

lundin mining

Management's Discussion and Analysis For the three and six months ended June 30, 2010

This management's discussion and analysis has been prepared as of July 27, 2010 and should be read in conjunction with the Company's interim consolidated financial statements for the three and six months ended June 30, 2010. Those financial statements are prepared in accordance with Canadian generally accepted accounting principles. The Company's reporting currency is United States dollars. Reference herein of \$ is to United States dollars. Reference of C\$ is to Canadian dollars, reference to SEK is to Swedish krona and € refers to the Euro.

Additional information relating to the Company, including the Company's most recent Annual Information Form and subsequent press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and are available online at www.sedar.com.

The Company's common shares are listed on the Toronto Stock Exchange and its Swedish Depository Receipts are listed on the OMX Nordic Exchange under the trading symbols "LUN" and "LUMI", respectively.

About Lundin Mining

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

Cautionary Statement on Forward-Looking Information

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

Table of Contents

Highlights	3
Financial Position and Financing	4
Outlook	5
Selected Quarterly Financial Information	7
Sales Overview	8
Operating Results	10
Mining Operations	12
Production Overview	12
Cash Cost Overview	12
Neves-Corvo Mine	14
Zinkgruvan Mine	16
Aguablanca Mine	17
Galmoy Mine	19
Tenke Fungurume	20
Exploration Highlights	22
Metal Prices, LME Inventories and Smelter Treatment and Refining Charges	23
Liquidity and Financial Condition	24
Changes in Accounting Policies	25
Managing Risks	26
Outstanding Share Data	26
Non-GAAP Performance Measures	27
Management's Report on Internal Controls	29

Highlights

Operational and Financial Highlights

- Second quarter production is close to expectations: zinc and lead well ahead of plan; Neves-Corvo continued to be affected by industrial action in April and was back above plan in June; Aguablanca was only marginally below plan but is dealing with continuing challenges with rain and its effect on pit operation. Copper production at Tenke was in-line with nameplate capacity of 115,000 tonnes per annum of copper cathode.

Total production was as follows:

<i>Wholly-owned operations (tonnes)</i>	YTD 2010	Q2 2010	Q1 2010	FY 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Copper	34,618	21,774	12,844	93,451	23,868	21,351	23,992	24,240
Zinc	44,076	24,458	19,618	101,401	20,011	15,151	31,962	34,277
Lead	19,196	10,953	8,243	43,852	10,393	8,111	12,478	12,870
Nickel	3,871	1,715	2,156	8,029	2,324	1,784	1,960	1,961
<i>Tenke attributable (24.75%)</i>								
Copper	14,158	7,038	7,120	17,325	7,227	6,019	4,079	-
Cobalt	961	409	552	638	477	159	2	-

- Operating earnings¹ decreased by \$10.2 million from \$91.0 million in the second quarter of 2009 to \$80.8 million in 2010. Discounting the closure of Galmoy (\$8.8 million effect), like-for-like operations decreased operating earnings by \$1.4 million.

The positive effect of higher metal prices was largely offset by the difference in price adjustments when comparing this quarter to the prior corresponding quarter (net \$16.5 million favourable effect after negative price adjustments of \$74.7 million) with the largest effect coming from nickel. The net favourable price effect and more favourable exchange rates (\$6.3 million effect) were partially offset by lower sales volumes (\$5.1 million effect) and higher unit costs (\$19.1 million).

Higher unit costs, included in cost of sales, relate to higher costs brought forward from the first quarter in inventory and the costs associated with recovery from the disruptions in the first quarter.

Operating earnings for Aguablanca do not reflect the high nickel prices experienced during the March, April, May period. In accordance with the flexibility granted the offtaker, under the now expired concentrate sales contract (in place when Rio Narcea was acquired), none of Aguablanca's concentrate sales this year have been settled. The first quarter reflected a positive price adjustment of \$12.4 million and this unrealized mark-up has been reversed in the current quarter. This has reduced the quarter's earnings.

- Net income of \$75.6 million (Q2-2009: \$43.5 million) or \$0.13 per diluted share (Q2-2009: \$0.08) includes \$32.4 million (\$27.9 million after tax) related to the sale of shares in Chariot Resources, which were classified as Available For Sale ("AFS") securities.

The higher tax charge includes a charge of \$14.5 million (current taxes payable \$0.9, future income tax assets and liabilities of \$13.6 million) to cover the 2.5% increase in the Portuguese corporate income tax rate and also reflects the effect of reduced loss carry-forwards and accelerated depreciation. The increase was initially announced to apply for a two year period only. However, the legislation does not provide a limit and the increase has been provided for in respect of all future taxes.

¹ Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 27 of this MD&A for discussion of Non-GAAP measures.

- Sales for the quarter were \$183.1 million compared to sales of \$194.8 million in the second quarter of 2009. Lower volume from continuing operations (\$8.9 million) and the closure of Galmoy (\$19.3 million) were largely offset by net effect of metal price improvements and price adjustments related to previous quarters' sales (\$16.5 million).

Average metal prices in the second quarter of 2010 were 30% to 70% higher than the same quarter in 2009. Closing inventory levels are considered 'normal'.

- Cash inflow from operations was \$78.8 million for the quarter, compared to \$63.7 million for the corresponding period in 2009.
- Net cash¹ as at June 30, 2010 of \$107.8 million was up from \$10.2 million at the end of the previous quarter and compared to net debt¹ of \$49.3 million at December 31, 2009. The change in net cash is after: \$32.4 million of capital expenditure; \$6.8 million advanced in respect of Tenke; and includes \$59.9 million from the sale of investments and AFS securities.

The \$225 million revolving credit facility was undrawn at quarter-end.

- On May 14, 2010, agreement was reached to end industrial action at Neves-Corvo based on a new productivity arrangement. This provides for additional payment to employees for actual increases in productivity, based on a measure of tonnes-per-employee compared to a 2009 baseline.
- The long-term contract for the Company's nickel concentrates expired during the second quarter of 2010. Since expiry, spot sales have been made for delivery during the third quarter 2010 at considerably better terms than the expired contract.

Subsequent to the quarter-end, a new long-term agreement has been finalized with Glencore International AG on terms in line with recent market conditions. The new arrangement provides for regular monthly delivery and pricing of concentrates. This should ensure nickel realizations more closely correlate to LME averages over the year.

- The Zinkgruvan copper plant was successfully started during the quarter and initial concentrate produced.

Corporate Highlights

- For the quarter ended June 30, 2010, the Tenke Fungurume mine produced approximately 28,438 tonnes of copper, and approximately 24,997 tonnes were sold at an average realized price of \$2.96 per pound.
- The amount outstanding at June 30, 2010 on the Excess Over-run Costs facility ("EOC facility"), related to the Company's proportionate share of the Phase I development at Tenke, was \$188.9 million, a reduction of \$26.8 million during the quarter.

Financial Position and Financing

- The increase in liquidity during the quarter was attributable to:
 - net cash flow from operations, after allowing for investment in mineral properties, plant and equipment of \$32.4 million and a contribution to Tenke of \$6.8 million to cover 2010 exploration, expansion studies and sustaining capital investment; and
 - \$59.9 million of proceeds from sale of investments and available for sale securities
- Cash on hand at June 30, 2010 was \$149.6 million.

¹ Net cash/debt is a Non-GAAP measure defined as available unrestricted cash less financial debt, including capital leases and other debt-related obligations. See Non-GAAP performance measures on Page 27 of this MD&A.

Outlook

As previously reported, measures have been taken to reduce the annual effect of below trend production in the first quarter and recovery during the second quarter was largely in accordance with expectations.

Aguablanca is largely in accordance with planned nickel production however the effects of the heavy rain in the first quarter, and continued rain in the second quarter, have contributed to the appearance of zones of slope instability in the pit. In addition, Aguablanca has also been notified of possible rolling industrial action commencing July 31, 2010 and running for five consecutive Saturdays and Mondays. Contingency plans are being considered.

As a precaution of the two issues affecting Aguablanca, nickel guidance has been reduced to accord with the original guidance of 7,500 tonnes of nickel for the year and copper guidance has been reduced to 6,500 tonnes of copper, both plus or minus 5%.

The revised guidance for 2010, as given at the end of the first quarter, is maintained for all operations, except Aguablanca, as follows:

(contained tonnes)		2010 Guidance	
		Tonnes	C1 Cost ^{1,2}
Neves-Corvo	<i>Cu</i>	77,000	\$ 1.25
	<i>Zn</i>	6,000	
Zinkgruvan	<i>Zn</i>	75,000	\$ 0.30
	<i>Pb</i>	36,000	
	<i>Cu</i>	1,000	
Aguablanca	<i>Ni</i>	7,500	\$ 6.25
	<i>Cu</i>	6,500	
Galmoy (in ore)	<i>Zn</i>	14,000	
	<i>Pb</i>	4,000	
Total: Wholly-owned operations	<i>Cu</i>	84,500	
	<i>Zn</i>	95,000	
	<i>Pb</i>	40,000	
	<i>Ni</i>	7,500	
Tenke: 24.75% attributable share	<i>Cu</i>	28,500	

- Zinc production at Neves-Corvo is expected to resume in 2011 at the rate of 50,000 tonnes per annum ("tpa") of contained zinc. The estimated cost of the project is €43 million and is approximately 50% complete.

The expansion of shaft capacity at Neves-Corvo allows consideration of an earlier restart of zinc production, albeit at the level of 25,000 tpa. However, based on the present zinc prices, this additional capacity is more likely to be directed towards copper production.

- A pre-feasibility study has concluded that Lombador can be economically developed.

In accordance with the study, the first phase of Lombador is expected to lift zinc production at Neves-Corvo from a nominal 50,000 tpa to 140,000 tpa of contained zinc at a capital cost of approximately €140 million.

¹ Cash costs are dependent upon exchange rates, assumed as follows: €/US\$: 1.40. The TC/RC included in the cash cost of nickel assumes \$7.75/lb of nickel.

² Cash cost per pound is a non-GAAP measure. See Non-GAAP Performance Measures on page 27 of this MD&A.

A start-up date of 2013 is considered likely and cash costs are expected to be in the third-quartile for zinc producers on a normal costing basis. A feasibility study is now underway with expected completion during the first quarter of 2011.

- Studies are underway at Zinkgruvan to allow the recently completed copper plant to treat zinc ores in addition to copper thereby significantly increasing the flexibility of the Zinkgruvan operation.
- Capital expenditure outlook for the year is expected to be around \$190 million. This includes:
 - Sustaining capital in European operations of \$90 million.
 - New investment in European operations of \$60 million.
 - Investment in Tenke is now expected to be around \$40 million, at the bottom of the range previously given of between \$40 million and \$100 million depending on development plans. We note that final decisions on capital investment levels are made by Freeport, as operator.
- Expenditure on exploration and resource acquisition is expected to be around \$24 million, up from previous guidance of \$20 million, owing to the decision to increase near-mine exploration at Neves-Corvo and to the commencement of a new exploration program to be carried out in the Ossa Morena Belt of southern Spain designed to quickly define and drill-test several known copper-gold-iron targets.
- Inherent risks in the world economy remain large and unpredictable. In our view, volatility is likely to remain high in 2010 with an improving outlook thereafter.

Selected Quarterly Financial Information

Selected Quarterly Financial Information

(USD millions, except per share amounts)

	Three months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Sales	183.1	194.8	324.8	318.2
Operating earnings¹	80.8	91.0	145.4	129.2
Depletion, depreciation & amortization	(32.6)	(38.5)	(68.8)	(82.0)
General exploration and project investigation	(5.6)	(4.1)	(10.3)	(9.4)
Other income and expenses	12.4	9.7	19.3	0.6
Gain (loss) on derivative contracts	11.2	(9.2)	10.7	(9.2)
Gain on sale of AFS securities	32.4	-	33.0	-
Income (loss) from equity investment in Tenke	8.3	(3.4)	25.5	(4.3)
Income from continuing operations before income taxes	106.9	45.5	154.8	24.9
Income tax (expense) recovery	(31.3)	(2.0)	(41.3)	4.4
Income from continuing operations	75.6	43.5	113.5	29.3
Gain from discontinued operations	-	-	-	5.6
Net income	75.6	43.5	113.5	34.9
Shareholders' Equity	2,839.7	2,845.0	2,839.7	2,845.0
Cash flow from operations	78.8	63.7	163.7	0.4
Capital expenditures (incl. Tenke)	39.1	57.8	77.2	91.4
Total assets	3,443.2	3,691.2	3,443.2	3,691.2
Net cash(debt)²	107.8	(110.7)	107.8	(110.7)
Key Financial Data:				
Shareholders' equity per share ³	4.90	4.91	4.90	4.91
Basic and diluted income per share	0.13	0.08	0.20	0.07
Dividends	-	-	-	-
Equity ratio ⁴	82%	77%	82%	77%
Shares outstanding:				
Basic weighted average	579,864,628	552,137,068	579,771,573	519,964,158
Diluted weighted average	580,261,614	552,170,964	580,203,254	519,971,178
End of period	579,899,803	579,433,771	579,899,803	579,433,771

(\$ millions, except per share data)	Q2-10	Q1-10	Q4-09	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08
Sales	183.1	141.7	256.7	171.1	194.8	123.4	43.5	191.9
Operating earnings	80.8	64.6	152.2	91.8	91.0	38.2	(65.8)	68.9
Impairment charges (after tax)⁵	-	-	(37.1)	-	-	-	(651.5)	(201.1)
Income (loss) from continuing operations	75.6	38.0	35.1	3.7	43.5	(14.1)	(707.7)	(190.2)
Net income (loss)	75.6	38.0	35.1	3.7	43.5	(8.6)	(728.5)	(199.0)
Income (loss) per share from continuing operations, basic and diluted	0.13	0.07	0.06	0.01	0.08	(0.03)	(1.72)	(0.49)
Income (loss) per share, basic⁶ and diluted⁶	0.13	0.07	0.06	0.01	0.08	(0.02)	(1.77)	(0.51)
Cash flow from (used in) operations	78.8	84.9	97.0	40.0	63.7	(63.3)	46.5	46.8
Capital expenditure (incl. Tenke)	39.1	38.1	39.0	54.7	57.8	33.6	105.7	146.8
Net cash(debt)²	107.8	10.2	(49.3)	(132.2)	(110.7)	(259.5)	(145.5)	(194.8)

¹ Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of asset retirement obligation ("ARO") and other provisions, selling, general and administration costs and stock-based compensation.

² Net cash(debt) is a Non-GAAP measure defined as available unrestricted cash less financial debt, including capital leases and other debt-related obligations.

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

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

⁵ Includes impairment from discontinued operations.

⁶ Income (loss) per share is determined for each quarter. As a result of using 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

tonnes	YTD 2010	Q2 2010	Q1 2010	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Copper								
Neves-Corvo	29,772	20,252	9,520	82,747	23,126	17,236	22,277	20,108
Aguablanca	2,590	1,418	1,172	6,295	1,653	1,281	1,798	1,563
	32,362	21,670	10,692	89,042	24,779	18,517	24,075	21,671
Zinc								
Neves-Corvo	2,931	2,046	885	-	-	-	-	-
Zinkgruvan	31,035	18,297	12,738	63,146	17,187	11,167	18,324	16,468
Galmoy*	1,882	1,324	558	26,035	(88)	1,569	13,283	11,271
	35,848	21,667	14,181	89,181	17,099	12,736	31,607	27,739
Lead								
Zinkgruvan	17,583	9,630	7,953	33,729	10,357	7,571	9,275	6,526
Galmoy*	565	436	129	7,541	(9)	805	4,967	1,778
	18,148	10,066	8,082	41,270	10,348	8,376	14,242	8,304
Nickel								
Aguablanca	3,528	1,826	1,702	7,582	2,155	1,616	1,766	2,045

* payable metal in sales of ore starting in Q3-2009 (50% attributable to Galmoy – see MD&A page 19)

Net Sales by Mine

(US\$ millions)	Three months ended June 30			Six months ended June 30		
	2010	2009	Change	2010	2009	Change
Neves-Corvo	121.0	103.8	17.2	181.2	177.2	4.0
Zinkgruvan	39.0	34.9	4.1	74.6	55.3	19.3
Aguablanca	20.8	34.4	(13.6)	65.4	53.6	11.8
Galmoy	2.3	21.7	(19.4)	3.6	32.1	(28.5)
	183.1	194.8	(11.7)	324.8	318.2	6.6

Net Sales by Metal

(US\$ millions)	Three months ended June 30					Six months ended June 30				
	2010		2009		Change	2010		2009		Change
Copper	124.5	68%	111.4	57%	13.1	191.5	59%	191.1	60%	0.4
Zinc	26.8	15%	34.2	18%	(7.4)	48.4	15%	54.4	17%	(6.0)
Nickel	11.3	6%	23.8	12%	(12.5)	45.6	14%	33.7	11%	11.9
Lead	15.1	8%	20.0	10%	(4.9)	28.5	9%	28.8	9%	(0.3)
Other	5.4	3%	5.4	3%	-	10.8	3%	10.2	3%	0.6
	183.1		194.8		(11.7)	324.8		318.2		6.6

Sales for the quarter were \$183.1 million compared to sales of \$194.8 million in the second quarter of 2009. Lower volume from continuing operations (\$8.9 million) and the closure of Galmoy (\$19.3 million) were largely offset by metal price improvements (\$16.5 million net of negative price adjustments related to previous quarters' sales). Average realized prices for the second quarter of 2010 were higher than the second quarter 2009, except for nickel (which was lower as a result of period end price adjustments).

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 month the sale is expected to settle and the forward price of the metal at the end of the reporting period. The difference between the estimate and the final price received is recognized by adjusting gross sales in the period in which the sale (finalization adjustment) is settled. The finalization adjustment recorded for these sales depends on the actual price when the sale settles. Settlement dates typically are one to four months after shipment, however in the current period there were no settlements of nickel sold during the first quarter, resulting in a high level of unfixed sales at the end of the period.

Reconciliation of realized prices

2010 (\$ millions)	Quarter ended June 30, 2010				
	Copper	Zinc	Nickel	Lead	Total
Sales invoiced at shipment date	149.3	44.6	39.8	19.6	253.3
Adjustments for provisionally priced sales settled during the quarter	(1.7)	(4.8)	-	(0.2)	(6.7)
Period end price adjustments for unfixed sales	(12.3)	(1.2)	(18.6)	(1.0)	(33.1)
Sales before TC/RC	135.3	38.6	21.2	18.4	213.5
Other metal sales					5.4
Less: TC/RC					(35.8)
Total Net Sales					183.1
Payable Metal (tonnes)	21,670	21,667	1,826	10,066	
Realized prices, \$ per pound	2.83	0.81	5.28*	0.83	
Realized prices, \$ per tonne	6,245	1,780	11,632	1,826	

*The realized price for nickel in the three months ended June 2010 includes a \$4.62 per pound negative price adjustment and is not the average price being received for the Company's nickel sales. This also affects TC/RCs paid in the quarter.

2009 (\$ millions)	Quarter ended June 30, 2009				
	Copper	Zinc	Nickel	Lead	Total
Sales invoiced at shipment date	107.2	44.8	23.0	21.6	196.6
Adjustments for provisionally priced sales settled during the quarter	17.0	4.1	9.1	0.9	31.1
Period end price adjustments for unfixed sales	(1.6)	-	6.0	1.4	5.8
Sales before TC/RC	122.6	48.9	38.1	23.9	233.5
Other metal sales					5.5
Less: TC/RC					(44.2)
Total Net Sales					194.8
Payable Metal (tonnes)	24,075	31,607	1,766	14,242	
Realized prices, \$ per pound	2.31	0.70	9.77*	0.76	
Realized prices, \$ per tonne	5,090	1,547	21,547	1,681	

*The realized price for nickel in the three months ended June 2009 includes a \$3.86 per pound positive price adjustment and is not the average price being received for the Company's nickel sales. This also affects TC/RCs paid in the quarter.

Outstanding receivables (provisionally valued) as of June 30, 2010

Metal	Tonnes payable	Valued at \$ price per lb	Valued at \$ price per tonne
Copper	18,839	2.95	6,499
Zinc	18,933	0.78	1,724
Lead	12,764	0.83	1,827
Nickel	2,131	8.94	19,704

Operating Results

Operating Costs

Cost of sales related to mining operations in the second quarter were \$95.3 million, compared with \$93.5 million for the same period in 2009. Cost of sales at Aguablanca increased by \$5.9 million reflecting full production/pit development this year compared to a limited operating plan last year. Higher unit costs were experienced as a result of the disruption to production in the first four months of the year and plans implemented to recover from these disruptions. Galmoy cost of sales were down by \$10.5 million owing to the cessation of concentrate production in the second quarter of 2009. (See additional commentary under individual mine discussion).

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization decreased by \$5.9 million to \$32.6 million in the second quarter of 2010, compared to \$38.5 million in the second quarter of 2009. This decrease is primarily attributable to lower production levels, particularly at Aguablanca, and the effects of a weaker euro.

Depreciation by operation (\$ millions)	Three months ended June 30			Six months ended June 30		
	2010	2009	Change	2010	2009	Change
Neves-Corvo	22.5	23.8	(1.3)	46.5	57.0	(10.5)
Zinkgruvan	3.3	4.1	(0.8)	7.4	8.0	(0.6)
Aguablanca	6.7	10.5	(3.8)	14.7	16.6	(1.9)
Other	0.1	0.1	-	0.2	0.4	(0.2)
	32.6	38.5	(5.9)	68.8	82.0	(13.2)

Other Income and Expense Items

Other income and expense items are as follows:

(\$ millions)	Three months ended June 30			Six months ended June 30		
	2010	2009	Change	2010	2009	Change
Selling, general and administrative	4.7	7.8	(3.1)	8.8	12.4	(3.6)
Stock-based compensation	0.5	1.3	(0.8)	1.2	3.2	(2.0)
Other income and expenses	(0.9)	(0.7)	(0.2)	(2.5)	(2.8)	0.3
Interest and bank charges	1.6	4.4	(2.8)	3.9	8.4	(4.5)
Foreign exchange gain	(13.2)	(13.4)	0.2	(20.6)	(6.2)	(14.4)
(Gain) Loss on derivative contracts	(11.2)	9.2	(20.4)	(10.7)	9.2	(19.9)
Gain on sale of AFS securities	(32.4)	-	(32.4)	(33.0)	-	(33.0)
	(50.9)	8.6	(59.5)	(52.9)	24.2	(77.1)

Selling, General and Administrative

The decrease in selling, general and administrative expenses of \$3.1 million in the second quarter of 2010 compared to the same period in the preceding year is owing to the reduction in corporate personnel costs and decreased spending on consulting and legal expenses.

Interest and Bank Charges

The decrease in interest expense and bank charges is directly attributable to the improvement in liquidity.

Foreign Exchange Gain

The foreign exchange gain relates to: revaluation of US\$ cash and receivables in the European operations; and settlement of US\$ denominated debt held in the Canadian and Swedish group entities.

Comparing the exchange rates from March 31, 2010 to June 30, 2010, the Euro, C\$ and SEK all weakened against the US\$. Period end exchange rates in the second quarter 2010 were €1.00:\$1.23 (Q1-2010: €1.00:\$1.35) and \$1.00:SEK7.77 (Q1-2010: \$1.00:SEK7.26).

Gain (Loss) on Derivative Contracts

During the second quarter, an \$11.2 million gain was recorded related to copper derivative contracts. The Company paid \$9.1 million to settle contracts representing 9,326 tonnes of copper, compared to \$16.3 million accrued in respect of these contracts at March 31, 2010. A mark-to-market gain of \$4.0 million was charged in relation to the remaining contracts (representing 3,000 tonnes of copper) for an outstanding liability of \$0.6 million at June 30, 2010. All derivative contracts expire by the end of July 2010.

Gain on Sale of AFS Securities

During the second quarter, the Company sold AFS securities for cash proceeds of \$38.9 million which resulted in a gain of \$32.4 million.

Current and Future Income Taxes

Current tax expense (\$ millions)	Three months ended June 30			Six months ended June 30		
	2010	2009	Change	2010	2009	Change
Neves-Corvo	10.0	11.3	(1.3)	10.0	14.0	(4.0)
Zinkgruvan	5.8	3.5	2.3	10.1	4.8	5.3
Aguablanca	4.7	-	4.7	4.7	-	4.7
Galmoy	(0.1)	(0.2)	0.1	0.2	0.4	(0.2)
Other	0.6	-	0.6	0.7	(0.3)	1.0
Current tax expense	21.0	14.6	6.4	25.7	18.9	6.8

The corporate tax rates in the countries where the Company has mining operations range from 25% in Ireland to 30% in Spain. To date, the Company has paid a total of \$12.3 million in income taxes in 2010, \$9.7 million in Portugal and \$2.6 million in Sweden.

The increase in current tax expense is a reflection of an increase in Portugal's tax rate of 2.5% (\$0.9 million) and reduction of loss carry-forwards and accelerated depreciation available to apply against the current year income.

Future tax expense (recovery) (\$ millions)	Three months ended June 30			Six months ended June 30		
	2010	2009	Change	2010	2009	Change
Neves-Corvo	15.6	(5.8)	21.4	13.7	(11.8)	25.5
Zinkgruvan	(0.3)	(0.3)	-	(0.6)	(0.6)	-
Aguablanca	(3.3)	(3.6)	0.3	4.5	(4.7)	9.2
Galmoy	-	(0.1)	0.1	-	-	-
Other	(1.7)	(2.8)	1.1	(2.1)	(6.2)	4.1
Future tax expense (recovery)	10.3	(12.6)	22.9	15.5	(23.3)	38.8

Total tax expense for the current quarter was \$31.3 million, compared to \$2.0 million for the second quarter of 2009. The increase is attributable to a charge of \$14.5 million to reflect a 2.5% increase in the corporate income tax rate in Portugal and reduction of loss carry-forwards and accelerated depreciation available to apply against the current year income. In addition, the prior year's second quarter income tax expense includes a recovery of \$6.2 million related to the removal of valuation allowance on some of its loss carry-forwards in Spain.

Mining Operations

Production Overview

(tonnes)	YTD 2010	Q2 2010	Q1 2010	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Copper								
Neves-Corvo	31,553	20,342	11,211	86,462	22,150	19,756	22,189	22,367
Aguablanca	3,065	1,432	1,633	6,989	1,718	1,595	1,803	1,873
	34,618	21,774	12,844	93,451	23,868	21,351	23,992	24,240
Zinc								
Neves-Corvo	3,288	1,446	1,842	501	293	208	-	-
Zinkgruvan	37,744	20,624	17,120	70,968	19,598	13,439	17,896	20,035
Galmoy*	3,044	2,388	656	29,932	120	1,504	14,066	14,242
	44,076	24,458	19,618	101,401	20,011	15,151	31,962	34,277
Lead								
Zinkgruvan	18,393	10,286	8,107	36,183	10,289	7,261	8,972	9,661
Galmoy*	803	667	136	7,669	104	850	3,506	3,209
	19,196	10,953	8,243	43,852	10,393	8,111	12,478	12,870
Nickel								
Aguablanca	3,871	1,715	2,156	8,029	2,324	1,784	1,960	1,961

* Starting in Q3-2009, this represents payable metal in sales of ore treated at a adjacent mine (50% attributable to Galmoy – see MD&A page 19)

Cash Cost Overview

	Cash cost / lb ¹ (US cents)		Cash cost / lb ¹ (local currency)	
	Three months ended June 30		Three months ended June 30	
	2010	2009	2010	2009
Neves-Corvo (Local in € cents)				
Gross cost	127	112	101	82
By-product **	(7)	(2)	(5)	(2)
Net Cost – Cu/lb	120	110	96	80
Zinkgruvan (Local in SEK)				
Gross cost	69	63	530	498
By-product **	(41)	(37)	(318)	(293)
Net Cost - Zn/lb	28	26	212	205
Aguablanca (Local in € cents)				
Gross cost	777	760	621	557
By-product **	(234)	(271)	(189)	(200)
Net Cost - Ni/lb	543	489	432	357

**By-product is after related TC/RC

¹ Cash cost per pound is a Non-GAAP measure. See Non-GAAP Performance Measures on page 27 of this MD&A.

Cash Cost Overview

	Cash cost / lb ¹ (US cents)		Cash cost / lb ¹ (local currency)	
	Six months ended June 30		Six months ended June 30	
	2010	2009	2010	2009
Neves-Corvo (Local in € cents)				
Gross cost	147	108	113	81
By-product **	(8)	(2)	(6)	(2)
Net Cost – Cu/lb	139	106	107	79
Zinkgruvan (Local in SEK)				
Gross cost	77	58	570	475
By-product **	(47)	(30)	(349)	(245)
Net Cost - Zn/lb	30	28	221	230
Aguablanca (Local in € cents)				
Gross cost	864	657	656	492
By-product **	(255)	(237)	(195)	(178)
Net Cost - Ni/lb	609	420	461	314

**By-product is after related TC/RC

¹ Cash cost per pound is a Non-GAAP measure. See Non-GAAP Performance Measures on page 27 of this MD&A.

Neves-Corvo Mine

Neves-Corvo is an underground mine, 100 km north of Faro, Portugal, in the western part of the Iberian Pyrite Belt. The mine has been a significant producer of copper since 1989 and in 2006 commenced treating zinc ores. The regular processing of zinc-rich ores was suspended in November 2008 and the zinc facility adapted to also treat copper ore. Expansion of the zinc plant to 50,000 tpa is currently underway, targeting full ramp up in 2011.

Operating Statistics

	YTD 2010	Q2 2010	Q1 2010	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Ore mined, copper (tonnes)	1,130,941	649,641	481,300	2,509,460	633,337	619,567	620,155	636,401
Ore mined, zinc (tonnes)	33,886	16,133	17,753	-	-	-	-	-
Ore milled, copper (tonnes)	1,145,425	674,628	470,797	2,569,603	632,696	642,605	622,822	671,480
Ore milled, zinc (tonnes)	61,371	18,506	42,865	-	-	-	-	-
Grade per tonne								
Copper (%)	3.2	3.5	2.8	3.9	4.0	3.6	4.3	3.9
Zinc (%)	5.2	6.6	4.6	-	-	-	-	-
Recovery								
Copper (%)	86	86	86	86	88	84	84	86
Zinc (%)	69	77	66	-	-	-	-	-
Concentrate grade								
Copper (%)	24.2	24.1	24.4	24.8	24.9	24.5	25.0	24.8
Zinc (%)	42.5	43.2	41.9	-	-	-	-	-
Production- tonnes (metal contained)								
Copper	31,553	20,342	11,211	86,462	22,150	19,756	22,189	22,367
Zinc	3,288	1,446	1,842	501	293	208	-	-
Silver (oz)	325,924	203,035	122,889	722,501	193,345	164,554	168,072	196,530
Sales (\$000s)	181,190	120,980	60,210	448,742	163,755	107,757	103,818	73,412
Operating earnings (\$000s) ¹	93,170	67,140	26,030	263,361	106,619	66,874	54,645	35,223
Cash cost (€ per pound) ²	1.07	0.96	1.29	0.81	0.83	0.81	0.80	0.78
Cash cost (\$ per pound) ²	1.39	1.20	1.78	1.14	1.22	1.21	1.10	1.01

Operating Earnings¹

Operating earnings of \$67.1 million were \$12.5 million higher than the corresponding quarter in 2009. The higher copper price (\$25.4 million effect) and the lower Euro (\$5.1 million effect) were partially offset by lower sales volume (\$3.9 million effect) and higher unit costs (\$14.1 million effect). The lower sales volume and higher unit costs reflect lower metal production owing to the effects of the industrial action in the first four months of the year.

Production

Second quarter production was well up on the first quarter but approximately 2,000 tonnes of copper lower than the prior year owing to lower head-grade. The lower head-grade reflects a decision to lower cut-off based on a higher copper price and also the mining of out of reserve material to rebuild mill feed as quickly as possible following the disruptions.

It is estimated that the industrial action reduced expected production by approximately 10,000 tonnes of copper, 7,000 tonnes in the first quarter and 3,000 tonnes in the second quarter. Efforts to recover are well underway and production in June was above budget levels.

Cash Costs

Higher costs (\$0.26/lb effect), compared to the same quarter last year, were the effect of the industrial action namely: lower production volume; treatment of low-grade ores; and subsequent efforts to

¹ Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 27 of this MD&A for discussion of Non-GAAP measures.

² Cash cost per pound of payable copper sold is the sum of direct cash costs and inventory changes less by-product credits. See Non-GAAP Performance Measures on page 27 of this MD&A.

recover lost volume. These were partially offset by a weaker euro (\$0.11/lb effect) and higher by-product credits (\$0.05/lb).

Neves-Corvo Zinc Expansion Project

The zinc expansion project at Neves-Corvo, designed to produce a minimum of 50,000 tpa of contained zinc from existing orebodies, is advancing on schedule and on budget. Production is expected to build up from early 2011 reaching full production rates during the third quarter 2011. The estimated cost of the project is €43 million and it is approximately 50% complete.

The upgrade to the capacity of the shaft to an estimated 4.6 million tpa was completed during June.

Lombador Zinc/Copper/Lead Project

A pre-feasibility study has concluded that Lombador can be economically developed.

In accordance with the study, the first phase of Lombador is expected to lift zinc production at Neves-Corvo from a nominal 50,000 tpa to 140,000 tpa of contained zinc at a capital cost of approximately €140 million.

A start-up date of 2013 is considered likely and cash costs are expected to be in the third-quartile for zinc producers on a normal costing basis.

A feasibility study is now underway with an expected completion during the first quarter of 2011. Key components of the study include: incorporation of latest reserve and resource data; finalization of mine design; engineering of the milling circuit; and further testwork on recovery of lead. A technical report will be filed following completion of this study.

The ramp into Lombador commenced in 2009 and is presently at the 500 level. It is expected to reach the 300 level (approximately 900 metres below surface) by Q1-2012. An exploration drive will be developed at this level to allow underground exploration of the remainder of the Lombador orebody.

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 and processing facility with associated infrastructure and a present nominal production capacity of 1 million tonnes of ore throughput.

Operating Statistics

	YTD 2010	Q2 2010	Q1 2010	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Ore mined, zinc (tonnes)	483,401	244,945	238,456	990,655	269,976	205,955	252,971	261,753
Ore milled, zinc (tonnes)	483,731	257,731	226,000	1,028,234	268,839	225,097	276,747	257,551
Grade per tonne								
Zinc (%)	8.5	8.8	8.2	7.5	8.0	6.5	7.0	8.3
Lead (%)	4.5	4.7	4.3	4.1	4.5	3.8	3.8	4.4
Recovery								
Zinc (%)	92	91	92	92	91	91	92	93
Lead (%)	84	85	84	85	84	85	85	86
Concentrate grade								
Zinc (%)	53.4	53.4	53.5	52.6	52.4	52.7	53.0	52.4
Lead (%)	75.7	76.9	74.3	74.4	74.5	72.8	74.9	75.3
Production – tonnes (metal contained)								
Zinc	37,744	20,624	17,120	70,968	19,598	13,439	17,896	20,035
Lead	18,393	10,286	8,107	36,183	10,289	7,261	8,972	9,661
Silver (oz)	865,096	478,106	386,990	1,861,029	505,026	414,555	480,077	461,371
Sales (\$000s)	74,619	38,963	35,656	137,281	52,167	29,800	34,925	20,389
Operating earnings (\$000s) ¹	38,962	19,995	18,967	74,775	32,502	16,123	17,841	8,309
Cash cost (SEK per pound) ²	2.21	2.12	2.33	1.97	1.69	1.36	2.05	2.58
Cash cost (\$ per pound) ²	0.30	0.28	0.33	0.26	0.23	0.20	0.26	0.31

Operating Earnings¹

Operating earnings of \$20.0 million were \$2.2 million above the corresponding quarter in 2009. The increase is attributable to higher metal prices (\$3.7 million effect) and marginally higher sales volume (\$0.4 million effect), partially offset by an increase in unit cost and unfavourable exchange rates (\$1.9 million combined effect).

Production

Production recovered during the quarter owing to: efforts to restore volume following the blocked ore-pass in the first quarter; and improved head-grade (mine sequencing; and modified stope design and improved blasting methods giving lower dilution).

Cash Costs

The combined effect of higher treatment charges (\$0.02/lb), higher costs (\$0.02/lb) related to climatic and operational issues and a stronger SEK (\$0.02/lb) were partially offset by higher by-product credits (\$0.04/lb).

Copper Project

The Zinkgruvan copper plant was successfully started and design production of 7,000 tpa of copper is expected to be reached in 2013.

¹ Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 27 of this MD&A for discussion of Non-GAAP measures.

² Cash cost per pound of payable zinc sold is the sum of direct cash costs and inventory changes less by-product credits. See Non-GAAP Performance Measures on page 27 of this MD&A.

Aguablanca Mine

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

Operating Statistics

	YTD 2010	Q2 2010	Q1 2010	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Ore mined (tonnes)	788,056	390,646	397,410	1,441,903	373,626	361,676	389,364	317,237
Ore milled (tonnes)	816,004	369,113	446,891	1,912,675	463,175	478,474	486,931	484,095
Grade per tonne								
Nickel (%)	0.6	0.6	0.6	0.5	0.6	0.5	0.5	0.5
Copper (%)	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.4
Recovery								
Nickel (%)	82	82	82	77	78	75	77	78
Copper (%)	93	93	92	90	90	91	91	89
Concentrate grade								
Nickel (%)	7.0	7.0	7.1	6.8	7.3	6.7	6.6	6.3
Copper (%)	5.6	5.8	5.4	5.9	5.5	6.0	6.1	6.1
Production-tonnes (metal contained)								
Nickel	3,871	1,715	2,156	8,029	2,324	1,784	1,960	1,961
Copper	3,065	1,432	1,633	6,989	1,718	1,595	1,803	1,873
Sales (\$000s)	65,434	20,776	44,658	125,146	41,256	30,281	34,376	19,233
Operating earnings (loss) (\$000s) ¹	23,002	(1,538)	24,540	48,854	17,907	11,696	18,468	783
Cash cost (€ per pound) ²	4.61	4.32	4.92	3.15	2.93	3.49	3.57	2.77
Cash cost (\$ per pound) ²	6.09	5.43	6.80	4.40	4.31	4.99	4.89	3.62

Operating Earnings¹

An operating loss was incurred as a result of reversing price adjustments from the first quarter of the year. This result is \$20.0 million below the prior corresponding period. The combined effect of higher costs (\$5.9 million) and negative price and price adjustments (\$12.6 million) were primarily responsible for the decrease in operating earnings.

As reported earlier in this MD&A, operating earnings for Aguablanca this year to date do not reflect the high nickel prices experienced during the March, April, May period as none of Aguablanca's concentrate sales this year have been settled. The first quarter reflected a positive price adjustment of \$12.4 million and this unrealized mark-up has been reversed in the current quarter. This has reduced the quarter's earnings.

Production

Further flooding of the pit in the second quarter continued to hamper mine operations. However, nickel production was only marginally below plan with reduced throughput being offset by higher grade.

Since the pit clean-up restarted in April following repeated flooding in the four months prior, three main unstable areas were identified with potential to disrupt the main ramp system. These discoveries added to two unstable areas identified in December 2009 and January 2010 that had already been stabilized and which are in the process of remediation.

The last two zones of instability have compelled us to consider bringing forward, to August and September, approximately one million tonnes related to a push-back planned for next year, which will result in a significant shortfall of ore production in September.

¹ Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 27 of this MD&A for discussion of Non-GAAP measures.

² Cash cost per pound of payable nickel sold is the sum of direct cash costs and inventory changes less by-product credits. See page 27 of this MD&A for discussion of Non-GAAP measures.

Cash Costs

Cash cost comparison to last year is not particularly meaningful as a modified milling plan was in operation that restricted ROM ore and utilised oxidised material from stockpiles on surface. The cash cost this period is consistent with guidance given on August 6, 2009 when resumption of full mining, based on a newly optimized pit, was announced.

Industrial action

Mine management has been notified by workers representatives of possible rolling industrial action commencing July 31, 2010 and running for five consecutive Saturdays and Mondays. The action would primarily affect milling operations. Management is considering contingency plans.

Guidance

As a precaution of the two issues referred to above, nickel guidance has been reduced to accord with the original guidance of 7,500 tonnes of nickel for the year, and copper guidance has been reduced to 6,500 tonnes of copper for the year, plus or minus 5%.

Galmoy Mine

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

Operating Statistics

	YTD 2010	Q2 2010	Q1 2010	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Ore mined (tonnes)	37,040	22,988	14,052	172,903	-	-	68,673	104,230
Ore sold (tonnes)	25,840	18,741	7,099	18,318	-	18,318	-	-
Grade per tonne								
Zinc (%)	19.6	18.7	21.5	17.7	-	-	19.8	16.8
Lead (%)	7.0	7.2	6.2	5.0	-	-	5.5	4.9
Production- tonnes (metal contained)								
Zinc **	3,044	2,388	656	29,931	119*	1,504	14,066	14,242
Lead **	803	667	136	7,669	104*	850	3,506	3,209
Silver	-	-	-	56,044	-	-	24,596	31,448
Sales (\$000s)	3,585	2,430	1,155	34,820	(475)	3,242	21,707	10,346
Operating earnings (loss) (\$000s) ¹	315	405	(90)	12,480	373	2,007	9,406	694

* Final production adjustment

** Estimated production on a 50% attributable-share to Lundin Mining from ore delivered to an adjacent mine.

Operating Earnings¹

Selective mining of high-grade areas, and the extraction of high-grade ore for processing at an adjacent mine, continued with a gain of \$0.4 million recognized on ore processed during the current quarter.

Production

Production tonnage for the second quarter of 2010 relates to ore delivered to an adjacent mine for processing. Production is reported based on a 50% attributable-share of the metal contained in ore delivered, after accounting for expected plant recoveries.

Negotiations are at an advanced stage with neighbouring mines for additional sales of high grade ore.

Closure Costs

Mine closure is progressing as planned and agreement has been reached with the authorities on the mechanism to draw-down the restricted funds which are held to cover closure costs. When restricted funds are aggregated with asset sales, the closure of Galmoy is likely to yield a surplus.

¹ Operating earnings is a Non-GAAP measure defined as sales, less operating costs, accretion of ARO and other provisions, selling, general and administration costs and stock-based compensation. See page 27 of this MD&A for discussion of Non-GAAP measures.

Tenke Fungurume

(Lundin 24.75%, FCX 57.75%, Gécamines 17.5%)

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

Production Statistics

100% Basis	YTD 2010	Q2 2010	Q1 2010	Total 2009	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Ore mined (tonnes)	4,089,773	2,388,616	1,701,157	6,219,344	1,890,765	1,676,156	1,615,400	1,037,023
Ore milled (tonnes)	1,666,773	797,478	869,295	2,111,067	714,738	730,219	620,915	45,195
Grade per tonne								
Copper (%)	3.8	3.9	3.7	3.7	4.2	3.7	3.4	-
Recovery								
Copper (%)	91	91	92	92	95	89	92	-
Production – tonnes								
Copper	57,207	28,438	28,769	70,001	29,201	24,317	16,483	-
Cobalt	3,882	1,651	2,231	2,580	1,928	642	10	-
Income (loss) from equity investment in Tenke (\$'000s)	25.5	8.3	17.2	0.3	5.6	(1.0)	(3.4)	(0.9)
Cash costs (\$ per pound) ^{1,2}	0.93	0.79	1.04	na	na	na	na	na

Income (Loss) from Equity Investment in Tenke

Income of \$8.3 million was \$8.9 million below the first quarter. The decrease is attributable to lower sales volume; cathode sold during the first quarter amounted to nearly 30kt compared to 25kt during the second quarter, and a \$3.2 million income effect relating to the minority interest in earnings. Minority interest is being recognized during the current quarter for the first time owing to the absorption of accumulated pre-operating period losses.

The average price realized for copper sales during the current quarter was \$2.96 per pound of cathode sold.

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

Production

Copper production was in-line with ‘nameplate’ capacity and was achieved despite some mechanical and equipment issues in April.

Milled ore was below the first quarter and reflects reduced throughput as a result of power outages experienced during the quarter. Milling throughput is now performing consistently above design capacity and with the procurement of more mine equipment, and changes to the mine plan, Freeport are expecting production to increase from 115,000 tpa in 2010 to over 130,000 in 2011.

Freeport is continuing to address start-up and quality issues in the cobalt circuit and is implementing corrective actions over the next several quarters.

¹ Cash cost per pound of payable copper sold is the sum of direct cash costs and inventory changes less by-product credits. See Non-GAAP Performance Measures on page 27 of this MD&A.

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

Cash Costs

Lundin expects cash costs will benefit in the future as higher throughput is achieved from planned de-bottlenecking investments, and through successful implementation of ongoing operating cost reduction efforts, and initiatives to improve operating performance in the SO2 plant and cobalt circuits.

Excess Overrun Facility

At June 30, 2010 the amount of owing to FCX on the Excess Overrun Cost facility for the completed Phase I facilities was \$188.9 million.

Expansion Studies

Expansion study work, scheduled for completion around mid-year, will continue into the third quarter of 2010. The capital investment required from Lundin Mining remains uncertain until the results of the feasibility studies have been considered and a final decision made on how to proceed.

Tenke Funding

During the quarter, \$6.8 million was advanced to cover: sustaining capital; on-going concession exploration; and expansion initiatives (\$14.4 million year-to-date).

Lundin Mining's 2010 capital investment for Tenke is now expected to be approximately \$40 million, at the bottom of the range previously given of between \$40 million and \$100 million, depending on development plans. Approved 2010 capital investment includes funding of concession exploration, sustaining capital works including tailings facility additional capacity, expansion feasibility study work, and additional mining equipment to facilitate incremental production increases.

Exploration Highlights

Portugal

- **Neves-Corvo Mine Exploration (Copper, Zinc)**

Surface drilling during the second quarter totalled 16,833 metres with a total of 12 targets tested.

Drilling was focused in the Neves-Lombador Bridge target area, the Lombador deposit and the target area located down-dip of the Corvo deposit. Drilling in the Neves-Lombador Bridge target area intersected thick sections of strong pyritic stockwork mineralization with lower grade copper values in close proximity to existing mine workings. Step-out drilling at the Lombador East deposit continued to intersect good zinc mineralization within the massive sulphide lens as well as copper mineralization within the underlying stockwork; this deposit remains open to expansion.

Plans for next quarter include additional holes to delineate the Lombador East deposit and Lombador Mid target area and to explore a large, prospective area located down-dip of the Corvo and Zambujal deposits.

- **Iberian Pyrite Belt Regional Exploration (Copper, Zinc)**

An airborne electromagnetic ZTEM survey was completed over the northern and central parts of the exploration concessions in Portugal. The survey included a total of 2,050 line kilometres covering a total of 1,207 square kilometres. Screening of the anomalies led to the identification of 23 targets of which five deserve immediate follow-up by ground electromagnetic methods for drill testing planned for September 2010.

Spain

- **Ossa Morena Belt Regional Exploration (Copper, Gold)**

Preparations commenced in the second quarter for a new exploration program to be carried out in the Ossa Morena Belt of southern Spain. The program is designed to quickly define and drill-test several known copper-gold-iron targets and will include geophysics, geochemistry and 3,000 metres of drilling. The drilling campaign commenced in mid-July 2010.

Ireland

- **Clare Joint Venture Exploration (Zinc, Lead, Silver)**

Surface drilling at the Clare JV property in Co. Clare, Ireland was ongoing throughout the quarter with 4 active drills. A total of 5,321 metres were drilled, 11 holes were completed, 8 of which were in the Kilbricken deposit area. Drilling is continuing to outline a significant mineralized zone along a major fault structure with several new high-grade intersections drilled during the quarter. As a result of the ongoing confirmation of the geological interpretation, two additional drills were added to the program in order to accelerate the drilling.

Lundin Mining is earning into a majority interest in this property from JV partner Belmore Resources.

Metal Prices, LME Inventories and Smelter Treatment and Refining Charges

During the second quarter 2010, average prices for copper, lead and zinc decreased by 3%, 12% and 12%, respectively, compared to the prior quarter. During the same period, the average price for nickel increased by 11%.

(Average LME Prices)		Three months ended June 30			Six months ended June 30		
		2010	2009	Change	2010	2009	Change
Copper	US\$/pound	3.18	2.12	50%	3.23	1.84	76%
	US\$/tonne	7,013	4,676	50%	7,130	4,046	76%
Zinc	US\$/pound	0.92	0.67	37%	0.98	0.60	63%
	US\$/tonne	2,018	1,476	37%	2,155	1,322	63%
Lead	US\$/pound	0.88	0.68	29%	0.95	0.60	57%
	US\$/tonne	1,943	1,506	29%	2,084	1,330	57%
Nickel	US\$/pound	10.15	5.89	72%	9.62	5.31	81%
	US\$/tonne	22,382	12,992	72%	21,212	11,705	81%

The spot treatment charge for copper concentrates decreased with the average for the quarter being \$3.30 per dmt (Q1-2010: \$5.00) with a refining charge of \$0.0033 per payable pound of copper contained (Q1-2010: \$0.005). Industry negotiations of terms for the mid-year contracts are ongoing; so far, no settlement of terms has been reached between the miners and the smelters. The Company has no mid-year contracts to negotiate.

Spot treatment charges for zinc concentrates decreased with the average for the quarter being \$135 per dmt of concentrates, flat, i.e. without price escalation, compared to an average TC for the first quarter of \$185 per dmt, flat. Most of the spot purchases of zinc concentrates are being made by Chinese buyers and at the end of June 2010 the spot TC in China was at \$95 per dmt, flat.

The spot market for lead concentrates has also moved in favour of the mines during the second quarter of 2010. The average TC during the current quarter was \$102 per dmt, flat, (Q1-2010: \$135) and at the end of June 2010, the TC had fallen to \$60 per dmt, flat.

The long-term contract for the Company's nickel concentrates expired during the second quarter of 2010. Since expiry, spot sales have been made for delivery during the third quarter 2010 at considerably better terms than the expired contract.

Subsequent to the quarter-end, a new long-term agreement has been finalized with Glencore International AG on terms in line with recent market conditions. The new arrangement provides for regular monthly delivery and pricing of the concentrates. This should ensure nickel realizations more closely correlate to LME averages over the year.

Liquidity and Financial Condition

Cash Reserves

Net cash as at June 30, 2010 stood at \$107.8 million compared to net debt of \$49.3 million at the end of 2009. The Company defines net cash/debt to be available unrestricted cash less financial debt, including capital leases and other debt-related obligations.

Cash and cash equivalents increased by \$8.0 million to \$149.6 million as at June 30, 2010 from \$141.6 million at December 31, 2009. Inflows for the six months ended June 30, 2010 included operating cash flows of \$163.7 million and proceeds of \$71.9 from sale of investments and AFS securities. Uses of cash included:

- \$ 62.8 million in investment in mineral property, plant and equipment;
- \$ 14.4 million invested in Tenke ; and
- \$ 145.0 million repayment of the revolving credit facility.

Working Capital

At June 30, 2010, working capital was \$153.8 million, compared to \$245.6 million at the end of 2009. The decrease in working capital is primarily attributable to the repayment of \$145.0 million on the outstanding credit facility.

The Company has a revolving credit facility of \$225 million, under which it has no current drawdowns.

Shareholders' Equity

Shareholders' equity of \$2,839.7 million at June 30, 2010 is \$75.5 million lower than the balance of \$2,915.2 million at December 31, 2009. This is primarily the net result of the reduction of the deficit by \$113.5 million and translation adjustments in other comprehensive income of \$175.6 million for the six month period ended June 30, 2010.

Off-Balance Sheet Financing Arrangements

The Company has certain protection for cost overruns relating to the development of Phase I of the Tenke copper/cobalt project. Costs above a certain level were funded by Freeport (see page 21 of this MD&A for details).

Changes in Accounting Policies

The Canadian Accounting Standard Boards (“AcSB”) confirmed in February 2008 that IFRS will replace Canadian GAAP (“GAAP”) for publicly accountable enterprises for financial periods beginning on and after January 1, 2011. The Company’s first mandatory filing under IFRS, which will be the first quarter of 2011, will contain IFRS-compliant financial statements on a comparative basis, as well as reconciliations for that quarter and as at the January 1, 2010 transition date. Although IFRS uses a conceptual framework similar to GAAP, there are significant differences in recognition, measurement and disclosure.

During the second quarter of 2010, the Company substantially completed assessing and quantifying IFRS transition adjustments, Phase 2 of its IFRS conversion project. The Company’s auditors are in the process of completing their review of these adjustments with the remaining items to be reviewed by the end of the third quarter.

The Company has identified there is potential for material adjustments to be recorded on transition as follows:

- **Mineral properties:**
 - Under *IAS 36 Impairment of assets*, for each reporting period, indications of impairment and reverse impairment conditions are evaluated. When such indicators exist, an impairment test is performed whereby the recoverable amount of the asset is compared to the carrying value. Under Canadian GAAP, the application of the impairment test is performed in a two-step process. The first part consists of comparing the recoverable amount (undiscounted cashflows) with the carrying amount. Only when the carrying amount is higher than the recoverable amount is an impairment recognized. During 2007 and 2008, the Company recorded impairment charges on mineral properties in the amount of \$374.5 million. Therefore, for the transition to IFRS, reassessments of previously recorded impairments are being completed. It is possible that a material adjustment may result from this difference.
 - Under *IFRS 1, First time adoption of international financial reporting standards*, the Company can elect to use fair value as deemed cost for certain properties. If such election is made, this will have the impact of increasing the mineral properties balance. The Company is considering the use of fair value as deemed cost for certain mineral properties and if such election is made then the difference could be material.
- **Foreign currency considerations:** Under *IFRS 1*, the Company may elect to reset foreign exchange translation differences at the date of transition by relieving accumulated translation adjustments against retained earnings. It is expected that the Company will apply this *IFRS 1* election for cumulative translation differences. As a result, the Company will reclassify all previously recorded translation adjustments from other comprehensive income to retained earnings at the date of transition. This adjustment will be material. The balance of accumulated foreign exchange translation differences as at December 31, 2009 under Canadian GAAP was \$241.6 million.
- **Certain financial instruments:** Under *IFRS 1, Designation of previously recognized financial instruments*, the Company may elect to reclassify any financial asset or liability to a fair value through profit or loss (“FVTPL”) designation. The Company may choose to re-designate its AFS investments as FVTPL. If this election is made, the amount of unrealized gain or loss on the investments will be reclassified to retained earnings from other comprehensive income at the date of transition. The amount of unrealized gains on the Company’s AFS investments at December 31, 2009 is \$23.5 million.

Key deliverables and milestones for the remainder of the year include:

- Finalization of the IFRS opening balance sheet
- Finalization of external auditor review
- Draft IFRS-compliant financial statements

It is expected that all items will be completed within the required timelines for conversion.

Critical Accounting Estimates

The application of certain accounting policies requires the Company to make estimates based on assumptions that may be undertaken at the time the accounting estimate is made. The Company's accounting policies are described in Note 2 of the annual consolidated financial statements for the year ended December 31, 2009. For a complete discussion of accounting estimates deemed most critical by the Company, refer to the Company's 2009 annual MD&A dated February 24, 2010.

Managing Risks

Risks and Uncertainties

The operations of Lundin Mining involve certain significant risks, including but not limited to credit risk, foreign exchange risk and derivative risk. For a complete discussion of the risks, refer to the Company's most recent Annual Information Form, available on the SEDAR website, www.sedar.com.

Outstanding Share Data

As at July 26, 2010, the Company had 579,899,803 common shares issued and outstanding and 8,466,932 stock options and 171,360 stock appreciation rights outstanding under its stock-based incentive plans.

Non-GAAP Performance Measures

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

- Operating earnings

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

- Cash cost per pound

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

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

Cash costs can be reconciled to the Company’s operating costs as shown on the following page:

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

	Three months ended June 30, 2010				Three months ended June 30, 2009			
	Total Tonnes Sold	Pounds (000s)	Cost \$/lb	Cash Operating Costs (000s)	Total Tonnes Sold	Pounds (000s)	Cost \$/lb	Cash Operating Costs (000s)
Operation								
Neves-Corvo (cu)	20,252	44,648	1.20	53,578	22,277	49,112	1.10	54,023
Zinkgruvan (zn)	18,297	40,338	0.28	11,295	18,324	40,397	0.26	10,503
Aguablanca (ni)	1,826	4,026	5.43	21,861	1,766	3,893	4.89	19,037
Galmoy (zn)*	-	-	-	3,300	13,283	29,284	0.35	10,249
				90,034				93,812
Add: Byproduct credits				28,763				34,180
Treatment costs				(29,486)				(39,588)
Royalties and other				6,027				5,092
Total Operating Costs				95,338				93,496

	Six months ended June 30, 2010				Six months ended June 30, 2009			
	Total Tonnes Sold	Pounds (000s)	Cost \$/lb	Cash Operating Costs (000s)	Total Tonnes Sold	Pounds (000s)	Cost \$/lb	Cash Operating Costs (000s)
Operation								
Neves-Corvo (cu)	29,772	65,636	1.39	91,234	42,385	93,442	1.06	99,049
Zinkgruvan (zn)	31,035	68,420	0.30	20,526	34,792	76,702	0.28	21,477
Aguablanca (ni)	3,528	7,778	6.09	47,368	3,811	8,402	4.20	35,288
Galmoy (zn)*	-	-	-	3,279	24,554	54,132	0.45	24,359
				162,407				180,173
Add: Byproduct credits				57,612				55,041
Treatment costs				(59,581)				(71,376)
Royalties and other				5,203				6,421
Total Operating Costs				165,641				170,259

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

Management's Report on Internal Controls

Management's Report on Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer and the Chief Financial Officer, is responsible for the design and operations of disclosure controls and internal control over financial reporting. There have been no changes in the Company's disclosure controls and procedures during the three months ended June 30, 2010.

Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles. However, due to inherent limitations, internal control over financial reporting may not prevent or detect all misstatements and fraud.

There have been no changes in the Company's internal control over financial reporting during the three month period ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.