND OTHER PAYABLES

Trade and other payables are comprised of the following:

		December 31, 2014		December 31, 2013
Trade payables	**$**	**137,352**	$	101,147
Unbilled goods and services		**81,511**		16,328
Payroll obligations		**46,763**		27,886
Royalty payable		**8,587**		10,139
	$	**274,213**	$	155,500

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

14. DEFERRED REVENUE

The following table summarizes the changes in deferred revenue:

As at December 31, 2012	$	77,662
Recognition of revenue		(16,660)
Effects of foreign exchange		10
As at December 31, 2013		61,012
Stream agreement, net (a)		632,064
Recognition of revenue		(16,885)
Effects of foreign exchange		(8,849)
		667,342
Less: current portion		65,098
As at December 31, 2014	**$**	**602,244**

a) Candelaria

As part of the Candelaria Acquisition, the Company entered into a stream agreement with Franco-Nevada (Barbados) Corporation, a subsidiary of Franco Nevada, whereby the Company has agreed to sell 68% of all the gold and silver contained in production from Candelaria until 720,000 oz of gold and 12 million oz of silver have been delivered. Thereafter, Franco-Nevada will be entitled to receive 40% of gold and silver production from Candelaria. The Company received an up-front payment of $648 million. Including the impact of certain acquisition date adjustments, an amount equal to $632.1 million has been recorded as deferred revenue and is being recognized as gold and silver are delivered to Franco Nevada under the contract.

For each ounce of gold and silver delivered, Franco-Nevada makes payments equal to the lesser of the prevailing market prices and $400/oz of gold and $4.00/oz of silver. After three years, the on-going payments for gold and silver will be subject to a 1% annual inflationary adjustment (Note 23h).

b) Neves-Corvo mine

The Company has an agreement to deliver all of the silver contained in concentrate produced from its Neves-Corvo mine to Silver Wheaton Corp (“Silver Wheaton”). The Company received an up-front payment which was deferred and is being recognized in sales as silver is delivered under the contract. The Company receives the lesser of a fixed payment (subject to annual adjustments) and the market price per ounce of silver. During 2014, the Company received approximately $4.08 per ounce of silver. The agreement extends to the earlier of September 2057 and the end of mine life of the Neves-Corvo mine.

c) Zinkgruvan mine

The Company has an agreement with Silver Wheaton to deliver silver contained in concentrate from the Zinkgruvan mine. The Company received an up-front payment which was deferred and is being recognized in sales as silver is delivered under the contract and receives the lesser of a fixed payment (subject to annual adjustments) and the market price per ounce of silver (Note 23f). During 2014, the Company received approximately $4.18 per ounce of silver.

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

15. LONG-TERM DEBT AND FINANCE LEASES

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

		December 31, 2014		December 31, 2013
Senior secured notes (a)	**$**	**978,835**	$	-
Credit facilities (b)		**-**		220,818
Finance lease obligations (d)		**2,171**		5,267
Rio Narcea debt (e)		**1,814**		2,691
		982,820		228,776
Less: current portion		**1,932**		3,341
	$	**980,888**	$	225,435

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

As at December 31, 2012	$	10,022
Additions		306,581
Repayments		(87,490)
Revaluations		16
Effects of foreign exchange		(353)
As at December 31, 2013		228,776
Issuance of senior secured notes, net		978,302
Additions		132,481
Repayments		(362,696)
Deferred financing fees		7,715
Revaluations		48
Effects of foreign exchange		(1,806)
As at December 31, 2014	**$**	**982,820**

a) In connection with the Candelaria Acquisition, on October 27, 2014, the Company completed the issuance of $1,000 million senior secured notes in two tranches, $550 million of 7.5% Senior Secured Notes due 2020 (the "2020 Notes") and $450 million of 7.875% Senior Secured Notes due 2022 (the "2022 Notes" and, together with the 2020 Notes, the "Notes"). The 2020 Notes accrue interest at a rate of 7.5% per annum and will mature on November 1, 2020. The 2022 Notes accrue interest at a rate of 7.875% per annum, and will mature on November 1, 2022.

   The Notes are guaranteed on a senior secured basis by certain of the Company's subsidiaries that are guarantors under the existing credit facility and certain of the Company's subsidiaries that became guarantors under the streaming purchase agreement ("streaming subsidiaries"). The Notes and the guarantees are secured on a first priority basis by a pledge of the shares of certain streaming subsidiaries and on a second priority basis by a pledge of the shares of certain of the Company's subsidiaries that are also pledged to secure the Company's existing credit facility.

   The Company incurred $21.7 million in financing fees related to the arranging of the Notes.

b) On November 3, 2014, the Company repaid its existing $250 million term loan with the proceeds from the Notes. The Company also amended its $350 million revolving credit facility which remained in place under pre-existing terms. The terms provide for interest rates on drawn funds from LIBOR + 2.75% to LIBOR + 3.75%, depending on the Company's leverage ratio. Certain assets and shares of the Company's material subsidiaries are pledged as security for the credit facility. The credit facility matures in October 2017. As at December 31, 2014, the Company had no amount drawn on the credit facility, and a letter of credit in the amount of $10.2 million (SEK 80 million).

   The Company has deferred financing costs of $2.4 million related to the revolving credit facility. All deferred financing fees related to the term loan were expensed on repayment of the term loan (Note 21).

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

c) The Sociedade Mineira de Neves-Corvo, S.A., a subsidiary of the Company which owns the Neves-Corvo mine, established a new commercial paper program replacing the previous program which expired in December 2012. The new €30 million program bears interest at LIBOR plus 3.6%. The program matures in December 2015. As at December 31, 2014, no amounts were drawn.

d) Finance lease obligations relate to leases on mining equipment which have remaining lease terms of one to three years and interest rates of approximately 8% over the term of the leases.

e) The Rio Narcea debt is an interest free loan extended by the Spanish Department of Trade, Industry and Commerce. The debt is recorded using an imputed interest rate of 0.6% (2013 – 1.0%) and is repayable annually until 2017.

The schedule of principal repayment obligations are as follows:

	Debt	Finance leases	Total
2015	$ 607	$ 1,325	$ 1,932
2016	603	414	1,017
2017	604	214	818
2018	-	218	218
2019 and thereafter	1,000,000	-	1,000,000
Total	**$ 1,001,814**	**$ 2,171**	**$ 1,003,985**

16. 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 the Eagle Project	6,958	-	6,958
Accretion	1,919	-	1,919
Accruals for services	-	2,451	2,451
Changes in estimates	11,237	-	11,237
Payments	(6,064)	(817)	(6,881)
Effects of foreign exchange	4,336	920	5,256
Balance, December 31, 2013	130,480	21,190	151,670
Acquisition of Candelaria	63,850	36,261	100,111
Accretion	2,354	-	2,354
Accruals for services	-	7,151	7,151
Changes in estimates	26,943	-	26,943
Payments	(7,484)	(718)	(8,202)
Effects of foreign exchange	(13,931)	(2,640)	(16,571)
Balance, December 31, 2014	202,212	61,244	263,456
Less: current portion	8,920	75	8,995
	$ 193,292	$ 61,169	$ 254,461

The reclamation and other closure provisions for Candelaria as at December 31, 2014 were $102.4 million. The Company expects the payments to be settled between 2015 and 2026. An increase in estimate of $2.1 million, from the acquisition date, was recorded during 2014 in other closure provisions related to severance costs.

At December 31, 2014, the reclamation and other closure provision for the Neves-Corvo mine was $79.9 million

(2013 - $83.4 million). The Company expects the payments for site restoration costs at Neves-Corvo to be incurred between 2015 and 2028. An increase in estimate of $4.4 million was recorded during 2014 in other closure provisions related to severance costs.

The reclamation provision at the Zinkgruvan mine at December 31, 2014 was $13.3 million (2013 - $11.9 million). This provision is based on future reclamation costs being paid primarily during 2018. The Company has posted environmental bonds related to its site restoration provision (Note 23).

The reclamation and other closure provisions, including severance, for the Aguablanca mine at December 31, 2014 totaled $25.7 million (2013 - $28.8 million). The majority of payments are expected to be settled between 2015 and 2018.

The reclamation and other closure provisions for the Eagle mine as at December 31, 2014 was $38.0 million (2013 - $22.5 million). There was an increase in estimate of $15.4 million recorded to reflect the completion of the construction of the mine and mill infrastructure at Eagle and the commencement of operations. The Company expects the payments to be settled between 2022 and 2024.

The reclamation and other closure provisions at the Galmoy mine as at December 31, 2014 was $2.4 million (2013 - $2.2 million). During 2014, $5.6 million (2013 - $5.0 million) was spent on closure activities. It is expected that $1.2 million will be settled in 2015 with the remaining provision being allocated for post closure monitoring.

17. SHARE CAPITAL

(a) Authorized and issued shares

Authorized share capital consists of an unlimited number of voting common shares with no par value and one special non-voting share with no par value. As at December 31, 2014, there were 718,168,173 fully paid voting common shares issued (2013 - 584,643,063).

In connection with the Candelaria Acquisition, on October 23, 2014, the Company completed a bought-deal financing. In total 132,157,000 subscription receipts, each representing one common share, were issued at a price of C$5.10 per subscription receipt for gross proceeds of $601.5 million (C$674 million). The proceeds from the sale of the subscription receipts were placed in escrow pending closing of the Candelaria Acquisition, a condition for release. On November 3, 2014, the proceeds and subscription receipts were released from escrow. On November 20, 2014, the subscription receipts were converted to common shares.

The Company incurred $22.2 million ($19.3 million, net of tax) in fees related to the above issuance.

(b) 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 certain employees of the Company. The maximum number of SUs that are issuable under the SU Plan is 6,000,000.

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 of Directors. 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 are established from time to time by the Board of Directors.

No SUs were issued as at December 31, 2014.

(c) Stock options

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

On May 9, 2014, the Company adopted a new Incentive Stock Option Plan (the "2014 Option Plan") which replaced the Company's former stock option plan (the "Former Option Plan"). No further awards shall be granted under the Former Option Plan. However, any outstanding awards granted under the Former Option Plan shall remain outstanding and shall continue to be governed by the provisions of the Former Option Plan. The 2014 Option Plan provides for stock option awards (the "options") to be granted by the Board of Directors to certain employees of the Company. The term of any options granted under the 2014 Option Plan may not exceed five years from the date of grant. The maximum number of options that are issuable under the 2014 Option Plan is 30,000,000. The vesting requirements are established from time to time by the Board of Directors.

The Company uses the fair value method of accounting for the recording of stock option grants to employees and officers. Under this method, the Company recorded a share-based compensation expense of $7.7 million for 2014 (2013 - $7.5 million) with a corresponding credit to contributed surplus.

During 2014, the Company granted 3.7 million incentive stock options to employees and officers that expire in 2019. The options vest over three years from the grant date. The fair value of the stock options at the date of the grant using the Black-Scholes pricing model assumes risk-free interest rate of 1.3% to 1.6% (2013 - 1.1% to 1.6%), no dividend yield, expected life of 4.2 years (2013 - 3.5 years) with an expected price volatility of 46% to 55% (2013 - 52% to 70%). Volatility is determined using daily volatility over the expected life of the options. A forfeiture rate of approximately 13% is applied (2013 - 18%). The weighted average fair value per option granted during 2014 was $1.99 (2013 - $2.09). As at December 31, 2014, there was $3.8 million of unamortized stock compensation expense (2013 - $4.2 million).

During 2014, 1,368,110 common shares (2013 - 588,057) were issued as a result of options being exercised.

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

	Number of options	Weighted average exercise price (C$)
Outstanding, January 1, 2013	10,149,089	$ 4.48
Granted	1,170,000	4.27
Forfeited	(410,000)	4.71
Expired	(440,254)	6.40
Exercised	(679,169)	4.24
Outstanding, December 31, 2013	9,789,666	4.38
Granted	3,742,200	5.16
Forfeited	(319,884)	4.45
Exercised	(1,276,998)	4.00
Outstanding, December 31, 2014	**11,934,984**	**$ 4.66**

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

The following table summarizes options outstanding as at December 31, 2014, as follows:

	Outstanding Options			Exercisable Options		
Range of exercise prices (C$)	Number of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)	Number of Options Exercisable	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price (C$)
$3.89 to $4.2	4,178,334	2.2	$ 3.94	3,432,666	2.1	$ 3.92
$4.21 to $4.5	220,000	2.7	4.27	120,000	2.6	4.28
$4.51 to $4.8	624,000	2.9	4.71	268,000	2.5	4.75
$4.81 to $5.20	6,780,650	3.6	5.10	2,193,166	3.1	5.01
$5.21 to $5.35	132,000	4.0	5.31	20,000	3.0	5.27
	11,934,984	3.1	$ 4.66	6,033,832	2.5	$ 4.36

(d) Diluted weighted average number of shares

The basic weighted average number of common shares outstanding for the year ended December 31, 2014 was 600,442,231 (2013 – 584,276,739).

The total incremental shares added to the basic weighted average number of common shares to arrive at the fully diluted number of shares for the year ended December 31, 2014 is 1,915,641 shares (2013 – 662,186 shares) which relate to exercisable "in-the-money" outstanding stock options.

18. OPERATING COSTS

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

		2014		2013
Direct mine and mill costs	**$**	**572,101**	$	426,943
Transportation		**38,274**		24,207
Royalties		**9,366**		10,005
		619,741		461,155
Depreciation, depletion and amortization (Note 9)		**208,334**		147,839
Total operating costs	**$**	**828,075**	$	608,994

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

19. EMPLOYEE BENEFITS

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

		2014		2013
Operating costs				
Wages and benefits	**$**	**119,107**	$	116,308
Pension benefits		**1,659**		2,307
Share-based compensation		**2,733**		2,953
		123,499		121,568
General and administrative expenses				
Wages and benefits		**12,265**		9,677
Pension benefits		**510**		385
Share-based compensation		**4,717**		4,134
		17,492		14,196
General exploration and business development				
Wages and benefits		**7,773**		5,484
Pension benefits		**49**		50
Share-based compensation		**220**		214
		8,042		5,748
Total employee benefits	**$**	**149,033**	$	141,512

Provision for pension obligations

The Company has calculated its liability relating to the defined benefit plan at the Zinkgruvan mine using the accrued benefit pro-rated on services method.

Actuarial assumptions, based on the most recent actuarial valuation dated December 31, 2014, used to determine benefit obligations as at December 31, 2014 and 2013 were as follows:

	2014	2013
Discount rate	**2.6%**	3.1%
Rate of salary increase	**2.5%**	2.5%

Discount rates used reflect high quality bond rates matching the currency and maturity of the obligation.

Information about Zinkgruvan's pension obligations is as follows:

		2014		2013
Accrued benefit obligation				
Balance, beginning of the year	**$**	**15,587**	**$**	16,396
Current service costs		**164**		272
Interest costs		**537**		520
Actuarial losses		**768**		262
Benefits paid		**(1,699)**		(1,657)
Effects of foreign exchange		**(2,568)**		(206)
Balance, end of the year		**12,789**		15,587
Other pension accruals		**4,241**		5,165
Total provision for pension obligations	**$**	**17,030**	**$**	20,752

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

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

		2014		2013
Current service costs	**$**	**164**	$	272
Interest costs		**537**		520
Payroll taxes		**532**		736
Pension expense	**$**	**1,233**	$	1,528

A 1% change in the discount rate assumption would have an insignificant impact on the pension obligation or the pension expense for 2014.

The Company expects to make payments of $1.5 million under the defined benefit plan during the next financial year.

Defined contribution plans

The Company recorded a pension expense in operating costs in the amount of $1.7 million (2013 - $0.8 million) and in general and administrative expenses in the amount of $0.5 million (2013 - $0.5 million) relating to defined contribution plans.

20. GENERAL EXPLORATION AND BUSINESS DEVELOPMENT

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

		2014		2013
General exploration	**$**	**35,522**	$	34,076
Corporate development		**25,790**		690
Project development		**13,373**		8,902
	$	**74,685**	$	43,668

During 2014, the Company recorded $25.7 million in corporate development expenses related to the Candelaria Acquisition (Note 3a). Project development expenses consist primarily of indirect costs for the Eagle Project. In 2013, these costs also included expenditures to develop an exploration ramp at the Neves-Corvo mine.

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

21. FINANCE INCOME AND COSTS

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

		2014		2013
Interest income	**$**	**1,857**	$	1,423
Interest expense and bank fees		**(23,035)**		(3,465)
Accretion expense on reclamation provisions		**(2,237)**		(1,919)
Revaluation losses on marketable securities		**(1,438)**		(9,361)
Loss on disposal of marketable securities (Note 8)		**(4,925)**		-
Other		**1,670**		522
Total finance costs, net	**$**	**(28,108)**	$	(12,800)

Finance income	**$**	**3,527**	$	1,945
Finance costs		**(31,635)**		(14,745)
Total finance costs, net	**$**	**(28,108)**	$	(12,800)

Deferred financing fees of $3.2 million related to the Company's $250 million term loan were recorded in interest expense and bank fees upon repayment of the loan (Note 15b).

During 2013, the Company identified AFS investments which had experienced significant declines in value (Note 8a). Accordingly, losses of $5.2 million were recorded as revaluation losses on marketable securities. These losses had previously been recorded in accumulated other comprehensive income.

22. OTHER INCOME AND EXPENSES

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

		2014		2013
Foreign exchange gain (loss)	**$**	**20,335**	$	(13,755)
Other income		**9,524**		17,506
Other expenses		**(10,785)**		(5,194)
Total other income, net	**$**	**19,074**	$	(1,443)

Other income	**$**	**29,859**	$	17,506
Other expenses		**(10,785)**		(18,949)
Total other income, net	**$**	**19,074**	$	(1,443)

During 2014, $7.0 million (2013 - $1.3 million) was recorded in other expense relating to the closure activities at the Galmoy mine.

For 2014, the Company recorded $3.7 million (2013 - $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.

Other income and other expenses include ancillary activities of the Company.

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

23. COMMITMENTS AND CONTINGENCIES

a) The Company's wholly-owned subsidiary, Somincor, has entered into a fifty year concession royalty agreement with the Portuguese government to pay the greater of 10% of prescribed net earnings or 1% of mine-gate production revenue. Royalty costs for 2014 in the amount of $5.8 million (2013 - $7.5 million) were included in operating costs.

b) Royalty payments relating to the Aguablanca mine are 2% of net sales. Royalty costs for 2014 of $2.4 million (2013 - $2.3 million) were included in operating costs.

c) Eagle mine has obligations under state and private royalty agreements ranging from 1.0% to 7.0%. In addition, the operation is subject to a severance tax of 2.75% of net sales owed to the state of Michigan. Combined, for 2014, $2.3 million (2013 - $nil) was recorded in operating costs under these agreements.

d) Royalties of 4% of mining income ($2.6 million) have been reported as a tax expense in Candelaria for the period November 3 to December 31, 2014. Commencing in 2018, a sliding scale royalty of between 5% - 14% will be imposed.

e) A bank has issued a bank guarantee to the Swedish authorities in the amount of $10.2 million (SEK 80.0 million) relating to the future reclamation costs at the Zinkgruvan mine. The Company has agreed to indemnify the bank for this guarantee.

f) Under an agreement with Silver Wheaton, the Company has agreed to deliver all future production of silver contained in concentrate produced from the Zinkgruvan mine. The Silver Wheaton agreement with the Zinkgruvan mine includes a guaranteed minimum delivery of 40 million ounces of silver over an initial 25 year term. If at the end of the initial term the Company has not met its minimum obligation, it must pay Silver Wheaton $1.00 for each ounce of silver not delivered. An aggregate total of approximately 17.8 million ounces has been delivered since the inception of the contract in 2004.

g) The Company has transportation agreements with minimum tonnage requirements. The committed minimum amounts are $15.0 million for 2015 and $14.0 million for 2016.

h) As part of the Company's acquisition of Candelaria in 2014, the Company entered into a gold and silver purchase and sale agreement with Franco Nevada. The agreement requires the Company to prepare a National Instrument 43-101 compliant reserve statement for certain ore bodies on or before March 31, 2015. If the reserve statement contains less than the specified target of contained gold and silver or the reserve statement is not completed and provided to Franco Nevada by March 31, 2015, the Company is obligated to pay Franco Nevada up to $40 million. However, if the reserve statement contains more than the specified target of contained gold and silver, Franco Nevada is obligated to pay the Company up to $40 million.

i) The Company is a party to certain contracts relating to operating leases and service and supply agreements. Future minimum payments under these agreements as at December 31, 2014 are as follows:

2015	$	19,274
2016		4,315

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

2017		3,400
2018		2,416
2019		1,580
2020 and thereafter		4,733
Total commitments	**$**	**35,718**

j) The Company has capital commitments of $40.8 million, on various initiatives, to be paid during 2015.

24. SEGMENTED INFORMATION

The Company is engaged in mining, exploration and development of mineral properties, primarily in Chile, 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.

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

For the year ended December 31, 2014

	Candelaria Chile	Neves-Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Eagle USA	Tenke Fungurume DRC	Other	Total
Sales	$ 215,192	$ 373,148	$ 194,009	$ 120,421	$ 47,280	$ -	$ 1,264	$ 951,314
Operating costs	(147,391)	(263,754)	(104,418)	(82,349)	(18,796)	-	(3,033)	(619,741)
General and administrative expenses	-	-	-	-	-	-	(27,238)	(27,238)
Operating earnings (loss)[1]	67,801	109,394	89,591	38,072	28,484	-	(29,007)	304,335
Depreciation, depletion and amortization	(49,244)	(96,551)	(29,521)	(8,409)	(24,250)	-	(728)	(208,703)
General exploration and business development	(4,251)	(5,244)	(7,488)	-	(21,039)	-	(36,663)	(74,685)
Income from equity investment in associates	-	-	-	-	-	88,016	1,780	89,796
Finance income and costs, net	(269)	19	692	62	(106)	-	(28,506)	(28,108)
Asset impairment	-	(47,064)	-	-	-	-	-	(47,064)
Other income and expenses, net	5,395	12,661	3,803	6,283	(22)	-	(9,046)	19,074
Income tax (expense) recovery	(2,376)	34,173	7,143	(10,265)	20,132	-	19,929	68,736
Net earnings (loss)	$ 17,056	$ 7,388	$ 64,220	$ 25,743	$ 3,199	$ 88,016	$ (82,241)	$ 123,381
Capital expenditures	$ 18,320	$ 74,203	$ 28,063	$ 14,879	$ 285,524	$ -	$ 568	$ 421,557
Total non-current assets[2]	$ 2,395,598	$ 963,586	$ 209,386	$ 40,953	$ 719,512	$ 1,961,202	$ 112,461	$ 6,402,698

1. Operating earnings (loss) is a non-GAAP measure.
2. Non-current assets include long-term inventory, mineral properties, plant and equipment, investment in associates and goodwill.

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

For the year ended December 31, 2013

	Neves-Corvo Portugal	Zinkgruvan Sweden	Aguablanca Spain	Eagle USA	Tenke Fungurume DRC	Other	Total
Sales	$ 420,308	$ 173,836	$ 114,027	$ -	$ -	$ 19,611	$ 727,782
Operating costs	(261,762)	(102,350)	(86,468)	-	-	(10,575)	(461,155)
General and administrative expenses	-	-	-	-	-	(23,570)	(23,570)
Operating earnings (loss)[1]	158,546	71,486	27,559	-	-	(14,534)	243,057
Depreciation, depletion and amortization	(98,047)	(26,498)	(21,890)	(1,324)	-	(390)	(148,149)
General exploration and business development	(18,912)	(8,416)	-	(5,203)	-	(11,137)	(43,668)
Income (loss) from equity investment in associates	-	-	-	-	97,769	(3,802)	93,967
Finance income and costs, net	(490)	(33)	(249)	-	-	(12,028)	(12,800)
Other income and expenses, net	(5,221)	2,633	14,711	-	-	(13,566)	(1,443)
Income tax recovery (expense)	5,616	(7,910)	2,014	2,789	-	3,276	5,785
Net earnings (loss)	$ 41,492	$ 31,262	$ 22,145	$ (3,738)	$ 97,769	$ (52,181)	$ 136,749
Capital expenditures	$ 100,299	$ 32,903	$ 11,787	$ 98,132	$ -	$ 553	$ 243,674
Total non-current assets[2]	$ 1,172,887	$ 248,731	$ 39,197	$ 477,187	$ 1,959,014	$ 125,081	$ 4,022,097

1. Operating earnings (loss) is a non-GAAP measure.
2. Non-current assets include long-term inventory, mineral properties, plant and equipment, investment in associates and goodwill.

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

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

		2014		2013
Copper	**$**	**518,205**	$	398,246
Zinc		**192,525**		158,009
Nickel		**124,608**		77,423
Lead		**59,696**		62,464
Other		**56,280**		31,640
	$	**951,314**	$	727,782

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

		2014		2013
Europe	**$**	**547,079**	$	591,218
Asia		**347,336**		116,502
South America		**35,965**		20,062
North America		**20,934**		-
	$	**951,314**	$	727,782

25. 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 10).

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:

		2014		2013
Wages and salaries	**$**	**6,765**	$	6,283
Pension benefits		**133**		135
Share-based compensation		**2,713**		1,805
	$	**9,611**	$	8,223

c) **Other related parties** - For 2014, the Company paid $0.2 million (2013 - $0.3 million) for services provided by a company owned by the Chairman of the Company. The Company also paid $0.7 million for 2014 (2013 - $0.8 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.

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

26. 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 December 31, 2014 and December 31, 2013:

		December 31, 2014		December 31, 2013	
	Level	Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Fair value through profit or loss					
Trade receivables	2	$ 322,130	$ 322,130	$ 62,945	$ 62,945
Marketable securities - shares	1	5,483	5,483	7,406	7,406
Marketable securities - warrants	2	-	-	12	12
Restricted funds - shares	1	29,626	29,626	18,183	18,183
		$ 357,239	$ 357,239	$ 88,546	$ 88,546
Available for sale					
Marketable securities - shares	1	$ 698	$ 698	$ 9,778	$ 9,778
Marketable securities - warrants	2	-	-	151	151
		$ 698	$ 698	$ 9,929	$ 9,929
Financial liabilities					
Amortized cost					
Long-term debt and finance leases	2	$ 982,820	$ 982,820	$ 228,776	$ 228,776
Other long-term liabilities	2	10,001	10,001	3,234	3,234
		$ 992,821	$ 992,821	$ 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 $45.0 million in sales during the year ended December 31, 2014 (2013 - $16.9 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.

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, and trade and other payables.

27. MANAGEMENT OF FINANCIAL RISK

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

a) Credit risk

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Company. The Company believes that its maximum exposure to credit risk as at December 31, 2014 is the carrying value of its trade receivables.

Concentrate produced at the Company's Candelaria, Eagle, Neves-Corvo and Zinkgruvan mines are sold to a number of strategic customers with whom the Company has established long-term relationships. Limited amounts are occasionally sold to commodity traders on an ad hoc basis. Production from the Aguablanca mine is sold to a trading company under a long-term contract. The payment terms vary and provisional payments are normally received within one to four weeks of shipment, in accordance with industry practice, with final settlement up to four months following the date of shipment. Sales to commodity traders are made on a cash up-front basis. Credit worthiness of customers are reviewed by the Company on an annual basis or more frequently, if warranted, and those not meeting certain credit criteria are required to make 100% provisional payment up-front or by an acceptable payment instrument such as a letter of credit. The failure of any of the Company's strategic customers could have a material adverse effect on the Company's financial position. For the year ended December 31, 2014, the Company has three customers that individually account for more than 10% of the Company's total sales. These customers represent approximately 35%, 12% and 12% of total sales and relate primarily to Neves-Corvo, Zinkgruvan and Candelaria.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company limits material counterparty credit risk on these assets by dealing with financial institutions with long-term credit ratings with Standard & Poor's of at least A, or the equivalent thereof with Moody's, or those which have been otherwise approved.

b) Liquidity risk

The Company has in place a planning and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there is sufficient available capital to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents. The Company has a revolving credit facility in place to assist with meeting its cash flow needs as required (Note 15).

The maturities of the Company's non-current liabilities are disclosed in Note 15. All current liabilities are settled within one year.

c) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currencies, primarily with respect to €, SEK and CLP.

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

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

The impact of a US dollar change against the EUR by 10% at December 31, 2014 would have a $9.8 million (2013 - $8.4 million) impact on pre-tax earnings. The impact of a US dollar change against CLP by 10% would have a $6.1 million (2013 - $nil) impact on pre-tax earnings, with all other variables held constant.

The impact of a US dollar change against the EUR and SEK by 10% at December 31, 2014 would have a $102.4 million (2013 - $120.6 million) impact on OCI.

d) Commodity price risk

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

The Company may, at its election, use forward or derivative contracts to manage its exposure to changes in commodity prices, the use of which is subject to appropriate approval procedures. The Company is also subject to price risk on the final settlement of its provisionally priced trade receivables.

The sensitivity of the Company's financial instruments recorded as at December 31, 2014 excluding the effect of the changes in metal prices on smelter treatment charges is as follows:

	Tonnes Payable	Provisional price on December 31, 2014 ($/tonne)	Change	Effect on pre-tax earnings ($ millions)
Copper	75,841	6,318	+/- 10%	+/-$47.9
Zinc	16,673	2,169	+/- 10%	+/-$3.6
Nickel	3,699	15,118	+/- 10%	+/-$5.6
Lead	5,453	1,860	+/- 10%	+/-$1.0

e) Interest rate risk

The Company's exposure to interest rate risk arises from the both interest rate impact on its cash and cash equivalents as well as on its debt facilities. As at December 31, 2014, the Company's long-term debt is comprised of mainly fixed rate debt. As such changes in interest rate will have no impact on interest expense.

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

28. MANAGEMENT OF CAPITAL RISK

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

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

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

The Company manages its capital by review of the following measures:

		December 31, 2014		December 31, 2013
Long-term debt and finance leases	**$**	**(982,820)**	$	(228,776)
Deferred financing fees included above		**(21,165)**		(7,182)
		(1,003,985)		(235,958)
Cash and cash equivalents		**174,792**		116,640
Net debt	**$**	**(829,193)**	$	(119,318)

29. SUPPLEMENTARY CASH FLOW INFORMATION

		2014		2013
Changes in non-cash working capital items consist of:				
Trade receivables, inventories and other current assets	**$**	**(79,139)**	$	(12,946)
Trade payables and other current liabilities		**41,266**		(12,839)
	$	**(37,873)**	$	(25,785)
Operating activities included the following cash payments:				
Income taxes paid	**$**	**24,543**	$	29,016

The Company reclassified its interest expense from operating activities to financing activities to better reflect the nature of the expense. Comparative periods have been reclassified for conformity.

lundin mining

Annual Information Form
For the Year Ended December 31, 2014

March 31, 2015

DEFINITIONS

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

Ag means silver.

AIF means this Annual Information Form.

Aguablanca or **Aguablanca Mine** means the Aguablanca nickel and copper mine which is a single open-pit and underground mine located approximately 100 km north of Seville in the Extremadura region of southern Spain.

Au means gold.

BHPB means BHP Copper Inc. (now BHP Billiton).

Board of Directors means the board of directors of the Company.

C$ means Canadian dollars.

CCAA means Companies' Creditors Arrangement Act.

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

CIM Standards means the definitions adopted by CIM Council on May 10, 2014, which are utilized by the Canadian Securities Administrators in NI 43-101.

CLP means Chilean Peso.

Co means cobalt.

Credit Agreement means the amended and restated credit agreement dated October 7, 2013, as amended by a first amending agreement dated October 27, 2014, and a second amending agreement dated January 13, 2015, between the Company and a banking syndicate comprised of The Bank of Nova Scotia, ING Bank NV, Bank of Montreal, Export Development Canada, Bank of America, N.A., Société Générale and Skandinaviska Enskilda Banken AB.

Cu means copper.

Candelaria or **Candelaria Mine** means the open pit and underground mines located near Copiapó in the Atacama Province, Region III of Chile owned by Compañía Contractual Minera Candelaria ("CCMC") and Compañía Contractual Minera Ojos del Salado ("CCMO").

Candelaria Report means the NI 43-101 technical report entitled "Technical Report for the Compañía Minera Candelaria and Compañía Minera Ojos del Salado Copper Projects, Atacama Province, Region III, Chile" dated October 6, 2014 prepared for Lundin Mining by Jean-François Couture, PGeo, Glen Cole, PGeo, Gary Poxleitner, PEng, John Nilsson, PEng, Adrian Dance, PEng, and Cameron C. Scott, PEng, who are Qualified Persons.

DRC means Democratic Republic of the Congo.

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

€ means the Euro.

Eagle or **Eagle Mine** or **Eagle Project** means the Eagle nickel and copper mine located in the Upper Peninsula of Michigan, USA, in Michigamme Township, Marquette County.

Eagle Report means the NI 43-101 technical report entitled "NI 43-101 Technical Report on the Eagle Mine, Upper Peninsula of Michigan, USA" dated 26 July 2013 prepared for Lundin Mining by Mark Owen, BSc, MSc (MCSM), CGeol, EurGeol, FGS and Lewis Meyer, ACSM, MCSM, BEng, MSc, PhD, CEng, FIMMM, who are Qualified Persons.

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

FCX or **Freeport** means Freeport-McMoRan Inc., a U.S. based natural resource company with a portfolio of mineral and oil and gas assets, who owns the majority interest in TF Holdings and Freeport Cobalt and is indirectly the majority owner and operator of TFM and where applicable, includes its subsidiaries.

FMC means Freeport-McMoran Corporation, a wholly-owned subsidiary of Freeport, formally called Phelps Dodge Corporation.

Franco-Nevada means Franco-Nevada Corporation.

Freeport Cobalt means Freeport Cobalt Oy, a large scale cobalt chemical refinery located in Kokkola, Finland and related sales and marketing companies.

Galmoy or **Galmoy Mine** means the former Galmoy mine located in County Kilkenny, Ireland.

GBS means GBS Gold International Inc.

Gécamines means La Générale des Carrières et des Mines, the government of the DRC state mining company.

gpm means gallons per minute.

ha means hectare.

HSEC means health, safety, environment and community.

IFC means International Finance Corporation.

IFRS means International Financial Reporting Standards.

Indenture means the indenture dated October 27, 2014 between the Company and U.S. Bank National Association, as trustee.

IPPC means Integrated Pollution Prevention and Control Licence.

km means kilometre.

Lakota means Lakota Resources Inc.

LOM means life of mine.

Lundin Mining or the **Company** means Lundin Mining Corporation, and where applicable, includes its subsidiaries.

m means metre.

Mandate means the audit committee mandate.

mm means millimetre.

MD&A means Management's Discussion and Analysis of results of operations and financial condition of the Company for the fiscal year ended December 31, 2014, dated February 18, 2015.

Mineral Reserves are as defined by the CIM and contained in the CIM Standards.

Mineral Resources are as defined by the CIM and contained in the CIM Standards.

Moody means Moody's Investors Service.

mtpa means million tonnes per annum.

MW means megawatts.

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

NI 52-110 means National Instrument 52-110 "Audit Committees" adopted by the Canadian Securities Administrators.

Ni means nickel.

NSR means Net Smelter Return.

Neves-Corvo or **Neves-Corvo Mine** the copper and zinc mine situated approximately 220 km southeast of Lisbon in the Alentejo district of southern Portugal.

Neves-Corvo Report means the NI 43-101 technical report entitled "NI 43-101 Technical Report for Neves-Corvo Mine and Semblana Deposit, Portugal" dated January 18, 2013 prepared for Lundin Mining by Mark Owen, BSc, MSc (MCSM), CGeol, EurGeol, FGS and Lewis Meyer, ACSM, MCSM, BEng, MSc, PhD, CEng, FIMMM, who are Qualified Persons.

North Australia means North Limited of Australia.

OMX means the NASDAQ OMX Nordic Exchange, Stockholm.

Order means (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days.

Oz means ounces.

PAC means Pedro Aguirre Cerde.

Pb means lead.

Pd means palladium.

Phelps Dodge means Phelps Dodge Corporation, a copper mining company which was acquired by Freeport in 2007.

Pt means platinum.

Purchase and Sale Agreement means the purchase and sale agreement dated October 6, 2014 between the Company, LMC Bermuda Ltd., Franco-Nevada and Franco-Nevada (Barbados) Corporation.

Qualified Person means a qualified person as defined in NI 43-101.

RBI means RB Energy Inc.

Rio Narcea means Rio Narcea Gold Mines, Ltd. (Canada), a wholly-owned indirect subsidiary of the Company.

Rio Tinto means the Rio Tinto Group.

S&P means Standard & Poor's Ratings Services.

SAG means semi-autogenous grinding.

SEDAR means the System for Electronic Document Analysis and Retrieval.

SEK means Swedish kronor.

SI means International System of Units.

Silverstone means Silverstone Resources Corp., which was acquired by Silver Wheaton in 2009.

Silver Wheaton means Silver Wheaton Corp.

Sirocco means Sirocco Mining Inc.

SNEL means La Société Nationale d'Electricité.

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

Stock Purchase Agreement means the definitive stock purchase agreement dated October 6, 2014 between subsidiaries of the Company and Freeport.

Sumitomo means Sumitomo Metal Mining Co., Ltd and Sumitomo Corporation and where applicable, includes its subsidiaries.

SXEW means solvent extraction and electro-winning.

Technical Reports means the Candelaria Report, Eagle Report, Neves-Corvo Report, Tenke Report and Zinkgruvan Report.

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

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

TF Holdings means TF Holdings Limited (formerly, Lundin Holdings Ltd.), a Bermuda company owned 30% by Tenke Holdings and 70% by a wholly-owned subsidiary of FCX that owns a controlling position of TFM.

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

Tenke Fungurume or **Tenke Fungurume Mine** means the Tenke copper and cobalt mine located in Katanga Province, DRC.

Tenke Report means the NI 43-101 technical report entitled "Technical Report Resource and Reserve Update for the Tenke Fungurume Mine, Katanga Province, Democratic Republic of Congo" dated July 21, 2014 prepared for Lundin Mining by John Nilsson, PEng and Ronald G. Simpson, PGeo, who are Qualified Persons.

TSF means tailings storage facility.

TSX means the Toronto Stock Exchange.

US means the United States.

Zinkgruvan or **Zinkgruvan Mine** means the Zinkgruvan zinc and copper mine located approximately 250 km south west of Stockholm in south-central Sweden.

Zinkgruvan Report means the NI 43-101 technical report entitled "NI 43-101 Technical Report for the Zinkgruvan Mine, Central Sweden" dated January 18, 2013 prepared for Lundin Mining by Mark Owen, BSc, MSc (MCSM), CGeol, EurGeol, FGS and Lewis Meyer, ACSM, MCSM, BEng, MSc, PhD, CEng, FIMMM, who are Qualified Persons.

Zn means zinc.

CAUTIONARY STATEMENT ON FORWARD-LOOKING INFORMATION

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of applicable Canadian securities laws. Forward-looking information and statements other than statements of historical facts included in this Annual Information Form, including statements regarding the prospects of the industry and the Company's prospects, plans, and business strategy constitute forward-looking information. These forward-looking statements are based on current expectations, estimates, forecasts and projections about the industries in which the Company operates as well as beliefs and assumptions made by the Company's management. Such statements include, in particular, statements about the Company's plans, prospects, position, results, and business strategies; mineral resources and reserve estimates; the Company's ability to comply with contractual and regulatory requirements; the Company's intentions with respect to exploration and development activities at its projects and expectations regarding the results of operations at the Company's projects. Words such as "may," "will," "should," "expect," "continue," "intend," "aim," "estimate," "target," "anticipate," "plan," "foresee," "believe," or "seek" or the negatives of these terms or variations of them or similar terminology are intended to identify such forward-looking statements. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, these statements, by their nature, involve risks and uncertainties and are not guarantees of future performance. Forward-looking information and 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 prices for copper, zinc, lead and nickel; foreign currency fluctuations; counterparty and credit risks; the use of derivative instruments; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground control problems, flooding and reclamation obligations; risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; competition; risks associated with operation in foreign countries; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; risks associated with business arrangements over which the Company does not have full control; estimated operating and cash costs; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour or interruptions in production; the price and availability of energy and key operating supplies or services; actual ore mined varying from estimates of grade, tonnage, dilution and metallurgical and other characteristics; the inherent uncertainty of exploration efforts as well as production and cost estimates and the potential for unexpected costs and expenses; commodity price fluctuations; community relations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; the estimation of asset carrying values; funding requirements, indebtedness and volatility; uninsurable risks; changes in the Company's share price; litigation; taxation; availability of infrastructure; risks associated with acquisitions; the retention of key personnel; and other risks and uncertainties, including those described under Risk and Uncertainties in this Annual Information Form and in each management's discussion and analysis. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, that the Company can access financing, appropriate equipment and sufficient labour and that the political environment where the Company operates will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking information and statements. Accordingly, readers are advised not to place undue reliance on forward-looking information and statements. Each of these forward-looking statements and the information speaks only as of the date of this Annual Information Form. The Company will not update this information or statements unless required under applicable securities laws.

ITEM 1 INTRODUCTION

1.1. Date of Information

All information in this AIF is as of December 31, 2014 unless otherwise indicated.

1.2. Currency

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

As at December 31	2014	2013	2012
Canadian dollar (C$)	1.1601	1.0636	0.9949
Euro (€)	0.8237	0.7251	0.7579
Swedish krona (SEK)	7.8117	6.5084	6.5156

1.3. Accounting Policies and Financial Information

Financial information is presented in accordance with IFRS as issued by the International Accounting Standards Board and with interpretations of the International Financial Reporting Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook – Accounting.

1.4. Conversion Table

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

Imperial Measure	=	Metric Unit	Metric Unit	=	Imperial Measure
2.47 acres		1 hectare	0.4047 hectares		1 acre
3.28 feet		1 metre	0.3048 metres		1 foot
0.62 miles		1 kilometre	1.609 kilometres		1 mile
2.2 pounds		1 kilogram	0.454 kilograms		1 pound
0.032 ounces (troy)		1 gram	31.1 grams		1 ounce (troy)
2,204.62 pounds		1 tonne	0.000454 tonnes		1 pound

1.5. Classification of Mineral Reserves and Resources

In this AIF, the definitions of proven and probable Mineral Reserves and measured, indicated and inferred Mineral Resources are those used by Canadian Securities Administrators and conform to the definitions utilized by the CIM in the CIM Standards. Where Mineral Resources are stated alongside Mineral Reserves, those Mineral Resources are inclusive of, and not in addition to, the stated Mineral Reserves.

ITEM 2 CORPORATE STRUCTURE

2.1. Name, Address and Incorporation

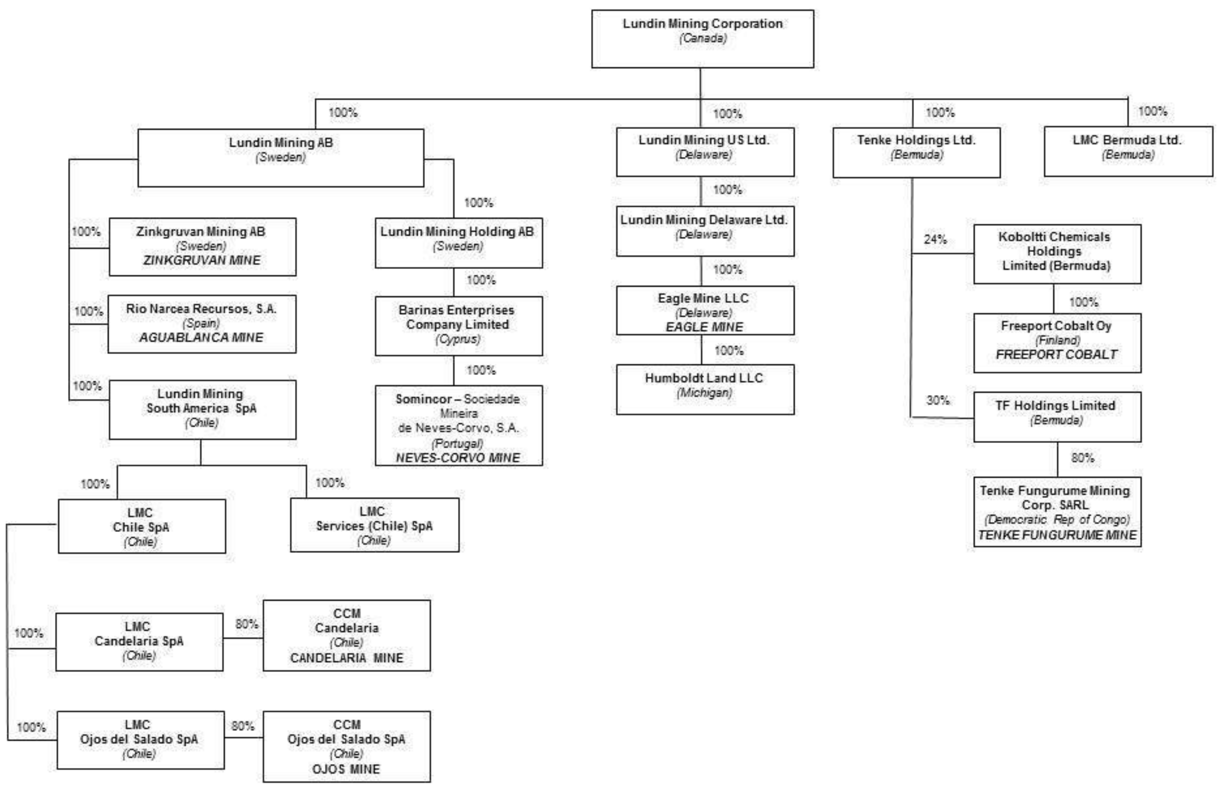
Lundin Mining Corporation was incorporated by Articles of Incorporation on September 9, 1994, under the *Canada Business Corporations Act* as South Atlantic Diamonds Corp. and subsequently changed its name to South Atlantic Resources Ltd. on July 30, 1996, and to South Atlantic Ventures Ltd. on March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

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

The Company's registered and records office and corporate head office is located at 150 King Street West, Suite 1500, Toronto, Ontario, Canada M5H 1J9; telephone: +1 416 342 5560.

2.2. Inter-Corporate Relationships

A significant portion of the Company's business is carried on through its various subsidiaries. The following chart illustrates, as at December 31, 2014, the Company's significant subsidiaries, including their respective jurisdiction of incorporation and the percentage of voting securities in each that are held by the Company either directly or indirectly:



ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

Lundin Mining is a diversified base metals mining company with operations in Chile, Portugal, Sweden, Spain and the United States, producing copper, zinc, lead and nickel. In addition, Lundin Mining holds a 24% equity stake in the world-class Tenke Fungurume Mine in the Democratic Republic of Congo and in the Freeport Cobalt business, which includes a cobalt refinery located in Kokkola, Finland.

3.1. Three Year History

2014

- On July 30, 2014, the Company filed an updated NI 43-101 technical report for the Tenke Fungurume Mine.

- On September 4, 2014, the Company reported its Mineral Reserve and Resource estimates as at June 30, 2014 on SEDAR (www.sedar.com).

- On September 23, 2014, the Company announced that concentrate production had commenced at the Eagle Mine. On November 24, 2014, the Company announced the achievement of commercial production at the Eagle Mine.

- On October 6, 2014, the Company announced that it had entered into the Stock Purchase Agreement to purchase an 80% ownership interest in Candelaria and supporting infrastructure for cash consideration of $1.8 billion, plus customary adjustments. In addition, contingent consideration of up to $200 million in aggregate is payable, calculated as 5% of net copper revenues in any annual period over five years if the realized copper price exceeds $4 per pound.

  The Company also announced that it had entered into the Purchase and Sale Agreement to sell to Franco-Nevada a gold and silver stream from Candelaria for an upfront deposit of $648 million, subject to expected post closing adjustments. In addition to the upfront deposit, Franco-Nevada will make ongoing payments upon delivery of the stream.

  The Company concurrently announced that it had agreed to a bought-deal equity financing in the amount of C$674 million and that it had obtained a senior secured bridge loan commitment of up to $1 billion which would only be utilized if the Company could not complete a private offering of fixed rate permanent debt securities.

  In conjuction with the October 6, 2014 news release, the Company filed the Candelaria Report on SEDAR (www.sedar.com).

- On October 23, 2014, the Company announced that it had completed the bought deal equity financing to raise gross proceeds of approximately $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 represented 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. The subscription receipts converted to common shares on or about November 27, 2014.

- 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 pursuant to the Indenture.

- On November 3, 2014, the Company announced the closing of its acquisition of an 80% ownership stake in Candelaria and supporting infrastructure from Freeport. Total cash consideration of $1,852 million was paid, consisting of a $1,800 million base purchase price plus $52 million for cash and non-cash working capital and other agreed adjustments.

  The remaining 20% ownership stake in Candelaria continues to be held by Sumitomo. Pursuant to a shareholders' agreements with Sumitomo, the Company is the operator of Candelaria.

  The Company also announced the completion of the sale of a gold and silver stream to Franco-Nevada.

  The Company also repaid its $250 million term loan and executed an amendment to its $350 million revolving credit facility which remains in place under pre-existing terms.

2013

- On March 29, 2013, the Company announced the closing of the acquisition of the large scale cobalt chemical refinery located in Kokkola, Finland and the related sales and marketing business from OM Group, Inc. The acquisition has provided direct end-market access for the cobalt hydroxide production from the Tenke Fungurume Mine among other advantages. Lundin Mining holds an effective 24% ownership interest, with Freeport holding an effective 56% ownership interest and acting as operator and Gécamines holding a 20% interest. Initial consideration of $348 million, excluding cash acquired, was paid at closing. Under the terms of the agreement, there is the potential for additional consideration of up to $110 million payable over a period of three years from the acquisition date, contingent upon the achievement of revenue-based performance targets. Lundin Mining's share of the investment, including acquired cash, was $116 million based on a 30/70% split with Freeport and will be repaid in full prior to any distributions.

- In late January 2013, Lundin Mining filed updated independent NI 43-101 technical reports on the Neves-Corvo Mine and the Zinkgruvan Mine which were filed on SEDAR (www.sedar.com).

- In March 2013, the Company announced amendments to its by-laws to include an advance notice policy which requires advance notice to the Company in circumstances where nominations of persons for election to the Board of Directors are made by shareholders of the Company other than pursuant to: (i) the requisition of a meeting, or (ii) a shareholder proposal, both made pursuant to the provisions of the *Canada Business Corporations Act* (the "Act"). The amended by-laws are effective as of the date they were approved by the Board of Directors, being February 21, 2013. In accordance with the Act, the amendments to the Company's by-laws were confirmed by shareholders at the annual shareholders meeting.

- On June 12, 2013, the Company announced that it had entered into a definitive agreement with Rio Tinto Nickel Company, a subsidiary of Rio Tinto plc, to purchase the Eagle Project. On July 17, 2013, the Company completed the acquisition of the Eagle Project. Total consideration paid was $315 million, consisting of a $250 million purchase amount plus project expenditures from January 1, 2013 until transaction closing of $65 million, subject to customary closing adjustments.

- In July 2013, Lundin Mining filed an independent NI 43-101 technical report for Eagle Mine which was filed on SEDAR (www.sedar.com).

- In September 2013, the Company reported its Mineral Reserve and Resource Estimate Update as at June 30, 2013. The full release can be found on the Company's website at www.lundinmining.com.

- On September 25, 2013, the Company announced the appointment of Mr. Jones to the Company's Board of Directors, replacing Mr. Benner who stepped down for personal reasons in July 2013.

- On October 7, 2013, the Company announced that it had completed amendments to its Credit Agreement, which included the provision for a new term loan of $250 million and an extension of the maturity of the existing $350 million revolving credit facility to October 2017. This arrangement provided funding in excess of that which was required to complete the construction of the Eagle Project.

2012

- On January 23, 2012, Lundin Mining released a summary of the results of the initial Future Underground Materials Handling Study for its Neves-Corvo mining complex in southern Portugal. This conceptual level study identified and evaluated various underground materials handling and access options necessary to pursue the exploitation of the deeper Lombador copper/zinc resources as well as the Semblana copper deposit which are adjacent to the Company's Neves-Corvo Mine.

- On March 26, 2012, the President and Prime Minister of the DRC signed a decree approving the bylaw changes for TFM as announced in October 2010 and approved by Presidential Decree in April 2011. Accordingly, as of March 26, 2012, Lundin Mining's effective ownership interest in TFM was reduced from 24.75% to 24% and $50 million in intercompany loans were converted to equity.

- On April 11, 2012, the Company announced that it had entered into a purchase option agreement to acquire an 80% interest in the Touro copper project located in northern Spain owned by two private Spanish companies. The option agreement gave Lundin Mining an exclusive option until October 1, 2012, to purchase an 80% interest in the project, pending satisfactory completion of due diligence, including confirmatory and step-out drilling and other technical work to be conducted by the Company. On September 25, 2012, the Company announced that it had notified the owners of the Touro copper project that it did not intend to exercise its option under the option agreement to acquire a controlling interest in the project.

- At the end of August 2012, Aguablanca restarted production ahead of schedule after a pit slope failure in 2010.

- In December 2012, Lundin Mining announced that it executed an amendment to its revolving credit facility increasing the amount of its revolving credit facility to $350 million from $300 million and extending the term of the facility to December 2015.

ITEM 4 SIGNIFICANT ACQUISITIONS

On November 3, 2014, Lundin Mining completed its acquisition of an 80% ownership stake in Candelaria and supporting infrastructure. A Business Acquisition Report dated November 3, 2014 is available on the Company's SEDAR profile at www.sedar.com.

Candelaria produced a total of approximately 155 kilotonnes of copper with attractive gold (99,000 ounces) and silver (1.9 million ounces) by-products in 2014. Annual average life of mine production based on current reserves is expected to be approximately 126 kilotonnes of copper, 77,000 ounces of gold and 1.4 million ounces of silver on a 100% basis. Since Candelaria's open-pit production commenced in the mid 1990's, the operations have produced approximately 3.6 million tonnes of copper.

See "Description of Business – Description of Properties – Candelaria Mine" below for further details. Reference can also be made to the Company's final short form prospectus dated October 17, 2014, and the Candelaria Report, both of which are filed on the Company's SEDAR profile at www.sedar.com.

ITEM 5 DESCRIPTION OF THE BUSINESS

Lundin Mining is a diversified Canadian base metals mining company with operations in Chile, Portugal, Sweden, Spain and the United States, producing copper, zinc, nickel and lead. In addition, Lundin Mining holds a 24% equity stake in the world-class Tenke Fungurume Mine in the Democratic Republic of Congo and in the Freeport Cobalt business, which includes a cobalt refinery located in Kokkola, Finland.

5.1 Principal Products and Operations

Lundin Mining's principal products and sources of sales are copper, zinc, lead and nickel concentrates from Candelaria, Eagle, Neves-Corvo, Zinkgruvan and Aguablanca. Lundin Mining also holds a minority interest in TFM and Freeport Cobalt. Information related to Lundin Mining's segmented information is set forth in Note 24 to the consolidated annual financial statements for the year ended December 31, 2014 and the MD&A discusses each operation that is separately defined as a segment. Both of these documents are filed on the Company's SEDAR profile at www.sedar.com.

Production from operations was as follows:

(tonnes)	2014	2013	2012
Copper (1)	137,636	116,592	101,983
Zinc	145,091	124,748	122,204
Nickel	12,931	7,574	2,398
Lead	35,555	34,370	38,464

(1) *The Company's attributable share of copper production reflects its 80% interest in Candelaria, effective November 3, 2014 and 24% interest in the Tenke Fungurume Mine (24.75% prior to March 26, 2012).*

5.2 Employees

As of December 31, 2014, Lundin Mining had a total of approximately 3,300 employees and 4,600 contract employees located in Canada, Chile, Ireland, Portugal, Spain, Sweden, United Kingdom and the United States, for total equivalent full time employment of 7,900 people.

5.3 Health, Safety, Environment and Community

Lundin Mining's policy is to conduct its business responsibly and in a manner designed to protect its employees, nearby communities and the environment. The Company respects human rights and is committed to achieving a safe, productive and healthy work environment for its employees and contractors. Lundin Mining seeks to create sustainable value for employees, business partners and the communities in which it operates. These commitments are described in the HSEC policy.

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

As part of its business planning processes the Company assesses the potential HSEC impacts of its activities and integrates these considerations into its operational decisions and processes.

The Company designs, develops and operates its facilities to minimize the environmental impact of its operations; efficiently using energy, water and other resources; reducing or preventing pollution; and managing waste responsibly.

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

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

The HSEC management system exists to:

a) Ensure that sound management practices and processes are in place in sites across the Company.
b) Describe and formalize the expectations of the Company with respect to health, safety, environment and community management.
c) Provide a systematic approach to the identification of health, safety, environment and community issues and ensure that a system of risk identification and risk management is in place.
d) Provide a framework for health, safety, environment and community responsibility and a systematic approach for attaining corporate health, safety, environment and community objectives.
e) Provide a structure to drive continuing improvement of health, safety, environment and community programs and performance.

In applying the health, safety, environment and community system, the Company engages its employees, contractors, the community, regulators and other interested parties to ensure that stakeholder concerns are considered in managing the business activities.

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

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

For further information on the Company's social and community programs and other health, safety, environment and community information please consult Lundin Mining's most recent Sustainability Report which is available on the Company's website at http://www.lundinmining.com.

5.4 Description of Properties

The summaries below have been prepared by Mr. Stephen Gatley, Vice President, Technical Services and Mr. Graham Greenway, Group Resource Geologist of the Company and both of whom are Qualified Persons.

5.4.1 MATERIAL PROPERTIES

The following descriptions of Lundin Mining's material operating properties, being Candelaria, Eagle, Neves-Corvo and Zinkgruvan, as well as Tenke Fungurume are based on filed Technical Reports, the most recent Mineral Resource and Reserve Estimate Update, included in this AIF as Schedule "A", and on the Company's previously filed material change reports, financial statements and MD&A. Unless noted otherwise, all of the Technical Reports referenced in this AIF have been filed on SEDAR under the Company's profile. For more detailed information in respect of Lundin Mining's properties, direct reference should be made to these Technical Reports.

5.4.1.1 CANDELARIA MINE

The following information has been based on, in part, the Candelaria Report. The Candelaria Report is available under Lundin Mining's SEDAR profile at www.sedar.com.

5.4.1.1.1 Project Description and Location

Candelaria produces copper concentrates from an open pit and underground mines. CCMC consists of an open pit mine and an underground mine providing copper ore to an on-site concentrator with a capacity of 75,000 tonnes per day. CCMO comprises two underground mines, Santos and Alcaparrosa. The Santos mine provides copper ore to an on-site concentrator with a capacity of 3,800 tonnes per day, while ore from the Alcaparrosa mine is treated at the Candelaria concentrator.

CCMC and CCMO and surrounding tenements are located in Chile's Atacama Province, Region III, at an elevation of approximately 650 metres above sea level, 20 km south of the city of Copiapó and 650 km north of Santiago.

The Candelaria property comprises of 249 mining exploitation concessions (6,182 ha) and 51 mining exploration concessions (6,605 ha). The Ojos property comprises of 195 mining exploitation concessions (8,809 ha) and 37 mining exploration concessions (6,522 ha). The tenements are free of mortgages, encumbrances, prohibitions, injunctions, and litigation. The tenements containing the active and future mining activities are not affected by royalties.

5.4.1.1.2 Accessibility, Climate, Local Resource, Infrastructure and Physiography

The properties are easily accessed using the public road system. Personnel employed by CCMC and CCMO come primarily from the Copiapó region. Copiapó is a modern city with all regular services and a population of approximately 160,000. Copiapó regional airport is serviced by regional flights from Santiago and other destinations on a daily basis.

CCMC and CCMO receive electrical power through long-term contracts with AES Gener S.A., a local energy company. The main water supply comes from a desalination plant, which was commissioned in 2013 and is located adjacent to the Punta Padrones port facility. Local treated sewage water is also used by the mines. Copper concentrate is shipped from the Punta Padrones port facility at the port of Caldera. Both the desalination plant and the Punta Padrones port are owned by CCMC.

Copiapó has a desert climate with mild temperatures year round. Winters are mild with warm temperatures; midwinter maximums in July reach approximately 20 degrees Celsius. Winter night-time temperatures average approximately 7 degrees Celsius. Summers are warm with a January average of 22 degrees Celsius. Annual precipitation is approximately 17 mm, of which the majority falls in the winter months. Exploration and mining can occur year round.

The project area is mountainous with a relief varying between 200 and 1,000 metres. Vegetation is minimal outside of inhabited valleys where irrigation is used to support vegetation that is capable of withstanding the desert environment. The mines are located in an active seismic zone.

5.4.1.1.3 History

The Candelaria deposit was discovered by Phelps Dodge in 1987. A feasibility study was completed in 1990, and following approval by the Chilean government construction started in October 1992. Sumitomo acquired a 20% stake in the property in 1992. Production commenced in early 1995. In 1996, Phelps Dodge announced plans to expand concentrator throughput with the installation of a second SAG mill. The expansion included additional mining facilities and new and expanded concentrator facilities. This upgrade was completed in 1997.

In 2007, property ownership changed when Freeport acquired Phelps Dodge.

In the middle of 2011, Freeport announced the completion of a pipeline to bring water from a nearby sewage water treatment facility to the Candelaria Mine. A desalination plant at the port of Caldera was built and commissioned in 2013 at a capacity of 500 litres per second to remove the need for continued ground water extraction from the sensitive Copiapó aquifer.

The Santos underground mine has been in production since 1929, with processing taking place at the PAC plant. Phelps Dodge became sole owner of CCMO and the Santos mine and PAC plant in 1985. The PAC plant has been expanded several times to its current capacity of 3,800 tonnes per day. Sumitomo acquired its 20% interest in CCMO in 2005.

In early 1996, production from the Alcaparrosa underground mine commenced.

CCMC and CCMO have been significant producers of copper since the mid-1990s. In the last 3 years, Freeport have reported payable copper and gold metal in concentrate varying between 147 and 191 kilotonnes and 83,000 and 101,000 ounces respectively.

In November 2014, Lundin Mining acquired an 80% ownership stake in CCMC and CCMO from Freeport.

5.4.1.1.4 Geological Setting

The Candelaria deposit is located at the boundary between the Coastal Cordillera and the Copiapó Precordillera. The Coastal Cordillera of Chañaral and Copiapó is composed of Permian to Lower Cretaceous intrusions within a basement of metasedimentary rocks of Devonian to Carboniferous age. Volcanic, volcaniclastic, and marine carbonate rocks represent intra- and back-arc sequences that were deposited during Early to Mid-Cretaceous period.

The Candelaria, Santos, and Alcaparrosa mines are located in the district of Punta del Cobre. The polymetallic sulphide deposits are hosted in volcanic rocks of the Punta del Cobre Formation. Polymetallic sulphide deposits in the Punta del Cobre district are located to the east of the main branches of the Atacama fault zone, a subduction-linked strike-slip fault system stretching over 1,000 km along the Chilean coast and active at least since the Jurassic period. The dominant structural elements of the Punta del Cobre area are the northeast-trending Tierra Amarilla Anticlinorium, a southeast verging fold-and-thrust system and a series of north-northwest- to northwest-trending high-angle faults.

5.4.1.1.5 Exploration

Ongoing exploration is conducted by CCMC and CCMO with the primary purpose of supporting mining and increasing Mineral Resources and Mineral Reserves available for mining. Exploration is focused on the known mantos, veins, and breccia masses in proximity to existing underground infrastructure. Historically, this strategy has proven very effective in defining new Mineral Resources available for underground mining. Much of the exploration is conducted from underground, requiring significant underground development to provide adequate drilling stations. Regional exploration is also undertaken on the large properties surrounding the mines to identify targets and define new Mineral Resource areas.

From 2010 to 2014, CCMC and CCMO invested more than $120 million in exploration to expand Mineral Resources primarily below the open pit mine, to the north and south, and at the three underground mines. At CCMC, new discoveries were made beneath the eastern and southern portions of the open pit (the Susana and Damiana orebodies) and as well at the existing Candelaria Norte underground operations (Wendy Norte orebody). These new discoveries are expected to extend the mine life at Candelaria and potentially allow future increases in production. Initial Mineral Resource and Reserve estimates for these new discoveries will be completed and published in 2015.

At CCMO, new discoveries at Santos (Melendez Central) and at Alcaparrosa (Southeast) will also extend the mine life of these two underground operations. Initial Mineral Resource and Reserve estimates are being prepared and will be completed and published in 2015.

5.4.1.1.6 Mineralization

The copper-gold sulphide mineralization at Candelaria is generally referred to as iron oxide copper gold mineralization. The sulphide mineralization occurs in breccias, stockwork veinlets, disseminations in andesite and an internal tuff unit. There are also some localized controls to mineralization in the form of faults, breccias, veins and foliation.

The mineralization assemblage at the Candelaria Mine consists of chalcopyrite, magnetite, pyrite, pyrrhotite, and sphalerite. Biotite, calc-silicate minerals, and potassium feldspar constitute the gangue minerals. Pervasive potassic alteration is associated with the mineralization.

Chalcopyrite is the only primary copper sulphide present in the Santos mine. Additionally to copper mineralization, there are economic values of gold. Most frequent gangue minerals are pyrite, magnetite, actinolite, k-feldspar, chlorite, biotite and hematite.

Ore and gangue mineralogy at the Alcaparrosa mine consists of chalcopyrite, pyrite, and magnetite, with trace pyrrhotite, molybdenite, and arsenopyrite.

5.4.1.1.7 Drilling

Mineral Resources are estimated from drilling information drilled from the surface or from underground. Between 1991 and the end of 2014, Phelps Dodge and Freeport have drilled over 2,500 core and percussion boreholes in and around the open pit mine. In the Santos mine, approximately 375 core boreholes were drilled between 1993 and 2014 in the Mantos and Melendez Sur sectors. In the Alcaparrosa mine, the borehole database contains information from 655 core boreholes. The drilling and sampling procedures used are consistent with generally recognized industry best practices.

5.4.1.1.8 Sampling and Analysis

Analytical samples informing the Candelaria Mineral Resources were prepared and assayed at the Candelaria Mine laboratory that is accredited to ISO17025 for the analyses of copper, iron, zinc, and silver. Analytical samples informing the Ojos Mineral Resources were prepared and assayed by Intertek (formerly Vigalab). Conventional preparation and assaying procedures are used. Copper is analyzed by multi acid digestion and atomic absorption spectroscopy. Gold and silver are assayed using a fire assay procedure. Specific gravity is systematically measured on core samples.

5.4.1.1.9 Security of Samples

Since 2007, all drilling assay samples have been collected by company personnel or under the direct supervision of company personnel. Samples from Candelaria are processed and analyzed entirely at the mine site. Samples from Ojos are shipped directly from the property to the Intertek laboratory.

Assay samples are collected by appropriately qualified staff at the laboratories. Sample security involves two aspects: maintaining the chain of custody of samples to prevent inadvertent contamination or mixing of samples and rendering active tampering as difficult as possible.

The sampling preparation, security, and analytical procedures used are consistent with generally accepted industry best practices.

5.4.1.1.10 Mineral Resource and Reserve Estimates

The Mineral Resources at CCMC and CCMO are estimated from core drilling information and were evaluated using geostatistical block modelling methodologies.

The open pit Mineral Reserve estimate is based on a mine plan and open pit designs developed using modifying parameters including metal prices, metal recovery based on performance of the processing plant, actual operating and sustaining capital cost estimates based on the production schedule and equipment requirements. Open pit optimisations are carried out using MineSight and Datamine software.

Underground Mineral Reserves at Candelaria Norte, Alcaparrosa and Santos are based on mine plans and designs developed using modifying parameters including metal prices, metal recovery based on performance of the processing plant), actual operating and sustaining capital cost estimates based on the production schedule and equipment requirements. Stope layouts and development plans are developed in MineSight software with CAE Mine Stope Optimizer used for stope design.

Details of the December 2013 Mineral Resource and Reserve estimate for CCMC and CCMO are included in Schedule A, attached to this AIF.

5.4.1.1.11 Mining Operations

The open pit mine operates with an overall mining rate of approximately 270,000 tonnes per day including 66,000 tonnes per day of ore sent to the Candelaria concentrator. The average grade of the ore mined from the open pit over the remaining life of mine is 0.57% copper while stockpiled work in progress material averages 0.36% copper.

The open pit was designed to be mined in several phases of development. As of December 2013, five phases of development remain in the life of mine plan (Phases 8 to 12). The overall strip ratio is 2.9:1 excluding stockpiles. The total in-pit waste is 752.0 million tonnes and the overall life of the open pit mine is 14 years.

The Candelaria Norte underground mine produces 6,000 tonnes per day. The Alcaparrosa underground mine produces 4,000 tonnes per day of ore and Santos produces 3,800 tonnes per day. The mining method in all three underground mines is sublevel open stoping.

CCMC and CCMO operate their own processing plants. The Candelaria processing plant receives ore from the open pit and Candelaria Norte and Alcaparrosa underground mines. It has a nominal capacity of 75,000 tonnes per day. The PAC processing plant receives ore from the Santos underground mine and has a design capacity of 3,800 tonnes per day.

The Candelaria processing plant flowsheet is conventional comprising two parallel process lines for grinding and flotation, final concentrate filtration, and shipping of bulk copper concentrates. Run of mine ore is trucked to a primary gyratory crusher. Grinding takes place in a multi-stage closed circuit using SAG mills, ball mills, and pebble crushing. A multi-stage flotation circuit using an arrangement of mechanical cells, regrind mills, and column cells produces copper concentrate. Final flotation copper concentrate with gold and silver by-product metals is thickened, filtered, and stored on site. Final flotation tails are conventionally thickened and disposed of in a rockfill embankment tailings storage facility.

The PAC concentrator has been in operation since 1929. The PAC concentrator flowsheet comprises a closed-circuit crushing plant including a primary jaw crusher, a secondary cone crusher, and two tertiary cone crushers. The grinding circuit has three ball mills operating in parallel and in direct closed-circuit with hydro-cyclone classification. The flotation plant uses conventional multi-stage, mechanical, self-aspired and forced-air flotation cells, regrind milling, and column cells for the final concentrate cleaning stage. Final concentrate is thickened and filtered using a ceramic disc filter. Final flotation tailings from the PAC plant are pumped to the main Candelaria tailings storage facility.

Copper concentrates containing precious metals are trucked to the Punta Padrones port, near Caldera.

CCMC has an agreement with a third party company to process Candelaria's flotation tailings to produce a magnetite concentrate and this produces an additional source of by-product revenue.

The remaining tailings storage capacity is sufficient to receive tailings until the middle of 2017 at the current production throughput. A new tailings management facility, Los Diques, located to the west of the open pit and plant, is proposed to replace the existing tailings facility when it reaches completion. The site has a total available tailings capacity of 600 million tonnes, exceeding what is required by the current mine life. The Los Diques tailings management facilities were a key part of the "Candelaria 2030 - Project Operational Continuity" Environmental Impact Assessment that was submitted to the environmental authorities in September 2013 and is currently under review.

5.4.1.1.12 Exploration and Development

An ongoing multi-year exploration programme is planned for the Candelaria Mine. In 2015, 1,240 metres of development and 106,000 metres of diamond core drilling are planned. Drilling will continue to target lateral extensions of the mineralization, with the objective of generating additional Mineral Resources and Reserves. This will contribute to extending the underground mine lives. A district exploration programme will also commence with the establishment of a district-wide database and a 3D model.

5.4.1.2 EAGLE MINE

The following information has been based on, in part, the Eagle Report. Updates to Mineral Reserve and Mineral Resource estimates are due to mining and exploration activities and have been reviewed and approved as indicated in Schedule A. The Eagle Report is available under Lundin Mining's SEDAR profile at www.sedar.com.

5.4.1.2.1 Project Description and Location

The Eagle Mine is located in the Upper Peninsula of Michigan, USA, in Michigamme Township, Marquette County. The property is on the watershed divide of the Yellow Dog River and Salmon Trout River.

The closest community to the mine site is Big Bay, 24 km from the property by road. Big Bay is an unincorporated community within Powell Township, Marquette County and has limited services. The closest full service community is Marquette, approximately 53 km by road from the property. Marquette provides a regional airport, rail and shipping facilities, and a full range of commercial services.

The Humboldt mill property, a former iron ore processing facility, occupying approximately 142 hectares, is located approximately 61 km west of Marquette, Michigan. The facility is located in the township of Humboldt, Marquette County, Michigan.

Ore from the Eagle Mine is trucked approximately 105 km to the Humboldt mill for processing.

5.4.1.2.2 Accessibility, Climate, Local Resource, Infrastructure and Physiography

Road access to the mine property is by means of paved roads from the communities of Big Bay to the east, and Marquette to the south. The Humboldt mill is located close to the main US Route 41. The route for trucking ore from the Eagle Mine to the Humboldt mill is 105 km long.

Eagle Mine and Humboldt mill sites are located in a temperate region. The area's weather is characterized by variable weather patterns and large seasonal temperature variations. Summers are often warm and humid and winters can be very cold with frequent snow falls and snow cover. Extreme recorded temperatures range from -33.6°C along the coast to +43.6°C inland. Snowfall is heaviest inland, averaging 508 cm, and is least along the coast, averaging 304-355 cm. Average annual precipitation is 81 to 91 cm; the heaviest precipitation falls at high elevations inland.

The property is in the Marquette Highland physiographic region characterized by uplands of variable topography controlled by bedrock. In some areas, the terrain consists of low rocky ridges less than 15 m high, with many small lakes and swamps. Eagle Mine is located on Yellow Dog plain where two erosionally resistant hillocks of peridotite protrude through the till. Lakes, rivers and smaller streams are numerous.

Both the mine and mill sites are serviced by grid power. An existing non-potable well, in conjunction with a potable well, provides service and drinking water to the mine site and each is capable of delivering 100 gpm. There are plans to refurbish the existing Humboldt mill potable water well for future facility operations. Hydrology studies at both sites indicate viable long term aquifers.

The area is served by an extensive network of paved roads, a regional airport, rail service, excellent telecommunications facilities, national grid electricity, an ample supply of water and a highly educated work force.

5.4.1.2.3 History

The Eagle deposit was first drilled in 2002 as part of a nickel exploration program commenced by Rio Tinto in 2000. Following further drilling an initial Mineral Resource was estimated in early 2004.

Following further drilling, feasibility studies, and the receipt of all relevant permits Rio Tinto began construction of the Eagle Mine site in 2010 and began underground development in September 2011. The re-construction work at the Humboldt mill also commenced in 2011.

In July 2013, Lundin Mining acquired the Eagle Mine project from Rio Tinto and accelerated construction activities. Construction was completed in mid 2014 and commercial production of nickel and copper concentrates was achieved in November of 2014.

5.4.1.2.4 Geological Setting

Eagle is an ultramafic-intrusive-hosted high grade Ni-Cu deposit, with associated cobalt, platinum, palladium, silver and gold, which is interpreted to have formed from multiple intrusive phases. The peridotite intrusive is hosted in paleoproterozoic metasediments, which exhibit hornfels at the contact with the intrusion. The whole area is mostly covered by pleistocene glacial till.

The Eagle deposit is hosted by one of two peridotite intrusions historically known as the Yellow Dog Peridotites and referred to as Eagle peridotites within the project lexicon. The eastern intrusion forms a prominent outcrop that rises above the Yellow Dog Plains and is being evaluated as the Eagle East target. The western intrusion, 650m to the west and host to Eagle, is only poorly exposed in a small outcrop on the north side of Salmon Trout River. The intrusions are characterized by very prominent magnetic highs relative to the surrounding sedimentary rocks.

The high-grade Eagle deposit measures approximately 300m in strike length, up to 85m in width, and 340m in vertical depth.

5.4.1.2.5 Exploration

Exploration work within the mining concession in 2014 has concentrated primarily on searching for an extension of the known orebody and tracing the feeder dykes to both Eagle and Eagle East by underground and surface drilling. A 3D seismic survey was also completed over the mine area.

5.4.1.2.6 Mineralization

The Eagle deposit is a high-grade magmatic sulphide deposit containing nickel and copper mineralization and minor amounts of cobalt, precious and platinum group metals (PGMs). The economic minerals associated with this deposit are predominately pentlandite and chalcopyrite.

Three distinct types of sulphide mineralization occur at the Eagle deposit. They are described as disseminated, semi-massive and massive sulphide. Massive sulphide is generally over 90% pyrrhotite-pentlandite-chalcopyrite. Semi-massive, or matrix ore, is 30% or greater net textured sulphide. Disseminated mineralization is generally uneconomic. The semi-massive and massive sulphides occur in separate zones called the Massive Sulphide, Semi-massive East, and Semi-massive West zones.

5.4.1.2.7 Drilling

Surface and underground exploration drilling is an ongoing operation at the mine with the work undertaken by contractors. The nominal hole spacing of the underground diamond drilling is between 15 m and 25 m, with surface drilling averaging a spacing of less than 25 m within the Eagle deposit. Drilling at Eagle on the resource is restricted to diamond core using various size tools. Down hole surveys at Eagle are predominantly either north seeking (rate) gyros or normal gyro surveys.

In 2014, 4,482 meters of drilling was completed from surface with 10 holes and wedges. Underground, 8,500 m was drilled in 20 exploration and 45 delineation holes.

5.4.1.2.8 Sampling and Analysis

Industry standard exploration drill core splitting, sampling, insertion of quality control samples and density measurement protocols and procedures are in place. Samples are prepared on-site and sent to ALS Minerals (ALS Chemex) laboratory in Vancouver, Canada for assay.

5.4.1.2.9 Security of Samples

Data and sample security procedures that conform to industry standards are in place at Eagle. All drill core is logged and photographed, and the cores and sampling splits are stored in secure facilities near Negaunee, Michigan. Traceability records prevent errors of identification and ensure sample history can be followed.

5.4.1.2.10 Mineral Resource and Reserve Estimates

Mineral Resources at Eagle are estimated using 3D block modelling using Maptek Vulcan mining software. Ordinary Kriging is used for grade and density estimation.

Mineral Reserves are calculated from the resources by designing stopes and sill layouts using Vulcan software. An NSR cut-off is applied together with dilution and mining recovery factors.

Details of the June 2014 Mineral Resource and Reserve estimate for Eagle are included in Schedule A, attached to this AIF.

5.4.1.2.11 Mining Operations

Eagle is a relatively shallow underground mine with access gained via a surface ramp that also serves as the route for waste, ore and backfill haulage. The mine employs transverse bench-and-fill stoping with mining in an up-dip primary secondary sequence. Backfilling is undertaken using cemented and uncemented rockfill. Two ventilation shafts are in place, with the downcast shaft also equipped for emergency egress. Ore from the mine is stored in a covered coarse ore stockpile facility prior to transport by road 105km to the Humboldt mill site.

The Humboldt mill is a former iron ore processing plant that has been converted for processing Eagle ore. From a second covered coarse ore storage facility, the ore is processed using a conventional crush, grind and differential flotation process to produce separate nickel and copper concentrates. Tailings from the plant are deposited sub-aqueously in the adjacent former Humboldt iron ore open pit.

Nickel and copper concentrates are stored in a covered concentrate building on site prior to being transported via rail car direct to smelter facilities within North America or to ports for shipment overseas.

Current Mineral Reserves at Eagle are sufficient for a mine life of 8 years.

Both the mine and mill operate under a number of local, state and federal permits and all key permits are in place for the operation.

Federal taxes for Eagle comprise the greater of a regular income tax of 35% or the alternative minimum tax of 20%. The state of Michigan imposes an additional severance tax of 2.75% on “taxable minerals”. Eagle Mine has obligations under state and private royalty agreements ranging from 1.0% to 7.0%.

5.4.1.2.12 Exploration and Development

In 2015, exploration will continue to focus on near-mine extensions to the known Eagle deposit. Drilling will also be carried out to trace the feeder dyke below the Eagle orebody and further explore the Eagle East intrusion. A total of 8,500 m is planned for surface exploration drilling with a further 1,300 m of underground delineation drilling.

5.4.1.3 NEVES-CORVO MINE

The following information has been based on, in part, the Neves-Corvo Report. Updates to Mineral Reserve and Mineral Resource estimates are due to mining and exploration activities and have been reviewed and approved as indicated in Schedule A. The Neves-Corvo Report is available for review under Lundin Mining’s SEDAR profile at www.sedar.com.

5.4.1.3.1 Project Description and Location

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

The mining operations are contained within a mining concession contract between the State and Somincor covering 13.5 km^2, located in the parishes of Santa Bárbara de Padrões and Senhora da Graça de Padrões, counties of Castro Verde and Almodôvar, district of Beja. The concession provides the rights to exploit the Neves-Corvo deposits for copper, zinc, lead, silver, gold, tin and cobalt for an initial period of fifty years (from November 24, 1994) with two further extensions of twenty years each. On July 1, 2014 an Addendum to the mining concession contract was concluded between the State and Somincor, adding 15.4 km^2 to the initial area, providing the rights to exploit the new Semblana deposit.

This mining concession was in turn surrounded by the Castro Verde exploration concession, signed in 2006, covering an area of 294 km^2. This concession, which contained the Semblana mineralisation, expired in May 2014. A new exploration concession of 140.6 km^2 that surrounds the whole combined Neves-Corvo mining concession and exploration targets in the district has been requested.

The mine is operated under an IPPC licence granted by the Portuguese Environmental Agency in 2008.

5.4.1.3.2 Accessibility, Climate, Local Resource, Infrastructure and Physiography

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

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

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

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

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

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

5.4.1.3.3 History

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

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

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

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

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

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

In October 2010, the copper rich Semblana deposit was discovered located one km to the northeast of the Zambujal copper-zinc orebody within the Castro Verde exploration concession. In December 2011, following extensive diamond drilling, an initial Inferred Mineral Resource was published, and that was further updated in June 2012. A high-resolution 3D seismic survey carried out in 2011 also identified several new exploration targets in the Neves-Corvo vicinity. In July 2014 an Addendum to the Neves Corvo mining concession was granted that now includes the Semblana orebody.

A feasibility study on the Lombador Phase 1 Project, which contemplated mining this zinc rich orebody and expanding the overall zinc capacity at Neves-Corvo to 2.5 mtpa, was completed in September 2011. The underground elements of this project reached full production in 2014 and now provides high grade feed to the existing 1.0 mtpa zinc plant. A new feasibility study has been started that contemplates the mining of the deeper Lombador zinc mineralisation and expansion of the surface zinc plant and infrastructure facilities. This study is due for completion in mid-year 2015.

5.4.1.3.4 Geological Setting

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

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

5.4.1.3.5 Exploration

Exploration work within the mining concession has concentrated primarily on the extension of known orebodies by both underground and surface drilling. Some of the Neves-Corvo orebodies have not been completely delineated. Drilling from both surface and underground in the last few years has identified significant new zinc and copper mineralization within the Lombador massive sulphide lens and associated stockworks, as well as important bridge fissural copper mineralization between the Lower Corvo, Neves and Lombador orebodies.

Further discoveries by surface drilling included the Semblana deposit in 2010, for which a separate Mineral Resource has been estimated, and the Monte Branco deposit in 2011. In 2014 exploration programmes were reduced and are now focused on underground programmes only.

5.4.1.3.6 Mineralization

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

5.4.1.3.7 Drilling

Underground exploration drilling is an ongoing operation at the mine. The nominal hole spacing for the underground diamond drilling is between 17.5 m and 35 m, with surface drilling on a spacing of 75 m to 100 m. As a standard procedure, drill holes are surveyed with a Reflex EZ-Shot tool at 30 m intervals, which provides an accurate location of the drill intersections.

In 2014, 33,165 m of exploration drilling was carried out from underground in 169 holes.

5.4.1.3.8 Sampling and Analysis

Industry standard exploration drill core splitting, sampling, insertion of quality control samples and density measurement protocols and procedures are in place at Neves-Corvo. In addition to drill core sampling, underground grade control sampling is carried out using face sampling in the areas subject to drift-and-fill mining and short diamond drill holes in the bench-and-fill areas. Samples are prepared on-site and analyzed at either the mine's fully accredited assay laboratory facility or by the ALS Chemex laboratory in Vancouver, Canada.

5.4.1.3.9 Security of Samples

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

5.4.1.3.10 Mineral Resource and Mineral Reserve Estimates

Mineral Resources at Neves-Corvo are estimated using three dimensional interpretation and modelling methods with calculations performed using specialized software and in particular Leapfrog® and Vulcan® 3D. The ordinary kriging method of interpolation is used to estimate metal grades and a multiple regression formula using the estimated metal grades is used to estimate density.

Mineral Reserves are calculated by the Neves-Corvo Mine planning department primarily using Vulcan® 3D software. Stoping volumes are cognizant of the method of access to allow for the cut-off grade boundary and include an allowance for planned and unplanned dilution and ore loss. An effective minimum mining width of 5 m is applied.

The Semblana Mineral Resource was modelled and estimated using Datamine Studio software. Metal grades were estimated using ordinary kriging or inverse distance weighting. Bulk density was estimated using inverse distance weighting.

Details of the June 2014 Mineral Resource and Reserve estimates for Neves-Corvo and Semblana are included in Schedule A, attached to this AIF.

5.4.1.3.11 Mining Operations

Neves-Corvo is a major underground mine. The principal means of mine access are provided by one vertical 5 m diameter shaft and a ramp from surface. The shaft is used to hoist ore from the 700 m level. The surface is nominally 1,200 m above datum. A conveyor decline descends from the 700 m level to the 550 m level and provides ore hoisting from the deeper levels of the mine. The mine is highly mechanized and a number of different stoping methods are employed but the most significant are bench-and-fill and drift-and-fill. Backfill is provided by hydraulically placed sand, paste tailings and internally generated waste rock.

The treatment facility at Neves-Corvo comprises of two processing plants. The copper plant treats copper ores and has a maximum capacity of approximately 2.6 mtpa and the zinc plant (former tin plant) which treats zinc or copper ores was expanded to 1.0 mtpa capacity during 2011. Both processing plants comprise secondary crushing, rod and ball mill grinding circuits, flotation cells and concentrate thickening and dewatering. In mid-2009, modifications to the copper plant were completed to regrind and recover additional copper and zinc concentrate from the copper tailings stream.

Concentrates are transported by rail to a dedicated port facility at Setúbal, Portugal from where they are shipped to smelter customers.

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

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

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

The corporation tax rate in Portugal is 25%, and a local tax of 1.5% is also payable. For 2013, an extra tax rate of 3% for profits between €1.5 million and €7.5million (2012-€10 million) was applicable, increasing to 5% for profits above €7.5 million (2012-€10 million). Royalties for the original Neves-Corvo mining concession are either a profit-related royalty of 10%, or a revenue-based royalty of 1% (at the State's discretion). Royalties on the new mining concession covering Semblana are a 4% revenue based royalty for copper and associated payable metals and 3.5% for zinc and associated payable metals. The payments may be reduced by between 2 and 6% of Somincor expenditure on mining related research, social projects and the granting of scholarships etc.

The current copper Mineral Reserves at Neves-Corvo will support a mine life of around 10 years with copper production, based on currently known reserves, gradually decreasing, and planned zinc production increasing. The Lombador Phase 1 area is now in full production providing high grade zinc feed to the processing plant. Feasibility studies continue on low capital cost expansion opportunities to exploit the large remaining copper and zinc Mineral Resource and Reserves particularly in the deeper Lombador South and North orebodies.

5.4.1.3.12 Exploration and Development

Surface exploration drilling has been curtailed for 2015 with all drilling planned from underground. A total of 43,500 m is planned focussing primarily on upgrading the Lombador North and South orebodies together with Lower Corvo, Zambujal and Neves North and South.

5.4.1.4 ZINKGRUVAN MINE

The following information has been based on, in part, the Zinkgruvan Report. Updates to Mineral Reserve and Mineral Resource estimates are due to mining and exploration activities and have been reviewed and approved as indicated in Schedule A. The Zinkgruvan Report is available under Lundin Mining's SEDAR profile at www.sedar.com.

5.4.1.4.1 Project Description and Location

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

The mining operations are contained within two exploitation concessions covering the deposit and its immediate area. The Zinkgruvan concession was amalgamated from a large number of smaller rights in 2000, has an area of 254 ha and is valid until 2025. The neighbouring Klara concession was granted in 2002, has an area of 355 ha and is valid until 2027. These concessions are automatically extendable for periods of 10 years provided the concession is being regularly exploited. In addition, the mine currently holds exploration concessions in the area totaling 2,762 ha. For exploitation concessions granted before 2005, there are no mining royalties in Sweden.

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

5.4.1.4.2 Accessibility, Climate, Local Resource, Infrastructure and Physiography

Zinkgruvan has good local road access and is close to the main E18 highway linking Stockholm and Oslo. Rail and air links are available at the town of Örebro some 60 km distant. Lake Vänern, the largest lake in Sweden, is 100 km distant and provides access to coastal shipping via a series of inland canals and the port of Göteborg.

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

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

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

5.4.1.4.3 History

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

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

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

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

In late 2010, the copper plant was commissioned and during 2011 modifications were made to allow this plant's 300,000 tpa ore capacity to be used to also treat zinc/lead ores. In November 2010, an access ramp from the surface to the underground workings was completed, allowing a significant increase in the mine's operational flexibility.

5.4.1.4.4 Geological Setting

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

The Zinkgruvan deposit is situated in an east-west striking synclinal structure. The tabular-shaped Zn-Pb-Ag orebodies occur in a 5 m to 25 m thick stratiform zone in the upper part of the metavolcanic-sedimentary group. The orebody is 5 km long and is proven to a depth of 1,650 m below surface. A major sub-vertical fault splits the ore deposit in two parts, the Knalla mine to the west and the Nygruvan to the east.

5.4.1.4.5 Exploration

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

5.4.1.4.6 Mineralization

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

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

5.4.1.4.7 Drilling

Underground exploration, comprising resource and stope definition drilling, is carried out on an ongoing basis. Stope definition holes are drilled from underground with intersections typically on 15 m by 20 m centres. All drill holes are surveyed at 3 m intervals using Maxibore surveying equipment which provides an accurate location of the drill intersections. In 2014, 21,910 m of drilling was completed from underground and from surface 3,052 m was completed into the Dalby area.

5.4.1.4.8 Sampling and Analysis

Industry standard exploration drill core splitting, sampling, insertion of quality control samples and density measurement protocols and procedures are in place. Samples are prepared on-site and sent to ACME Analytical Laboratories (Vancouver) Ltd's laboratory in Vancouver, Canada for assay.

5.4.1.4.9 Security of Samples

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

5.4.1.4.10 Mineral Resource and Reserve Estimates

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

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

Details of the June 2014 Mineral Resource and Reserve estimate for Zinkgruvan are included in Schedule A, attached to this AIF.

5.4.1.4.11 Mining Operations

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

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

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

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

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

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

The corporation tax rate in Sweden is 22% and Zinkgruvan does not pay mining royalties.

5.4.1.4.12 Exploration and Development

Exploration activities in 2015 will focus on converting Inferred Mineral Resources to Indicated Resources through in-fill definition drilling, defining new Inferred Resources through down-dip and step-out drilling of existing Mineral Resource areas. Exploration drives on the Dalby 1,130 m and Mellanby 650 m levels will continue to be developed in order to establish underground drill platforms to allow drilling of deeper extensions of these known orebodies. Drilling of approximately 4,200 m from surface to explore the Dalby, Högmon and Flaxen areas are also planned in 2015.

5.4.1.5 TENKE FUNGURUME MINE

The following information has been based on, in part, the Tenke Report. Updates to Mineral Reserve and Mineral Resource estimates are due to mining and exploration activities and have been reviewed and approved as indicated in Schedule A. The Tenke Report is available under Lundin Mining's SEDAR profile at www.sedar.com.

5.4.1.5.1 Property Description and Location

Tenke Fungurume's copper-cobalt deposits are believed to be one of the world's largest known copper-cobalt resources. The deposits are located on contiguous concessions which total approximately 1,500 km^2. These concessions are located in Katanga Province, DRC, approximately 175 km northwest of Lubumbashi, the provincial capital.

Construction started in late 2006 on open-pit and oxide ore processing facilities designed to produce 115,000 tpa of cathode copper and over 8,000 tpa of cobalt in hydroxide. Commissioning of the copper facilities occurred at the end of the first quarter 2009, and of the cobalt hydroxide facilities at the end of the second quarter. By year end 2009, full name plate capacities for both products were being achieved. Subsequent debottlenecking and plant upgrades allowed expansion to increase to 132,000 tpa of copper cathode and approximately 11,000 tpa cobalt hydroxide. A phase 2 expansion of the plant was completed in 2014, which has increased nameplate capacity to 195,000 tpa of copper cathode and 15,000 tpa cobalt hydroxide.

The phase 2 expansion was one of several stages of development contemplated with the objective of ultimately producing up to 500,000 tpa of copper by mining multiple deposits concession-wide.

5.4.1.5.2 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The main highway, railroad and power line connecting Kolwezi and Likasi with Lubumbashi pass through the concessions. Scheduled air services are available between Lubumbashi and the capital Kinshasa, as well as from Johannesburg, South Africa and Zambia. An airstrip constructed on the concession can accommodate medium sized aircraft. The copper and cobalt product and bulk mine consumables are primarily transported by truck between Tenke Fungurume and ports in South Africa via a transport hub located at Ndola in Zambia.

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

The TSF is located to the north west of the process plant site. The entire impoundment area is lined with a high density polyethylene liner. The current location and configuration will provide containments sufficient for the full known reserves. Further expansions of the existing TSF are planned by raising and extending the dam walls and advancing the placement basis to the north of the current footprint. Conceptual location studies over the concession area have also been carried out to identify future tailings sites to meet potentially expanded production scenarios.

Electrical power is provided from the national grid. The power supply to the plant site is provided via a high voltage overhead line from the Fungurume substation to the switchyard at the plant site. The Fungurume substation has been upgraded to provide a reliable power supply to TFM. SNEL is the state owned electric utility company serving the region. TFM has signed a long term contract with SNEL for supply of electricity from SNEL`s Nseke hydro-electric power station located west of the Tenke Fungurume concessions towards Kolwezi. The total power committed to TFM under the long-term contract with SNEL is in excess of 200 MW. Current TFM operations utilize approximately 100 MW.

Under a separate contract, TFM has lent to SNEL the funds required to recondition the Nseke hydro-electric power station and increase generating capacity from three to four 65 megawatt units, as well as to construct new local transmission lines to service the mine and neighbouring communities. The initial phase of reconditioning the power station and construction of power lines was completed during the second quarter of 2009. The first and second generating unit refurbishments have been completed, with the remaining two units to be refurbished in sequence with full completion expected in 2015. As well, in 2014 TFM took over responsibility from SNEL for the oversight and project management of this project.

There have been ongoing issues with power supply interruptions that occasionally limits production capability of the processing facility. Foreign investments in new and refurbishment of power generation and associated infrastructure in Katanga and DRC have increased in recent years and this trend is expected to continue. Katanga also draws power from neighbouring Zambia.

Water supply is available within a reasonable distance of the mine site and plant. Appropriately spaced wells sustain the mining and plant processes, with standby capacity. Additional process water requirements come from a combination of water from the TSF supernatant return water and potentially impacted run-off stormwater collected from the waste rock stockpiles and plant site. Potable water is supplied to, and reticulated throughout, the permanent village located north of Fungurume.

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

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

5.4.1.5.3 History and Development Terms

The Tenke Fungurume deposits have a history dating back to at least 1917. A controlling interest in the concessions was acquired from Gécamines following a lengthy tender process, and in November 1996, pursuant to a mining convention and TFM formation agreement, the concessions were transferred to TFM in exchange for a series of transfer bonus payments and other significant commercial and development commitments. TFM was established in December 1996 under the DRC Companies Act and formed for the purpose of developing the deposits of copper, cobalt and associated minerals under mining concession nº 198[1] and mining concession nº 199[2] granted to TFM in 1996 at Tenke and Fungurume. TF Holdings paid Gécamines the first stage of the transfer payments ($50 million) in May 1997.

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

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

Upon the entry into force of the amended agreements, TF Holdings paid Gécamines $15 million. Additional payments of $5 million were due on a positive build decision, $10 million on commencement of commercial operations, and $10 million on each of the two successive anniversaries of commencement of commercial operations. All such payments have now been paid in full.

A positive build decision was made in December 2006 by then operator FMC.

Initial facilities were ultimately designed for a capacity of 115,000 tpa copper production. The amended agreements contain objectives without guarantee of reaching in excess of 130,000 tpa copper production by year 5 and 400,000 tpa by year 11 of operations, subject to a number of qualifications including DRC conditions and markets.

In early 2007, Freeport acquired FMC, which resulted in them taking over as operator and owner of a 70% interest in TF Holdings. In mid-2007, Lundin Mining acquired Tenke Mining, resulting in Lundin Mining controlling the remaining 30% of TF Holdings. This resulted in FCX indirectly holding 57.75% of TFM, and Lundin Mining indirectly holding 24.75% of TFM. Gécamines held the balance of ownership – 17.5% by way of a directly held carried interest in TFM.

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[1]Renumbered nº 123 by the *Cadastre Minier Certificat d'Exploitation* nº CAMI/CE/940/2004 dated November 3, 2004; subsequently divided and renumbered nº 123, nº 9707 and nº 9708 by the *Ministère des Mines* through Ministerial Decree dated February 20, 2009.
[2]Renumbered nº 159 by the *Cadastre Minier Certificat d'Exploitation*nº CAMI/CE/941/2004 dated November 3, 2004; subsequently divided and renumbered nº 159, nº 4728 and nº 4729 by the *Ministère des Mines* through Ministerial Decree dated July 7, 2006.

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

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

In October 2010, the government of the DRC announced the conclusion of the review of TFM's mining contracts. The conclusion of the review process confirmed that TFM's existing mining contracts were in good standing and acknowledged the rights and benefits granted under those contracts.

In connection with the review, TFM made several commitments, which have been reflected in amendments to its mining contracts, including: an increase in the ownership interest of Gécamines from 17.5% to the current 20.0%, resulting in a decrease of Freeport's effective ownership interest from 57.75% to the current 56% and Lundin Mining's effective ownership interest from 24.75% to the current 24%.

Further, TFM also made the following commitments: an additional royalty of $1.2 million for each 100,000 tonnes of proven and probable copper reserves above 2.5 million tonnes at the time new reserves are established by Freeport; additional payments totalling $30 million to be paid by TFM to Gécamines in six equal installments of $5 million upon reaching certain production milestones, which payments have been paid in full; a conversion of $50 million in intercompany loans from the TFM shareholders to TFM to equity; a payment from TFM to Gécamines of approximately $5 million for surface area fees, which amount has been paid in full, ongoing surface area fees of approximately $0.8 million annually; incorporation of clarifying language stating that TFM's rights and obligations are governed by the amended and restated mining convention dated September 28, 2005; and expanding Gécamines' participation in TFM management.

TFM has also reiterated its commitment to the use of local services and Congolese employment. In connection with the modifications, the annual interest rate on advances from TFM shareholders increased from a rate of LIBOR plus 2% to LIBOR plus 6%.

The aforementioned changes in Lundin Mining's ownership interest in TFM and the conversion of intercompany loans to equity became effective on March 26, 2012.

5.4.1.5.4 Geological Setting

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

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

5.4.1.5.5 Exploration

The mineral concessions have been subject to multiple phases of exploration over time. Exploration in 2014 continued the focus on finding additional high-grade oxide resources and the investigation of deeper mixed and sulphide mineralization. A total of 87,034 m of diamond drilling was completed during 2014 in 611 individual holes.

Underground development for bulk metallurgical sampling of mixed oxide-sulphide mineralisation was started at Fungurume in 2012 and Kwatebala in 2013. The first samples were taken from the Fungurume tunnel in 2014 and are awaiting shipment for testing. Bulk samples are expected from the Kwatebala tunnel in 2015.

5.4.1.5.6 Mineralization

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

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

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

5.4.1.5.7 Drilling

The exploration and drilling history of Tenke Fungurume deposits began in 1919. Union Minière du Haut Katanga explored the surface and drilled exploration core holes between 1919-1921, 1942-1951 and 1958-1968. Gécamines conducted exploration and drilling 1968-70 and 1981-1991. Société Minière de Tenke Fungurume carried out exploration and core drilling from 1971-1976. TFM carried out additional core drilling in 1997. Reverse circulation drilling was used locally to drill through unmineralized waste.

In 2015, drilling will continue for metallurgical sampling and resource conversion on some of the smaller oxide models. Drilling will also support geotechnical and metallurgical information gathering. Drilling is budgeted at 24,400 m for exploration, 1,425 m for metallurgical sampling, 15,405 m for infill, 3,170 m for condemnation and 7,930 m for geotechnical holes.

5.4.1.5.8 Sampling and Analysis

Industry standard exploration drill core splitting, sampling, quality control sample insertion and density measurement protocols have been followed by FMC and subsequently by FCX. Regular independent audits to review sampling activities with respect to quality assurance, quality control and sample security are completed. In addition to drill core and drill cutting sampling, open-pit grade control sampling is carried out using a trench cutting tool.

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

5.4.1.5.9 Security of Samples

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

5.4.1.5.10 Mineral Resource and Mineral Reserve Estimates

The current Mineral Resources at Tenke Fungurume have been estimated with 14 deposit models within the concessions: Kwatebala, Tenke, Fwaulu, Mwadinkomba, Kansalawile, Fungurume, Fungurume VI/VI Extension, Katuto (L3K), Shinkusu, Kazinyanga, Mambilima, Pumpi, Zikule and Mudilandima.

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

The open-pit designs were optimized for all of the 14 deposits listed above were evaluated using Minesight® software. In each case, a Lerch Grossman algorithm was used to maximize the gross value of the pit. Pits were designed with variable slope angles dependent on rock type, depth and local lithological dip based on experience gained in mining and recommendations of consultants. Input parameters to the open-pit optimizations were updated in 2014 and include revisions to the mine operating costs, cobalt recovery factors and the gangue acid consumption estimations.

Dilution is potentially a significant issue as mineralized zones are long, typically narrow (6 m to 15 m wide), faulted and folded, and contacts are relatively sharp. To address this issue, the Mineral Resource and Reserve models have block dimensions of 5 m by 2.5 m by 2.5 m. For mine planning purposes, Mineral Resource grades are reduced by 5% to account for anticipated grade dilution during operations. A MineSight ore control system based on the reserve block model and refined by trench sampling is used to control the selectivity of mining.

Details of the December 2014 Mineral Resource and Reserve estimate for Tenke Fungurume are included in Schedule A, attached to this AIF.

5.4.1.5.11 Mining Operations

Tenke Fungurume mines copper-cobalt oxide ores by open-pit mining techniques. Drill and blast is employed in the both the ore and waste rock. Conventional loaders and trucks transport the ore to the crusher or stockpiles and the waste to dumps. Larger mining equipment is currently being introduced to enable increased mining rates. In 2014, production was sourced from the Kwatebala, Fwaulu, Tenke, Fungurume and Mwandinkomba orebodies. The other orebodies are scheduled to be mined in a number of phases over time.

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

Nominal daily mill feed of oxide ore has increased from the original design of 8,000 tpd to 11,000 tpd to 14,500 tpd following several phases of plant debottlenecking and the completion of a phase 2 expansion. Planned copper production levels have increased from 115,000 tpa to 132,000 tpa to approximately 200,000 tpa.

The phase 2 expansion of Tenke Fungurume was completed in 2014 increasing annual copper production by 50% to a nameplate of 195,000 tonnes copper cathode and 15,000 tonnes cobalt hydroxide. The expansion included additional mining equipment, mill upgrades, acid plant expansion and a doubling of the existing tank house capacity. Since 2011, there have been a number of test scale campaigns on heap leach pads constructed and operated on site to evaluate the potential of commencing heap leaching of the low grade ores that are currently being mined and stockpiled so as to more fully utilize the excess electro-winning capacity.

FCX continues to engage in drilling activities, exploration analyses and metallurgical testing on mixed and sulphide ores to evaluate the full potential of the highly prospective minerals district at Tenke. These analyses are being incorporated in the evaluation of several further phases of expansion.

5.4.1.5.12 Environmental and Social Aspects

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

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

Key social investments addressed during project development include extensive community consultation and stimulation of both direct and indirect employment – during the initial phase of construction, employment peaked at more than 8,000 DRC nationals. As of December 2014, TFM employed approximately 3,500 full time personnel and 4,500 contractors. According to an economic impact assessment commissioned by TFM, both directly and indirectly TFM accounts for 5 percent of all formal employment in the DRC's private sector.

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

5.4.2 OTHER PROPERTIES

5.4.2.1 AGUABLANCA MINE

The Aguablanca Mine is a single open-pit and underground mine and is located approximately 100 km north of Seville in the Extremadura region of southern Spain. The mine lies some 30 km south of the town of Monesterio.

Mining operations use a conventional drill and blast, and truck and shovel fleet. The pit is mined with 8 m benches and the final slopes are designed with a double bench configuration. Waste rock is stacked to the immediate north of the open pit and the waste dumps form the downstream wall of the tailings impoundment. Run-of-mine ore is stockpiled, blended and then primary crushed. The crushed ore is conveyor fed to a conventional grinding and flotation circuit to produce a bulk nickel-copper concentrate. The concentrate is thickened and filtered to produce a filter cake suitable for onward transport. The concentrate is truck hauled approximately 125 km to Huelva port from where it is shipped to customer smelter facilities. Tailings from the process plant are pumped to a fully lined tailings impoundment to the north of the plant site area. Decant water from the tailings dam is returned to the process plant.

Open pit mining is planned to continue until the first quarter of 2015. A small underground mine was approved in late 2013 and development commenced in mid-2014 from the exploration decline that was already in place. First stope production from the initial sub-level cave is due to commence following cessation of the open pit. A deeper sub-level open stoping zone will also be developed and will enter into production in 2017. The anticipated underground mine life is until 2018.

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

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

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

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

5.4.2.1.1 Mineral Resource and Reserve Estimates

Mineral Resources at Aguablanca were estimated at 30 June 2014 using three dimensional geological block modelling methods and specialized software (Datamine®). The Ordinary Kriging method of interpolation was used to estimate six metal grades (Ni, Cu, Pt, Pd, Co and Au) and the Inverse Distance Squared method was used for the density estimation.

Mineral Reserves for the open pit were estimated from the June 2014 Mineral Resource block model within a re-configured open pit shell originally produced by Golder Associates (using the specialized software Whittle® Four-X) in March 2011.

Mineral Reserves for the underground mine were estimated from designed sub-level caving and sub-level open stoping mining panels beneath the open pit, with appropriate allowances made for mining dilution and recovery.

Details of the June 2014 Mineral Resource and Reserve estimate for Aguablanca, including the underground Mineral Reserves, are included in Schedule A attached to this AIF.

5.4.2.1.2 Exploration

A limited diamond drill exploration programme is planned for 2015 to explore for possible extensions to the underground mineralisation and increase the Mineral Resources and Reserves.

5.4.3 FREEPORT COBALT

During 2013, Lundin Mining acquired, through a newly formed entity with Freeport, a large scale cobalt chemical refinery located in Kokkola, Finland and the related sales and marketing business. The acquisition provided direct end-market access for the cobalt hydroxide production from the Tenke Fungurume Mine among other advantages. Lundin Mining holds an effective 24% ownership interest, with Freeport holding an effective 56% ownership interest and acting as operator and Gécamines holding a 20% interest. Initial consideration of $348 million, excluding cash acquired, was paid at closing. Under the terms of the agreement, there is the potential for additional consideration of up to $110 million payable over a period of three years from the acquisition date, contingent upon the achievement of revenue-based performance targets. Lundin Mining's share of the investment, including acquired cash, was $116 million based on a 30/70% split with Freeport and will be repaid in full prior to any distributions.

The operations were re-branded Freeport Cobalt.

The refinery located on the Baltic Sea in Finland processes unrefined cobalt and related metals and manufactures advanced inorganic products for use in a variety of applications in fast-growing end use markets. Freeport Cobalt is one of the world's largest suppliers of cobalt chemicals and powders for use in batteries, pigments and ceramics and powder metallurgy.

The Kokkola refinery has been in operation since 1968 and has an experienced management team, over 400 employees and global sales and marketing footprint that services approximately 500 customers in over 50 countries in Asia, Europe and the Americas.

5.4.4 MINE CLOSURES

The Galmoy Mine in county Kilkenny, Ireland was acquired by Lundin Mining in 2005. The final mining of high-grade zinc lead ore for treatment at an adjacent mine was completed in October 2012, and milling of this ore was completed in early 2014. The approved closure plan for the mine is being followed with the mill dismantled and sold, the mine entrances sealed and capped, and rehabilitation of the tailings management facility and the establishment of a wetland well advanced. Closure activities are expected to be fully completed in 2015 and thereafter, the site fully in the aftercare phase. The restricted cash closure fund accumulated during the mine life will continue to be drawn down as closure obligations are completed.

Lundin Mining acquired the Vueltas del Rio gold mine in Honduras, as part of the acquisition of Rio Narcea in 2007. Reclamation of the property was finalised in 2014 in accordance with the mine closure plans approved by the local authorities, and the site has now moved to an approved aftercare program.

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

ITEM 6 RISKS AND UNCERTAINTIES

The Company is subject to various risks and uncertainties, including but not limited to those listed below.

Metal Prices

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

If the market prices for metals fall below the Company's full production costs and remain at such levels for any sustained period of time, the Company may, depending on hedging practices, experience losses and may decide to discontinue mining operations or development of a project at one or more of its properties. If the prices drop significantly, the economic prospects of the mines and projects in which the Company has an interest could be significantly reduced or rendered uneconomic. Low metal prices will affect the Company's liquidity, and if they persist for an extended period of time, the Company may have to look for other sources of cash flow to maintain liquidity until metal prices recover. The Company does not currently hedge metal prices.

Foreign Exchange Risk

The Company's revenue from operations is received in US dollars while most of its operating expenses are incurred in CLP, Euro and SEK. Accordingly, foreign currency fluctuations may adversely affect the

Company's financial position and operating results. The Company does not currently engage in foreign currency hedging activities.

Credit Risk
The Company is exposed to various counterparty risks, particularly credit risk, associated with trade receivables. The Company manages this risk through evaluation and monitoring of industry and economic conditions and assessment of customers' financial reports. The Company transacts with credit-worthy customers to minimize credit risk and if necessary, employs pre-payment arrangements and the use of letters of credit, but cannot always be assured of the solvency of its customers.

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

Reclamation Funds and Mine Closure Costs
As at December 31, 2014, the Company had $48.5 million in a number of reclamation funds that will be used to fund future site reclamation and mine closure costs at the Company's various mine sites. The Company will continue to contribute to these funds as required, based on an estimate of the future site reclamation and mine closure costs as detailed in the closure plans. Changes in environmental laws, regulations and standards can create uncertainty with regards to future reclamation costs and affect the funding requirements.

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

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

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

The Company has received regulatory approval for closure at the Galmoy Mine and closure activities are nearing completion. Active mine closure will be followed by a 30 year aftercare program. From time to time the Company may need to seek regulatory approval for amendments to its mine closure plan and its environmental licenses. Mining activity at Galmoy ceased in the fourth quarter of 2012 and all remnant high grade ore was transported to an adjacent mine for treatment during 2013 and 2014.

Rehabilitation programs at the Storliden mine were substantially completed in 2012. The Company has recently carried out further work on the surface water management system and additional re-vegetation. The site remains subject to an ongoing aftercare monitoring program until 2020. The Company also has closure programs in place associated with legacy mining operations previously carried on in Honduras. The active closure phase at this former gold mine was completed in early 2014 and has moved to a three year aftercare monitoring program.

The Company also retains responsibility for a legacy processing and tailing site at Ammeberg that was a part of the historic Zinkgruvan operations which date from 1857. The area has been rehabilitated and is currently used as a golf course and marina facility. A human and environmental risk assessment was submitted to the Swedish authorities in 2013 following the identification of locally elevated zinc concentrations near the old mill site. It is anticipated that a final remediation target will be set by the local authority in the near future.

Competition
There is competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for, among other things: the acquisition of mineral claims, leases and other mineral interests; the recruitment and retention of qualified employees and other personnel and specialized equipment used in its operations.

Foreign Countries and Regulatory Requirements
The Company has operations in Chile, the US, Portugal, Sweden and Spain and exploration projects in various countries, including Chile and Peru. Accordingly these operations and projects are subject to political, economic and social uncertainties and various laws and environmental regulations. The implementation of new or the modification of existing laws and regulations affecting the mining and metals industry could have a material adverse impact on the Company.

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

The legal and regulatory requirements in foreign countries with respect to conducting mineral exploration and mining activities and banking systems and controls may differ from those in Canada. In such countries, the officers and directors of the Company will rely, to a great extent, on the Company's local legal counsel and local consultants and advisors in respect of legal, banking, financing and tax matters in order to ensure compliance with material legal, regulatory and governmental developments as they pertain to and affect the Company's operations in such countries, and to assist the Company with its governmental relations. The Company will also need to rely, to some extent, on those members of management and the Board of Directors who have previous experience working and conducting business in such countries. The failure to comply with all material legal and regulatory requirements may lead to the revocation of certain rights, penalties or fees, which may have an adverse effect on the Company.

In addition, operations may be affected in varying degrees by changes to government regulations relating to, among other things, foreign ownership or investment and take-overs, mandatory government participation, requirements to confer domestic benefits through local contract awards, local hiring practices and purchase of parts and supplies, or other changes to the mining regime in respect of mineral right applications, tenure, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. These risks may limit or disrupt the Company's operations, which may adversely affect the viability and profitability of its projects.

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

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

Business Arrangements

The Company has entered into a number of business arrangements where it does not have full control, such as Candelaria, Tenke Fungurume and Freeport Cobalt and a number of exploration projects. There may be risks associated with our partners in these arrangements which include, but are not limited to: disagreement on how to develop, operate or finance projects; differences between partners in economic or business goals; lack of compliance with agreements; insolvency of a partner; limits placed on our power to control decision-making and possible limitations in our ability to sell our interest in a particular project.

Mining and Processing

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

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

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

Price and Availability of Energy and Key Operating Supplies/Services

The Company's mining operations and facilities are intensive users of electricity and carbon-based fuels. Energy prices can be affected by numerous factors beyond the Company's control, including global and regional supply and demand, political and economic conditions and applicable regulatory regimes. The availability of energy may be negatively impacted due to a variety of reasons including, fluctuations in climate, severe weather conditions, inadequate infrastructure capacity, equipment failure or the ability to extend supply contracts on economical terms. The prices and various sources of energy the Company relies on may be negatively impacted and any such change could have an adverse effect on profitability.

Key operating supplies, such as: explosives, reagents, tires and spare parts are necessary for the ongoing operations of the mines and mills. If these supplies become unavailable or their costs increases significantly, the profitability of the Company's operations would be negatively impacted.

Concentrate treatment and transportation costs are also a significant component of costs. Transportation costs have been volatile in recent years due to a number of factors, including changes in fuel prices, changes in the global economy and a shortage of ocean vessels or rail cars available to ship concentrate. Treatment and refining costs have also been volatile in recent years. Increases in these rates or lack of available ocean vessels or rail cars may have a significant adverse impact on results of operations, cash flows and financial position.

Mine Development Risks

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

The capital expenditures and time needed to develop a new mine or expansion are considerable and the economics of and the ability to complete a project can be affected by many factors, including; inability to complete construction and related infrastructure in a timely manner; changes in the legal and regulatory environment; currency fluctuations; industrial disputes, availability of parts, machinery or operators; delays in the delivery of major process plant equipment; inability to obtain, renew or maintain the necessary permits, licenses or approvals; unforeseen natural events and political and other factors. Factors such as changes to technical specifications, failure to enter into agreements with contractors or suppliers in a timely manner, and shortage of capital may also delay the completion of construction or commencement of production or require the expenditure of additional funds. Although the Company's feasibility studies are generally completed with the Company's knowledge of the operating history of similar orebodies in the region, the actual operating results of its development projects may differ materially from those anticipated, and uncertainties related to operations are even greater in the case of development projects. Many major mining projects constructed in the last several years, or under construction currently, have experienced cost overruns that substantially exceeded the capital cost estimated during the basic engineering phase of those projects. There can be no assurance that the Company's development projects will be able to be developed successfully or economically or that they will not be subject to the other risks described in this section.

Exploration Risk

Exploration of mineral properties involves significant financial risk. Very few properties that are explored are later developed into operating mines. Whether a mineral deposit will be commercially viable depends on a number of factors, including; the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; and government regulation, including regulations relating to prices, taxes, royalties land tenure, land use, importing and exporting of minerals and environment protection. As a result, the Company cannot provide assurance that its exploration efforts will result in any new commercial mining operations or yield new mineral reserves.

Community Relations

The Company's relationships with the communities in which it operates and other stakeholders are critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Company, the Company's operations, or extractive industries generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts, in this respect, will mitigate this potential risk.

Environmental Laws and Regulations

All phases of mining and exploration operations are subject to extensive environmental regulation. These regulations mandate, among other things, the preparation of environmental assessments before commencing certain operations, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Some laws and regulations may impose strict as well as joint and several liability for environmental contamination, which could subject the Company to liability for the conduct of others or for its own actions that were in compliance with all applicable laws at the time such actions were taken. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Any future changes in environmental regulation could adversely affect the Company's ability to conduct its operations. Moreover, public interest in environmental protection has increased over the years and environmental organizations have opposed, with some degree of success, certain mining operations.

In addition, environmental conditions may exist on properties in which the Company holds, or will hold, an interest that are unknown and/or have been caused by previous or existing owners or operators of such properties, but the remediation of which may be the Company's responsibility. The Company may also acquire properties with environmental risks, and indemnification proceeds, if any, may not be adequate to pay all the fines, penalties and costs (such as clean-up and restoration costs) incurred related to such properties. Some of the Company's properties also have been used for mining and related operations for many years before they were acquired and were acquired as is or with assumed environmental liabilities from previous owners or operators. The Company has been required to address contamination at its properties in the past and may need to address contamination at its properties in the future, either for existing environmental conditions or for leaks or discharges that may arise from ongoing operations or other contingencies. Contamination from hazardous substances, either at the Company's properties or other locations for which the Company may be responsible, may subject it to liability for the investigation or remediation of contamination, as well as for claims seeking to recover for related property damage, personal injury or damage to natural resources. The occurrence of any of these adverse events could have a material adverse effect on the Company's future growth, results of operations, cash flows and financial position.

Production at certain of the Company's mines involves the use of various chemicals, including certain chemicals that are designated as hazardous substances. Should such chemicals leak or otherwise be discharged from the containment system, the Company may become subject to liability for cleanup work that may not be insured.

The failure of the Company to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed or causing the withdrawal of mining licenses, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Compensation may be required for those suffering loss or damage and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Government Approvals, Licenses and Permits

The Company's mining and exploration activities require a number of licenses, permits and approvals from various governmental authorities. With the exception of certain of Aguablanca's water licenses (see *Infrastructure*), the Company is presently complying in all material respects with all necessary licenses and permits under applicable laws and regulations to conduct our current operations. However, such licenses and permits are subject to change in various circumstances, and certain permits and approvals are required to be renewed from time to time. Additional permits or permit renewals will need to be obtained in the future. The granting, renewal and continued effectiveness of these permits and approvals are, in most cases, subject to some level of discretion by the applicable regulatory authority. Certain governmental approval and permitting processes are subject to public comment and can be appealed by project opponents, which may result in significant delays or in approvals being withheld or withdrawn. There can be no assurance that the Company will be able to obtain or maintain all necessary licenses and permits as are required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost. Any of these factors could have a material adverse effect on the Company's results of operations and financial position.

Mineral Resource and Reserve Estimates

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

Estimation of Asset Carrying Values

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

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

Funding Requirements, Indebtedness and Volatility

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

The Company has a significant amount of indebtedness. Subject to the limits contained its credit facilities and any limits under the Company's other debt instruments, the Company may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions or for other purposes. If the Company does so, the risks related to the Company's high level of indebtedness could intensify. The Company's high level of indebtedness could have important consequences to securityholders, due to the following factors affecting the Company: (i) increased difficulty in satisfying obligations with respect to indebtedness; (ii) limitations on the ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements, or requiring the Company to make non-strategic divestitures; (iii) requirements that a substantial portion of the Company's cash flows be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes; (iv) increased vulnerability to general adverse economic and industry conditions; (v) exposure to the risk of increased interest rates as borrowings under the credit facilities would be at variable rates of interest; (vi) decreased flexibility in planning for and reacting to changes in the industry in which it competes; (vii) placing the Company at a disadvantage compared to other, less leveraged competitors; and (viii) increased cost of borrowing.

In addition, the credit facilities and other agreements contain restrictive covenants that limit the Company's ability to engage in activities that may be in the Company's long-term best interest. The Company's failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all the Company's debt.

The Company's ability to make scheduled payments on or refinance its debt obligations, depends on the Company's financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond its control. The Company may be unable to generate or maintain a level of sufficient cash flows from operating activities to satisfy its debt obligations or to refinance its indebtedness on commercially reasonable terms or at all, which would have a material and adverse effect on the Company's financial condition and results of operations. The Company is a holding company and a substantial portion of its assets are the capital stock of its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which generate substantially all of the Company's revenues. Consequently, the Company's cash flow and ability to service its debt obligations are dependent upon the cash flow of its subsidiaries and the distribution of such cash flow to the Company, or upon loans, advances or other payments made by these entities to the Company. The ability of these entities to pay dividends or make loans, advances or payments to the Company will depend upon their operating results and will be subject to applicable laws and contractual restrictions contained in the instruments governing their debt. The ability of the Company's subsidiaries to generate sufficient cash flow from operations to allow the Company to make scheduled payments on its debt obligations will depend on their future financial performance, which will be affected by a range of economic, competitive and business factors as well as structural changes, many of which are outside of the Company's or their control. The Company can provide no assurance that the cash flow and earnings of its operating subsidiaries and the amount that they are able to distribute to the Company, as dividends or otherwise, will be sufficient for the Company to satisfy its debt obligations. If cash flows and capital resources are insufficient to fund debt service obligations, the Company could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance indebtedness. If the Company cannot make scheduled payments on its debt, the Company will be in default and holders of any indebtedness could declare all outstanding principal and interest to be due and payable, enabling lenders under the credit facilities to cancel their commitments to lend and causing a cross-acceleration or cross-default under certain of our other debt agreements, if any. The Company's other creditors could foreclose against the collateral securing the Company's obligations and the Company could be forced into bankruptcy or liquidation.

Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, work force health issues, contaminations, labour disputes, changes in regulatory environment, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, as well as political and social instability. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting liability. In addition, it is not always possible to obtain insurance against all such risks. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to mining companies. The Company may decide not to insure against certain risks because of high premiums compared to the benefit offered by such insurance or other reasons and does not maintain insurance against political risks.

No Assurance of Titles or Boundaries

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

Market Price of Common Shares

The Company's share price may be significantly affected by short-term changes in commodity prices or in the Company's financial condition or results of operations. Other factors unrelated to the Company's performance may also have an effect on the price of the Company's common shares. The market price of the Company's common shares, at any given point in time, may not accurately reflect its long-term value.

Litigation

The Company is subject, from time to time, to litigation and may be involved in disputes with other parties in the future, which may result in litigation. The Company cannot accurately predict the outcome of any litigation. If the Company cannot resolve these disputes favourably, the Company's activities, financial condition, results of operations, future prospects and share price may be materially adversely affected.

In particular, Eagle has been the subject of various legal proceedings, both prior to and after the Company's acquisition in July 2013 regarding permits granted or required under applicable state law, and is currently the subject of a proceeding regarding the mine and groundwater discharge permits issued by the Michigan Department of Environmental Quality. An ultimate adverse decision could lead to Eagle having to file new or amended permit applications, or/and result in a suspension of Eagle's operations.

Tax

The Company runs its business in different countries and strives to run its business in as tax efficient a manner as possible. The tax systems in certain of these countries are complicated and subject to changes. By this reason, future negative effects on the result of the Company due to changes in tax regulations cannot be excluded. Any such changes in taxation laws or reviews and assessments could result in higher taxes being payable by the Company which could adversely affect the Company's profitability. Repatriation of earnings to Canada from other countries may be subject to withholding taxes. The Company has no control over changes in tax regulations and withholding tax rates.

Employee Relations

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

Infrastructure

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

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

Acquisition and Integration

The strategic acquisition of a mining company, property or asset may change the scale of the Company's business and operation, exposing the Company to new geographic, political, operational and financial risks, many of which are inherent in our existing operations (as identified above). In addition, the Company may discover it has acquired a substantial undisclosed liability with little recourse against the seller. Such liabilities could have an adverse impact on the Company's business, financial condition, results of operations and cash flows. The Company's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, complete effective due diligence activities, negotiate acceptable terms and efficiently and effectively integrate the acquired operations into the Company.

The Company's recent acquisition of Candelaria is subject to the acquisition and integration risks, as noted above, in addition to many, if not all, of the other risk factors identified in this section.

Key Personnel

It is crucial that that the Company motivates, retains and attracts highly skilled employees, but there can be no assurance that the Company will successfully retain current key personnel or attract additional qualified personnel to manage the Company's current or future needs.

ITEM 7 DIVIDENDS AND DISTRIBUTIONS

The Company's ability to pay dividends and make other distributions is restricted in certain circumstances by covenants contained in the Credit Agreement and Indenture. The Company has not paid dividends on its common shares in the last five years. The directors of the Company will determine if and when dividends should be declared and paid in the future, based on the Company's financial position at the relevant time.

ITEM 8 DESCRIPTION OF CAPITAL STRUCTURE

As at December 31, 2014, the authorized share capital of the Company consisted of an unlimited number of common shares without nominal or par value of which 718,168,193 common shares were issued and outstanding, and one special share without nominal or par value. The special share is not issued and outstanding at this time.

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

ITEM 9 RATINGS

The following table sets out the ratings of the Company's corporate debt by the rating agencies indicated as at December 31, 2014:

Standard & Poor's	Moody's Investors Service
B1	Ba2

S&P's credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality. Ratings AAA to BBB- are considered investment grade, and BB+ to D are considered speculative grade. The ratings from AA to CCC may be modified by the addition of a plus (+) or minus (–) sign to show relative standing within the major rating categories. S&P's rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions. When an event, unexpected change or criteria change occurs that is likely to cause a ratings change in the near term, S&P places the rating on CreditWatch, which replaces the outlook on that rating. CreditWatch highlights the potential direction of a short- or long-term rating. It focuses on identifiable events and short-term trends that may cause ratings to be placed under special surveillance by S&P. These may include mergers, recapitalizations, voter referendums, regulatory action, performance deterioration of securitized assets, or anticipated operating developments.

Moody's credit ratings are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic category.

Lundin Mining understands that the ratings are based on, among other things, information furnished to the above ratings agencies by Lundin Mining and information obtained by the ratings agencies from publicly available sources. The credit ratings given to Lundin Mining's corporate debt by the rating agencies are not recommendations to buy, hold or sell debt instruments since such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant. Credit ratings are intended to provide investors with (i) an independent measure of the credit quality of an issue of securities; (ii) an indication of the likelihood of repayment for an issue of securities; and (iii) an indication of the capacity and willingness of the issuer to meet its financial obligations in accordance with the terms of those securities. Credit ratings accorded to Lundin Mining's corporate debt may not reflect the potential impact of all risks on the value of debt instruments, including risks related to market or other factors discussed in this annual information form. See also "Risk Factors".

ITEM 10 MARKET FOR SECURITIES

10.1 Exchange Listings

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

10.2 Trading Price and Volume

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

Month	High (C$)	Low (C$)	Volume
January 2014	5.11	4.63	54,160,000
February 2014	5.35	4.70	42,600,000
March 2014	5.31	4.86	30,690,000
April 2014	5.67	5.09	45,770,000
May 2014	5.99	5.44	40,950,000
June 2014	5.91	5.53	31,710,000
July 2014	6.41	6.09	57,410,000
August 2014	6.42	5.80	26,140,000
September 2014	6.02	5.50	26,700,000
October 2014	5.58	4.89	66,770,000
November 2014	5.84	5.04	42,930,000
December 2014	5.75	5.02	47,290,000

ITEM 11 DIRECTORS AND OFFICERS

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

The Board of Directors currently comprises eight directors who are elected annually and whose term of office will expire at the Company's annual shareholders' meeting scheduled to be held on or about May 8, 2015. Each director holds office until the next annual meeting of shareholders or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws of the Company. The names, provinces and countries of residence of each of the directors and executive officers of the Company as at the date of this AIF, their respective positions and offices held with the Company, their principal occupations within the preceding five years and the number of securities of the Company owned by them as at the date of this AIF is set forth in the following table:

Name, residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of securities owned (directly or indirectly) or controlled at present [(1)]
Lukas H. Lundin Vaud, Switzerland *Chairman and Director*	Chairman and Director of the Company since September 1994; chairman, president and/or director of a number of publicly traded resource-based companies. President of Namdo Management Services Ltd., a private corporation from 1995 to June 2013.	September 9, 1994	2,271,449 common shares
Paul K. Conibear British Columbia, Canada *President, Chief Executive Officer and Director*	President and Chief Executive Officer of the Company since June 30, 2011; Senior Vice President, Corporate Development of the Company from October 2009 to June 2011; Senior Vice President, Projects, of the Company from July 2007 to October 2009.	June 30, 2011	789,904 common shares
Donald K. Charter Ontario, Canada *Director*	Corporate director with experience in executive leadership positions in mining and financial services as well as mergers and acquisitions and finance. Most recently, President and Chief Executive Officer of Corsa Coal Corp. from August 2010 to July 2013 and a corporate director and consultant since January 2006.	October 31, 2006	42,424 common shares
John H. Craig Ontario, Canada *Director*	Lawyer, partner of Cassels Brock & Blackwell LLP; director of a number of publicly traded companies.	June 11, 2003	213,849 common shares
Brian D. Edgar British Columbia, Canada *Director*	Chairman of Silver Bull Resources, Inc.; director of a number of publicly traded companies.	September 9, 1994	130,000 common shares
Peter C. Jones Alberta, Canada *Director*	Corporate director and retired executive with over 40 years of experience in the global mining industry. Mr. Jones served as Interim President and CEO of IAMGOLD Corporation, President and Chief Operating Officer of Inco Ltd., and President and Chief Executive Officer of Hudson Bay Mining & Smelting Co. Mr. Jones has been a director of public companies for over 20 years.	September 20, 2013	22,070 common shares

Name, residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of securities owned (directly or indirectly) or controlled at present [(1)]
Dale C. Peniuk CPA CA British Columbia, Canada *Director*	Chartered Professional Accountant (CPA CA) and corporate director; formerly an assurance partner with KPMG LLP; director of a number of publicly traded companies.	October 31, 2006	50,000 common shares
William A. Rand British Columbia, Canada *(Lead) Director*	President and Director of Rand Investments Ltd. since July 1986; director of a number of publicly traded companies.	September 9, 1994	223,424 common shares
Susan J. Boxall United Kingdom *Vice President, Human Resources*	Vice President, Human Resources of the Company since August 2012; Group Human Resources Director with De Beers from March 2010 to July 2012; Executive Director HR with Element Six from November 1990 to March 2010.	N/A	Nil
Stephen T. Gatley United Kingdom *Vice President, Technical Services*	Vice President, Technical Services of the Company since June 2012; Director, Technical Services of the Company from January 2006 to May 2012; General Manager Galmoy Mine from June 2001 to January 2006.	N/A	35,000 common shares
Marie Inkster Ontario, Canada *Senior Vice President and Chief Financial Officer*	Senior Vice President and Chief Financial Officer of the Company since May 2009; Vice President, Finance of the Company from September 2008 to April 30, 2009.	N/A	130,200 common shares
Julie A. Lee Harrs Ontario, Canada *Senior Vice President, Corporate Development*	Senior Vice President, Corporate Development of the Company since November 2011; President and Chief Operating Officer, Energizer Resources Inc. from September 2009 to September 2011, Senior Vice President, General Counsel and Secretary, Sherritt International Corp. from May 2006 to October 2008.	N/A	125 common shares
Jinhee Magie Ontario, Canada *Vice President, Finance*	Vice President, Finance of the Company since May 2009; Director of Finance of the Company from September 2008 to April 2009; formerly, Director of Corporate Compliance, LionOre Mining International Ltd.	N/A	Nil
Paul M. McRae United Kingdom *Senior Vice President, Projects*	Senior Vice President, Projects of the Company since January 2012; Project Director, AMEC from June 2009 to December 2011; Project Director of the Company from February 2008 to May 2009; Project Director, AMEC from August 2003 to January 2008.	N/A	Nil

Name, residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of securities owned (directly or indirectly) or controlled at present [(1)]
Neil P. M. O'Brien Ontario, Canada *Senior Vice President, Exploration and Business Development*	Senior Vice President, Exploration and New Business Development of the Company since March, 2007; Vice President, Exploration of the Company from September 2005 to February 2007.	N/A	122,000 common shares
Derek Riehm Santiago, Chile *Vice President, Environment*	Vice President, Environment of the Company since January 1, 2015; Vice President, Approvals & Permitting of Barrick Gold Corporation from 2011 to 2014; Senior Director, Project Approvals of Barrick Gold from 2008 to 2010.	N/A	Nil
J. Mikael Schauman Sweden *Vice President, Marketing*	Vice President, Marketing of the Company since February 2007.	N/A	Nil

(1) The number of common shares beneficially owned, or controlled or directed, directly or indirectly.

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

The directors and officers of the Company hold, as a group, a total of 4,030,445 common shares, representing 0.56% of the number of common shares of the Company issued and outstanding as of the date of this AIF.

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

Audit Committee	Human Resources and Compensation Committee	Corporate Governance and Nominating Committee	Health, Safety, Environment and Community Committee
Dale C. Peniuk (Chair) Donald K. Charter William A. Rand	Donald K. Charter (Chair) Peter C. Jones William A. Rand	Brian D. Edgar (Chair) John H. Craig Dale C. Peniuk	Peter C. Jones (Chair) Paul K. Conibear Brian D. Edgar

11.2 Corporate Cease Trade Orders or Bankruptcies

Except as noted below, no director or executive officer of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Lundin Mining), that:

(a) was subject to an Order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) was subject to an Order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Jones was a director of Lakota between September 2008 and October 2009. In May and August 2009, cease trade orders were issued against Lakota for failure to file financial statements on July 13, 2009. The company was deleted from the TSX-V for failure to maintain listing requirements. The cease trade order was revoked in 2011.

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

Except as noted below, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including Lundin Mining) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

On November 8, 2013, Mr. Craig resigned as a director of Sirocco and on January 31, 2014, Mr. Conibear resigned as a director of Sirocco, at which time Sirocco was financially solvent. Pursuant to a plan of arrangement completed on January 31, 2014, Canadian Lithium Corp. acquired Sirocco. The final step in the plan of arrangement transaction was the amalgamation of Canadian Lithium Corp. and Sirocco to form RBI. On October 13, 2014, RBI announced that, among other things, the board of directors of RBI has approved a filing on October 14, 2014, for an Initial Order to commence proceedings under the CCAA. Please refer to the paragraph below for further information regarding RBI and the CCAA proceedings.

On October 13, 2014, RBI, a company pursuant to which Messrs. Craig and Conibear were former directors, announced that, among other things, the board of directors of RBI has approved a filing on October 14, 2014, for an Initial Order to commence proceedings under the CCAA from the Quebec Superior Court. On October 15, 2014, RBI further announced that the Quebec Superior Court has issued an Amended and Restated Initial Order in respect of RBI and certain of its subsidiaries under the CCAA. RBI is now under the protection of the Court. KPMG LLP has been appointed monitor under the Court Order. The TSX delisted RBI's common shares effective at the close of business on November 24, 2014 for failure to meet the continued listing requirements of the TSX. Since that time, RBI's common shares have been suspended from trading.

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

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

11.3 Penalties or Sanctions

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

11.4 Conflicts of Interest

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

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

ITEM 12 AUDIT COMMITTEE

12.1 Overview

The Audit Committee of the Board of Directors is principally responsible for recommending to the Board of Directors the external auditor to be nominated for election by the Company's shareholders at each annual meeting of shareholders and approving the compensation of such external auditor, overseeing the work of the external auditor, reviewing the Company's annual and interim financial statements, MD&A and press releases regarding earnings before they are reviewed and approved by the Board of Directors and publicly disseminated by the Company, and reviewing the Company's financial reporting procedures with respect to the public disclosure of financial information extracted or derived from its financial statements.

12.2 Audit Committee Mandate/Charter

The Board of Directors has adopted the Mandate which sets out the Audit Committee's purpose, procedures, organization, powers, roles and responsibilities. The complete Mandate is attached as Schedule B to this AIF.

12.3 Composition of the Audit Committee

Below are the details of each Audit Committee member, including his name, whether he is independent and financially literate as such terms are defined under NI 52-110 and his education and experience as it relates to the performance of his duties as an Audit Committee member. The qualifications and independence of each member is discussed below.

Member Name	Independent(1)	Financially Literate(2)	Education and Experience Relevant to Performance of Audit Committee Duties
Dale C. Peniuk (Chair)	Yes	Yes	Mr. Peniuk is a chartered professional accountant (CPA CA) and was formerly an audit/assurance partner of KPMG LLP and lead KPMG Vancouver, Mining industry practice. In addition to Lundin Mining, he is presently a director and audit committee chair of Argonaut Gold Inc. and Capstone Mining Corp.
Donald K. Charter	Yes	Yes	Mr. Charter has both an Honours B.A. in economics and an LLB, both from McGill University. Mr. Charter has attained financial experience and exposure to accounting and financial issues in his current role as a director of several publically traded Canadian companies, and in his previous roles as Chairman and Chief Executive Officer of Dundee Securities Corporation; Executive Vice President of Dundee Corporation and Dundee Wealth Management and Chief Executive Officer of Corsa Coal, a Candian public company.
William A. Rand	Yes	Yes	Mr. Rand is a retired corporate and securities lawyer and mining executive with a B.Comm. from McGill University (Honours in Economics and Major in Accounting), who has been a member of a number of boards and audit committees of public companies for over 30 years. Through this education and experience, Mr. Rand has experience overseeing and assessing the performance of companies and public accountants with respect to the preparation, auditing and evaluation of financial statements.

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment, or is otherwise deemed to have a material relationship pursuant to NI 52-110.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues and can reasonably be expected to be raised by the Company's financial statements.

12.4 Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board of Directors.

12.5 Pre-Approval Policies and Procedures

All audit and non-audit services performed by the external auditor are pre-approved by the Audit Committee.

12.6 External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Company by its external auditors during the financial year ended December 31, 2014 and 2013. Services billed in C$, SEK or € were translated using average exchange rates that prevailed during 2014 and 2013.

Fiscal Year Ending	Audit Fees(1)	Audit-Related Fees(2)	Tax Fees(3)	All other Fees(4)
December 31, 2014	$ 1,024,800	$ 571,274	$ 305,690	$ 29,326
December 31, 2013	$ 887,833	$ 61,773	$ 92,975	$ 16,235

(1) Audit fees represent the aggregate fees billed by the Company's auditors for audit services.
(2) Audit-related fees represent the aggregate fees billed for assurance related services by the Company's auditors that are not disclosed in the Audit Fees column, including fees in connection with the Company's equity private placement and debt offering memorandums.
(3) Tax fees represent the aggregate fees billed for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.
(4) All other fees represent the aggregate of fees billed for products and services provided by the Company's auditors other than services reported under clauses (1), (2) and (3) above.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, have prepared the Independent Auditor's Report dated February 18, 2015 in respect of the Company's consolidated financial statements as at December 31, 2014 and 2013 and for the years then ended, and February 20, 2014 in respect of consolidated financial statements as at December 31, 2013 and 2012 and for the years then ended.

ITEM 13 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

13.1 Legal Proceedings

Other than legal proceedings disclosed elsewhere in this document, the Company is not currently a party to any material legal proceedings; however, from time to time, the Company may become party to routine litigation incidental to Lundin Mining's business.

13.2 Regulatory Actions

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

ITEM 14 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the best of the Company's knowledge, none of the directors, officers or principal shareholders of the Company, and no associate or affiliate of any of them, has or has had any material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Company.

ITEM 15 TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the common shares of the Company is Computershare Investor Services Inc. at its principal offices in Toronto, Ontario.

ITEM 16 MATERIAL CONTRACTS

There were no other contracts, other than those entered into in the ordinary course of business, that were material to the Company and that were entered into between January 1, 2014 and up to the date of this AIF or that were entered into prior to January 1, 2014 and remain in effect during 2014, other than as follows:

(a) The Credit Agreement. The Credit Agreement provides for a credit facility for borrowing up to $350 million. As at December 31, 2014, the Company had no amount drawn under the Credit Agreement.

(b) The Stock Purchase Agreement. See “General Development of Business – Three Year History” above for additional details.

(c) Purchase and Sale Agreement. See “General Development of Business – Three Year History” above for additional details.

(d) The Indenture. Pursuant to the Indenture, 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. The Company may, at its option, redeem the notes due in 2020 at any time on or after November 1, 2017, or the notes due in 2022 at any time on or after November 1, 2018, in each case in whole or in part at stated redemption prices which are dependent on the applicable redemption date. In addition, the Company may, at its option, redeem up to 35% of the notes due in 2020 and/or up to 35% of the notes in 2022 prior to November 1, 2017, in each case with the net cash proceeds from certain equity offerings. The Company may, at its option, redeem the notes due in 2020 prior to November 1, 2017, or the notes in 2022 prior to November 1, 2018, in each case in whole or in part, by paying a price equal to 100% of the aggregate principal amount of notes to be redeemed, plus a specified “make-whole premium”. In addition, the Company may be required to make an offer to purchase the notes upon the sale of certain assets and upon a change of control.

ITEM 17 INTERESTS OF EXPERTS

The Qualified Persons who have supervised the preparation of the Company’s Mineral Reserve and Mineral Resource estimates during 2014 or authored portions of the technical reports disclosed in this AIF are as follows:

- Messrs. Jean-Francois Couture, P.Geo., Glen Cole, P.Geo., Gary Poxleitner, P.Eng., Adrian Dance, P.Eng., and Cam Scott, P.Eng., from SRK Consulting (Canada) Inc. and John Nilsson, P.Eng., from Nilsson Mine Services Ltd in respect of the Candelaria Mineral Resource and Mineral Reserve estimates and the Candelaria Report;
- Messrs. John Nilsson, P.Eng., Nilsson Mine Services Ltd., and Ronald G. Simpson, P.Geo, GeoSim Services Inc. in respect of the Tenke Fungurume Mineral Resource and Mineral Reserve estimate and the Tenke Report;
- Messrs. Nelson Pacheco, Chief Geologist, Neves-Corvo, and Michael Hulmes, Managing Director, Iberian Operations, Lundin Mining, in respect of the Neves-Corvo Mineral Resource and Mineral Reserve estimate;
- Mr. Graham Greenway, Group Resource Geologist, Lundin Mining, in respect of the Semblana Mineral Resource estimate.
- Dr. Lewis Meyer and Mr Mark Owen of Wardell Armstrong International Ltd., in respect of the Neves-Corvo Report;
- Messrs. Graham Greenway, Group Resource Geologist, and David Allison, Group Mining Engineer, both employees of Lundin Mining, in respect of the Zinkgruvan Mineral Resource and Mineral Reserve estimate;

- Dr. Lewis Meyer and Mr Mark Owen of Wardell Armstrong International Ltd., in respect of the Zinkgruvan Report;
- Messrs. Graham Greenway, Group Resource Geologist, and David Allison, Group Mining Engineer, both employees of Lundin Mining, in respect of the Aguablanca Mineral Resource and Mineral Reserve estimate;
- Robert Mahin, Chief Geologist, Eagle Mine and Steve Kirsch, former Mine Manager, Eagle Mine. Both were employees of Eagle Mine in respect of the Eagle Mineral Resource and Mineral Reserve estimates at the time it was reported and Mr. Mahin continues to be an employee of Eagle Mine; and
- Dr. Lewis Meyer and Mr Mark Owen of Wardell Armstrong International Ltd., in respect of the Eagle Report.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants, have advised the Company that they are independent in accordance with the rules of professional conduct of the Chartered Professional Accountants of Ontario.

No person or company named or referred to under this Item beneficially owns, directly or indirectly, 1% or more of any class of the Company's outstanding securities.

ITEM 18 ADDITIONAL INFORMATION

Additional information regarding the Company is available on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, if any, and securities authorized for issuance under equity compensation plans is contained in the Company's Management Information Circular dated March 31, 2014 prepared in connection with the annual and special meeting of shareholders held on May 9, 2014. The Management Information Circular for the 2015 shareholders' meeting to be held for the purposes of, among other things, the election of directors, will be available on SEDAR in accordance with the time prescribed by law. Additional financial information is provided in the consolidated financial statements of the Company as at December 31, 2014 and December 31, 2013 and for the years ended December 31, 2014 and 2013, together with auditors' report thereon and the notes thereto, and MD&A for the year ended December 31, 2014.

SCHEDULE A

Mineral Reserves And Resources - 2014

Mineral Reserves

	Category	000's Tonnes	Cu %	Zn %	Pb %	Au g/t	Ag g/t	Ni %	Co %	Contained Metal 000's (Ounces millions) Cu T	Zn T	Pb T	Au Oz	Ag Oz	Ni T	Co T	Lundin Interest
Copper																	
Candelaria	Proven	266,725	0.6			0.1	2.1			1,533			1.14	18			*80%*
Open Pit	Proven (Stockpile)	92,025	0.4			0.1	1.5			336			0.26	4			*80%*
	Probable	9,182	0.5			0.1	2.0			50			0.04	1			*80%*
	Total	**367,932**	**0.5**			**0.1**	**1.9**			**1,919**			**1.45**	**23**			***80%***
Underground	Proven	7,897	1.1			0.2	4.6			85			0.06	1			*80%*
	Probable	4,591	1.0			0.2	4.4			46			0.03	1			*80%*
	Total	**12,487**	**1.1**			**0.2**	**4.5**			**132**			**0.10**	**2**			***80%***
Neves-Corvo	Proven	4,907	4.2	0.9	0.2		38.8			206	45	11		6			*100%*
	Probable	20,478	2.4	0.7	0.2		36.1			501	139	39		24			*100%*
	Total	**25,385**	**2.8**	**0.7**	**0.2**		**36.6**			**707**	**183**	**50**		**30**			***100%***
Zinkgruvan	Proven	3,328	2.2	0.3			35.0			73	10			4			*100%*
	Probable	65	2.1	0.6			35.0			1	-			-			*100%*
	Total	**3,393**	**2.2**	**0.3**			**35.0**			**75**	**10**			**4**			***100%***
Tenke	Proven	46,721	3.6						0.4	1,662						199	*24%*
Fungurume	Probable (Stockpile)	38,409	1.3						0.3	483						122	*24%*
	Probable	50,990	3.0						0.3	1,536						173	*24%*
	Total	**136,120**	**2.7**						**0.4**	**3,681**						**494**	***24%***
Zinc																	
Neves-Corvo	Proven	10,371	0.4	8.5	2.1		73.1			40	884	218		24			*100%*
	Probable	10,232	0.4	6.4	1.5		66.9			39	657	155		22			*100%*
	Total	**20,603**	**0.4**	**7.5**	**1.8**		**70.0**			**79**	**1,541**	**372**		**46**			***100%***
Zinkgruvan	Proven	7,354		9.1	3.8		87.0				669	279		21			*100%*
	Probable	4,196		7.5	2.6		51.0				315	109		7			*100%*
	Total	**11,550**		**8.5**	**3.4**		**73.9**				**984**	**389**		**27**			***100%***
Nickel																	
Aguablanca	Proven	1,132	0.5					0.6		5					7		*100%*
	Proven (Stockpile)	88	0.4					0.5		0					0		*100%*
	Probable																*100%*
	Probable (U'ground))	3,196	0.5					0.6		17					20		*100%*
	Total	**4,416**	**0.5**					**0.6**		**22**					**28**		***100%***
Eagle	Proven	1,953	3.4					4.2	0.1	67					83	2	*100%*
	Probable	3,212	2.0					2.4	0.1	66					78	2	*100%*
	Total	**5,164**	**2.6**					**3.1**	**0.1**	**132**					**161**	**4**	***100%***
Note: totals may not summate correctly due to rounding									**Lundin's share**	**3,539**	**2,719**	**811**	**1.2**	**127**	**189**	**123**	

Mineral Resources - inclusive of reserves

	Category	000's Tonnes	Cu %	Zn %	Pb %	Au g/t	Ag g/t	Ni %	Co %	Contained Metal 000's (Ounces millions) Cu T	Zn T	Pb T	Au Oz	Ag Oz	Ni T	Co T	Lundin Interest
Copper																	
Candelaria	Measured	359,400	0.5			0.1	1.9			1,914			1.44	22			*80%*
Open Pit	WIP	92,025	0.4			0.1	1.5			336			0.26	4			*80%*
	Indicated	15,800	0.5			0.1	1.8			77			0.06	1			*80%*
	Inferred	7,643	0.3			0.1	1.1			25			0.02	0			*80%*
Underground	Measured	19,837	1.1			0.3	5.1			221			0.17	3			*80%*
	Indicated	13,922	1.1			0.3	5.6			151			0.12	3			*80%*
	Inferred	3,690	1.1			0.3	6.2			42			0.03	1			*80%*
Neves-Corvo	Measured	10,471	4.9	1.0	0.3		45.0			512	103	27		15			*100%*
	Indicated	45,314	2.5	1.0	0.3		45.2			1,112	458	146		66			*100%*
	Inferred	25,076	1.8	1.1	0.4		43.5			441	270	100		35			*100%*
Semblana	Inferred	7,807	2.9				25.1			223				6			*100%*
Zinkgruvan	Measured	4,495	2.3	0.3			32.0			103	13			5			*100%*
	Indicated	462	2.4	0.4			39.0			11	2			1			*100%*
	Inferred	505	2.0	0.3			34.0			10	2			1			*100%*
Tenke	Measured	170,209	2.9						0.3	4,966						548	*24%*
Fungurume	Indicated	427,936	2.4						0.3	10,298						1,088	*24%*
	Inferred	392,750	2.0						0.2	8,004						916	*24%*
Zinc																	
Neves-Corvo	Measured	24,027	0.3	7.6	1.8		66.7			70	1,816	438		52			*100%*
	Indicated	70,014	0.3	5.6	1.2		57.7			231	3,908	848		130			*100%*
	Inferred	21,369	0.3	4.6	0.9		48.9			71	981	201		34			*100%*
Zinkgruvan	Measured	8,603		10.7	4.2		95.0				921	361		26			*100%*
	Indicated	8,399		9.2	4.0		87.0				773	336		23			*100%*
	Inferred	6,109		8.3	2.7		75.0				507	165		15			*100%*
Nickel																	
Aguablanca	Measured	6,654	0.5					0.6		35					41		*100%*
	Indicated	250	0.3					0.5		1					1		*100%*
	Inferred	40	0.2					0.5		-					-		*100%*
Eagle	Measured	1,774	3.9					4.8	0.1	69					86	2	*100%*
	Indicated	2,845	2.5					3.0	0.1	71					86	2	*100%*
	Inferred	8	1.2					1.2		-					-	-	*100%*
									Lundin's share	**8,037**	**7,993**	**2,156**	**2**	**344**	**214**	**397**	

Notes on Mineral Reserves and Resources Table

Mineral Reserves and Resources are shown on a 100 percent basis for each mine. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Mineral Reserves. All estimates, with the exception of Tenke Fungurume and Candelaria, are prepared as at June 30, 2014. The Tenke Fungurume estimates are dated December 31, 2014 and Candelaria estimates are dated December 31, 2013.

Estimates for all 100% owned operations are prepared by or under the supervision of a Qualified Person. Tenke Fungurume Proven and Probable Mineral Reserves are estimated by the operator Freeport, and are prepared to SEC standards and are reviewed by Lundin Mining's independent Qualified Persons. Mineral Reserves and Resources for Candelaria were estimated by Freeport and audited by independent Qualified Persons on behalf of Lundin Mining.

Except as noted below, Mineral Reserves have been calculated using metal prices of $2.50/lb copper, $1.00/lb zinc, $1.00/lb lead, $8.50/lb nickel and exchange rates of EUR/USD 1.30 and USD/SEK 6.50.

Candelaria
Open pit Mineral Resources are reported within a conceptual pit shell based on metal prices of $2.20/lb copper and $1,000/oz gold. Open pit Mineral Resources are reported at a cutoff grade of 0.2% copper. Underground Mineral Resources are reported at a cut-off grade of 0.6% copper. Mineral Reserves have been prepared using $2.00/lb copper, $1,000/oz gold and $15.00/oz silver. Mineral Reserves for open pit, underground and stockpiles/work-in-progress for the Candelaria property are reported at cut-off grades of 0.25%, 0.81% and 0.24% copper, respectively. Underground Mineral Reserves for the Ojos property (Santos and Alcaparrosa) are reported at cut off grades of 0.84% and 0.75% copper, respectively. Mineral Reserves and Resources for Candelaria were estimated by Freeport and audited by SRK Consulting (Canada) Inc. Qualified Persons are Jean-Francois Couture, P.Geo., Glen Cole, P.Geo., Gary Poxleitner, P.Eng., Adrian Dance, P.Eng., and Cam Scott, P.Eng., from SRK Consulting (Canada) Inc. and John Nilsson, P.Eng., from Nilsson Mine Services Ltd.

Neves-Corvo
The Mineral Resources are reported above cut-off grades of 1.0% for copper and 3.0% for zinc. The copper and zinc Mineral Reserves have been calculated using variable NSR values based on area and mining method. The NSR is calculated on a recovered payable basis taking in to account copper, lead, zinc and silver grades, metallurgical recoveries, prices and realization costs.The copper Mineral Reserves are reported above a site average cut-off grade equivalent to 1.6%. For zinc Mineral Reserves an average cut-off grade equivalent to 4.8% is used. Mineral Reserves and Resources for Neves-Corvo were estimated by the mine's geology and mine engineering departments under the guidance of Nelson Pacheco, Chief Geologist and Fernando Cartaxo, Chief Mine Planning Engineer. Qualified Persons are Nelson Pacheco and Michael Hulmes, Managing Director, Iberian Operations, Lundin Mining.

Semblana
The Mineral Resources are reported above a cut-off grade of 1.0% copper. The Mineral Resource estimate was prepared by Graham Greenway, Group Resource Geologist, Lundin Mining.

Zinkgruvan
The zinc Mineral Resources and Reserves are reported above a site average cut-off grade of 3.98% zinc equivalent. The copper Mineral Resources and Reserves are reported above cut-off grades of 1.0% and 1.5% respectively. The Mineral Reserves have been calculated using variable NSR values based on area and mining method. The NSR is calculated on a recovered payable basis taking in to account copper, lead, zinc and silver grades, metallurgical recoveries, prices and realization costs. The Zinkgruvan Mineral Resource and Reserve estimates are prepared by the mine's geology and mine engineering department under the guidance of Lars Malmström, Resource Manager, employed by Zinkgruvan Mine. Qualified Persons are Graham Greenway and David Allison, Group Mining Engineer, Lundin Mining.

Aguablanca
The Mineral Resources and Reserves within the open pit are reported above a 0.18% nickel cut-off. The underground Mineral Resources are reported above a 0.35% nickel cut-off. Mineral Reserves for the underground mine were estimated from designed sub-level caving and sub-level open stoping mining

panels beneath the open pit using a 0.5% nickel cut-off, with appropriate allowances made for mining dilution and recovery. Mineral Resources and Reserves for Aguablanca were estimated by the mine's geology and mine engineering departments under the guidance of César Martinez, Chief Geologist, and Carlos Moreira, Mine Manager. Qualified Persons are Graham Greenway and David Allison.

Eagle

The Mineral Resources and Mineral Reserves are reported above a fixed NSR cut-off of $131/t. The NSR is calculated on a recovered payable basis taking in to account nickel, copper, cobalt, gold and PGM grades, metallurgical recoveries, prices and realization costs. The Qualified Persons responsible for the Eagle Mineral Resource and Reserve estimates are Robert Mahin, Chief Geologist and Steve Kirsch, former Mine Manager. Both of whom were employees of Eagle Mine in respect of the Eagle Mineral Resource and Mineral Reserve estimates at the time it was reported and Mr. Mahin continues to be an employee of Eagle Mine.

Tenke Fungurume

The Mineral Resources are an estimate of what is mineralized material in the ground based on a cut-off of 1.3% copper equivalent and a cobalt to copper factor of 4.0 without assigning economic probability. The 2014 Mineral Reserves are based on smoothed pit designs for Measured and Indicated Resources using metal prices of $2.00/lb copper and $10.00/lb cobalt which result in a cut off grade of approximately 1.31% copper equivalent. The Mineral Resources (not reported by Tenke Fungurume operator Freeport) and Reserve estimates (reported under United States SEC guidelines) for Tenke Fungurume have been prepared by Freeport staff and reviewed by independent consultants and Qualified Persons John Nilsson, P.Eng. of Nilsson Mine Services Ltd and Ron Simpson P.Geo. of GeoSim Services Inc., on behalf of Lundin Mining.

A. PURPOSE

The overall purpose of the Audit Committee (the "Committee") is to ensure that the Corporation's management has designed and implemented an effective system of internal financial controls, to review and report on the integrity of the consolidated financial statements of the Corporation and to review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts.

B. COMPOSITION, PROCEDURES AND ORGANIZATION

1. The Committee shall consist of at least three members of the Board of Directors (the "Board"), all of whom shall be "independent directors", as that term is defined in Multilateral Instrument 52-110, "Audit Committees".
2. All of the members of the Committee shall be "financially literate" (i.e. able to read and understand a set of financial statements that present a breadth and level of complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements).
3. At least one member of the Committee shall have accounting or related financial expertise (i.e. able to analyze and interpret a full set of financial statements, including the notes thereto, in accordance with generally accepted accounting principles).
4. The Board, at its organizational meeting held in conjunction with each annual general meeting of the shareholders, shall appoint the members of the Committee for the ensuing year. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
5. Unless the Board shall have appointed a chair of the Committee or in the event of the absence of the chair, the members of the Committee shall elect a chair from among their number.
6. The secretary of the Committee shall be designated from time to time from one of the members of the Committee or, failing that, shall be the Corporation's Corporate Secretary, unless otherwise determined by the Committee.
7. The quorum for meetings shall be a majority of the members of the Committee, present in person or by telephone or other telecommunication device that permits all persons participating in the meeting to speak and to hear each other.
8. The Committee shall have access to such officers and employees of the Corporation and to the Corporation's external auditors, and to such information respecting the Corporation, as it considers to be necessary or advisable in order to perform its duties and responsibilities.
9. Meetings of the Committee shall be conducted as follows:
   (a) the Committee shall meet at least four times annually at such times and at such locations as may be requested by the Chair of the Committee. The external auditors or any member of the Committee may request a meeting of the Committee;
   (b) the external auditors shall receive notice of and have the right to attend all meetings of the Committee;
   (c) the Chair of the Committee shall be responsible for developing and setting the agenda for Committee meetings and determining the time and place of such meetings;
   (d) the following management representatives shall be invited to attend all meetings, except executive sessions and private sessions with the external auditors:
      (i) Chief Executive Officer; and
      (ii) Chief Financial Officer.
   (e) other management representatives shall be invited to attend as necessary; and

(f) notice of the time and place of every meeting of the Committee shall be given in writing to each member of the Committee a reasonable time before the meeting.

10. The internal auditors and the external auditors shall have a direct line of communication to the Committee through its chair and may bypass management if deemed necessary. The Committee, through its Chair, may contact directly any employee in the Corporation as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper financial practices or transactions.

11. The Committee shall have authority to engage independent counsel and other advisors as it determines necessary to carry out its duties, to set and pay the compensation for any advisors employed by the Audit Committee and to communicate directly with the internal and external auditors.

C. ROLES AND RESPONSIBILITIES

1. The overall duties and responsibilities of the Committee shall be as follows:

   (a) to assist the Board in the discharge of its responsibilities relating to the Corporation's accounting principles, reporting practices and internal controls and its approval of the Corporation's annual and quarterly consolidated financial statements;

   (b) to establish and maintain a direct line of communication with the Corporation's internal and external auditors and assess their performance;

   (c) to ensure that the management of the Corporation has designed, implemented and is maintaining an effective system of internal financial controls; and

   (d) to report regularly to the Board on the fulfilment of its duties and responsibilities.

2. The duties and responsibilities of the Committee as they relate to the external auditors shall be as follows:

   (a) to recommend to the Board a firm of external auditors to be engaged by the Corporation, and to verify the independence of such external auditors;

   (b) to review and approve the fee, scope and timing of the audit and other related services rendered by the external auditors;

   (c) review the audit plan of the external auditors prior to the commencement of the audit;

   (d) to review with the external auditors, upon completion of their audit:

      (i) contents of their report;
      (ii) scope and quality of the audit work performed;
      (iii) adequacy of the Corporation's financial and auditing personnel;
      (iv) co-operation received from the Corporation's personnel during the audit;
      (v) internal resources used;
      (vi) significant transactions outside of the normal business of the Corporation;
      (vii) significant proposed adjustments and recommendations for improving internal accounting controls, accounting principles or management systems; and
      (viii) the non-audit services provided by the external auditors;

   (e) to discuss with the external auditors the quality and not just the acceptability of the Corporation's accounting principles; and

   (f) to implement structures and procedures to ensure that the Committee meets the external auditors on a regular basis in the absence of management.

3. The duties and responsibilities of the Committee as they relate to the Corporation's internal auditors are to:

   (a) periodically review the internal audit function with respect to the organization, staffing and effectiveness of the internal audit department;

(b) review and approve the internal audit plan; and

(c) review significant internal audit findings and recommendations, and management's response thereto.

4. The duties and responsibilities of the Committee as they relate to the internal control procedures of the Corporation are to:

(a) review the appropriateness and effectiveness of the Corporation's policies and business practices which impact on the financial integrity of the Corporation, including those relating to internal auditing, insurance, accounting, information services and systems and financial controls, management reporting and risk management;

(b) review compliance under the Corporation's Business Conduct Policy and to periodically review this policy and recommend to the Board changes which the Committee may deem appropriate;

(c) review any unresolved issues between management and the external auditors that could affect the financial reporting or internal controls of the Corporation; and

(d) periodically review the Corporation's financial and auditing procedures and the extent to which recommendations made by the internal audit staff or by the external auditors have been implemented.

5. The Committee is also charged with the responsibility to:

(a) review the Corporation's quarterly statements of earnings, including the impact of unusual items and changes in accounting principles and estimates and report to the Board with respect thereto;

(b) review and recommend to the Board for approval of the financial sections of:

(i) the annual report to shareholders;
(ii) the annual information form;
(iii) prospectuses; and
(iv) other public reports requiring approval by the Board,

and report to the Board with respect thereto;

(c) review regulatory filings and decisions as they relate to the Corporation's consolidated financial statements;

(d) review the appropriateness of the policies and procedures used in the preparation of the Corporation's consolidated financial statements and other required disclosure documents, and consider recommendations for any material change to such policies;

(e) review and report on the integrity of the Corporation's consolidated financial statements;

(f) review the minutes of any audit committee meeting of subsidiary companies;

(g) review with management, the external auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments that could have a material effect upon the financial position or operating results of the Corporation and the manner in which such matters have been disclosed in the consolidated financial statements;

(h) review the Corporation's compliance with regulatory and statutory requirements as they relate to financial statements, tax matters and disclosure of material facts;

(i) develop a calendar of activities to be undertaken by the Committee for each ensuing year and to submit the calendar in the appropriate format to the Board of Directors following each annual general meeting of shareholders; and

(j) establish procedures for:

(i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and

(ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

lundin mining

2015

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND MANAGEMENT INFORMATION CIRCULAR WITH RESPECT TO THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 8, 2015 FOR LUNDIN MINING CORPORATION

April 2, 2015

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that an annual meeting of the shareholders of **LUNDIN MINING CORPORATION** ("Corporation") will be held at the St. Andrew's Club & Conference Centre, 150 King Street West, 27th Floor (King Street/University Avenue) Toronto, Ontario, on Friday, May 8, 2015 at 10:00 a.m. Toronto time ("Meeting"), for the following purposes:

1. To receive the audited consolidated financial statements of the Corporation for the year ended December 31, 2014 and the report of the auditors thereon;

2. To elect the directors for the ensuing year; **(Resolution 1)**

3. To appoint PricewaterhouseCoopers LLP, Chartered Professional Accountants, as auditors of the Corporation for the ensuing year, and to authorize the directors to fix the remuneration to be paid to the auditors; **(Resolution 2)**

4. To transact such further and other business as may properly be brought before the Meeting or any adjournment or postponement thereof.

This Notice is accompanied by a management information circular (the "Circular") and form of proxy. The nature of the business to be transacted at the Meeting is described in further detail in the Circular.

All shareholders are entitled to attend and vote at the Meeting in person or by proxy. Registered shareholders who are unable to attend the Meeting are requested to complete, date, sign and deliver the enclosed form of proxy to Computershare Investor Services Inc. ("Computershare"), 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1, Attention: Proxy Department. If a shareholder does not deliver a proxy to Computershare by 10:00 a.m. (Toronto, Ontario, time) on Wednesday, May 6, 2015 (or not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, before any adjournments or postponements of the Meeting at which the proxy is to be used), then the shareholder will not be entitled to vote at the Meeting by proxy. The above time limit for deposit of proxies may be waived or extended by the Chairman of the Meeting at his or her discretion without notice.

As provided in the *Canada Business Corporations Act*, the directors have fixed a record date of April 2, 2015. Accordingly, shareholders registered on the books of the Corporation at the close of business on April 2, 2015 are entitled to receive Notice of the Meeting and to vote at the Meeting or any adjournment or postponement thereof.

If you are a non-registered shareholder and receive these materials through your broker or other intermediary, please complete and return the voting instruction form or other authorization in accordance with the instructions provided to you by your broker or intermediary.

Dated at Toronto, Ontario this 2nd day of April, 2015.

BY ORDER OF THE BOARD OF DIRECTORS

Paul K. Conibear

Paul K. Conibear,
President, Chief Executive Officer and Director

GENERAL VOTING INFORMATION

SOLICITATION OF PROXIES

This Management Information Circular ("Circular") is furnished in connection with the solicitation of proxies being undertaken by the management of Lundin Mining Corporation ("Corporation" or "Lundin Mining") for use at the annual meeting of the Corporation's shareholders to be held on Friday, May 8, 2015 ("Meeting") at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting of Shareholders ("Notice") or at any adjournment or postponement thereof. Management's solicitation of proxies will primarily be by mail and may be supplemented by telephone or other means of communication to be made, without compensation other than their regular fees or salaries, by directors, officers and employees of the Corporation. The cost of solicitation by management will be borne by the Corporation.

It is anticipated that this Circular, together with the accompanying Notice and form of proxy will be mailed to shareholders of the Corporation on or about April 14, 2015.

Unless otherwise stated, the information contained in this Circular is as of April 2, 2015.

CURRENCY

The Corporation's reporting currency is United States Dollars (reference herein of US$ or $ is to United States Dollars, reference of C$ is to Canadian Dollars and reference of £ is to British Pounds Sterling). The Corporation has used the average exchange rate for each year for all currency conversions throughout this Circular, unless indicated otherwise. (2014: US$0.9055:C$1.00 and US$1.6476:£1.00); (2013: US$0.971:C$1.00 and US$1.5646:£1.00); and (2012: US$1.0008:C$1.00 and US$1.5853:£1.00).

VOTING OF PROXIES

Common shares of the Corporation ("Common Shares") represented by properly executed proxies in the accompanying form will be voted or withheld from voting on each respective matter in accordance with the instructions of the Registered Shareholder on any ballot that may be called for and, if the shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the shares represented by such proxy will be voted accordingly. If no choice is specified, the person designated in the accompanying form of proxy will vote FOR all matters proposed by management at the Meeting.

APPOINTMENT OF PROXYHOLDER

The persons named as proxyholders in the enclosed form of proxy are directors and/or officers of the Corporation ("Management Proxyholders"). A registered shareholder ("Registered Shareholder") has the right to appoint a person or company other than one of the Management Proxyholders to represent the Registered Shareholder at the Meeting by striking out the printed names and inserting that other person's or company's name in the blank space provided. A proxyholder need not be a shareholder. If a shareholder appoints one of the Management Proxyholders as a nominee and there is no direction by the Registered Shareholder, the Management Proxyholder shall vote the proxy **FOR** the election of the directors, and **FOR** the appointment of the auditors.

The instrument appointing a proxyholder must be signed in writing by the Registered Shareholder, or such Registered Shareholder's attorney authorized in writing. If the Registered Shareholder is a corporation, the instrument appointing a proxyholder must be in writing signed by an officer or attorney of the corporation duly authorized by resolution of the directors of such corporation, which resolution must accompany such instrument. An instrument of proxy will only be valid if it is duly completed, signed, dated and received at the office of the Corporation's registrar and transfer agent, Computershare Investor Services Inc. ("Computershare"), Attention: Proxy Department, 100 University Avenue, 8th Floor, Toronto, Ontario, M5J 2Y1 by 10:00 a.m. (Toronto, Ontario time) on Wednesday, May 6, 2015 (or not less than 48 hours, excluding Saturdays, Sundays and holidays before any adjournments or postponements of the Meeting at which the proxy is to be used). The above time limit for deposit of proxies may be waived or extended by the Chairman of the Meeting at his or her discretion without notice.

If you have any questions about the procedures to be followed to vote at the Meeting or about obtaining, completing and depositing the required form of proxy, you should contact Computershare by telephone (toll free) at 1-800-564-6253 or by e-mail at service@computershare.com.

REVOCATION OF PROXY

A Registered Shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing (including a proxy bearing a later date, provided that if such proxy is delivered following the proxy cut-off time, while it will revoke a previous proxy it may not be a valid proxy, at the discretion of the Chairman of the Meeting), executed by the Registered Shareholder or by his attorney authorized in writing or, if the Registered Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The instrument revoking the proxy must be deposited at the registered office of the Corporation, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment or postponement thereof, or with the Secretary of the Corporation or the Chairman of the Meeting prior to the time of voting at the Meeting. Only Registered Shareholders have the right to revoke a proxy. Beneficial Shareholders who wish to change their vote must arrange for their respective intermediaries to revoke the proxy on their behalf.

EXERCISE OF DISCRETION

The enclosed proxy, when properly completed and delivered and not revoked, gives discretionary authority to the persons named therein with respect to any amendments or variations of matters identified in the Notice and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the person designated in the accompanying form of proxy to vote in accordance with his or her best judgment on such matters. As of the date of this Circular, management of the Corporation knows of no such amendment, variation or other matter to come before the Meeting.

VOTING BY BENEFICIAL (NON-REGISTERED) SHAREHOLDERS

The information in this section is important to many shareholders as a substantial number of shareholders do not hold their shares in their own name. This Circular and related Meeting materials are being sent to both registered and non-registered owners of the securities. If you are a "non-registered beneficial owner" and Lundin Mining or its agent has sent these materials directly to you it has done so as permitted under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*. The Corporation has used a non-objecting beneficial owner list to send the Meeting materials directly to the non-objecting beneficial owners whose names appear on that list. By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Shareholders who hold Common Shares through their brokers, intermediaries, trustees, or other nominees (such shareholders being collectively called "Beneficial Shareholders") should note that only proxies deposited by shareholders whose names appear on the share register of the Corporation may be recognized and acted upon at the Meeting. If Common Shares are shown on an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases the name of such Beneficial Shareholder will not appear on the share register of the Corporation. Such shares will most likely be registered in the name of the broker or an agent of the broker. In Canada, the vast majority of such shares will be registered in the name of "CDS & Co.", the registration name of The Canadian Depository for Securities Limited, which acts as a nominee for many brokerage firms. Such shares can only be voted by brokers, agents, or nominees and can only be voted by them in accordance with instructions received from Beneficial Shareholders. As a result, Beneficial Shareholders should carefully review the voting and instructions provided by their broker, agent or nominee with this Circular and ensure that they direct the voting of their shares in accordance with those instructions.

Applicable regulatory policies require brokers and intermediaries to seek voting instructions from Beneficial Shareholders in advance of a shareholders' meeting. Each broker or intermediary has its own mailing procedures and provides its own return instructions to clients. The purpose of the form of proxy or voting instruction form provided to a Beneficial Shareholder by such shareholder's broker, agent or nominee is limited to instructing the registered holder on how to vote such shares on behalf of the Beneficial Shareholder. Most brokers in Canada now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (formerly ADP Independent Investor Communication Corporation) ("Broadridge"). Broadridge typically prepares voting instruction forms, mails those forms to Beneficial Shareholders and asks those Beneficial Shareholders to return the forms to Broadridge or follow specific telephone or other voting procedures. Broadridge then tabulates the results of all instructions received by it and provides appropriate instructions respecting the voting of such shares at the Meeting. A Beneficial Shareholder receiving a voting instruction form from Broadridge cannot use that form to vote their shares at the Meeting. Instead, the voting instruction form must be returned to Broadridge or the alternate voting procedures must be completed well in advance of the Meeting in order to ensure that such shares are voted.

Beneficial Shareholders should follow the instruction on the forms that they receive and contact their intermediaries promptly if they need assistance.

RECORD DATE

Shareholders registered as at April 2, 2015 (the "Record Date") are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the proxy to attend and vote, deliver their proxies at the place and within the time set forth in the notes to the proxy.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Except as otherwise set out herein, no director or executive officer of the Corporation, or any person who has held such a position since the beginning of the last completed financial year end of the Corporation, nor any nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation is authorized to issue an unlimited number of Common Shares and one special share, of which 718,388,673 Common Shares are issued and outstanding as of the Record Date. Each Common Share is entitled to one vote on all matters to be acted upon at the Meeting.

The following table sets forth those persons who, to the knowledge of the directors and executive officers of the Corporation, beneficially own, control or direct, directly or indirectly, Common Shares carrying more than 10% of the voting rights attached to all Common Shares:

Name of Shareholder	Number of Common Shares	Percentage of Common Shares
Lorito Holdings S.à.r.l. ("Lorito")(1) Luxembourg	37,557,844	Approximately 5.2%
Zebra Holdings and Investments S.à.r.l. ("Zebra")(1) Luxembourg	54,964,854	Approximately 7.7%

(1) Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settlor was the late Adolf H. Lundin.

BUSINESS OF THE MEETING

FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation for the year ended December 31, 2014 including the report of the auditors will be tabled at this Meeting and will be received by the shareholders. These audited consolidated financial statements of the Corporation for the year ended December 31, 2014 and the report of the auditors thereon and the related management's discussion and analysis have been provided to shareholders who have validly requested such statements separately and are available on SEDAR at www.sedar.com.

ELECTION OF DIRECTORS AND INFORMATION REGARDING PROPOSED DIRECTORS

The directors of the Corporation for the ensuing year will be elected at this Meeting.

Directors are elected annually. The board of directors of the Corporation (the "Board") has accepted a recommendation of the Corporate Governance and Nominating Committee (the "CGNC") of the Corporation and has determined that the size of the Board should be eight directors. The number of directors to be elected is eight. Seven of the eight nominees are presently members of the Board and the dates on which they were first elected or appointed are indicated below. Brian D. Edgar has decided not to stand for re-election at the Meeting.

Unless authority to vote is withheld, the shares represented by the proxies hereby solicited will be voted by the persons named therein **FOR** the election of each of the eight nominees as directors. Management does not contemplate that any nominee will be unable or unwilling to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote **FOR** another nominee in their discretion, unless the shareholder has specified in the accompanying form of proxy that such shareholder's shares are to be withheld from voting on the election of directors.

On February 21, 2013, the Board adopted a majority voting policy (the "Majority Voting Policy") in order to promote enhanced director accountability. The Majority Voting Policy provides that each director should be elected by the vote of a majority of the Common Shares, represented in person or by proxy, at any meeting for the election of directors. The Chairman of the Board will ensure that the number of Common Shares voted "for" or "withheld" for each director nominee is recorded and promptly made public after the meeting. If any nominee for election as director receives, from the Common Shares voted at the meeting in person or by proxy, a greater number of votes "withheld" than votes "for" his or her election, the director will promptly tender his or her resignation to the Chairman of the Board following the meeting, to take effect upon acceptance by the Board. The CGNC will expeditiously consider the director's offer to resign and make a recommendation to the Board whether to accept that offer. Within 90 days of the meeting of shareholders, the Board will make a final decision concerning the acceptance of the director's resignation and announce that decision by way of a news release. Any director who tenders his or her resignation will not participate in the deliberations of the Board or any of its committees pertaining to the resignation.

If any director fails to tender his or her resignation as contemplated in the policy, the Board will not re-nominate that director in the future. Subject to any corporate law restrictions, where the Board accepts the offer of resignation of a director and that director resigns, the Board may exercise its discretion with respect to the resulting vacancy and may, without limitation, leave the resultant vacancy unfilled until the next annual meeting of shareholders, fill the vacancy through the appointment of a new director whom the Board considers to merit the confidence of the shareholders, or call a special meeting of shareholders to elect a new nominee to fill the vacant position. The policy does not apply to a contested election of directors, that is, where the number of nominees exceeds the number of directors to be elected.

Share Ownership Policy

On July 27, 2010, the Board approved implementing a share ownership policy for the directors of the Corporation. All directors are required to own at a minimum two times their annual retainer fee in Common Shares of the Corporation, based on the greater of cost and market value. The directors are required to attain this level within five years of implementation of the policy or within five years after becoming a director.

Nominated Director Profiles

This section profiles each of the nominated directors, including principal occupation and experience, participation on the Corporation's Board and Board committees and shareholdings in Lundin Mining. The Corporation has been advised that each of the nominated directors is willing to serve on the Board for the ensuing year.

The nominated directors have confirmed this information as of the Record Date.

LUKAS H. LUNDIN Vaud, Switzerland Chairman Age: 57 Director since: September 9, 1994	Chairman and a director of the Corporation since September 1994; chairman, president and/or director of a number of publicly traded resource-based companies. President of Namdo Management Services Ltd., a private corporation, from 1995 to June 2013.	
	Lundin Mining Board and Board committees	**Lundin Mining Securities held**
	Board	**Common Shares(1)** 2,271,449
PAUL K. CONIBEAR British Columbia, Canada President & Chief Executive Officer Age: 57 Director since: June 30, 2011	President and Chief Executive Officer of the Corporation since June 30, 2011; Senior Vice President, Corporate Development of the Corporation from October 2009 to June 2011; Senior Vice President, Projects, of the Corporation from July 2007 to October 2009.	
	Lundin Mining Board and Board committees	**Lundin Mining Securities held**
	Board Health, Safety, Environment and Community Committee	**Common Shares(1)** 789,904
DONALD K. CHARTER Ontario, Canada Director Age: 58 Director since: October 31, 2006	Corporate director with experience in executive leadership positions in mining and financial services as well as mergers and acquisitions and finance. Most recently, President and Chief Executive Officer of Corsa Coal Corp. from August 2010 to July 2013 and a corporate director and consultant since January 2006.	
	Lundin Mining Board and Board committees	**Lundin Mining Securities held**
	Board Audit Committee Human Resources/Compensation Committee (Chair)	**Common Shares(1)** 42,424
JOHN H. CRAIG Ontario, Canada Director Age: 67 Director since: June 11, 2003	Lawyer, partner of Cassels Brock & Blackwell LLP; director of a number of publicly traded companies.	
	Lundin Mining Board and Board committees	**Lundin Mining Securities held**
	Board Corporate Governance and Nominating Committee	**Common Shares(1)** 213,849
PETER C. JONES Alberta, Canada Director Age: 67 Director since: September 20, 2013	Corporate director and retired executive with over 40 years of experience in the global mining industry. Mr. Jones served as Interim President and CEO of IAMGOLD Corporation, President and Chief Operating Officer of Inco Ltd., and President and Chief Executive Officer of Hudson Bay Mining & Smelting Co. Mr. Jones has been a director of public companies for over 20 years.	
	Lundin Mining Board and Board committees	**Lundin Mining Securities held**
	Board Health, Safety, Environment and Community Committee (Chair) Human Resources/Compensation Committee	**Common Shares(1)** 22,070
DALE C. PENIUK British Columbia, Canada Director Age: 55 Director since: October 31, 2006	Chartered Professional Accountant (CPA, CA) and corporate director; formerly an assurance partner with KPMG LLP; director of a number of publicly traded companies.	
	Lundin Mining Board and Board committees	**Lundin Mining Securities held**
	Board Audit Committee (Chair) Corporate Governance and Nominating Committee	**Common Shares(1)** 50,000
WILLIAM A. RAND British Columbia, Canada Lead Director Age: 72 Director since: September 9, 1994	President and director of Rand Investments Ltd. since July 1986; director of a number of publicly traded companies.	
	Lundin Mining Board and Board committees	**Lundin Mining Securities held**
	Board Audit Committee Human Resources/Compensation Committee	**Common Shares(1)** 223,424

CATHERINE J. G. STEFAN Ontario, Canada	President of Stefan & Associates, a consulting firm, which Ms. Stefan formed in 1990. Ms. Stefan served as Chief Operating Officer of O&Y Properties Inc. from 1996 to 1998. From 1999 until 2008, Ms. Stefan was Managing Partner of Tivona Capital Corporation, a private investment firm. Ms. Stefan obtained her Bachelor of Commerce degree from the University of Toronto in 1973. Ms. Stefan is a Chartered Accountant, Chartered Professional Accountant and a member of the Institute of Corporate Directors, with 30 years of business experience, primarily in senior management of public companies in the real estate sector. Mining related experience includes that gained in her position as a Board member of Denison Mines Corp. ("DMC") where she has served as a Director since 2006. From 2004 to 2006, Ms. Stefan was a Board member of DMC's predecessor, Denison Mines Inc.	
Age: 62	**Lundin Mining Board and Board committees**	**Lundin Mining Securities held**
Nominee		**Common Shares(1)**
	Board nominee	Nil

(1) The number of Common Shares beneficially owned, or controlled or directed, directly or indirectly.

Advance Notice

On February 21, 2013, the Board approved certain amendments to the Corporation's By-Law No. 1 to add an advance notice requirement for nominations of directors by shareholders in certain circumstances, which was approved by the shareholders of the Corporation on May 10, 2013.

As at the date of this Circular, the Corporation has not received notice of any director nominations in connection with the Meeting.

CORPORATE CEASE TRADE ORDERS OR BANKRUPTCIES

Except as noted below, no proposed director is, as of the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:

(a) was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, "order") that was issued while the proposed director was acting in the capacity as a director, chief executive officer or chief financial officer; or

(b) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Mr. Jones was a director of Lakota Resources Inc. ("Lakota") between September 2008 and October 2009. In May and August 2009, cease trade orders were issued against Lakota for failure to file financial statements on July 13, 2009. The company was delisted from the TSX-V for failure to maintain listing requirements. The cease trade order was revoked in 2011.

Mr. Rand was a director of New West Energy Services Inc. when, on September 5, 2006, a cease trade order was issued against that company by the British Columbia Securities Commission for failure to file its financial statements within the prescribed time. The default was rectified and the order was rescinded on November 9, 2006.

Except as noted below, no proposed director is, as of the date hereof, or has been, within 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

On November 8, 2013, Mr. Craig resigned as a director of Sirocco Mining Inc. ("Sirocco") and on January 31, 2014, Mr. Conibear resigned as a director of Sirocco, at which time Sirocco was financially solvent. Pursuant to a plan of arrangement completed on January 31, 2014, Canadian Lithium Corp. acquired Sirocco. The final step in the plan of arrangement transaction was the amalgamation of Canadian Lithium Corp. and Sirocco to form RB Energy Inc. ("RBI"). On October 13, 2014, RBI announced that, among other things, the Board of Directors of RBI had approved a filing on October 14, 2014, for an Initial Order to commence proceedings under the Companies' Creditors Arrangement Act (the "CCAA"). Please refer to the paragraph below for further information regarding RBI and the CCAA proceedings.

On October 13, 2014, RBI, a company pursuant to which Messrs. Craig and Conibear were former directors, announced that, among other things, the Board of Directors of RBI had approved a filing on October 14, 2014, for an Initial Order to commence proceedings under the CCAA from the Quebec Superior Court. On October 15, 2014, RBI further announced that the Quebec Superior Court had issued an Amended and Restated Initial Order in respect of RBI and certain of its subsidiaries under the CCAA. RBI is now under the protection of the Court. KPMG LLP has been appointed monitor under the Court Order. The TSX delisted RBI's common shares effective at the close of business on November 24, 2014 for failure to meet the continued listing requirements of the TSX. Since that time, RBI's common shares have been suspended from trading.

INDIVIDUAL BANKRUPTCIES

No proposed director of the Corporation has, within the 10 years prior to the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

PENALTIES OR SANCTIONS

No proposed director of the Corporation has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for the proposed director.

APPOINTMENT AND REMUNERATION OF AUDITORS

The auditors for the Corporation will be appointed at this Meeting. The directors of the Corporation recommend the re-appointment of PricewaterhouseCoopers LLP ("PwC"), Chartered Professional Accountants, located in Toronto, Ontario, as auditors of the Corporation to hold office until the termination of the next annual meeting of the shareholders of the Corporation. PwC was first appointed as the auditors of the Corporation on October 19, 2006. It is also proposed that the remuneration to be paid to the auditors be determined by the directors of the Corporation.

The disclosure required by Form 52-110F1 of National Instrument 52-110 *Audit Committees*, including the text of the Audit Committee's charter and the fees paid to the Corporation's external auditors, can be found in the "Audit Committee" section of the Corporation's Annual Information Form dated March 31, 2015 as filed on SEDAR at www.sedar.com.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This section describes the Corporation's approach to executive compensation by outlining the processes and decisions supporting the determination of the amounts which the Corporation paid to its Chief Executive Officer, Chief Financial Officer and its three other most highly compensated executives during the financial year ended December 31, 2014 (the "NEOs"). While this discussion relates to the NEOs, the other executives of the Corporation participate in the same plans and are subject to a similar process. The NEOs for the 2014 financial year were:

Name	Title
Paul Conibear	President and Chief Executive Officer ("CEO")
Marie Inkster	Senior Vice President and Chief Financial Officer ("CFO")
Paul McRae	Senior Vice President, Projects ("SVP, Projects")
Julie Lee Harrs	Senior Vice President, Corporate Development ("SVP, Corporate Development")
Stephen Gatley	Vice President, Technical Services ("VP, Technical Services")

COMPENSATION GOVERNANCE

Role of the Human Resources/Compensation Committee (the "HRCC")

The HRCC assists the Board in monitoring the Corporation's guidelines and practices with respect to compensation and benefits, as well as monitoring the administration of the Corporation's equity-based compensation plans. The HRCC's responsibilities include, but are not limited to:

- recommending to the Board human resources and compensation policies and guidelines for application to the Corporation;
- ensuring that the Corporation has in place programs to attract and develop management of the highest calibre and a process to provide for appropriate succession planning;
- reviewing and approving corporate goals and objectives relevant to the compensation of the CEO and, in light of those goals and objectives, recommending to the Board the annual salary, bonus, equity awards and other benefits, direct and indirect, of the CEO, and to approve all compensation for all other executive officers of the Corporation, after considering the recommendations of the CEO, all within the human resources and compensation policies and guidelines approved by the Board; and
- implementing and administering human resources and executive compensation policies approved by the Board.

Composition of the HRCC

The Board has determined that the HRCC shall comprise at least three directors, each of whom must be independent as defined in National Instrument 58-101 - *Disclosure of Corporate Governance Practices* and who are knowledgeable about issues related to human resources, talent management, compensation, governance and risk management.

The current members of the HRCC are Messrs. Charter (Chair), Jones and Rand, all of whom are independent and have the skills and experience required by the Board and the HRCC mandate to carry out the responsibilities of the HRCC.

Below is a summary of the skills and experience of the HRCC members:

Mr. Charter is a corporate director with career experience in executive leadership positions in mining and financial services as well as mergers and acquisitions and finance. Mr. Charter's business experiences which are relevant to the HRCC includes that he was the President and Chief Executive Officer of a publicly traded producing coal mining company; he was Chief Executive Officer of a large financial services company; and he is a member or former member of the compensation committees of several Canadian publicly traded companies including IAMGOLD Corporation and Adriana Resources. As such, Mr. Charter has been directly involved with compensation matters. As a member of these committees and his executive positions, Mr. Charter has developed the requisite experience in reviewing and approving compensation programs, policies and guidelines in the mining industry for the Chief Executive Officer level, other executive officers and senior management, to ensure that such compensation programs are relevant to the goals of the Corporation.

Mr. Jones is a corporate director and retired executive with over 40 years of experience in the global mining industry. Mr. Jones' business experiences which are relevant to the HRCC include serving as Interim President and CEO of IAMGOLD Corporation, President and Chief Operating Officer of Inco Ltd., and President and Chief Executive Officer of Hudson Bay Mining & Smelting Co. Mr. Jones has been a director of public companies for over 20 years. Mr. Jones is the former chairman of the compensation committee of Century Aluminum Co. and IAMGOLD Corporation and a former member of the compensation committee of Concordia Resources and Red Crescent Resources. As such, Mr. Jones has been directly involved with compensation matters. As a member of these committees and his executive positions, Mr. Jones has developed the requisite experience in reviewing and approving compensation programs, policies and guidelines in the mining industry for the Chief Executive Officer level, other executive officers and senior management, to ensure that such compensation programs are relevant to the goals of the Corporation.

Mr. Rand has been a member for many years of the compensation committees of several Canadian and Swedish publicly traded companies including Denison Mines Corp., Lundin Petroleum AB and NGEx Resources Inc. As a member of these committees, Mr. Rand has the requisite experience in reviewing and approving compensation programs, policies and guidelines in the mining industry for the Chief Executive Officer level, other executive officers and senior management, to ensure that such compensation programs are relevant to the goals of the Corporation. He has read extensively on the subject of executive compensation and worked with human resource specialists to develop such programs, policies and guidelines.

Objectives of Compensation Program

The fundamental objective of the Corporation is the long-term creation and protection of shareholder value. The Corporation's approach is to encourage management to make decisions and take actions that will create long-term sustainable growth and long-term shareholder value.

The Corporation's executive compensation program is based on the following objectives:

- compensation must be guided by a pay for performance philosophy;
- compensation must be market-competitive to attract and retain the leadership talent required to drive business results;
- compensation must incorporate an appropriate balance of short and long-term rewards;
- compensation must foster an environment of accountability, teamwork, and cross-functional collaboration;
- compensation must be linked to specific corporate, operational, functional and personal performance objectives of the Corporation while not encouraging excessive or inappropriate risk taking in order to maximize shareholder return; promote sustainable growth and constantly improve the performance of the Corporation's operations; and
- compensation must motivate high performers to achieve exceptional levels of performance through rewards.

Critical criteria for the Corporation in all compensation mechanisms:

- Simple to understand and communicate
- Linked to measurable benchmarks
- Motivating

Peer Groups

2014 Peer Groups

The composition of the Corporation's 2014 peer group for benchmarking total direct executive compensation is listed below. Peers were selected on the basis of being a mining company trading on the TSX with which the Corporation believes it competes for talent. The peers selected reflect that while the Corporation competes with other base metal companies for shareholders, capital and mineral properties, the Corporation also competes with the broader mining industry for qualified and experienced executives.

2014 Peer Group for Total Direct Compensation	
New Gold Inc.	HudBay Minerals Inc.
B2Gold Corp.	Pan American Silver Corp.
Alamos Gold Inc.	Cliffs Natural Resources Inc.
Aurico Gold Inc.	IAMGold Corp.
Eldorado Gold Corp.	Sherritt International Cop.
Thompson Creek Metals Co. Inc.	Capstone Mining Corp.

The composition of the Corporation's 2014 peer group for measuring the stock price performance component of the Short-Term Incentive Plan ("STIP") corporate objectives is listed below. These peers are used to provide an accurate and fair measure of the stock price performance, as these entities have similar operational or metals characteristics and would attract a similar investor base.

2014 Peer Group for Stock Price Performance Benchmarking	
Boliden AB	Capstone Mining Corp.
First Quantum Minerals Ltd.	PanAust Limited
HudBay Minerals Inc.	

2015 Peer Groups

The HRCC reviewed the report by Mercer (Canada) Limited ("Mercer") on a proposed 2015 peer group for total executive compensation. The peer group required review in light of the acquisition of the Candelaria Mine during the fourth quarter of 2014. The HRCC agreed with the proposed 2015 peer group as it reflects the increased size of the Corporation's operations as a result of the acquisition of the Candelaria Mine and commencement of commercial production at the Eagle Mine. The 2015 peer group for measuring the stock price performance component of the STIP corporate objectives will remain unchanged from 2014.

2015 Peer Group for Total Direct Compensation	
First Quantum Minerals Ltd.	Pan American Silver Corp.
Cameco Corp.	Cliffs Natural Resources Inc.
Yamana Gold Inc.	IAMGold Corp.
Kinross Gold Corp.	Sherritt International Cop.
Eldorado Gold Corp.	Capstone Mining Corp.
HudBay Minerals Inc.	

The Corporation's HRCC will evaluate and, if appropriate, update the composition of the peer group to ensure it remains relevant to the markets in which the Corporation competes.

Elements of Compensation

The Corporation's compensation program has three primary elements: base salary, short-term incentive and long-term incentive. The combination of elements is designed to encourage executives to achieve strong short-term results which drive long-term sustainable growth and long-term shareholder value. The HRCC believes that the objective of the executive compensation practices should be to target a ratio of total direct compensation of an appropriate peer group. Total direct compensation is total base salary, target bonus and the estimated value of equity-linked compensation. The Corporation regularly reviews all elements of executive compensation to ensure that it continues to be aligned with the key strategic deliverables of the Corporation and industry practices.

Compensation Component	Objectives	Form
Base Salary	To provide fixed compensation that reflects the market value of the role and skills and experience of the executive.	Cash

Compensation Component	Objectives	Form
	To attract, retain and motivate a competent, strong and effective executive management group.	
Short-Term Incentive	To pay for performance and provide alignment with the Corporation's annual business strategy. This is "at risk" compensation.	Cash • 100% performance-based • 100% at risk
Long-Term Incentive	To provide alignment with shareholder interests and the Corporation's long-term business strategy. This is "at risk" compensation.	
Performance-based Stock Options	To provide alignment with shareholder interests by rewarding executive management for share price appreciation over a five year period.	Equity • 100% performance-based • 100% at risk
Performance-based Share Units	To provide alignment with shareholder interests by rewarding executive management for share price appreciation at the end of a three year period.	Equity • 100% performance-based • 100% at risk

The HRCC has not established a strict policy regarding the mix of base salary, short-term and long-term incentives to be paid or awarded to executives. STIP and long-term incentive plan ("LTIP") awards are not fixed nor guaranteed; they are completely "at risk" and performance-based. This allows the HRCC to be flexible in tailoring the compensation mix for each executive to the particular circumstances in effect at the time. However, the HRCC believes that a greater percentage of compensation for the Corporation's executives should come from the variable, performance-based plans, and the mix of compensation should be structured to balance the need to drive results based on the particular executive's position as well as to support the long-term growth of the Corporation overall.

The HRC believes the Corporation's compensation programs are reasonable and fair to both executives and shareholders, and competitive with compensation made available by the Corporation's peers and other mining companies.

2014 TOTAL DIRECT COMPENSATION

The following provides a detailed discussion of the decisions made in order to determine each NEOs' total direct compensation for 2014, which comprises base salary and short and long-term incentives.

Summary of 2014 Performance Highlights

In addition to the specific corporate performance metric of KPIs (all discussed later), the HRCC always looks at the overall performance of the Corporation to ensure that the compensation outcomes are reflective of the year the Corporation had overall. In this regard, during its 2014 financial year, the Corporation achieved strong overall production and financial results, despite an increasingly tough base metal price environment. Total sales for the year were US$951.3 million, with net earnings of US$112.6 million (or US$0.19/share) and cash flow from operations of US$187.4 million.

The total shareholder return ("TSR") for the Corporation outperformed the TSX, the TSX mines and metals index, and the peer group selected for performance comparison for the five and three year periods ended December 31, 2014. This share performance was achieved while also issuing a significant amount of equity to complete the Candelaria Mine acquisition.

The Corporation successfully executed on its strategy to rejuvenate its asset base which was commenced in 2013 with the acquisition of the Eagle Mine. During 2014, it further executed on this strategy. Many milestones were achieved throughout the year including: bringing the Eagle Mine into commercial production ahead of schedule and under budget; successfully acquiring the high quality Candelaria Mine in Chile; and recording zinc production records at the Corporation's European operations.

More specifically:

- Exceptional safety performance at the operations during 2014, with a record low Total Recordable Injury Frequency Rate ("TRIFR") achieved of 1.6 (measured per 200,000 man hours worked). This was an improvement of 20% over 2013's TRIFR of 2.0. Improvements in safety performance at all operations were accomplished over the course of the year.
- Environmental performance met expectations with no Level 3 incidents experienced (2013 had one Level 3 incident).
- The Neves-Corvo Mine's fourth quarter copper production achieved the highest quarterly rate of the year. Total annual copper production was in-line with expectations as high throughput levels largely offset lower than expected recovery rates.

- The Neves-Corvo Mine's zinc production achieved an annual record as a result 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.

- The Zinkgruvan Mine's zinc, lead and copper production were all in line with annual production targets. The Zinkgruvan Mine again in 2014 achieved a historic new milestone with record tonnage of ore mined and milled.

- The Aguablanca Mine had another strong performance with nickel and copper production both higher than guidance, which itself was increased earlier in the year. Refined mine planning has enabled open pit mining to be extended well into the first quarter of 2015, three months longer than expected. Underground mining development is advancing as planned and is expected to ramp up in the second quarter of 2015.

- The Eagle Mine ramp up continued through the fourth quarter with commercial production being declared on November 24th, 2014, several months earlier than originally planned, with the construction project coming in under budget. For the year, nickel and copper production exceeded guidance as throughput, grades and recoveries were all higher than expected.

- The acquisition of the Candelaria Mine closed on November 3, 2014. For the period from November 3, 2014 to December 31, 2014, the Candelaria Mine produced, on a 100% basis, 28,590 tonnes of copper, 317,996 ounces of silver, and 16,247 ounces of gold in concentrates. The Candelaria Mine acquisition more than doubles the Corporation's copper production and provides a long-life, large scale mine at competitive cash operating costs, located in an excellent jurisdiction. Eight drill rigs were mobilized on underground targets within 60 days of the acquisition closing.

- The Tenke Mine, under the operatorship of Freeport, completed its sixth year of operations. Cash operating costs were better than guidance. US$94.5 million was distributed from the Tenke Mine and the Kokkola cobalt business to Lundin Mining in 2014.

- The Corporation secured a comprehensive financing package to fund the Candelaria Mine acquisition in a volatile market place, consisting of US$1 billion high yield notes at less than 8% interest rates, a US$600 million equity financing at an approximate 5% discount to market, and a US$648 million precious metals streaming deal that achieved 36% of the Candelaria Mine purchase price by selling less than 10% of the expected streamed precious metals revenue.

Base Salary

The overall objective of the base salary paid to the Corporation's executives is to provide fixed compensation that reflects the market value of the role, skills and experience an executive must possess to make meaningful contributions to the organization. The salary structure includes market competitive ranges for the executives. The HRCC reviewed base salaries by reviewing industry trends, competitive market data, 2015 Peer Group compensation, including base salary levels, internal equality among executive positions and individual performance measured against the achievement of business and operating goals. In addition, the HRCC took note of the increase in size and complexity of the Corporation following its 2013 and 2014 acquisitions and resulting change in the Corporation's peer group. As a result of these reviews, base salaries were increased by approximately 10% for the CEO and an average of 4% for all other NEOs effective January 1, 2015. The table below summarizes each NEOs' 2014 base salary and increases for 2015.

NEO	2014 Base Salary Local Currency	2014 Base Salary (US$)[(1)]	Increase to Base Salary	2015 Base Salary Local Currency	2015 Base Salary (US$)[(1)]
Paul Conibear CEO	C$787,950	713,489	10%	C$866,745	784,838
Marie Inkster CFO	C$416,038	376,722	7%	C$445,161	403,093
Paul McRae SVP, Projects	£329,363	542,658	2%	£335,950	553,511
Julie Lee Harrs SVP, Corporate Development	C$385,735	349,283	5%	C$405,022	366,747
Stephen Gatley VP, Technical Services	£265,225	436,985	2%	£270,530	445,725

(1) NEOs were paid in C$, except Messrs. McRae and Gatley who were paid in £. See heading "Currency" on page 1 for the exchange rates.

Performance-based Short-Term Incentive Plan

Introduction

The Corporation's STIP provides a performance-based "at risk" annual cash payment based on a targeted level of incentive for each position and the results of the performance measures, including each executive's Key Performance Indicators ("KPIs" or "personal objectives"). The amount of any potential STIP award is set out as a percent of base salary and is subject to an overall cap. The STIP award is the outcome of a process that links business planning with an evaluation of the executive's KPIs together with corporate performance on a relative basis. The STIP is intended to link pay to annual performance metrics and commitments that will contribute to enhanced shareholder value as well as comparative share performance.

At the beginning of each year, key strategic performance measures/corporate objectives are designed by the CEO and senior management in consultation with the HRCC to enhance overall corporate performance consistent with the strategic plan and budget of the Corporation. Each executive has specific KPIs, which are a subset of the Corporation's key strategic deliverables. This is done in the context of a rigorous and aggressive budgeting process for the Corporation.

STIP awards are normally capped at 1.5 times target, however, the CEO may recommend a higher award if considered appropriate in the circumstance, other than his own STIP award, to the HRCC who may apply their discretion in accepting such recommendation. Consistent with the overriding discretion of the HRCC, all STIP awards are subject to the ability of the Corporation to make such awards based upon its financial performance and situation.

Individual STIP awards are awarded based on KPI scores (this includes competency assessment) and corporate performance against benchmarks for the year. The chart below shows how the KPI scores translate into an STIP award.

KPI Score Adjusted with Competency Rating	STIP Award (%)*
1	0
2	0 – 75
3	75 – 105
4	105 – 120
5	120 –150

* Represents % of target STIP, not salary, with the corporate objectives On-Target

The proportion of short-term incentive linked to corporate objectives/KPIs is based on the position of the individual.

Target levels of performance are established as guidelines and are not applied as an absolute formula. The HRCC believes that fixed formulas may lead to an STIP award that does not accurately reflect actual performance; as a result, the experiences of the HRCC should be the ultimate determinant of final, overall compensation within the context of those pre-determined guidelines.

2014 STIP Award

With respect to the corporate performance benchmarks of relative stock price performance and operational budget, the Corporation met or exceeded the targeted goals to achieve a result of On-Target resulting in 100% of each executive's corporate objective weighting to be awarded. With respect to the individual's KPI performance, each individual exceeded the benchmarks set out for the year. In view of the overall performance for the year discussed above together with the STIP guidelines, each NEO achieved a weighting above his/her respective STIP target. The table below sets out each NEOs' 2014 target STIP with the respective corporate and personal weightings; 2014 actual STIP paid; and 2014 actual STIP paid as a percentage of 2014 base salary:

NEO	2014 Target STIP as a Percentage of Base Salary	Target STIP Corporate Weighting	Target STIP Personal Weighting	2014 STIP Paid Local Currency	2014 STIP Paid (US$)(1)	2014 STIP Paid as an approximate Percentage of Base Salary
Paul Conibear CEO	120%	50%	50%	C$1,050,000	950,775	133%
Marie Inkster CFO	80%	50%	50%	C$500,000	452,750	120%
Paul McRae SVP, Projects	50%(2)	35%	65%	£273,000	449,795	83%(3)
Julie Lee Harrs SVP, Corporate Development	65%	35%	65%	C$500,000	452,750	130%(3)
Stephen Gatley VP, Technical Services	55%	35%	65%	£160,000	263,616	60%

(1) All the NEOs were paid in C$, except Messrs. McRae and Gatley who were paid in £. See heading "Currency" on page 1 for the exchange rates.
(2) For 2015, Mr. McRae's target STIP increased from 50% to 55%.
(3) While STIP awards are normally capped at 1.5 times target, the HRCC applied their discretion for two NEOs. The STIP awarded exceeded the cap due to exceptional performance.

Short-Term Incentive Plan – Corporate Performance

The table below outlines the 2014 financial performance and safety targets, share price performance targets and results. The 2014 share price performance objectives were measured against a specific peer group of companies which comprised Boliden AB, First Quantum Minerals Ltd., HudBay Minerals Inc., Capstone Mining Corp. and PanAust Limited. These peers are used to provide an accurate and fair measure of the stock price performance, as these entities have similar operational or metals characteristics and would attract a similar investor base.

If the overall results of the corporate objectives are at (i) On-Target, 100% of the *On-Target* payment will be allocated, (ii) Stretch, 150% of the On-Target payment will be allocated, and (iii) Threshold, 75% of the On-Target payment will be allocated. The amounts in between are not necessarily applied on a straight line basis but rather at the discretion of the HRCC.

Financial and TSR Targets:

	Threshold	On-Target	Stretch	Weighting
Stock Price (Performance vs 2014 Peer Group) (November to November VWAP[1])	-15%	**Equal to Simple Average of Peer Group**	+20%	40%
Operating Cash Flow (factored for actual metal prices vs budget price deck)	-15%	**Per Budget**	+20%	40%

Safety Targets:

	Threshold	On Target	Stretch	Weighting
Fatalities	0	**0**	0	10%
Total Recordable Incident Frequency	2.2	**1.8**	< 1.2	10%

(1) Volume weighted average price (VWAP) is the ratio of the value traded to total volume traded over a particular time period. It is a measure of the average share price of a stock traded at over the time period.

The Corporation's overall performance for 2014 was at least On-Target resulting in 100% of each executive's corporate objective weighting being awarded.

Short-Term Incentive Plan – Performance Measurement

Annually, performance of the NEOs and each member of the senior management team is measured through a comprehensive system of pre-set, formally documented KPIs. Achievements against the KPI's are evaluated by the CEO and discussed with and confirmed by the HRCC. Below is a summary of the NEOs 2014 KPI achievements.

Paul Conibear **CEO**
2014 has been a very successful year for the Corporation with Mr. Conibear's leadership. In terms of growth, the Candelaria Mine in Chile was successfully acquired and the Eagle Project was brought to commercial production, ahead of schedule and under budget. These two recent acquisitions have effectively repositioned the Corporation. Mr. Conibear continues to lead and drive performance in existing operations which have delivered performances in line with or better than budget, and both the Neves-Corvo and the Zinkgruvan Mines achieved historic high zinc production In 2014, safety performance was excellent. TRIF was better than target and there were no fatalities. Each operation had improvements in safety performance compared to the prior year and overall the Corporation achieved a new safety performance record. The Corporation improved environmental performance compared to prior years and community investments were at record levels. Operating costs were on or better than budget and capital costs came in under budget, providing the Corporation with a widely recognized, strong balance sheet. Mr. Conibear continued a successful investor relations program and has continued to favourably position the Corporation in the marketplace with analysts and investors.

Marie Inkster
CFO

During 2014, new sources of capital for growth were pursued by Ms. Inkster leading to the successful acquisition of the Candelaria Mine. This is a significant achievement and a major financing milestone in the history of the Corporation. A creative financing package consisting of debt, precious metals streaming and equity, all with attractive terms, was successfully led and secured by Ms. Inkster.

Ms. Inkster also led improved working capital management and predictability through financial controls and forecasting.

Rigorous financial control over the Eagle project capital investment program contributed to delivery of this project ahead of schedule and under budget and the financing of the Eagle Project investment was facilitated by a very flexible, low interest cost loan facility which Ms. Inkster had put in place.

Ms. Inkster is also responsible for information technology ("IT") across the Corporation. Her team completed the successful SAP accounting system implementation at the Eagle Mine ahead of schedule, improved IT systems across the Corporation and enabled cross business connection through the implementation of SharePoint and other new IT sharing systems.

Ms. Inkster was instrumental in advancing the Corporation's reputation as an excellent corporate citizen by implementing monthly tracking and reporting of social investment on the Corporation's assets and Tenke, and personally contributing to important Mining Association of Canada and Women in Mining initiatives.

Paul McRae
SVP, Projects

Mr. McRae is responsible for major projects and safety for the Corporation. During 2014, there were no fatalities, the TRIF rate was better than target, and each mine had improved safety performance compared to the prior year.

During the first half of the year, Mr. McRae managed the successful delivery of the Eagle Project which was completed ahead of schedule and under budget. From acquisition date to first production of concentrate, the project took only 13 months. Production was achieved more than four months ahead of original expectations. Commercial production was achieved within 10 weeks after the start of continuous concentrate production; well ahead of expectations. This involved significant local community engagement as well as overcoming construction challenges during the course of the extreme 2013/2014 winter in the Upper Peninsula, Michigan.

In addition to managing the Eagle Project, Mr. McRae was also instrumental in the Candelaria Mine acquisition due diligence. Immediately upon start-up of the first production of concentrate at the Eagle Mine, he was assigned responsibility to achieve a smooth integration of the Candelaria Mine into the Corporation, which is progressing very well. In parallel to the Eagle Mine and the Candelaria Mine responsibilities, Mr. McRae effectively sponsored other major initiatives across the Corporation including the Zinkgruvan Mine new tailings facility re-permitting process and the Neves-Corvo Zinc Expansion study.

Julie Lee Harrs
SVP, Corporate Development

Ms. Lee Harrs was instrumental in completing the Candelaria Mine acquisition. Throughout the process, she led the commercial and legal negotiations, and successfully coordinated the technical, legal and financial due diligence. She also led discussions with Sumitomo on the Corporation's evolution as the new Candelaria Mine majority owner and she completed the competitively bid precious metals streaming arrangements concluding with executed commercial and legal agreements with Franco Nevada. Ms. Lee Harrs was instrumental in closing the acquisition of the Candelaria Mine within one month from the announcement.

In parallel to the Candelaria Mine acquisition initiative, Ms. Lee Harrs performed effectively as the Corporation's main sponsor for our important equity position in the Tenke Mine. She led commercial and coordination of several of the Corporation's environmental reclamation initiatives at closed sites.

Her team has a watching brief to create value for the Corporation by continually reviewing possible growth opportunities. She is responsible for the legal strategy of the Corporation and for supporting the operations with related issues such as royalty arrangements and complex contract negotiations.

Stephen Gatley
VP, Technical Services

Mr. Gatley leads the Technical Services Group ("TSG") providing support to all operations and due diligence to potential acquisition projects. During 2014, a range of common operating standards and policies have been introduced across the Corporation with specific focus on air and water quality and mine closure operation as the Corporation strives to improve its overall operating performance.

Led by Mr. Gatley, the TSG team have been instrumental in the successful due diligence and post acquisition transition management for the Candelaria Mine. He also sits on project sponsorship committees guiding technical advancement of initiatives such as the Neves-Corvo Zinc Expansion study, the new tailings storage project at the Zinkgruvan Mine, open pit/underground mining transition at the Aguablanca Mine, Eagle Mine contractor management committees and the Tenke Mine operational performance oversight. Supporting key future staffing initiatives, Mr. Gatley champions an active graduate program across the Corporation's operations.

Under Mr. Gatley's guidance, the TSG is responsible for the formal reporting of reserves/resources and production of National Instrument 43-101 technical reports and when required Mr. Gatley serves as a Qualified Person.

Long-Term Incentive Plans

Introduction

The Corporation provides performance-based long-term incentives currently through grants of stock options and share units (collectively, the "LTIP Awards"). LTIP Awards are awarded on assessment of corporate and personal performance in a similar manner as the STIP. Also, consideration may be given to previous equity entitlements awarded, the then current level of equity held by an executive, the level of LTIP Awards granted as a percentage of the outstanding Common Shares of the Corporation, the prices of current stock options, the disposition of equity by those to which it has been granted, the remaining vesting status of outstanding LTIP Awards and such other similar information as the HRCC and Board may consider appropriate.

The Corporation believes its LTIP provides executives an opportunity to build ownership in the business and align their interests with those of shareholders. The recipients of LTIP Awards achieve an increase in value only to the extent the Corporation's shareholders benefit from the increase in the Corporation's stock price. Stock option grants vest over three years from the date of grant and have a five-year term. Share units vest 36 months after the award date.

An LTIP Award will be awarded based on a range, which varies by seniority, but is generally between 0 to 300% of an STIP Award. The HRCC will consider the Black-Scholes value as only one of the guidelines used to assist in determining the number of stock options to be granted (the volatility of resource stocks renders this methodology of less use and can result in unintended results). It will utilize the Corporation's then current fair market value (as well as a volume-weighted average price) given stock price volatility, as one of the guidelines used to assist in determining the number of share units, if applicable, to be awarded.

LTIP Awards will generally consist of a combination of stock options and share units and are currently targeted to be 100% share units for the President and CEO and approximately 65% stock options and 35% share units for the other executive officers. The HRCC and/or Board will review the composition of stock options and share units from time to time and make changes to the composition as may be required.

Consistent with the use of performance-based criteria for both the STIP and LTIP, all annual LTIP Awards are made after the release of the Corporation's annual financial statements such that STIP and LTIP Awards are considered together.

2014 LTIP Awards

The following stock options and share units were granted in 2015 with respect to 2014 compensation to each NEO. The stock options will vest one-third on the first, second and third anniversary of the date of grant and will expire in five years. The share units vest on the third anniversary of the date of grant.

NEO	Number of Stock Options Awarded	Value of Stock Options Awarded (US$)(1)(3)	% of Total Options Granted to All Employees in the Financial Year(2)	Number of Share Units Awarded	Value of Share Units Awarded (US$)(1)(4)	% of Total Share Units Granted to All Employees in the Financial Year(2)
Paul Conibear CEO	-	-	-	300,000	1,452,000	31%
Marie Inkster CFO	246,000	388,680	7.4%	54,000	261,360	5.6%
Paul McRae SVP, Projects	195,000	308,100	5.8%	42,000	203,280	4.3%
Julie Lee Harrs SVP, Corporate Development	195,000	308,100	5.8%	42,000	203,280	4.3%
Stephen Gatley VP, Technical Services	132,000	208,560	3.9%	28,000	135,520	2.9%

(1) See heading "Currency" on page 1 for the exchange rates.
(2) A total of 3,345,970 stock options were granted with respect to the 2014 financial year, excluding 3,475,200 stock options that were granted on February 25, 2014 which related to 2013 compensation and including the 3,079,170 stock options that were granted on February 20, 2015 relating to 2014 compensation. No share units were granted with respect to the 2014 financial year, however, 967,900 share units were granted on February 20, 2015 relating to 2014 compensation and included herein.

(3) The value of the options awarded was determined based on the Black-Scholes fair value of the Common Shares on the grant date of C$1.74 (US$1.58). When determining the number of stock options to be awarded, the Black-Scholes fair value is just one of the factors considered by the HRCC.
(4) The value of share units awarded was determined based on the fair value of the Common Shares on the grant date of C$5.35 (US$4.84).

Phantom Share Appreciation Rights

Mr. Conibear's employment agreement contemplated the use of phantom share appreciation rights ("PSARs") which are tied to share performance from May 1 to April 30 of the next year. Under a grant, Mr. Conibear receives cash equal to the increase, if any, in the value of the Corporation's stock during the 12-month period following the PSAR grant date. In May 2014, Mr. Conibear received a payment of C$820,000 reflecting the share price increase from C$3.96 per share on April 30, 2013 to C$5.60 per share on April 30, 2014. This primarily related to 2013 performance. In light of the implementation of the SU Plan, Mr. Conibear's Employment Agreement was amended and no further grants of PSARs are outstanding or will be awarded.

Executive Share Ownership Guidelines

The HRCC believes it is important for senior management to have equity ownership in the Corporation. This is consistent with the nature of the Corporation's LTIP which uses both stock options and share units. While there are no target ownership guidelines in place for 2015, the HRCC has noted that the CEO holds, directly and/or indirectly, a total of 1,089,984 Common Shares (including share units) and that the NEOs as a group holds, directly and/or indirectly, 1,588,184 Common Shares (including share units). The HRCC is reviewing the potential application of Corporation Officer ownership guidelines for 2016.

EQUITY COMPENSATION PLANS

At the May 9, 2014 Annual and Special Shareholder's meeting, the shareholders approved, among other things, the adoption of a new Incentive Stock Option Plan (the "ISOP") replacing the 2006 Incentive Stock Option Plan (the "2006 ISOP") and the adoption of a new Share Unit Plan (the "SU Plan").

2006 ISOP

Effective May 9, 2014, no further options may be granted under the 2006 ISOP; however, any outstanding options granted under the 2006 ISOP shall remain outstanding and shall continue to be governed by the provisions of the 2006 ISOP as set out below:

- The Board had the authority under the 2006 ISOP to establish the option price at the time each share option was granted but, the price was not to be lower than the market price of the Common Shares on the date of grant of the options. The market price was calculated as the closing market price on the TSX of the Common Shares on the date of the grant, or, if the date of grant was not a trading day, the closing price of the Common Shares on the last trading day prior to the date of grant.

- The Board had the authority at the time of grant to set the periods within which options could be exercised and the number of options which may be exercised in any such period. All options granted under the 2006 ISOP were required to be exercisable during a period not extending beyond ten years from the date of the option grant unless otherwise permitted by the TSX.

- The Board had the authority to determine the vesting terms of the options at the date of the option grant and as indicated in any option commitments related thereto.

- Options are not transferable other than by will or the laws of dissent and distribution. Typically, if an optionee ceases to be an Eligible Person for any reason whatsoever other than death, each option held by such optionee will cease to be exercisable 60 days following the termination date (being the date on which such optionee ceases to be an "Eligible Personnel", as defined by the 2006 ISOP). If an optionee dies, the legal representative of the optionee may exercise the optionee's options within 12 months after the date of the optionee's death but only up to and including the original option expiry date.

- The Corporation provides no financial assistance to facilitate the purchase of Common Shares by optionees who hold options granted under the 2006 ISOP.

As of date of this Circular, there were 9,924,784 stock options outstanding under the 2006 ISOP, representing approximately 1.4% of the Corporation's current issued and outstanding Common Shares.

ISOP

The ISOP has the dual purpose of (i) attracting, incentivizing and retaining those key employees and consultants, of the Corporation who are considered by the Board to be key to the growth and success of the Corporation; and (ii) aligning the interests of key employees and consultants with those of the shareholders through longer term equity ownership in the Corporation.

The following is a summary of the key terms of the ISOP:

- The aggregate number of Common Shares available at all times for issuance under the ISOP is 30,000,000, which represents approximately 4.2% of the Corporation's current issued and outstanding Common Shares. Any option which has been cancelled or terminated prior to exercise in accordance with the terms of the ISOP will again be available under the ISOP.

- The exercise price per Common Share under an option shall be determined by the Board but, in any event, shall not be lower than the market price of the Common Shares of the Corporation on the date of grant of the options.

- The term of all options awarded under the ISOP is a maximum of five years.

- Options granted pursuant to the ISOP shall vest and become exercisable by an optionee at such time or times as may be determined by the Board at the date of grant and as indicated in the option commitment.

- In the event that the expiry of an option falls within, or within two days of, a trading blackout period imposed by the Corporation, the expiry date of the option shall be automatically extended to the tenth business day following the end of the blackout period as permitted by applicable TSX policies.

- The termination provisions under the ISOP are as follows: An optionee will have, in all cases subject to the original option expiry date (i) a 12 month period to exercise his/her options, which will automatically vest, in the event of retirement; (ii) 90 days to exercise his/her options, which will automatically vest for optionees who have been continuously employed by the Corporation or by a company providing management services to the Corporation for at least two years including any notice period, if applicable, in the event of termination without cause; (iii) 90 days to exercise his/her options that have vested, in the event of resignation; and (iv) immediate termination of the options in the event of termination with cause, except as may be set out in the optionee's option commitment or as otherwise determined by the Board in its sole discretion. In the event of the death or disability of an optionee, all options will vest and the optionee will have, subject to the original option expiry date, 12 months to exercise his/her options. Notwithstanding the foregoing, all of the termination provisions shall be subject to the terms of any employment/severance agreement between the optionee and the Corporation.

- In the event of a change of control, all unvested options shall automatically vest on the date of the change of control and options may be cancelled if such options are out of the money.

- The grant of options under the ISOP is subject to the number of the Common Shares: (i) issued to insiders of the Corporation, within any one (1) year period, and (ii) issuable to insiders of the Corporation, at any time, under the ISOP, or when combined with all of the Corporation's other security based compensation arrangements, not exceeding 10% of the Corporation's total issued and outstanding Common Shares, respectively.

- The aggregate number of options granted pursuant to the ISOP to any one non-employee director, if ever applicable, within any one-year period shall not exceed a maximum value of C$100,000 worth of options. The value of the options shall be determined using a generally accepted valuation model.

- The aggregate number of Common Shares reserved for issuance pursuant to the ISOP to non-employee directors as a group, if ever applicable, shall not exceed 1% of the number of issued and outstanding Common Shares, as calculated without reference to the initial options granted under the ISOP to a person who is not previously an insider of the Corporation upon such person becoming or agreeing to become a director of the Corporation, and without reference to options held by former directors of the Corporation.

- The Board may delegate, to the extent permitted by applicable law and by resolution of the Board, its powers under the ISOP to the HRCC of the Board, or such other committee as the Board may determine from time to time.

- The specific amendment provisions for the ISOP provide the Board or committee with the power, subject to the requisite regulatory approval, to make the following amendments without shareholder approval (without limitation):
    - amendments of a housekeeping nature;
    - the addition or a change to any vesting provisions of an option;
    - changes to the termination provisions of an option or the ISOP which do not entail an extension beyond the original expiry date;
    - the addition of a cashless exercise feature, payable in cash or securities, whether or not providing for a full deduction of the number of underlying Common Shares from the ISOP reserves; and
    - amendments to reflect changes to applicable securities or tax laws.

  However, any of the following amendments shall also require shareholder approval:
    - reduce the exercise price of an option or cancel and reissue an option;
    - amend the term of an option to extend the term beyond its original expiry;
    - amend the limits imposed on non-employee Directors (other than by virtue of adjustments permitted under the ISOP);

- materially increase the benefits to the holder of the options who is an insider to the material detriment of the Corporation and its shareholders;
- increase the number of Common Shares or maximum percentage of Common Shares which may be issued pursuant to the ISOP (other than by virtue of adjustments permitted under the ISOP);
- permit options to be transferred other than for normal estate settlement purposes;
- remove or exceed the insider participation limits of the ISOP;
- materially modify the eligibility requirements for participation in the ISOP; or
- modify the amending provisions of the ISOP.

As of date of this Circular, there were 5,543,170 stock options outstanding under the ISOP, representing approximately 0.8% of the Corporation's current issued and outstanding Common Shares.

SU Plan

The SU Plan has the dual purpose of (i) attracting, incentivizing and retaining those key employees of the Corporation who are considered by the Board to be key to the growth and success of the Corporation; and (ii) aligning the interests of key employees with those of the shareholders through longer term equity ownership in the Corporation.

The following is a summary of the key terms of the SU Plan:

- The SU Plan provides that share unit awards (the "SUs") may be granted by the Board or the HRCC, or any other committee of directors authorized by the Board to administer the SU Plan.

- The SU Plan has reserved 6,000,000 Common Shares for issuance under the SU Plan, which represents approximately 0.8% of the Corporation's issued and outstanding Common Shares. Any Common Shares subject to an SU which has cancelled or terminated in accordance with the terms of the SU Plan without settlement will again be available for issuance under the SU Plan.

- The grant of SUs under the SU Plan is subject to the number of the Common Shares: (i) issued to insiders of the Corporation, within any one (1) year period, and (ii) issuable to insiders of the Corporation, at any time, under the SU Plan, or when combined with all of the Corporation's other security based compensation arrangements, shall not exceed 10% of the Corporation's total issued and outstanding Common Shares, respectively.

- The SU Plan is for the benefit of employees of the Corporation or any affiliate, including any senior executive, vice president, and/or member of the management team of the Corporation or its affiliates.

- An SU is a unit credited by means of an entry on the books of the Corporation to a participant, representing the right to receive one Common Share (subject to adjustments) issued from treasury.

- The number and terms of SUs granted to participants will be determined by the Board or committee based on the market price of the Common Shares on the grant date and credited to the participant's account effective on the grant date. The market price shall be calculated as the closing market price on the TSX of the Common Shares on the date of the grant. The Board or committee may also impose vesting criteria on the SUs. The SUs will be settled by way of the issuance of Common Shares from treasury as soon as practicable following the entitlement date determined by the Board or committee in accordance with the terms of the SU Plan. However, participants who are residents of Canada or as otherwise may be designated in the grant letter (with the exception of US taxpayers) will be permitted to elect to defer issuance of all or any part of the Common Shares issuable to them provided proper notice is provided to the Board or committee pursuant to the terms of the SU Plan.

- All grants of SUs shall be evidenced by a confirmation share unit grant letter.

- The Board or committee will have the discretion to credit a participant with additional SUs in lieu of any cash dividends paid to shareholders of the Corporation, equal to the aggregate amount of any cash dividends that would have been paid to the participant if the SUs had been Common Shares, divided by the market value of the Common Shares on the date on which dividends were paid by the Corporation. For the avoidance of doubt, no cash payment will be made to a participant if cash dividends are paid to shareholders.

- In the event of a participant's resignation or termination with cause, the SUs will be forfeited and of no further force or effect at the date of termination, unless otherwise determined by the HRCC committee, provided for in the share unit grant letter or vested and are only subject to a deferred payment date, as further described under the SU Plan. In the event of the termination without cause, all unvested SUs that are not subject to performance vesting criteria will vest for participants who were continuously employed by the Corporation or any affiliate for at least two years including any notice period, if applicable, on the date of termination and the Common Shares represented by the SUs held shall be issued as soon as reasonably practical. In the event of the termination without cause, all unvested SUs with performance vesting criteria will remain subject to the normal vesting schedule for participants who were continuously employed by the Corporation or any affiliate for at least two years including any notice period, if applicable, on the date of termination and the Common Shares represented by the SUs held shall be issued as soon as reasonably practical unless otherwise determined by the HRCC committee or provided for in the share unit grant letter, as further described under the SU Plan. For participants who were not continuously employed by the Corporation for two years their SUs will be forfeited and of no further force or effect at the date of termination, except as may otherwise be stipulated in the participant's grant letter or as may otherwise be determined by the HRCC in its sole and absolute discretion. In the event of retirement, any unvested SUs will automatically vest and the Common Shares will be issued as soon as practicable. However, any unvested SUs held by a US taxpayer will automatically vest on the date such participant attains the age of 65 and the Common Shares will be issued forthwith but no later than March 15 of the following calendar year. In the event of death, all unvested SUs credited to the participant will vest on the date of the participant's death and the Common Shares represented by the SUs held shall be issued to the participant's estate as soon as reasonably practical. In the event of the total disability of a participant, all unvested SUs credited to the participant will vest on the date in which the participant is determined to be totally disabled and the Common Shares represented by the SUs held shall be issued as soon as reasonably practical. In the event of a change of control, all SUs outstanding will immediately vest on the date of such change of control. Notwithstanding, all of the termination provisions shall be subject to the terms of any employment/severance agreement between the participant and the Corporation.

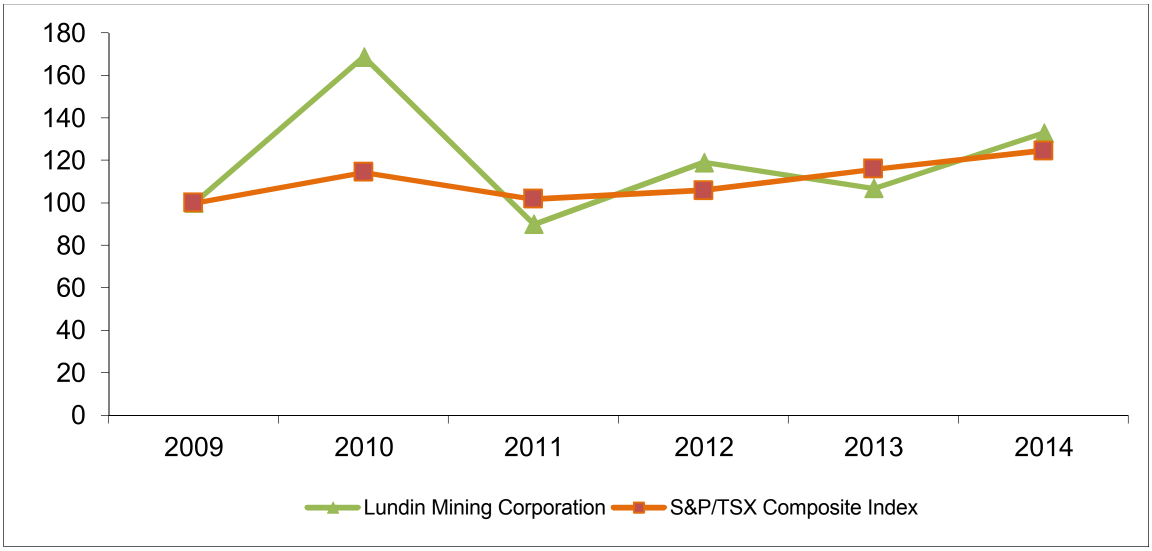
- SUs are not transferable other than by will or the laws of dissent and distribution.
- The specific amendment provisions for the SU Plan provide the Board or committee with the power, subject to the requisite regulatory approval, to make the following amendments without shareholder approval (without limitation):
  - amendments of a housekeeping nature;
  - the addition or a change to any vesting provisions of an SU;
  - changes to the termination provisions of an SU or the SU Plan; and
  - amendments to reflect changes to applicable securities or tax laws.

  However, any of the following amendments also require shareholder approval:
  - materially increasing the benefits to a holder of SUs who is an insider to the material detriment of the Corporation and its shareholders;
  - increasing the number of Common Shares or maximum percentage of Common Shares which may be issued pursuant to the SU Plan (other than by virtue of adjustments permitted under the SU Plan);
  - permitting SUs to be transferred other than for normal estate settlement purposes;
  - removing or exceeding the insider participation limits of the SU Plan;
  - materially modifying the eligibility requirements for participation in the SU Plan; or
  - modifying the amending provisions of the SU Plan.

As of date of this Circular, there were 967,900 SUs outstanding under the SU Plan, representing approximately 0.1% of the Corporation's current issued and outstanding Common Shares.

PERFORMANCE GRAPH

The following graph compares the yearly percentage change in the cumulative total shareholder return on the TSX for C$100 invested in Common Shares on December 31, 2009 against the cumulative total shareholder return of the S&P/TSX Composite Index for the five most recently completed financial years of the Corporation.



	31Dec2009	31Dec2010	31Dec2011	31Dec2012	31Dec2013	31Dec2014
Lundin Mining Corporation Stock Closing Price at Year End (C$)	4.30	7.26	3.87	5.12	4.60	5.72
Corporation Total Return – Base 2009 (C$)	100	169	90	119	107	133
S&P/TSX Composite Index Index Closing Price at Year End (C$)	11,746.11	13,443.22	11,955.09	12,433.53	13,621.55	14,632.44
Total Return Index – Base 2009 (C$)	100	114	102	106	116	125

The Corporation is included in the S&P/TSX Composite and the graph and chart above shows the relative share performance of the Corporation to this index. As discussed above, the current compensation policy relates performance compensation of executives to specific benchmarks which include specific operational objectives and individual objectives as well as relative share price performance compared to the described specific peer group. Accordingly, there is no direct link between the index shown and executive compensation as determined by the HRCC.

SUMMARY COMPENSATION TABLE

The following table sets out the total compensation actually paid to the NEOs in the most recently completed financial year as well as the two previous financial years, to the extent the NEO was employed with the Corporation[1]. The Corporation does not have a pension plan.

Name and principal position	Year	Salary (US$)	Share-based awards (US$)	Option-based awards (US$)[5]	Non-equity incentive plan compensation (US$)		All other compensation (US$)	Total compensation (US$)
					Annual incentive plans (US$)[6]	Long-term incentive plans		
Paul Conibear CEO	**2014**	**713,489**	**1,545,719**[2][4]	**-**	**950,775**	-	**776,643**[7]	**3,986,626**
	2013	750,098	323,329[3]	558,000	990,129	-	62,274[8]	2,683,830
	2012	750,600	-	500,400	900,720	-	32,940[9]	2,184,660
Marie Inkster CFO	**2014**	**376,722**	**261,360**[4]	**388,680**	**452,750**	-	**33,269**[7]	**1,512,781**
	2013	396,051	-	521,172	380,214	-	30,767[8]	1,328,204
	2012	396,317	-	450,360	296,247	-	31,711[9]	1,174,635
Paul McRae SVP, Projects	**2014**	**542,658**	**203,280**[4]	**308,100**	**449,795**	-	**81,347**[7]	**1,585,180**
	2013	505,217	-	390,600	315,768	-	104,714[8]	1,316,299

	2012	496,992	-	958,661(10)	248,496	-	112,255(9)	1,816,404
Julie Lee Harrs SVP, Corporate Development	**2014**	**349,283**	**203,280(4)**	**308,100**	**452,750**	**-**	**29,348(7)**	**1,342,761**
	2013	350,046	-	390,600	273,035	-	26,867(8)	1,040,548
	2012	350,280	-	300,240	192,654	-	27,692(9)	870,866
Stephen Gatley(11) VP, Technical Services	**2014**	**436,985**	**135,520(4)**	**208,560**	**263,616**	**-**	**45,698(7)**	**1,090,379**
	2013	402,885	-	334,800	232,672	-	44,518(8)	1,014,875
	2012	326,751	-	476,781(12)	166,854	-	37,185(9)	1,007,571

(1) All the NEOs were paid in C$, except Messrs. McRae and Gatley who were paid in £. See heading "Currency" on page 1 for the exchange rates.

(2) This amount represents US$1,452,000 being the fair value of the SUs awarded in 2015 relating to 2014 compensation and US$93,719 being the fair value of the 250,000 PSARs, on the date of grant calculated using the Black Scholes model according to IFRS2 Share-based payment of IFRS since it is used consistently by comparable companies. These PSARs were cancelled after December 31, 2014 in accordance with the terms of Mr. Conibear's amended Employment Agreement, in light of the implementation of the SU Plan. There are currently no PSARs outstanding and no further PSARs will be granted.
The key assumptions and estimates used for the calculation of the grant date fair value under this model include the risk-free interest rate, expected stock price volatility, expected life and expected dividend yield. Fair values were calculated in C$ and translated into US$. Any actual value will depend on the value of the Common Shares on April 30, 2015 (the "Maturity Date"). On the Maturity Date of the PSARs, Mr. Conibear will receive cash equal to the increase, if any, in the value of the Common Shares from the date of grant to the Maturity Date. The value of the award will be equal to the positive difference between the closing price of the Common Shares on the TSX on the Maturity Date minus the closing price on the award date. If Mr. Conibear resigns, or his employment is terminated for just cause before the pay out of any PSAR grant, the grant will lapse immediately. If his employment is terminated by the Corporation without just cause before the pay out of any grant, the grant will be valued and paid out as of the employment termination date. In light of the implementation of the SU Plan, Mr. Conibear's Employment Agreement was amended and no further grants of PSARs are outstanding or will be awarded.

(3) This amount represents the fair value of the 500,000 PSARs, on the date of grant calculated using the Black Scholes model according to IFRS2 Share-based payment since it is used consistently by comparable companies. The key assumptions and estimates used for the calculation of the grant date fair value under this model include the risk-free interest rate, expected stock price volatility, expected life and expected dividend yield. Fair values were calculated in C$ and translated into US$. These PSARs matured on April 30, 2014 and the value is included in "Other Compensation".

(4) The value of the SUs that were granted on February 20, 2015, relating to 2014 compensation, were determined based on the fair value of the Common Shares on the grant date of C$5.35 (US$4.84).

(5) The value of the stock options that were granted on February 20, 2015, relating to 2014 compensation, were determined based on the Black-Scholes fair value of the Common Shares on the grant date of C$1.74 (US$1.58). The fair value of stock option awards on the grant date were calculated using the Black Scholes model according to IFRS2 Share-based payment of IFRS since it is used consistently by comparable companies. Below are the key assumptions and estimates:

	Volatility (%)	Risk-Free Rate (%)	Exercise Price (C$ / US$)
February 20, 2015*	43.7%	0.57%	C$5.35/US$4.84
February 25, 2014**	48.1%	1.44%	C$5.18 / US$5.03
December 10, 2012	53.9%	1.25%	C$4.96 / US$4.82

* The 2015 stock option grants are included in 2014 compensation.
** The 2014 stock option grants are included in 2013 compensation.

(6) Represents incentive awards in respect of the corresponding year's performance but are paid the following year.

(7) Amounts in this column typically consist of, but are not limited to, benefits such as retirement savings benefits, supplemental life and other additional benefits and parking allowances. As an expat, Mr. McRae also received expat benefits, education and taxable benefits for travel-related expenses and an amount representing 6% of his base salary in cash due to his inability to participate in the contributory retirement savings scheme offered in the United Kingdom. Included in this amount is the cash value of US$742,510 for Mr. Conibear's 2013 PSARs that matured in 2014.

(8) Amounts in this column typically consist of, but are not limited to, benefits such as retirement savings benefits, supplemental life and other additional benefits and parking allowances. As an expat, Mr. McRae also received expat benefits, education and taxable benefits for travel-related expenses and an amount representing 6% of his base salary in cash due to his inability to participate in the contributory retirement savings scheme offered in the United Kingdom. Mr. Conibear received the cash value for his 2011 PSARs that matured in 2013.

(9) These amounts typically consist of, but are not limited to, benefits such as retirement savings benefits. As an expat, Mr. McRae also received education and housing allowances in 2012 and received an amount representing 6% of his base salary in cash due to his inability to participate in the contributory retirement savings scheme offered in the United Kingdom.

(10) A stock option grant of was made to Mr. McRae in late 2011 related to his new employment with the Corporation starting on January 1, 2012 and has been included in the 2012 total.

(11) Mr. Gatley was promoted to the position of General Manager, Technical Services in August 2007 and on June 30, 2012 was appointed Vice President, Technical Services.

(12) A stock option grant of 60,000 options was made to Mr. Gatley on May 28, 2012 relating to his appointment to Vice President, Technical Services and an annual stock option grant of 180,000 options was made to Mr. Gatley on December 10, 2012.

INCENTIVE PLAN AWARDS

OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

The following table sets forth for each NEO all awards outstanding at the end of the most recently completed financial year.

		Option-based Awards	Share-based Awards

NEO	Grant date	Number of securities underlying unexercised options (#)	Option exercise price (US$)	Option expiration date	Value of unexercised in-the-money options (US$)(1)(2)	Number of shares or units of shares that have not vested (#)	Market payout value of share-based awards that have not vested (US$)(1)	Market payout value of share-based awards not paid out or distributed (US$)
Paul Conibear CEO	Dec 10/12	250,000	4.32	Dec 9/17	152,500(4)	-	-	-
	Feb 25/14	300,000	4.47	Feb 24/19	138,000(5)	-	-	-
	May 1/14	-	-	-	-	250,000(3)	25,000(3)	-
Marie Inkster CFO	Dec 12/11	300,000	3.35	Dec 11/16	474,000(6)	-	-	-
	Dec 10/12	225,000	4.32	Dec 9/17	137,250(4)	-	-	-
	Feb 25/14	280,200	4.47	Feb 24/19	128,892(5)	-	-	-
Paul McRae SVP, Projects	Oct 31/11	300,000	3.37	Jan 2/17	468,000(4)	-	-	-
	Dec 10/12	150,000	4.32	Dec 9/17	91,500(4)	-	-	-
	Feb 25/14	210,000	4.47	Feb 24/19	96,600 (5)	-	-	-
Julie Lee Harrs SVP, Corporate Development	Nov 7/11	250,000	3.44	Nov 6/16	372,500(6)	-	-	-
	Dec 10/12	150,000	4.32	Dec 9/17	91,500(4)	-	-	-
	Feb 25/14	210,000	4.47	Feb 24/19	96,600(5)	-	-	-
Stephen Gatley VP, Technical Services	Dec 12/11	150,000	3.35	Dec 11/16	237,000(6)	-	-	-
	May 28/12	60,000	3.48	May 27/17	87,000(7)	-	-	-
	Dec 10/12	180,000	4.32	Dec 9/17	109,800(4)	-	-	-
	Feb 25/14	180,000	4.47	Feb 25/19	82,800(5)	-	-	-

(1) Based on the closing exchange rate of C$1.00:US$0.8620 on December 31, 2014.

(2) Based on the closing price of the Common Shares on the TSX on December 31, 2014 of C$5.72 (US$4.93) per Common Share, less the exercise price of the in-the-money stock options. These Options have not been, and may never be, exercised and the actual gain, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

(3) Phantom Share Appreciation Rights. Based on the closing price of the Common Shares on the TSX on December 31, 2014 of C$5.72 (US$4.93) per Common Share, less the grant price of the PSARS on the grant date of C$5.60 (US$4.83). These PSARs were cancelled after December 31, 2014 in accordance with the terms of Mr. Conibear's amended Employment Agreement, in light of the implementation of the SU Plan. There are currently no PSARs outstanding and no further PSARs will be granted.

(4) These values represent two-thirds vested options and one-third unvested options. The remaining one-third will vest on December 10, 2015

(5) These values represent all unvested options. One-third vesting will occur on the 12, 24 and 36 month after the date of grant, being February 25, 2015, February 25, 2016 and February 25, 2017, respectively.

(6) These values represent all vested options.

(7) This value represents 40,000 vested options and 20,000 unvested options. The remaining one-third will vest on May 28, 2015.

INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED IN 2014

The following table provides information regarding the value on vesting of incentive plan awards for the financial year ended December 31, 2014, plus a summary of cash awards made under the STIP for 2014 performance.

Incentive Plan Awards Vested or Earned in 2014

NEO	Option-based awards – value vested during the year (US$)(1)(2)	Share-based awards – value vested during year (US$)(1)	Non-equity incentive plan compensation – value earned during year (US$)(1)(4)
Paul Conibear CEO	21,667 (5)	706,840(3)	905,100
Marie Inkster CFO	125,500(6)(7)	-	431,000
Paul McRae SVP, Projects	76,000(8)(9)	-	425,252
Julie Lee Harrs SVP, Corporate Development	114,667(9)(10)	-	431,000
Stephen Gatley VP, Technical Services	98,400(11)(12)(13)	-	249,232

(1) Based on the closing exchange rate of C$1.00:US$0.8620 and £$1.00:US$1.5577 on December 31, 2014.
(2) Represents the aggregate dollar value that would have been realized if the options had been exercised on the vesting date, based on the difference between the closing price of the Common Shares of Corporation as traded on the TSX on the vesting date and the exercise price of the options.
(3) Represents the value received by Mr. Conibear on the maturity date, April 30, 2014, from a grant a grant of 500,000 PSARS on May 1, 2013 reflecting the share price increase from C$3.96 per share on April 30, 2013 to C$5.60 per share on April 30, 2014. This primarily related to 2013 performance. In light of the implementation of the SU Plan, Mr. Conibear's Employment Agreement was amended and no further grants of PSARs are outstanding or will be awarded.
(4) This column represents only the cash STIP payments referred to earlier in the Circular. STIP is paid in 2015 for 2014 performance.
(5) 83,333 options which have an exercise price of C$5.01 (US$4.32) vested during 2014. The TSX closing price of the Common Shares on the vesting date (December 10, 2014) was C$5.31(US$4.58).
(6) 75,000 options which have an exercise price of C$5.01 (US$4.32) vested during 2014. The TSX closing price of the Common Shares on the vesting date (December 10, 2014) was C$5.31(US$4.58).
(7) 100,000 options which have an exercise price of C$3.89 (US$3.35) vested during 2014. The TSX closing price of the Common Shares on the vesting date (December 12, 2014) was C$5.12(US$4.41).
(8) 100,000 options which have an exercise price of C$3.91 (US$3.37) vested during 2014. The TSX closing price of the Common Shares on the vesting date (January 3, 2014) was C$4.64(US$4.00).
(9) 50,000 options which have an exercise price of C$5.01 (US$4.32) vested during 2014. The TSX closing price of the Common Shares on the vesting date (December 10, 2014) was C$5.31(US$4.58).
(10) 83,334 options which have an exercise price of C$3.99 (US$3.44) vested during 2014. The TSX closing price of the Common Shares on the vesting date (November 7, 2014) was C$5.40(US$4.66).
(11) 50,000 options which have an exercise price of C$3.89 (US$3.35) vested during 2014. The TSX closing price of the Common Shares on the vesting date (December 12, 2014) was C$5.12(US$4.41).
(12) 60,000 options which have an exercise price of C$5.01 (US$4.32) vested during 2014. The TSX closing price of the Common Shares on the vesting date (December 10, 2014) was C$5.31(US$4.58).
(13) 20,000 options which have an exercise price of C$4.04 (US$3.48) vested during 2014. The TSX closing price of the Common Shares on the vesting date (May 28, 2014) was C$5.77 (US4.97).

PENSION PLAN BENEFITS

The Corporation does not have any defined benefit or actuarial plans for the NEOs.

COMPENSATION RISK MANAGEMENT

As part of its annual review, the HRCC evaluated potential risks related to the Corporation's compensation policies and practices. The Corporation's annual corporate and personal objectives which form the basis of the compensation plan evaluations are carefully considered by the HRCC with a view of establishing a realistic and balanced set of objectives together with a range of achievement level factors that both encourage initiative and discourage under performance in areas important to the Corporation and do not encourage excessive risk-taking by senior management.

Below are some of the risk mitigating features of the Corporation's executive compensation programs:

- consistent program design among all executive officers;
- a mix of performance measures are used in the short-term, and granting of LTIP Awards provides a balanced performance focus;
- capped payout opportunity within the STIP of 1.5 times the target STIP % which is subject to Board discretion;
- awards are granted annually;
- stock options vest over three years and have a five year term; and
- SUs vest three years after the award date.

The HRCC determined that there are no risks arising from the Corporation's compensation policies and practices that are likely to have a material adverse effect on the Corporation.

HEDGING

Directors and officers are prohibited from purchasing financial instruments that are designed to hedge or offset any decrease in the market value of the Corporation's equity securities that are held directly or indirectly by them or granted as compensation to them. Such prohibited financial instruments with respect to the Corporation's equity securities include prepaid variable forward contracts, equity swaps, collars, put or call options, and similar financial instruments.

MANAGEMENT'S ROLE IN COMPENSATION DECISION MAKING

The CEO and Vice President, Human Resources provide information to the HRCC as required on compensation risk management and also provide annual recommendations to the HRCC on base salary adjustments, short-term and long-term incentives for the executives and other members of management, excluding the CEO. The HRCC approves any base salary adjustments, short-term and long-term incentive awards for the executives and recommends to the Board all compensation for the CEO, based on the results of the key strategic deliverables, the results of each executive's KPIs and in context of total direct compensation. As part of final determination of the total direct compensation, the HRCC also refers to compensation to the executives among the selected peer group.

The CEO is not a member of the HRCC. He provides input on the performance of senior executives and managers. Discussions affecting the CEO's remuneration package, either directly or indirectly, are held in camera without management present.

COMPENSATION CONSULTANTS

In 2014, Mercer was retained to review the peer group of the Corporation and to perform an executive benchmarking review for the senior executives, including base salary, short-term incentives, long-term incentives, total cash compensation, total direct compensation and compensation mix. The HRCC also independently engaged Hugessen Consulting Inc. ("Hugessen") to confirm the findings. Neither consultant provided services to the Corporation, its affiliated or subsidiary entities, or to any of its directors of members of management, other than those related to compensation. At the May 9, 2014 Annual and Special Shareholder's meeting, the shareholders approved, among other things, the adoption of the ISOP and SU Plan. Following the acquisition of the Candelaria Mine, Mercer updated the compensation peer group analysis and NEO benchmarking and the Board approved a new peer group for 2015 total executive compensation.

Advisor	Type of Work	2014 Fees (C$)	2013 Fees (C$)
Mercer	Executive Compensation-Related Fees	57,040	91,051
	All Other Fees	-	-
Hugessen	Executive Compensation-Related Fees	59,672	20,405
	All Other Fees	-	-

<u>TERMINATION AND CHANGE OF CONTROL BENEFITS</u>

INTRODUCTION

Each of the Corporation's NEOs as of December 31, 2014 is a party to an indefinite term employment agreement with the Corporation that sets forth certain instances where payments and other obligations arise on the termination of their employment or in the situation of a change of control of the Corporation.

TERMINATION WITHOUT CAUSE

The employment agreements for each of the NEOs contain specific terms and conditions describing the Corporation's obligations if any of these NEOs had their employment terminated without cause. If those agreements are terminated by the Corporation without cause, or if the agreement is terminated by certain of these executive officers for good reason then payment of salary and, in some cases, short‑term incentives, long‑term incentives and benefits will be due for the appropriate notice period as provided in their respective contracts.

Following the termination of Mr. Conibear's employment by the Corporation without cause, the Corporation will be required to pay this NEO on termination 24 months' base salary, plus two times the average of the bonus received in the previous two years. Mr. Conibear will also be entitled to be paid the long-term incentive for the year in which the termination occurs with the PSAR valuation determined on the termination date as the increase, if any, of the value of those shares on the termination date compared to the pricing date. The NEO shall also continue to participate in the Corporation's health and medical benefits for 24 months following the termination date.

In light of the implementation of the SU Plan, Mr. Conibear's Employment Agreement was amended in 2015 and no further grants of PSARs are outstanding or will be awarded. Furthermore, his contract was amended to include that all unvested SUs will automatically vest and that all unvested stock options awarded pursuant to the Corporation's ISOP or as amended or replaced from time to time, shall automatically vest and Mr. Conibear will have 90 days from the date following termination to exercise these stock options. Furthermore, the terms of termination without just cause as set out in Mr. Conibear's Employment Agreement will prevail over the terms of termination without just cause as contained in the SU Plan and/or ISOP, as may be amended or replaced from time to time, unless such terms contained in the SU Plan and/or ISOP are more favourable, then the terms in the SU Plan and/or ISOP shall prevail.

Following the termination of Ms. Inkster's employment by the Corporation without cause, the Corporation will be required to pay this NEO at termination 12 months' base salary. In the case of a termination of her employment in the event of redundancy, the Corporation will also provide 12 months' bonus calculated as the average over the last two performance years and 12 months' benefits.

Following the termination of Mr. McRae's employment by the Corporation without cause, Mr. McRae will receive an amount equal to the Salary that would have been payable to him had his employment with the Corporation continued for a period of 12 months after the termination date in full satisfaction of any notice periods, severance or other payments to which he may be entitled to under statute or otherwise in respect of the termination of his employment with the Corporation. "Salary" is defined as base salary, plus pro-rated bonus averaged over the last two performance years, and pro-rated benefits.

Following the termination of Ms. Lee Harrs' employment by the Corporation without cause, Ms. Lee Harrs will receive an amount equal to the Salary that would have been payable to her had her employment with the Corporation continued for a period of 12 months after the termination date in full satisfaction of any notice periods, severance or other payments to which she may be entitled to under statute or otherwise in respect of the termination of her employment with the Corporation. "Salary" is defined as base salary, plus pro-rated bonus averaged over the last two performance years, and pro-rated benefits.

Following the termination of Mr. Gatley's employment by the Corporation without cause, Mr. Gatley is entitled to receive two weeks' notice or payment in lieu of notice plus one week for each additional year of employment to a maximum of 12 weeks' (the "Notice Period Payment"). Currently, Mr. Gatley will receive an amount equal to 12 weeks' Salary that would have been payable to him had his employment with the Corporation continued for a period of 12 weeks after the termination date in full satisfaction of any notice periods, severance or other payments to which he may be entitled to under statute or otherwise in respect of the termination of his employment with the Corporation. "Salary" is defined as base salary. Furthermore, subject to certain provisions of Mr. Gatley`s employment agreement, the Corporation, at its sole discretion, can provide written notice to Mr. Gatley requiring him not to perform any further services ("Garden Leave"). In the event that the Corporation requires Mr. Gatley to be on Garden Leave, Mr. Gatley will receive up to six months' Salary, inclusive of the Notice Period Payment. The amount up to six months' Salary is determined at the sole discretion of the Corporation.

For certain of the NEOs, the Corporation may elect to terminate their employment for disability in which case additional payments may be required.

Other than as set forth above, the Corporation has no compensatory plan, contract or arrangement where a NEO is entitled to receive compensation in the event of resignation, retirement or other termination of the NEOs employment with the Corporation.

The following table provides details regarding the estimated incremental payments from the Corporation to the NEOs assuming termination of employment without cause on December 31, 2014.

NEO	Base Salary (US$)(1)	STIP (US$)(1)	Value of Benefits (US$)(1)	Equity (US$)(1)(2)	Total (US$)(1)
Paul Conibear CEO	1,358,426	1,605,782	78,386	255,466(3)	**3,298,060**
Marie Inkster CFO	358,625	286,905	35,700	675,900	**1,357,130**
Paul McRae SVP, Projects	513,049	279,272	57,494	455,800	**1,305,615**
Julie Lee Harrs SVP, Corporate Development	332,504	197,366	35,175	516,300	**1,081,345**
Stephen Gatley VP, Technical Services	95,340	-	-	437,200	**532,540**

(1) Based on the closing exchange rate of C$1.00:US$0.8620 and £$1.00:US$1.5577 on December 31, 2014.

(2) Values represent the gain on all vested options, assuming a TSX closing price on December 31, 2014 of C$5.72 (US$4.93).

(3) Value includes 250,000 PSARS based on value on the grant date of C$5.60 (US$4.83) less the TSX closing price on December 31, 2014 of C$5.72 (US$4.93). Based on the closing exchange rate of US$0.8620:C$1.00 on December 31, 2014. These PSARs were cancelled after December 31, 2014 in accordance with the terms of Mr. Conibear's amended Employment Agreement, in light of the implementation of the SU Plan. There are currently no PSARs outstanding and no further PSARs will be granted.

CHANGE OF CONTROL

In the majority of the employment agreements of the NEOs and in the case of change of control of the Corporation, certain of the NEOs have a commitment that they may not terminate their employment until the expiry of a 6 month period following the change of control, except in the case of a reduction in the NEOs compensation (other than any year-over-year change in their awards under incentive compensation plans) or a material change in the NEOs place of employment. During the period 6 to 12 months following a change of control, the NEO may terminate his or her employment with the Corporation, in which case the termination payments below would apply.

Within 12 months of a change of control of the Corporation, if Mr. Conibear is terminated without cause or if a triggering event occurs, such as a significant diminution of this NEOs duties or responsibilities, and the NEO elects to terminate his employment, this NEO will be entitled to receive the termination provisions of his employment agreement for termination without cause.

After the expiration of the 6-month period following a change of control of the Corporation, Ms. Inkster may terminate her employment with the Corporation and will be entitled to a termination payment of 12 months' base salary. If this election is not made within 12 months of the date of the change of control then this right will lapse.

After the expiration of the 6-month period following a change of control of the Corporation, Ms. Lee Harrs may be eligible to terminate her employment with the Corporation and be entitled to a termination payment of 12 months' Salary. "Salary" is defined as base salary, plus pro-rated bonus averaged over the last two performance years, and pro-rated benefits. If this election is not made within 12 months of the date of the change of control then this right will lapse.

If at any time Mr. Gatley`s employment is terminated by reason of any reconstruction, amalgamation or sale of the Corporation and Mr. Gatley is not offered employment with terms that are no less favourable to any material extent than the terms of his current employment agreement, Mr. Gatley is entitled to receive payment in lieu of an extended notice period of 24 months' Salary, which are inclusive of any other payments including notice that may be payable under his employment agreement. "Salary" is defined as base salary, pension contributions and other benefits in kind.

The following table provides details regarding the estimated incremental payments from the Corporation to the NEOs assuming a change of control of the Corporation on December 31, 2014.

NEO	Severance: Base Salary (US$)[1]	Severance: STIP (US$)[1]	Severance: Value of Benefits (US$)[1]	Equity (US$)[1][2]	Total (US$)[1]
Paul Conibear CEO	1,358,426	1,605,782	78,386	315,500[3]	**3,358,094**
Marie Inkster CFO	358,625	-	2,975	740,142	**1,101,742**
Paul McRae SVP, Projects	-	-	-	656,100	**656,100**
Julie Lee Harrs SVP, Corporate Development	332,504	197,366	35,175	560,600	**1,125,645**
Stephen Gatley VP, Technical Services	826,282	-	52,000	516,600	**1,394,882**

(1) Based on the closing exchange rate of C$1.00:US$0.8620 and £$1.00:US$1.5577 on December 31, 2014.

(2) In accordance with the ISOP, all options vest and become exercisable following a change of control. Values represent the gain on all vested and unvested options, assuming a TSX closing price on December 31, 2014 of C$5.72 (US$4.93).

(3) Value includes 250,000 PSARS based on value on the grant date of C$5.60 (US$4.83) less the TSX closing price on December 31, 2014 of C$5.72 (US$4.93). Based on the closing exchange rate of US$0.8620:C$1.00 on December 31, 2014. These PSARs were cancelled after December 31, 2014 in accordance with the terms of Mr. Conibear's amended Employment Agreement, in light of the implementation of the SU Plan. There are currently no PSARs outstanding and no further PSARs will be granted.

DIRECTOR COMPENSATION

DIRECTOR COMPENSATION TABLE

The following table provides information regarding compensation paid to the Corporation's non-executive directors during the financial year ended December 31, 2014:

Name	Fees earned (US$)(1)	Share-based awards (US$)	Option-based awards (US$)	Non-equity incentive plan compensation (US$)	Pension value (US$)	All other Compensation (US$)	Total (US$)(1)
Lukas H. Lundin	212,793	-	-	-	-	-	212,793
Donald K. Charter	144,880	-	-	-	-	-	144,880
John H. Craig	117,715	-	-	-	-	-	117,715
Brian D. Edgar(2)	126,770	-	-	-	-	-	126,770
Peter C. Jones	131,298	-	-	-	-	-	131,298
Dale C. Peniuk	140,452	-	-	-	-	-	140,452
William A. Rand	158,463	-	-	-	-	-	158,463

(1) See heading "Currency" on page 1 for the exchange rates.
(2) Mr. Edgar is not standing for re-election as a Director at the Meeting.

The CEO, Mr. Conibear, who also acts as a director of the Corporation, does not receive any compensation for services as a director.

For the year ended December 31, 2014, the Chairman of the Board received annual remuneration in the amount of C$235,000. The Lead Director received annual base remuneration of C$150,000 and each non-executive director received annual base remuneration of C$125,000. The Chair of the Audit Committee received annual remuneration of C$25,000 and each committee member received annual remuneration of C$15,000. The Chair of the HRCC received annual remuneration of C$20,000 and each committee member received annual remuneration of C$10,000. The Chair of each of the other Board committees received annual remuneration of C$10,000 and each committee member received annual remuneration of C$5,000. All of these amounts were paid in monthly installments.

During 2014, the HRCC performed internal benchmarking for director compensation. The benchmarking concluded that the directors' fees were below the median of the 2015 peer group and therefore adjustments were recommend and approved by the Board to align the Corporation's director compensation with its peers. Effective January 1, 2015, the Chairman of the Board's annual remuneration was increased from C$235,000 to C$260,000, the Lead Director's annual base remuneration was increased from C$150,000 to C$175,000 and each non-executive directors' annual base remuneration was increased from C$125,000 to C$150,000. All other director-related fees, as noted above, remain unchanged for 2015.

Non-executive directors do not receive any stock options or short-term incentives.

Namdo Management Services Ltd. ("Namdo"), a private corporation owned by Mr. Lundin, Chairman and a director of the Corporation, was paid or accrued the amount of approximately C$280,000 for services rendered during the fiscal year ended December 31, 2014, plus reimbursement of out-of-pocket expenses at cost. Namdo has approximately 10 employees and provides administrative and corporate development services to a number of public companies. Mr. Lundin did not receive compensation from Namdo during 2014.

During the most recently completed financial year, an amount of approximately C$3.9 million was paid or accrued to the law firm of Cassels Brock & Blackwell LLP, of which Mr. Craig, a director of the Corporation, is a partner, for legal services rendered to the Corporation.

No other director was compensated either directly or indirectly by the Corporation and its subsidiaries during the most recently completed financial year for services as consultants or experts.

DIRECTOR OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS

No share-based or option-based awards were outstanding for directors at December 31, 2014.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors or executive officers of the Corporation, proposed nominees for directors, or associates or affiliates of said persons, have been indebted to the Corporation at any time since the beginning of the last completed financial year of the Corporation.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The Corporation's ISOP, as described above, provides for the grant of non-transferable stock options to permit the purchase of the Common Shares by the participants of the ISOP.

Equity Compensation Plan Information as of December 31, 2014:

Plan Category	Number of securities to be issued upon exercise of outstanding options and SUs	Weighted-average exercise price of outstanding options and SUs (C$)	Number of securities remaining available for future issuance under the plans
Equity Compensation Plans approved by security holders	11,934,984 (stock options) Nil (SUs)	$4.66 (stock options) N/A (SUs)	28,272,500 (stock options) 6,000,000 (SUs)
Equity Compensation Plans not approved by security holders	-	-	-
Total	11,934,984 (stock options) Nil (SUs)	-	28,272,500 (stock options) 6,000,000 (SUs)

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

INTRODUCTION

This statement of corporate governance practices is made with reference to National Instrument 58-101 *Disclosure of Corporate Governance Practices* and to National Policy 58-201, *Corporate Governance Guidelines* ("Governance Guidelines") which are initiatives of the Canadian Securities Administrators. In accordance with the Governance Guidelines, the Corporation has chosen to disclose its system of corporate governance in this Circular. The following text sets forth the steps taken by the Corporation in order to comply with the Governance Guidelines and its system of corporate governance currently in force.

BOARD OF DIRECTORS

The Board has considered the relationship and status of each of the nominated directors. If the shareholders' approve the directors set forth in the Circular for election/re-election at the Meeting, the Board will continue to comprise eight directors and a majority of the nominated directors are independent.

The independent directors standing for election/re-election at the Meeting are Messrs. Charter, Jones, Peniuk and Rand and Ms. Stefan (Nominee). Mr. Edgar, who is not standing for re-election at the Meeting is also an independent director. Each of these directors do not have any material business relationships with the Corporation and are therefore considered independent under the Governance Guidelines and otherwise independent under National Instrument 52-110 - *Audit Committees* ("NI 52-110") for the purposes of sitting on the Corporation's Audit Committee.

The non-independent directors of the Board are Messrs. Craig, Conibear and Lundin. Mr. Craig has been determined by the Board to not be independent as a result of the legal fees charged by Mr. Craig's law firm during 2014. The fees for legal services significantly increased during 2014 from prior years as a result of certain corporate activities and therefore, he is no longer considered independent. Mr. Conibear is not independent because of his current role as President and Chief Executive Officer of the Corporation. Mr. Lundin, Chairman of the Board, is not considered independent due to his direct involvement with management of the Corporation.

The Board regularly sets aside a portion of each Board meeting to meet in camera without management and non-independent directors present. In addition, the mandates of the Board and the CGNC require that procedures be implemented at such times as are desirable or necessary to enable the Board to function independently of management and to facilitate open and candid discussion among its independent directors.

The Board has appointed Mr. Rand, an independent director, as lead director to act as effective leader of the Board, to ensure that the Board's agenda will enable it to successfully carry out its duties and to provide leadership for the Board's independent directors. As lead director, Mr. Rand, among other things, presides at meetings of the Board and of the Corporation's shareholders, ensures that the Board is alert to its obligations and responsibilities and that it fully discharges its duties, communicates with the Board to keep the Board up to date on all major developments, and acts as a liaison between the Board and management of the Corporation.

Directors' Attendance Record at Board and Board Committee Meetings

Below is the attendance record of each director for all Board and Board committee meetings held during the period from January 1, 2014 to December 31, 2014:

	Board		Audit		Human Resources/ Compensation		Corporate Governance and Nominating		Health, Safety, Environment and Community	
Directors	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)	# of meetings attended	Total # of meetings (1)
Donald K. Charter	10	11	4	5	7	7	-	-	-	-
Paul K. Conibear	11	11	-	-	-	-	-	-	4	4
John H. Craig	11	11	-	-	-	-	1	1	-	-
Brian D. Edgar(2)	11	11	-	-	-	-	1	1	4	4
Peter C. Jones	11	11	-	-	6	7	-	-	4	4
Lukas H. Lundin	11	11	-	-	-	-	-	-	-	-
Dale C. Peniuk	11	11	5	5	-	-	1	1	-	-
William A. Rand	11	11	5	5	7	7	-	-	-	-

(1) Represents number of meetings the Director was eligible to attend.
(2) Mr. Edgar is not standing for re-election as a Director at the Meeting.

Directors' Other Board Memberships

All of the directors of the Corporation serve as directors of other reporting issuers. Currently, the following nominated directors serve on the boards of directors of other publicly traded companies as listed below:

Director	Public Company Board Membership
Donald K. Charter	Adriana Resources Inc. (TSX-V), DREAM Real Estate Investment Trust (TSX), IAMGOLD Corporation (TSX)
Paul K. Conibear	Lucara Diamond Corp. (TSX/OMX-Nasdaq), NGEx Resources Inc. (TSX/OMX-Nasdaq)
John H. Craig	Africa Oil Corp. (TSX), BlackPearl Resources Inc. (TSX), Consolidated HCI Holdings Corp. (TSX), Corsa Coal Corp. (TSX-V), Denison Mines Corp. (TSX/NYSE MKT)
Peter C. Jones	Royal Nickel Corporation (TSX),
Lukas H. Lundin	Denison Mines Corp. (TSX/NYSE MKT), Lucara Diamond Corp. (TSX/OMX-Nasdaq), Lundin Gold Inc. (formerly, Fortress Minerals Corp.) (TSX/OMX-Nasdaq); Lundin Petroleum AB (TSX/OMX-Nasdaq), Newmarket Gold Inc. (TSVX-V), NGEx Resources Inc. (TSX; OMX-Nasdaq)
Dale C. Peniuk	Argonaut Gold Inc. (TSX), Capstone Mining Corp. (TSX)
William A. Rand	Denison Mines Corp. (TSX/NYSE MKT); Lundin Petroleum AB (TSX/OMX-Nasdaq), New West Energy Services Inc. (TSX-V), NGEx Resources Inc. (TSX/OMX-Nasdaq)
Catherine J. G. Stefan (Nominee)	Denison Mines Corp. (TSX/NYSE MKT)

Legend:

TSX	Toronto Stock Exchange
TSX-V	TSX Venture Exchange
NYSE	New York Stock Exchange
NYSE MKT	NYSE MKT LLC
OMX-Nasdaq	Nasdaq OMX Stockholm Exchange

BOARD MANDATE

The Board has adopted a mandate which acknowledges its responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management. Management is responsible for the day-to-day conduct of the business of the Corporation. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board considers the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the CEO, sets the standards of conduct for the Corporation.

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair and Lead Director, nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles and By-Laws of the Corporation and the *Canada Business Corporations Act*, the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

Under its mandate, the Board is required to oversee the Corporation's communications policy. The Board has put structures in place to ensure effective communication between the Corporation, its shareholders and the public. The Corporation has established a Disclosure and Confidentiality Policy. The Board monitors the policies and procedures that are in place to provide for effective communication by the Corporation with its shareholders and with the public generally, including effective means to enable shareholders to communicate with senior management and the Board. The Board also monitors the policies and procedures that are in place to ensure a strong, cohesive, sustained and positive image of the Corporation with shareholders, governments and the public generally. Significant shareholder concerns are brought to the attention of management or the Board. Shareholders are informed of corporate developments by the issuance of timely press releases which are concurrently posted to the Corporation's website and are available on SEDAR at www.sedar.com.

The full text of the Board's mandate is attached hereto as Appendix A.

POSITION DESCRIPTIONS

The Board has adopted a written position description for each of the Chairman, Lead Director, the Chair of each Board committee, and the President and CEO.

Chairman and Lead Director

The Chairman of the Board is Mr. Lundin and the Lead Director is Mr. Rand. The Board has established a written position description for the Chairman and the Lead Director of the Board who are responsible for, among other things, presiding at meetings of the Board and shareholders, providing leadership to the Board, managing the Board, acting as liaison between the Board and management, and representing the Corporation to external groups including shareholders, local communities and governments.

Chair of the Audit Committee

The Chair of the Audit Committee is Mr. Peniuk. The Board has established a written position description for the Chair of the Audit Committee, who is responsible for, among other things, acting as liaison between the Audit Committee, the Board and management, chairing all meetings of the Audit Committee, ensuring that meetings of the Audit Committee are held as required, coordinating the attendance of the Corporation's external auditors at meetings of the Audit Committee, and reporting regularly to the Board on all matters within the authority of the Audit Committee and in particular, the recommendations of the Audit Committee in respect of the Corporation's quarterly and annual financial statements.

Chair of the Corporate Governance and Nominating Committee

The Chair of the CGNC is Mr. Edgar, who is not standing for re-election as a Director at the Meeting. Assuming the election of the nominee directors at the Meeting, it is expected that Ms. Stefan will be appointed as the Chair of the CGNC. The Board has established a written position description for the Chair of the CGNC, who is responsible for, among other things, acting as liaison between the CGNC and the Board, chairing all meetings of the CGNC, proposing nominees for the Board and each committee of the Board, ensuring that the meetings of the CGNC are held as required, monitoring the preparation of the statement of corporate governance to be given to the shareholders of the Corporation each year, and reporting regularly to the Board on matters within the authority of the CGNC.

Chair of the Health, Safety, Environment and Community Committee (the "HSEC")

The Chair of the HSEC is Mr. Jones. The Board has established a written position description for the Chair of the HSEC, who is responsible for, among other things, acting as liaison between the HSEC, the Board and management, chairing all meetings of the HSEC, ensuring that the meetings of the HSEC are held as required, and reporting regularly to the Board on matters within the authority of the HSEC.

Chair of the Human Resources/Compensation Committee

The Chair of the HRCC is Mr. Charter. The Board has established a written position description for the Chair of the HRCC, who is responsible for, among other things, acting as liaison between the HRCC, the Board and the CEO, chairing all meetings of the HRCC, ensuring that the meetings of the HRCC are held as required, overseeing the process whereby annual salary, bonus and other benefits of the Corporation's executive officers are reviewed assessed and revised in accordance with the recommendations of the CEO, reviewing the directors' compensation and reporting regularly to the Board on matters within the authority of the HRCC.

President and Chief Executive Officer

The President and Chief Executive Officer is Mr. Conibear. The Board has established a written position description for the President and Chief Executive Officer, who is responsible for, among other things, the day to day management of the business and the affairs of the Corporation. The President and Chief Executive Officer is also responsible for assisting the Chair of the Board, the Lead Director and the chairs of the Board committees to develop agendas for the Board and Board committee meetings to enable these entities to carry out their responsibilities, reporting to the Board in an accurate, timely and clear manner on all aspects of the business that are relevant so that the directors may carry out their responsibilities, making recommendations to the Board on those matters on which the Board is required to make decisions, ensuring that the financial statements and other financial information contained in regulatory filings and other public disclosure fairly present the financial condition of the Corporation, ensuring the integrity of the financial and other internal control and management information systems and risk management systems, the promoting of ethical conduct within the Corporation and its subsidiaries, recruiting of senior management as may be directed by the Board, senior management development and succession, acting as the principal interface between the Board and senior management, promoting a work environment that is conducive to attracting, retaining and motivating a diverse group of high-quality employees, promoting continuous improvement in the timeliness, quality, value and results of the work of the employees of the corporation, and speaking for the Corporation in its communications to its shareholders and the public.

ORIENTATION AND EDUCATION

The Corporation provides new directors with an orientation package upon joining the Corporation that includes financial and technical information relevant to the Corporation's operations, and periodically arranges for project site visits to familiarize members of the Board with the Corporation's operations and to ensure that their knowledge and understanding of the Corporation's business remains current. During 2014, two of the non-executive directors visited the Eagle Mine and two non-executive directors visited the Zinkgruvan Mine and were able to meet with on-site personnel to further acquaint themselves with these key mining assets.

Board members are encouraged to communicate with management and others, to keep themselves current with industry trends and development, and to attend related industry seminars. Board members have full access to the Corporation's records and receive a monthly report from management discussing the operations, health and safety matters, sales of product, projects and investments, financial summary, exploration, human resources, and new business and corporate development. The Corporation's legal counsel also provides directors and senior officers with summary updates of any developments relating to the duties and responsibilities of directors and officers and to any other corporate governance matters. In addition, the Board will provide any further continuing education opportunities for all directors, where required, so that individual directors may maintain or enhance their skills and abilities as directors. Each director is expected to maintain the necessary level of expertise to perform his or her responsibilities as a director.

ETHICAL BUSINESS CONDUCT

The Board has adopted a formal written Code of Conduct and Ethical Values Policy ("Code of Conduct") for its directors, officers and employees of Lundin Mining and its subsidiaries.

Individuals governed by the Code of Conduct are required to disclose in writing all business, commercial or financial interests or activities which might reasonably be regarded as creating an actual or potential conflict with their duties. Individuals must avoid all situations in which their personal interests conflict or may conflict with their duties to the Corporation or with the economic interest of the Corporation. All business transactions with individuals, corporations or other entities that could potentially, directly or indirectly, be considered to be a related party, must be approved by the Board regardless of the amount involved.

Directors, officers and employees are encouraged to report violations of the Code of Conduct on a confidential and, if preferred, anonymous basis to senior management, the Board or the Audit Committee Chair, in accordance with the complaints procedure set out in the Code of Conduct. If the Audit Committee becomes involved with the matter, the Audit Committee may request special treatment for any complaint, including the involvement of the Corporation's external auditors, legal counsel or other advisors. All complaints are required to be documented in writing by the person(s) designated to investigate the complaint, who shall report forthwith to the Chair of the Audit Committee. On an annual basis, or otherwise upon request from the Board, the Code of Conduct requires the Chair of the Audit Committee to prepare a written report to the Board summarizing all complaints received during the previous year, all outstanding unresolved complaints, how such complaints are being handled, the results of any investigations and any corrective actions taken.

The Code of Conduct is available on the Corporation's website and has been filed and is accessible through SEDAR on the Corporation's profile at www.sedar.com.

The Audit Committee has also established a Fraud Reporting and Investigation (Whistleblower) Policy to encourage employees, officers and directors to raise concerns regarding questionable accounting, internal controls, auditing or other fraudulent matters, on a confidential basis free from discrimination, retaliation or harassment.

NOMINATION OF DIRECTORS

The Board has established a CGNC composed of independent directors which is responsible for the recommendation of director nominees that will best serve the Corporation based upon the competencies and skills necessary for the Board as a whole to possess, the competencies and skills necessary for each individual director to possess, and whether the proposed nominee to the Board will be able to devote sufficient time and resources to the Corporation. To encourage an objective nomination process, the independent directors conduct a discussion of the nominees among themselves. The CGNC will also review, on a regular basis, the size of the Board and will consider the number of directors required to carry out the Board's duties effectively.

In response to the capital markets' desire for more clarity and information, the Board has adopted a position regarding diversity including gender diversity which is set out below. However, the Corporation does not have a written policy relating specifically to the identification and nomination of women directors and have not adopted a target regarding the number of women on the Board or in executive officer positions. The Corporation does not believe that having specific quotas or strict rules or targets will necessarily result in the identification and selection of the best candidates for Board positions, and may compromise other important factors in selecting the Corporation's directors and executive officers, such as skill, experience, and core competencies. The Board believes that it is in the best interest of the organization to promote the most qualified talent to deliver growth and create value for shareholders, taking into account diversity, and as such, does not support mandated percentages or timelines in respect of the number of women on its Board.

All directors must possess the highest personal and professional ethics, integrity and values and be committed to representing the long-term interests of the shareholders. They must also have an inquisitive and objective perspective, practical wisdom and mature judgment. Each director should also have outstanding ability in his or her individual fields of expertise and be able to devote necessary time to Board matters. The Board strongly support the principle of boardroom diversity, of which gender is one important aspect. The Board's aim is to have a broad range of approaches, backgrounds, skills and experience represented on the Board and to make appointments on merit and against objective criteria, including diversity. Board and committee members engaged in nominations are to conduct searches for potential nominees so as to put forward a diverse range of candidates, including women candidates. There are currently no women directors (0%); however, the newly constituted Board, assuming the election of the new nominee director at the Meeting will have one woman director representing 20% of the five independent directors or 12.5% of the eight directors, who will then sit on the Board. The executive officers of the Corporation, including the Corporation's major subsidiaries comprises four women executives representing approximately 36% of the 11 executive officers. There are no executive officer positions at any of the Corporation's major subsidiaries.

The Corporation does not impose term limits on our directors, believing that this arbitrary mechanism for removing directors can result in valuable, experienced directors being forced to leave the Board. The Corporate believes that the best means to achieving Board renewal is for it to happen organically, and in concert with a robust nomination process that considers a range of factors including existing tenure and diversity, when identifying and selecting candidates for election or re-election to the Board.

In February 2013, the Board adopted a Majority Voting Policy as part of its commitment to best practices for corporate governance. The policy is described above under "Election of Directors and Information Regarding Proposed Directors".

COMPENSATION OF DIRECTORS AND OFFICERS

The extent and level of director and officers' compensation is determined by the Board after considering the recommendations of the HRCC which is composed entirely of independent directors. The HRCC has been mandated to review the adequacy and form of the compensation of directors and officers to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director or officer in the Corporation and the mining industry. In making recommendations to the Board in respect of compensation to directors, this committee considers the time commitment, risks and responsibilities involved in being a director with the Corporation as well as market data pertinent to the compensation paid to directors of peer group companies.

Please review the section in this Circular titled "Director Compensation" for further information concerning director compensation.

BOARD COMMITTEES

To assist the Board in its responsibilities, the Board has established four standing committees including the Audit Committee, the CGNC, the HSEC and the HRCC. Each committee has a written mandate and reviews its mandate annually.

AUDIT COMMITTEE

The Audit Committee comprises three directors. The current members of the Audit Committee are Mr. Peniuk (Chair), Mr. Charter and Mr. Rand, all of whom are independent and financially literate for the purposes of NI 52-110. Assuming the election of the nominee directors at the Meeting, it is expected that Mr. Charter will be replaced by Ms. Stefan (Nominee) as a member of the Audit Committee.

The Audit Committee oversees the accounting and financial reporting processes of the Corporation and its subsidiaries and all audits and external reviews of the financial statements of the Corporation, on behalf of the Board, and has general responsibility for oversight of internal controls, and accounting and auditing activities of the Corporation and its subsidiaries. All auditing services and non-audit services to be provided to the Corporation by the Corporation's auditors are pre-approved by the Audit Committee. The Audit Committee reviews, on a regular basis, any reports prepared by the Corporation's external auditors relating to the Corporation's accounting policies and procedures, as well as internal control procedures and systems. The Audit Committee is also responsible for reviewing all financial information, including annual and quarterly financial statements, prepared for securities commissions and similar regulatory bodies prior to filing or delivery of the same. The Audit Committee also oversees the annual audit process, the quarterly review engagements, the Corporation's internal accounting controls, the Corporation's Fraud Reporting and Investigation (Whistle blower) Policy, any complaints and concerns regarding accounting, internal control or audit matters, and the resolution of issues identified by the Corporation's external auditors. The Audit Committee recommends to the Board annually the firm of independent auditors to be nominated for appointment by the shareholders at the shareholders annual meeting.

The Board appoints the members of the Audit Committee for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the Audit Committee and may fill any vacancy in the Audit Committee.

The Audit Committee meets a minimum of four times a year. The Audit Committee has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

Additional information relating to the Audit Committee, including a copy of the Audit Committee's mandate, is provided in the Corporation's Annual Information Form for the year ended December 31, 2014, a copy of which is available on the SEDAR website at www.sedar.com.

HUMAN RESOURCES/COMPENSATION COMMITTEE

The HRCC comprises three directors, all of whom are independent within the meaning of the Governance Guidelines. The current members of the HRCC are Mr. Charter (Chair), Mr. Jones and Mr. Rand.

The principal purpose of the HRCC is to implement and oversee human resources and compensation policies approved by the Board of the Corporation. The duties and responsibilities of the HRCC include recommending to the Board the annual salary, bonus and other benefits, direct and indirect, for the CEO, after considering the recommendations of the CEO approving the compensation for the Corporation's other executive officers, approving other human resources and compensation policies and guidelines, ensuring management compensation is competitive to enable the Corporation to continue to attract individuals of the highest calibre, and recommending the adequacy and form of director compensation to the Board.

The Board appoints the members of the HRCC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the HRCC and may fill any vacancy in the HRCC.

The HRCC meets regularly each year on such dates and at such locations as the Chair of the HRCC determines. The HRCC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel or advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

The CGNC comprises three directors, all of whom are independent within the meaning of the Governance Guidelines. The current members of the CGNC are Mr. Edgar (Chair), Mr. Craig and Mr. Peniuk. Mr. Edgar is not standing for re-election as a Director at the Meeting. Assuming the election of the nominee directors at the Meeting, it is expected that Mr. Edgar will be replaced by Ms. Stefan (Nominee) as Chair of the CGNC and Mr. Craig will be replaced by Mr. Charter as a member of the CGNC.

The principal purpose of the CGNC is to provide a focus on corporate governance that will enhance the Corporation's performance, and to ensure, on behalf of the Board and shareholders that the Corporation's corporate governance system is effective in the discharge of its obligations to the Corporation's stakeholders. The duties and responsibilities of the CGNC include the development and monitoring of the Corporation's overall approach to corporate governance issues and, subject to approval by the Board, implementation and administration of a system of corporate governance which reflects superior standards of corporate governance practices, recommendation to the Board nominees for election as directors of the Corporation at the Annual Meeting of Shareholders, reporting annually to the Corporation's shareholders, through the Corporation's annual management information circular or annual reports to shareholders, on the Corporation's system of corporate governance and the operation of its system of governance, analyzing and reporting annually to the Board the relationship of each director to the Corporation as to whether such director is an independent director or not an independent director, advising the Board or any of the committees of the Board of any corporate governance issues which the CGNC determines ought to be considered by the Board or any such committee; in the event of a vacancy on the Board, the CGNC will consider whether to recommend to the Board to fill the vacancy and if the vacancy is to be filled, the CGNC will recommend an individual to the Board to fill such vacancy; and, in the event of a vacancy occurring on a committee of the Board, the CGNC will recommend to the Board an individual for appointment as a member to the applicable committee of the Board to fill such vacancy.

The Board appoints the members of the CGNC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the CGNC and may fill any vacancy in the CGNC.

The CGNC meets regularly each year on such dates and at such locations as the Chair of the CGNC determines. The CGNC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY COMMITTEE

The HSEC comprises three directors. The current members of the HSEC are Mr. Jones (Chair), Mr. Conibear and Mr. Edgar. Mr. Edgar is not standing for re-election as a Director at the Meeting. Assuming the election of the nominee directors at the Meeting, it is expected that Mr. Edgar will be replaced by Mr. Craig as a member of the HSEC.

The principal purpose of the HSEC is to assist the Board in its oversight of health, safety, environment and community risks, compliance with applicable legal and regulatory requirements associated with health, safety, environmental and community matters, performance in relation to health, safety, environmental and community matters, the performance and leadership of the health, safety, environment and community function in the Corporation, and external annual reporting in relation to health, safety, environmental and community matters.

The Board appoints the members of the HSEC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the HSEC and may fill any vacancy in the HSEC.

The HSEC meets a minimum of four times a year. The HSEC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

ASSESSMENTS OF THE BOARD

In accordance with the Board's mandate, the Board, through the CGNC, undertakes formal Board evaluations of itself, its committees and also of each individual director's effectiveness and contribution on an annual basis.

The CGNC prepares and delivers an annual Board Effectiveness Assessment questionnaire to each member of the Board. The questionnaire is divided into four parts dealing with: (i) Board Responsibility; (ii) Board Operations; (iii) Board Effectiveness; and (iv) Individual Assessments. Each director must complete the entire questionnaire including the ranking of each director and also complete a personal assessment. The CGNC reviews and considers the responses received and makes a final report, with recommendations, if any, to the Board. This process occurs prior to the consideration by the CGNC of nominations for director elections at the Corporation's annual meeting of shareholders each year.

MANAGEMENT CONTRACTS

Management functions of the Corporation and its subsidiaries are performed by directors and executive officers of the Corporation and not, to any substantial degree, by any other person with whom the Corporation has contracted.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the best of the Corporation's knowledge, no informed person of the Corporation, proposed directors or any associate or affiliate of any of them, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction since the commencement of the Corporation's most recently completed financial year which has materially affected or will materially affect the Corporation or any of its subsidiaries.

OTHER BUSINESS

Management of the Corporation knows of no other matters which will be brought before the Meeting, other than those referred to in the Notice of Meeting. Should any other matters properly be brought before the Meeting, the Common Shares represented by the proxies solicited hereby will be voted on those matters in accordance with the best judgment of the persons voting such proxies.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on the SEDAR website under the Corporation's profile at www.sedar.com. Financial information related to the Corporation is contained in the Corporation's financial statements and related management's discussion and analysis. Copies of the Corporation's consolidated audited financial statements, related management's discussion and analysis and Annual Information Form prepared for its fiscal year ended December 31, 2014 may be obtained free of charge by writing to the Corporate Secretary of the Corporation at Suite 1500, 150 King Street West, P.O. Box 38, Toronto, Ontario, Canada, M5H 1J9 or may be accessed on the Corporation's website at www.lundinmining.com or under the Corporation's profile on the SEDAR website at www.sedar.com.

CERTIFICATE OF APPROVAL

The contents and the distribution of this Circular have been approved by the Board.

DATED at Toronto, Ontario this 2nd day of April, 2015.

BY ORDER OF THE BOARD OF DIRECTORS

Paul K. Conibear

Paul K. Conibear
President, Chief Executive Officer and Director

APPENDIX A
MANDATE OF THE BOARD OF DIRECTORS

A. INTRODUCTION

The Board of Directors (the "Board") has the responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management. Management is responsible for the day-to-day conduct of the business. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, and to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, shall set the standards of conduct for the Corporation.

B. PROCEDURES AND ORGANIZATION

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair and Lead Director, nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles and By-Laws of the Corporation and the Canada Business Corporations Act (the "Act"), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

C. DUTIES AND RESPONSIBILITIES

The Board's principal duties and responsibilities fall into a number of categories which are outlined below.

1. **Legal Requirements**

   (a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;

   (b) The Board has the statutory responsibility to:

      (i) manage or, to the extent it is entitled to delegate such power, to supervise the management of the business and affairs of the Corporation by the senior officers of the Corporation;

      (ii) act honestly and in good faith with a view to the best interests of the Corporation;

      (iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and

      (iv) act in accordance with its obligations contained in the Act and the regulations thereto, the Corporation's Articles and By-laws, securities legislation of each province and territory of Canada, and other relevant legislation and regulations.

2. **Independence**

The Board has the responsibility to ensure that appropriate structures and procedures are in place to permit the Board to function independently of management, including endeavouring to have a majority of independent directors as well as an independent Chair or an independent Lead Director, as the term "independent" is defined in National Instrument 58-101 "Disclosure of Corporate Governance Practices".

3. **Strategy Determination**

The Board has the responsibility to ensure that there are long-term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees in developing and approving the mission of the business of the Corporation and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Corporation's business.

4. **Managing Risk**

The Board has the responsibility to identify and understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

5. **Division of Responsibilities**

The Board has the responsibility to:

(a) appoint and delegate responsibilities to committees where appropriate to do so; and

(b) develop position descriptions for:
   - (i) the Board;
   - (ii) the Chairman, Vice-Chairman and Lead Director of the Board;
   - (iii) the Chair of each Board Committee;
   - (iv) the President and Chief Executive Officer;
   - (v) the Chief Financial Officer; and
   - (vi) the Chief Operating Officer;

(c) ensure that the directors of the Corporation's subsidiaries are qualified and appropriate in keeping with the Corporation's guidelines and that they are provided with copies of the Corporation's policies for implementation by the subsidiaries.

To assist it in exercising its responsibilities, the Board hereby establishes four standing committees of the Board: the Audit Committee, the Corporate Governance and Nominating Committee, the Health, Safety, Environment and Community Committee and the Human Resources/Compensation Committee. The Board may also establish other standing committees from time to time.

Each committee shall have a written mandate that clearly establishes its purpose, responsibilities, members, structure and functions. Each mandate shall be reviewed by the Board regularly. The Board is responsible for appointing committee members.

6. **Appointment, Training and Monitoring Senior Management**

The Board has the responsibility:

(a) to appoint the Chief Executive Officer, to monitor and assess the Chief Executive Officer's performance, to satisfy itself as to the integrity of the Chief Executive Officer, and to provide advice and counsel in the execution of the Chief Executive Officer's duties;

(b) to develop or approve the corporate goals or objectives that the Chief Executive Officer is responsible for;

(c) to approve the appointment of all senior corporate officers, acting upon the advice of the Chief Executive Officer and to satisfy itself as to the integrity of such corporate officers;

(d) to ensure that adequate provision has been made to train, develop and compensate management and to ensure that all new directors receive a comprehensive orientation, fully understand the role of the Board and its committees, the nature and operation of the Corporation's business and the contribution that individual directors are required to make;

(e) to create a culture of integrity throughout the Corporation;

(f) to ensure that management is aware of the Board's expectations of management;

(g) to provide for succession of management; and

(h) to set out expectations and responsibilities of directors including attendance at meetings and review of meeting materials.

7. **Policies, Procedures and Compliance**

The Board has the responsibility:

(a) to ensure that the Corporation operates at all times within applicable laws, regulations and ethical standards; and

(b) to approve and monitor compliance with significant policies and procedures by which the Corporation is operated.

8. **Reporting and Communication**

The Board has the responsibility:

(a) to ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;

(b) to ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;

(c) to ensure the timely reporting of developments that have a significant and material impact on the value of the Corporation;

(d) to report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year;

(e) to develop appropriate measures for receiving shareholder feedback; and

(f) to develop the Corporation's approach to corporate governance and to develop a set of corporate governance principles and guidelines.

9. **Monitoring and Acting**

The Board has the responsibility:

(a) to monitor the Corporation's progress towards it goals and objectives and to revise and alter its direction through management in response to changing circumstances;

(b) to take action when performance falls short of its goals and objectives or when other special circumstances warrant;

(c) to ensure that the Corporation has implemented adequate control and information systems which ensure the effective discharge of its responsibilities; and

(d) to make regular assessments of itself, its committees and each individual director's effectiveness and contribution.

Other Supplementary Information

1. ***List of directors and officers at February 18, 2015:***

(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*
Derek Riehm, *Vice President, Environment*
Lesley Duncan, *Interim Corporate Secretary*

2. **Financial Information**

The report for the first quarter of 2015 is expected to be published by April 29, 2015.

3. **Other information**

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

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

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

For further information, please contact:

Sophia Shane, *Investor Relations, North America*: +1-604-689-7842, sophias@namdo.com
Robert Eriksson, *Investor Relations, Sweden*: +46-(0)8-440-54-50, robert.eriksson@lundin-petroleum.se
John Miniotis, *Senior Manager, Corporate Development and Investor Relations*: +1-416-342-5560, john.miniotis@lundinmining.com