

Co House

Company Registration No 06214162 (England and Wales)

**LUNDIN MINING UK LIMITED**

**DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

WEDNESDAY



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COMPANIES HOUSE

**Carpenter Box LLP**  
*Chartered Accountants*  
Amelia House  
Crescent Road  
Worthing  
West Sussex  
BN11 1QR

# LUNDIN MINING UK LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	S T Gatley	(Appointed 6 January 2012)
	P M McRae	(Appointed 30 April 2012)
	S J Boxall	(Appointed 20 September 2012)
<b>Secretary</b>	P Morgan	
<b>Company number</b>	06214162	
<b>Registered office</b>	Hillbrow House Hillbrow Road Esher Surrey KT10 9NW	
<b>Auditors</b>	Carpenter Box LLP Amelia House Crescent Road Worthing West Sussex BN11 1QR	
<b>Business address</b>	Hayworthe House Market Place Haywards Heath West Sussex RH16 1DB	

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# **LUNDIN MINING UK LIMITED**

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# **LUNDIN MINING UK LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2012**

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The directors present their report and financial statements for the year ended 31 December 2012

#### **Principal activities**

The principal activity of the company continued to be that of providing administrative and support services

#### **Directors**

The following directors have held office since 1 January 2012

S T Gatley	(Appointed 6 January 2012)
K W Russell	(Appointed 30 April 2012 and resigned 11 September 2012)
P M McRae	(Appointed 30 April 2012)
J P S Carrelo	(Resigned 31 March 2012)
S J Boxall	(Appointed 20 September 2012)

#### **Auditors**

In accordance with the company's articles, a resolution proposing that Carpenter Box LLP be reappointed as auditors of the company will be put at a General Meeting

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **LUNDIN MINING UK LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

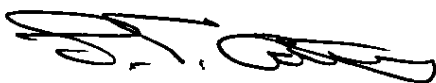
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### **Statement of disclosure to auditors**

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board



S T Gatley

Director



# LUNDIN MINING UK LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF LUNDIN MINING UK LIMITED

We have audited the financial statements of Lundin Mining UK Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

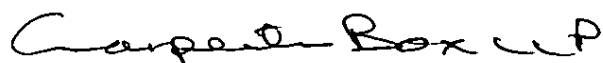
#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report.



Eileen Houghton ACA FCCA DChA (Senior Statutory Auditor)  
for and on behalf of Carpenter Box LLP

Chartered Accountants

Statutory Auditor

Worthing

5th June 2013

# LUNDIN MINING UK LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2012

		Year ended 31 December 2012 £	Year ended 31 December 2011 £
	Notes		
Turnover		4,264,737	4,312,722
Cost of sales		(143,084)	(75,769)
<b>Gross profit</b>		<b>4,121,653</b>	<b>4,236,953</b>
Administrative expenses		(3,900,159)	(4,138,541)
Other operating income		2,532	-
<b>Operating profit</b>	<b>2</b>	<b>224,026</b>	<b>98,412</b>
Other interest receivable and similar income	<b>3</b>	2,508	2,296
Interest payable and similar charges		-	(8,296)
<b>Profit on ordinary activities before taxation</b>		<b>226,534</b>	<b>92,412</b>
Tax on profit on ordinary activities	<b>4</b>	(72,206)	(25,950)
<b>Profit for the year</b>	<b>12</b>	<b>154,328</b>	<b>66,462</b>

# **LUNDIN MINING UK LIMITED**

## **STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2012**

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		<b>Year ended 31 December 2012 £</b>	<b>Year ended 31 December 2011 £</b>
	<b>Notes</b>		
<b>Profit for the financial year</b>		154,328	66,462
<b>Prior year adjustment</b>	<b>12</b>	-	(34,750)
<b>Total gains and losses recognised since last financial statements</b>		<u>154,328</u>	<u>31,712</u>



# LUNDIN MINING UK LIMITED

## BALANCE SHEET

AS AT 31 DECEMBER 2012

	Notes	2012 £	£	2011 £	£
<b>Fixed assets</b>					
Tangible assets	5		90,278		109,579
<b>Current assets</b>					
Debtors	6	1,265,277		625,507	
Cash at bank and in hand		244,403		856,168	
		<u>1,509,680</u>		<u>1,481,675</u>	
<b>Creditors amounts falling due within one year</b>	7	<u>(1,005,996)</u>		<u>(1,149,816)</u>	
<b>Net current assets</b>			<u>503,684</u>		<u>331,859</u>
<b>Total assets less current liabilities</b>			<u>593,962</u>		<u>441,438</u>
<b>Provisions for liabilities</b>	8		<u>(2,097)</u>		<u>(3,901)</u>
			<u>591,865</u>		<u>437,537</u>
<b>Capital and reserves</b>					
Called up share capital	11		1		1
Profit and loss account	12		<u>591,864</u>		<u>437,536</u>
<b>Shareholders' funds</b>			<u>591,865</u>		<u>437,537</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and the Financial Reporting Standard for Smaller Entities (effective April 2008)

Approved by the Board for issue on 17/05/13



S T Gatley  
Director

Company Registration No 06214162

# LUNDIN MINING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

#### 1.2 Turnover

Turnover represents amounts receivable for services net of VAT. Revenue is recognised as earned when, and to the extent that, the company obtains the right to consideration in exchange for its performance of services.

#### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33% straight line and 25% reducing balance per annum
Plant and machinery	25% reducing balance per annum
Fixtures, fittings and equipment	25% reducing balance per annum

#### 1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.5 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

#### 1.6 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

### 2 Operating profit

	2012	2011
	£	£
Operating profit is stated after charging		
Depreciation of tangible assets	93,074	51,179
Auditors' remuneration	5,000	4,500
Directors' remuneration	1,180,787	1,579,332

Included in directors remuneration above is benefits in kind totalling £4,093 (2011 - £2,348)

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2011 - 2)

# LUNDIN MINING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2012**

<b>3</b>	<b>Investment income</b>	<b>2012</b>	<b>2011</b>
		<b>£</b>	<b>£</b>
	Bank interest	2,508	2,296
		<u>2,508</u>	<u>2,296</u>
		<u>2,508</u>	<u>2,296</u>
<b>4</b>	<b>Taxation</b>	<b>2012</b>	<b>2011</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	U K corporation tax	74,010	48,017
	Adjustment for prior years	-	(7,867)
		<u>74,010</u>	<u>40,150</u>
	<b>Total current tax</b>	<b>74,010</b>	<b>40,150</b>
	<b>Deferred tax</b>		
	Origination and reversal of timing differences	(1,804)	(14,200)
		<u>(1,804)</u>	<u>(14,200)</u>
		<u>72,206</u>	<u>25,950</u>

# LUNDIN MINING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2012

#### 5 Tangible fixed assets

	Computer equipment	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2012	192,174	26,810	47,243	266,227
Additions	61,698	2,030	11,082	74,810
Disposals	(9,891)	-	(995)	(10,886)
At 31 December 2012	243,981	28,840	57,330	330,151
<b>Depreciation</b>				
At 1 January 2012	106,980	16,417	33,251	156,648
On disposals	(8,854)	-	(995)	(9,849)
Charge for the year	75,264	4,088	13,722	93,074
At 31 December 2012	173,390	20,505	45,978	239,873
<b>Net book value</b>				
At 31 December 2012	70,591	8,335	11,352	90,278
At 31 December 2011	85,194	10,393	13,992	109,579

#### 6 Debtors

	2012 £	2011 £
Trade debtors	-	2,146
Amounts owed by group undertakings and undertakings in which the company has a participating interest	1,086,283	529,664
Other debtors	178,994	93,697
	1,265,277	625,507

# LUNDIN MINING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2012

<b>7 Creditors amounts falling due within one year</b>	<b>2012 £</b>	<b>2011 £</b>
Trade creditors	142,909	112,837
Amounts owed to group undertakings and undertakings in which the company has a participating interest	-	371,862
Taxation and social security	216,693	356,487
Other creditors	646,394	308,630
	<u>1,005,996</u>	<u>1,149,816</u>

Included within the taxation and social security creditor are National Insurance Contributions due in relation to share options granted to UK employees for common shares in Lundin Mining Corporation totalling £89,537 (2011 - £89,537) including interest due as a result of late payment

## 8 Provisions for liabilities

	<b>Deferred tax liability £</b>
Balance at 1 January 2012	3,901
Profit and loss account	(1,804)
	<u>2,097</u>
Balance at 31 December 2012	<u>2,097</u>

The deferred tax liability is made up as follows

	<b>2012 £</b>	<b>2011 £</b>
Accelerated capital allowances	2,097	10,701
Other timing differences	-	(6,800)
	<u>2,097</u>	<u>3,901</u>

# LUNDIN MINING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2012

#### 9 Pension costs

##### Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2012 £	2011 £
Contributions payable by the company for the year	86,553	103,611

#### 10 Share-based payments

During the year ended 31 December 2012, Lundin Mining Corporation, the ultimate controlling party, operated an incentive share option plan, under which 885,000 options in Lundin Mining Corporation have been granted to seven employees of Lundin Mining UK Limited. Of the options granted, 75,000 were at an exercise price of CAD\$4.80 on 30 April 2012, 60,000 at CAD\$4.04 on 28 May 2012, 180,000 at CAD\$4.28 on 1 August 2012 and 570,000 at CAD\$5.01 on 10 December 2012.

All options grants have an expiry date of 5 years from the date of grant, with a third of the options available to be exercised on the 1st, 2nd and 3rd anniversaries from the date of the option grant. None of the options granted are subject to any additional performance conditions.

At the balance sheet date a further 30,000 (2011 - 42,500) options granted on 4 September 2008 at an exercise price of CAD\$4.42 remained outstanding. These options have an expiry date of 31 December 2013 and can be exercised at any time from 1 January 2013.

At the balance sheet date a further nil (2011 - 52,223) options granted during the year ended 31 December 2010 remained outstanding. Of these options 22,223 were granted on 27 January 2010 at an exercise price of CAD\$4.31 and were all exercised during the year. A further 30,000 options were granted on 24 March 2010 at an exercise price of CAD\$4.95 and all expired during the year.

At the balance sheet date a further 755,000 (2011 - 795,000) options granted during the year ended 31 December 2011 remained outstanding. Of these options 80,000 (2011 - 80,000) were granted at an exercise price of CAD\$7.92 on 1 March 2011 with an expiry date of 31 December 2013. A third of these options granted were available for exercise from 1 March 2011, 1 January 2012 and 1 January 2013 respectively up to the expiry date. A further 300,000 (2011 - 300,000) options were granted at an exercise price of CAD\$3.91 on 31 October 2011 with an expiry date of 31 December 2014. A third of these options granted were available for exercise from 31 October 2011, 1 January 2013 and 1 January 2014 respectively up to the expiry date. A further 375,000 (2011 - 415,000) options were granted at an exercise price of CAD\$3.89 on 12 December 2011 with an expiry date of 11 December 2016. A third of these options granted were available for exercise from 12 December 2012, 12 December 2013 and 11 December 2014 respectively up to the expiry date. During the year 25,000 of these options were exercised and 15,000 were cancelled.

# LUNDIN MINING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2012

<b>11 Share capital</b>	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Allotted, called up and fully paid		
1 Ordinary share of £1 each	1	1

## 12 Statement of movements on profit and loss account

	<b>Profit and loss account £</b>
Balance at 1 January 2012	437,536
Profit for the period	154,328
Balance at 31 December 2012	591,864

## 13 Financial commitments

At 31 December 2012 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2013

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
Operating leases which expire		
Within one year	39,492	-
Between two and five years	3,814	117,063
In over five years	94,159	-
	137,465	117,063

## 14 Capital commitments

	<b>2012</b>	<b>2011</b>
	<b>£</b>	<b>£</b>
At 31 December 2012 the company had capital commitments as follows		
Contracted for but not provided in the financial statements	156,930	-

The contracted capital commitments at the balance sheet date relate to costs associated with the build services and fittings for Hayworthe House

# **LUNDIN MINING UK LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2012***

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### **15 Control**

The ultimate controlling party is Lundin Mining Corporation, a company incorporated in Canada. Copies of Lundin Mining Corporation consolidated financial statements can be obtained from the Company Secretary at 150 King Street West, Suite 1500, P O Box 38, Toronto, ON M5H 1J9, Canada.

### **16 Related party relationships and transactions**

The company has taken advantage of the exemption available in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008) not to disclose transactions entered into between two or more members of a group, as the company is a wholly owned subsidiary undertaking of the group to which it is party to the transactions.