

2010

Notice of Annual and Special Meeting  
and  
Management Information Circular

**lundin mining**





## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

**NOTICE** is hereby given that an annual and special meeting (the "Meeting") of the shareholders of **LUNDIN MINING CORPORATION** (the "Corporation") will be held at the Ontario Bar Association Conference Centre, 2<sup>nd</sup> Floor, 20 Toronto Street, (Yonge/King Street) Toronto, Ontario, on Friday, May 7, 2010 at the hour of 10:00 a.m. (Toronto time), for the following purposes:

1. To receive the audited consolidated financial statements of the Corporation for the year ended December 31, 2009 and the report of the auditor thereon;
2. To elect directors for the ensuing year; **(Resolution 1)**
3. To appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors for the ensuing year, and to authorize the directors to fix the remuneration to be paid to the auditors; **(Resolution 2)**
4. To pass a resolution, the text of which is set out in Appendix B to the accompanying Management Information Circular, authorizing the Corporation to amend the Articles of Amalgamation of the Corporation for the purpose as described in the accompanying Management Information Circular; and **(Resolution 3)**
5. To transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

This Notice is accompanied by a Management Information Circular and form of proxy.

All shareholders are entitled to attend and vote at the Meeting in person or by proxy. Registered shareholders who are unable to attend the Meeting are requested to complete, date, sign and deliver the enclosed form of proxy to Computershare Investor Services Inc. ("Computershare"), 100 University Avenue, 9th Floor, Toronto, Ontario, Canada M5J 2Y1, Attention: Proxy Department. If a shareholder does not deliver a proxy to Computershare by 10:00 a.m. (Toronto, Ontario, time) on Wednesday, May 5, 2010 (or not less than 48 hours, excluding Saturdays, Sundays and statutory holidays, before any adjournments or postponements of the Meeting at which the proxy is to be used), or deposit it with the Secretary of the Corporation or the chairman of the Meeting prior to the time of voting at the Meeting, then the shareholder will not be entitled to vote at the Meeting by proxy.

As provided in the *Canada Business Corporations Act*, the directors have fixed a Record Date of March 26, 2010. Accordingly, shareholders registered on the books of the Corporation at the close of business on the March 26, 2010 are entitled to receive notice of the Meeting and to vote at the Meeting or any adjournment thereof.

If you are a non-registered shareholder and receive these materials through your broker or other intermediary, please complete and return the voting instruction form or other authorization in accordance with the instructions provided to you by your broker or intermediary.

Dated at Toronto, Ontario this 1st day of April, 2010

**BY ORDER OF THE BOARD OF DIRECTORS**

(signed) Philip J. Wright,  
President and CEO



# lundin mining

## MANAGEMENT INFORMATION CIRCULAR

(all information as at March 24, 2010 unless otherwise noted)

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**APPENDIX A – MANDATE OF THE BOARD OF DIRECTORS**  
**APPENDIX B – SPECIAL RESOLUTION OF THE SHAREHOLDERS**

## VOTING INFORMATION

### Solicitation of Proxies

This Management Information Circular (the "Circular") is furnished in connection with the solicitation of proxies being made by the management of Lundin Mining Corporation (the "Corporation") for use at the annual and special meeting of the Corporation's shareholders to be held on Friday, May 7, 2010 at the time and place and for the purposes set forth in the accompanying notice of meeting or at any adjournment thereof (the "Meeting"). Management's solicitation of proxies will primarily be by mail and may be supplemented by telephone or other means of communication to be made, without special compensation, by directors, officers and employees of the Corporation. The cost of solicitation by management will be borne by the Corporation. The Corporation may retain other persons or companies to solicit proxies on behalf of management of the Corporation, in which event customary fees for such services will be paid.

It is anticipated that this Circular, together with the accompanying notice of meeting and form of proxy will first be mailed to shareholders of the Corporation on or about April 12, 2010.

Unless otherwise indicated, all monetary amounts referred to herein are stated in United States currency.

### Appointment of Proxyholder

The persons named in the enclosed form of proxy are directors and/or officers of the Corporation (the "Management Proxyholders"). **A registered shareholder has the right to appoint a person 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 name in the blank space provided. A proxyholder need not be a shareholder. If a shareholder appoints one of the Management Proxyholders as a nominee and there is no direction by the registered shareholder, the Management Proxyholder shall vote the proxy FOR all proposals set out in the enclosed proxy form and FOR the election of the directors, the appointment of the auditors and the amendment of the Articles of Amalgamation all as set out in this Circular.**

The instrument appointing a proxyholder must be signed in writing by the registered shareholder, or such shareholder's attorney authorized in writing. If the registered shareholder is a corporation, the instrument appointing a proxyholder must be in writing signed by an officer or attorney of the corporation duly authorized by resolution of the directors of such corporation, which resolution must accompany such instrument. **An instrument of proxy will only be valid if it is duly completed, signed, dated and received at the office of the Corporation's registrar and transfer agent, Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 by 10:00 a.m. (Toronto, Ontario time) on Wednesday, May 5, 2010 (or not less than 48 hours, excluding Saturdays, Sundays and holidays before any adjournments of the Meeting at which the proxy is to be used), or it is deposited with the Secretary of the Corporation or the Chairman of the Meeting prior to the time of voting at the Meeting.**

If you have any questions about the procedures to be followed to vote at the Meeting or about obtaining, completing and depositing the required form of proxy, you should contact Computershare Investor Services Inc. by telephone (toll free) at 1-800-564-6253 or by e-mail at [service@computershare.com](mailto:service@computershare.com).

### Voting of Proxies

Common shares of the Corporation represented by properly executed proxies in the accompanying form will be voted or withheld from voting on each respective matter in accordance with the instructions of the registered shareholder on any ballot that may be called for and, if the shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the shares represented by such proxy will be voted accordingly. **If no choice is specified, the person designated in the accompanying form of proxy will vote FOR all matters proposed by management at the Meeting.**

### Exercise of Discretion

**The enclosed Proxy, when properly completed and delivered and not revoked, gives discretionary authority to the persons named therein with respect to any amendments or variations of matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting.** In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the person designated in the accompanying form of proxy to vote in accordance with their best judgment on such matters.

As of the date of this Circular, management of the Corporation knows of no such amendment, variation or other matter to come before the Meeting.

### **Voting by Beneficial (Non-registered) Shareholders**

**The information in this section is important to many shareholders as a substantial number of shareholders do not hold their shares in their own name.**

Shareholders who hold common shares of the Corporation through their brokers, intermediaries, trustees, or other nominees (such shareholders being collectively called “Beneficial Shareholders”) should note that only proxies deposited by shareholders whose names appear on the share register of the Corporation may be recognized and acted upon at the Meeting. If common shares are shown on an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases the name of such Beneficial Shareholder **will not** appear on the share register of the Corporation. Such shares will most likely be registered in the name of the broker or an agent of the broker. In Canada, the vast majority of such shares will be registered in the name of “CDS & Co.”, the registration name of The Canadian Depository for Securities Limited, which acts as a nominee for many brokerage firms. Such shares can only be voted by brokers, agents, or nominees and can only be voted by them in accordance with instructions received from Beneficial Shareholders. **As a result, Beneficial Shareholders should carefully review the voting and instructions provided by their broker, agent or nominee with this Proxy Circular and ensure that they direct the voting of their shares in accordance with those instructions.**

Applicable regulatory policies require brokers and intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders’ meetings. Each broker or intermediary has its own mailing procedures and provides its own return instructions to clients. The purpose of the form of proxy or voting instruction form provided to a Beneficial Shareholder by such shareholder’s broker, agent or nominee is limited to instructing the registered holder on how to vote such shares on behalf of the Beneficial Shareholder. Most brokers in Canada now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (formerly ADP Independent Investor Communication Corporation) (“**Broadridge**”). Broadridge typically prepares voting instruction forms, mails those forms to Beneficial Shareholders and asks those Beneficial Shareholders to return the forms to Broadridge or follow specific telephone or other voting procedures. Broadridge then tabulates the results of all instructions received by it and provides appropriate instructions respecting the voting of such shares at the Meeting. **A Beneficial Shareholder receiving a voting instruction form from Broadridge cannot use that form to vote their shares at the Meeting. Instead, the voting instruction form must be returned to Broadridge or the alternate voting procedures must be completed well in advance of the Meeting in order to ensure that such shares are voted.**

**Non-registered holders should follow the instruction on the forms that they receive and contact their intermediaries promptly if they need assistance.**

### **Revocation of Proxy**

A registered shareholder who has returned a proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing, including a proxy bearing a later date, executed by the registered shareholder or by his attorney authorized in writing or, if the registered shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The instrument revoking the proxy must be deposited at the registered office of the Corporation, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the Secretary of the Corporation or the chairman of the Meeting prior to the time of voting at the Meeting. Only registered shareholders have the right to revoke a proxy. **Beneficial Shareholders who wish to change their vote must arrange for their respective intermediaries to revoke the proxy on their behalf.**

### **Record Date**

Shareholders registered as at March 26, 2010 (the “Record Date”) are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the Proxy to attend and vote, deliver their Proxies at the place and within the time set forth in the notes to the Proxy.

### **Interest of Certain Persons in Matters to be Acted Upon**

Except as otherwise set out herein, no director or executive officer of the Corporation, or any person who has held such a position since the beginning of the last completed financial year end of the Corporation, nor any nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors.



## Voting Securities and Principal Holders Thereof

The Corporation is authorized to issue an unlimited number of common shares and one special share, of which 579,776,573 common shares are issued and outstanding as of March 24, 2010. Each common share is entitled to one vote.

The following table sets forth those persons who, to the knowledge of the directors and officers of the Corporation, beneficially own or exercise control or direction over common shares carrying more than 10% of the voting rights attached to all common shares of the Corporation:

### Voting Rights

Name and Address	Number of Shares	Percentage
Lorito Holdings S.à.r.l. ("Lorito") <sup>(1)</sup> Luxembourg	35,894,790	6.2%
Zebra Holdings and Investments S.à.r.l. ("Zebra") <sup>(1)</sup> Luxembourg	27,320,064	4.7%

<sup>(1)</sup> 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, 2009 have been provided to shareholders separately and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Election of Directors

#### Nominees

Directors are elected annually. The board of directors of the Corporation (the "Board of Directors" or the "Board") has accepted a recommendation of the Corporate Governance and Nominating Committee for a simplified corporate structure and has determined that the size of the Board should be reduced from 10 to 8 directors. The number of directors to be elected is 8. Unless authority to vote is withheld, the shares represented by the proxies hereby solicited will be voted by the persons named therein **FOR** the election of the nominees whose names are set forth below. All 8 nominees are presently members of the Board of Directors and the dates on which they were first elected or appointed are indicated below. Management does not contemplate that any nominee will be unable or unwilling to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote **FOR** another nominee in their discretion, unless the shareholder has specified in the accompanying form of proxy that such shareholder's shares are to be withheld from voting on the election of directors.

Each of the following persons is nominated to hold office as a director until the next annual meeting or until his or her successor is duly elected or appointed.

#### Nominees

Name, residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of voting securities owned (directly or indirectly) or controlled at present <sup>(1)</sup>
<b>Lukas H. Lundin</b> British Columbia, Canada <i>Chairman</i>	Chairman and a Director of the Corporation; Director and Officer of a number of publicly traded resource-based companies	September 9, 1994	1,271,449 common shares
<b>Philip J. Wright</b> <sup>(5)</sup> United Kingdom <i>President &amp; Chief Executive Officer</i>	Private investor; President and Chief Executive Officer of the Corporation since January 16, 2008	January 16, 2008	103,000 common shares
<b>Colin K. Benner</b> <sup>(5)</sup> British Columbia, Canada	President and director of CKB Mining Inc.; Director of a number of publically traded companies; Interim CEO of HudBay Minerals Inc. from March 9, 2009 to March 23, 2009; Vice Chairman and Chief Executive Officer of Skye Resources Inc. from March to August 2008; Vice Chairman, Chief Executive Officer and Director of the Corporation from October 31, 2006 to April 1, 2007; and Vice Chairman, Chief Executive Officer and a Director of EuroZinc Mining Corporation from December 21, 2004 to October 31, 2006.	October 31, 2006	116,668 common shares
<b>Donald K. Charter</b> <sup>(2) (4)</sup> Ontario, Canada	Corporate Director and President 3C's Corporation; prior to December 2005, Chairman, President and Chief Executive Officer of Dundee Securities Corporation; Executive Vice President of Dundee Corporation and Dundee Wealth Management	October 31, 2006	11,424 common shares
<b>John H. Craig</b> <sup>(3)</sup> Ontario, Canada	Lawyer, partner of Cassels Brock & Blackwell LLP	June 11, 2003	186,849 common shares
<b>Brian D. Edgar</b> <sup>(3) (5)</sup> British Columbia, Canada	President, Chief Executive Officer and Director of Dome Ventures Corporation; Director of a number of publicly traded companies	September 9, 1994	230,000 common shares
<b>Dale C. Peniuk</b> <sup>(2)</sup> British Columbia, Canada	Chartered Accountant; financial consultant to the mining industry; formerly an Assurance partner with KPMG LLP, Chartered Accountants; Director of a number of publicly traded companies	October 31, 2006	17,600 common shares <sup>(6)</sup>
<b>William A. Rand</b> <sup>(2) (4)</sup> British Columbia, Canada	President and Director of Rand Edgar Investment Corp.; Director of a number of publicly traded companies	September 9, 1994	223,424 common shares

Notes:

- (1) The information as to common shares beneficially owned has been provided by the directors themselves.
- (2) Members of the Audit Committee
- (3) Members of the Corporate Governance and Nominating Committee
- (4) Members of the Human Resources/Compensation Committee
- (5) Members of the Health, Safety, Environment and Community Committee
- (6) Includes 15,000 common shares registered in the name of Mr. Peniuk's spouse and 100 common shares registered in the name of Mr. Peniuk's child.

#### **Corporate Cease Trade Orders or Bankruptcies**

Except as noted below, to the best of management's knowledge, no proposed director is, or has been within the last 10 years of the date hereof, a director or executive officer of any company that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

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

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

### ***Individual Bankruptcies***

No director of the Corporation has, within the ten years prior to the date of this Circular, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or been 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 person proposed for election as a director of the Corporation has been subject to 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 has had 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 directors of the Corporation recommend the re-appointment of PricewaterhouseCoopers LLP ("PwC"), Chartered Accountants, Toronto, Ontario, as auditors of the Corporation to hold office until the termination of the next annual meeting of the Corporation. PwC was first appointed as the auditors of the Corporation on October 19, 2006. It is also proposed that the remuneration to be paid to the auditors be determined by the directors of the Corporation.

The disclosure required by Form 52-110F1 of National Instrument 52-110, Audit Committees, including the text of the Audit Committee's charter and the fees paid to the Corporation's external auditor, can be found in the Corporation's Annual Information Form dated March 31, 2010 as filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **Introduction**

In the following pages we describe:

- The Corporation's policies and practices with respect to the compensation of senior managers.
- The role and structure of the Human Resources/Compensation Committee.
- The detailed disclosure of the remuneration of the Named Executive Officers ("NEOs"), namely the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and the three other most highly compensated executives (the "NEOs").

### **Overview of Compensation Philosophy**

The Corporation's aim is to provide market competitive remuneration to attract, retain and motivate the talent required to allow the Corporation to achieve its potential. The total reward package is designed to remunerate on the basis of an individual's personal effectiveness in their role and thereby link their performance to the Corporation's. An underlying principle of the reward package is that good performance will be recognized, and poor performance will not be tolerated or rewarded.

Executive packages are determined on a Total Employment Cost ("TEC") basis and include an appropriate balance of base salary, benefits and at-risk remuneration (in the form of short-term incentive and long-term incentive). They are set in the context of the relevant industrial and geographic norms that the Corporation operates within and at a level which will make the organisation competitive in its chosen mining and mineral exploration markets.

## **2009 Approach**

No significant change to the structure of the remuneration package has been made in 2009. The current approach, which is based on TEC (as indicated above), remains generally as follows:

- Balanced across the short, medium and longer term
- Market competitive
- Base pay is broadly targeted at a median level
- Short-term incentive (annual cash payment), is based on individual targets which are a subset of the corporate targets, and provides above median remuneration for individuals who demonstrate effectiveness in their roles and in achieving their objectives
- Longer term reward (share option grants), provides the opportunity to build ownership in the business and increase personal wealth in the medium term in line with the opportunities for success afforded to the shareholders

## **Recruiting and Retention**

Lundin Mining's management team has strengthened considerably over the last couple of years. We are satisfied with our ability to attract and retain high calibre individuals capable of working within, and contributing to, the management team.

## **Aligning Management and Shareholders**

The Corporation seeks to align management with shareholders' interests as follows:

- The short-term incentive plan incorporates 'pay-for-performance' into the annual cash remuneration
- The long-term incentive plan represents a potentially significant portion of an executive's total remuneration and provides a longer-term focussed reward that is subject to the same external market conditions as shareholders, which has been particularly relevant in the tumultuous market conditions which have prevailed in 2009.

## **Human Resource/Compensation Committee Mandate**

The Human Resources/Compensation Committee (the "Committee" or the "HRCC") is responsible for:

- Recommending to the Board the annual salary, bonus and other benefits, direct and indirect, of the CEO
- Approving the compensation for the Corporation's other executive officers, after considering the recommendations of the CEO
- Approving other human resources and compensation policies and guidelines within their remit
- Ensuring management compensation is competitive to enable the Corporation to continue to attract individuals of the highest calibre.

Please review the section in this Management Information circular titled "Statement of Corporate Governance Practice" for further information about the duties and responsibilities of the HRCC.

The HRCC currently consists of 3 directors, Messrs. Donald K. Charter (Chair), David F. Mullen and William A. Rand, all of whom are independent. The HRCC met 4 times in 2009.

Towards the end of each fiscal year (or as appropriate) the HRCC reviews the performance of the executive officers. The Committee considers a variety of factors when determining compensation policies and individual compensation levels, including:

- The long-term interests of the Corporation and its shareholders
- The performance of the Corporation
- Each officer's personal effectiveness in his or her role
- Each officer's contractual terms
- External market conditions and movements

The CEO's compensation is assessed taking into account similar factors.

The Corporation sets group and individual performance targets across all facets of the business based on individual (but linked) one page plans covering all managers, and providing a sound basis for determining short-term incentive payments.

In 2009, the HRCC continued to apply the structured methodology for awarding share option grants, under the Long Term Incentive Program (the "LTIP"), which was established after a wide-ranging review in 2008.

The HRCC believes that the salary paid to the CEO and each executive officer during the last fiscal year was consistent with the requirements of the position and the incumbent's experience, when considering the salary component as part of TEC. The Committee used judgement in considering, among other things: the industry in which the Corporation operates; the competitive landscape for hiring executives within this industry; the public nature of the Corporation; the market capitalization of the Corporation; and the responsibilities of the particular executive officer. Given the multiple jurisdictions in which the senior management team of the Corporation operates, it was not considered appropriate to set a fixed comparator group of Canadian companies, for the purposes of salary comparison.

In view of the economic environment in which the Corporation was operating in 2009, and taking account of the significant relevant experience of the Committee members, the HRCC decided not to engage an independent compensation consultant on this occasion. The Committee was provided the information it required by management and it referred as appropriate, to independent market data from a number of service providers, including PwC.

### Role of Management in Determining Compensation

The accountability for decisions on executive remuneration is within the mandate of the Board with recommendations from the HRCC. Management plays an important role in supporting the Committee as required by the Committee. The CEO and other senior members of his leadership team (including the Vice President, Human Resources) assist with the provision of both external data and analysis. They also give the Committee the results of performance evaluations for the management team to assist the Committee in their consideration of changes in the remuneration of individual executives.

The CEO is not a member of the HRCC. He provides input on the performance of senior executives and managers. Discussions affecting the CEO's remuneration package, either directly or indirectly, are held in camera.

### Elements of Compensation

The compensation of the Corporation's NEOs for the fiscal year ended December 31, 2009 comprised the following components which, in aggregate, constitute the TEC:

- Base salary
- Short-term incentive (cash award)
- Long-term incentive (stock option grants)
- Retirement benefits
- Other executive benefits

The following describes these components in greater detail.

#### 1. Base Salary

Base salaries for NEOs are set at a level that is required to attract and retain candidates with the required levels of expertise and experience and take into account competitive rates for the relevant position and location. The Coopers Mining Survey (by PwC), which gives comparisons with companies of comparable size and complexity in the mining industry, is one source of relevant external market data which helps to inform that judgment.

In January 2009, no general increase of base salaries was granted to the executive and management group. Modest adjustments were made for a few individuals based on special reasons (for example, to recognise promotion, or to address misalignment with the market).

The base salaries of the Corporation's NEOs as at December 31, 2009, and adjustments thereto, are shown in the table below (where an appointment was made during 2009, the new annualized salary is shown).

#### Base Salaries

Name	Title	2009 Base Salary (US\$) <sup>(3)</sup>	Increase to base salary in 2009
Philip Wright	President and Chief Executive Officer	505,917	-
Marie Inkster <sup>(1)</sup>	Chief Financial Officer <sup>(2)</sup>	263,957	20%
Joao Carrelo	Exec. Vice President and Chief Operating Officer	463,707	-
Paul Conibear	Sr. Vice President Corporate Development	329,418	-
Neil O'Brien	Sr. Vice President Exploration and Business Development	263,957	2%

Notes:

<sup>(1)</sup> Ms. Inkster was promoted from Vice President, Finance to CFO effective May 1, 2009.

<sup>(2)</sup> Mr. Mayers, former CFO, earned \$131,978 in base salary for the period January 1 to April 30, 2009.

<sup>(3)</sup> Average 2009 exchange rates were used in this and the following tables (US\$ 0.8799:C\$1.00; US\$1.3934:€1.00; US\$1.5646:UK£1.00) with the exception of references to 2008/2009 STI payments, for which appropriate monthly rates were used relevant to the dates of the 2 awards.

## 2. Short-Term Incentive (“STI”)

### Context and Process

The Corporation’s STI plan delivers an ‘at risk’ annual cash payment based on a targeted level of incentive for each position and an assessment of an individual’s personal effectiveness. The STI payment is one of the outcomes of a holistic process that links business planning with an evaluation of the personal effectiveness of senior executives and managers, using the elements described below:

- **One Page Plans (“OPPs”)** – These plans are in place for all executives and managers, and, in aggregate, they encompass the overall goals and targets of the Corporation. The OPPs contain linked strategic initiatives and intermediate targets covering: operational matters; health, safety, environment and community; business growth and development; and the identification, development and attainment of better practices. They are not rigid documents but are modified as circumstances dictate.
- **Job Results Descriptors (“JRDs”)** – Set out the results to be achieved in each role, and weight the results to be achieved taking into account the deliverables for the position.
- **Personal Effectiveness Reviews (“PERs”)** - PER is an individual performance management process which provides a single, holistic methodology for reviewing individual performance in a disciplined, fair and consistent manner. Together, the following two factors form the basis of measuring each manager’s overall personal effectiveness, which will, in turn, be the primary determining factor in the payment of short-term incentives, overall reward and retention:
  - **Personal effectiveness** - Measured by achievement of financial and budgetary results, and against the assessment of performance against the objectives set out in the individual’s OPP (75% weighting)
  - **Management Behaviours** – Measured by an evaluation of 24 selected management behaviours covering: business skills including planning abilities; leadership and management; problem solving and decision making; teamwork; and personal behaviours and abilities including integrity (25% weighting). The selected behaviours are those which are broadly deemed to be of greatest value and influence in driving superior performance in the organisation.

For the NEOs, other than the Chief Executive whose compensation is discussed later in this circular, the following provides details of the basis of evaluation for the 2009 performance year, with an approximate weighting indicated against each:

#### Basis of Evaluation

NEO	Key Deliverables		Management Behaviours
<b>Marie Inkster,</b> Chief Financial Officer	<ul style="list-style-type: none"> <li>• Amended and renegotiated credit agreements</li> <li>• Significant improvements in external reporting</li> <li>• Restructured finance team</li> <li>• All key budget deliverables met</li> <li>• Key strategic initiatives met</li> </ul>	75%	25%
<b>João Carrêlo,</b> Executive Vice President & Chief Operating Officer	<ul style="list-style-type: none"> <li>• All key budget deliverables met</li> <li>• Improvement in HSEC performance</li> <li>• Key strategic initiatives met</li> </ul>	75%	25%
<b>Paul Conibear,</b> Sr. Vice President, Corporate Development	<ul style="list-style-type: none"> <li>• Advanced Tenke investment through start-up and into production and met HSEC goals</li> <li>• Key strategic initiatives met</li> </ul>	75%	25%
<b>Neil O’Brien,</b> Sr. Vice President, Exploration & Business Development	<ul style="list-style-type: none"> <li>• Upgraded and expanded near-mine resources</li> <li>• Disposal and farm-out of non-core assets</li> <li>• Improvement in HSEC performance</li> <li>• All key budget deliverables met</li> <li>• Key strategic initiatives met</li> </ul>	75%	25%

Note – All figures above are expressed as a % of the relevant STI target. The STI target level which applies for each NEO is included in the table below.

The key strategic initiatives included: human resources initiatives; process standardisation and improvement; operational improvement; customer and revenue growth; financial management; investor relations; HSEC performance, including implementation of a new HSEC management system; and business growth and development initiatives. In aggregate these, along with the key budgetary deliverables, were designed to improve overall performance, improve financial strength and grow the business.

## 2008 Performance

As previously reported, the Corporation delayed consideration of bonuses for 2008 performance until after the financial restructuring process was complete. This unusual step was taken to recognise that, whilst there had been many examples of superior and exceptional individual performance (despite highly adverse market conditions) the Corporation's ability to pay remained paramount. Awards were approved retrospectively in May 2009 by the Board, for 2008 performance achieved at approximately 70% of the target level (although individual STI payments ranged from zero to 100%, in line with a rigorous assessment of individual performance and contribution) taking into account the challenging conditions faced by the Corporation, balanced against some excellent individual performances in difficult circumstances. The 2008 STI awards are included in the table below.

## 2009 Performance

2009 was a year of recovery, significant improvement in liquidity and all production targets were met. After an exceptionally difficult start to the year, metal prices strengthened, particularly in the fourth quarter. The end results – including generating net income (before impairment) of \$105.2 million, meeting production targets on all metals, and growing mineral reserves to replace record ore tonnages mined - were underpinned by continued good performance by the whole organization. The Board decided that the performance by the entire corporation's leadership merited payment of 86.9% of the relevant individual target STI levels. Individual incentive award decisions were made taking full account of individual performance and behavioral factors (as described in detail above) and ranged from 50% to 100% of target. Details of 2009 STI awards to the NEOs are included in the table below.

## Summary

The following table records STI target for each NEO as a percentage of base salary as well as their awards for 2008 and 2009.

### STI Target

Name	Target STI as a Percentage of Base Salary	2008 STI paid	2009 STI paid
Philip Wright	60%	-	-
Marie Inkster	50%	36,129	143,825
João Carrêlo	60%	169,608	285,442
Paul Conibear	40%	103,226	143,825
Neil O'Brien	40%	71,398	115,060

Note – in respect of other NEOs who were in place in 2008/2009 at the time of last year's report, Ted Mayers, former CFO, received a bonus of \$86,022 in respect of his 2008 part-year performance.

## 3. Long-Term Incentive

### Purpose of Long-Term Incentives

The Corporation provides long-term incentives through option grants under its stock option plan.

### 2009 Option Grants

A one-off grant of options was made in May 2009 to a select group of executives and senior managers to recognize and reward on-going performance against a background of frozen salaries and reduced STIs and, as a way of retaining and engaging those individuals who were considered key to the organization's future success. Taking into account these grants, detailed below, the Corporation's level of options outstanding is modest by comparison to peers.

The only other grants made during the year were to a limited number of new appointees at executive and senior management level, at levels consistent with the existing structure. These were under the LTIP (i.e. the option awards were made in 3 equal annual tranches 2009, 2010 and 2011) with expiry dates in 3, 4, and 5 years, respectively.

The following table sets out the details of incentive stock options granted during the most recently completed financial year to the Corporation's NEO's:

### Incentive Stock Options

Name of Executive Officers	Securities Under Options Granted (#)	% of Total Options Granted to All Employees in the Financial Year <sup>(1)</sup>	Exercise or Base Price (\$CAD/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$CAD/Security)	Date of Grant	Expiration Date
Philip Wright	-	-	-	-	-	-
João Carrêlo	100,000 <sup>(2)</sup>	6.9%	2.67	2.67	May 20/09	May 19/12
Marie Inkster	50,000 <sup>(2)</sup>	3.5%	2.67	2.67	May 20/09	May 19/12
	50,000 <sup>(3)</sup>	3.5%	3.77	3.77	Sept 23/09	Sept 22/12
Paul Conibear	90,000 <sup>(2)</sup>	6.2%	2.67	2.67	May 20/09	May 19/12
Neil O'Brien	90,000 <sup>(2)</sup>	6.2%	2.67	2.67	May 20/09	May 19/12

<sup>(1)</sup> Based on an aggregate total of 1,443,333 stock options granted during the year.

<sup>(2)</sup> These grants were awarded as part of a one-off option grant made in May 2009 to a select group of executives and senior managers to recognize and reward on-going performance against a background of frozen salaries and reduced STIs and, as a way of retaining and engaging those individuals who were considered key to the organization's future success. These grants all vest over a period of three years and expire on May 19, 2012.

<sup>(3)</sup> This grant was made to Ms. Inkster as part of her initial employment contract, vests immediately and is exercisable over a period of three years from the date of grant.

#### **4. Retirement Benefits**

In the year ended December 31, 2009, the Corporation provided retirement or pension benefits for executive officers in a manner which was appropriate to their personal contractual arrangements in the country in which they were based for employment purposes. All retirement or pension plans for the NEOs are based on defined contributions.

For NEOs employed by the Corporation in Canada (Messrs. Wright, Conibear and O'Brien, and Ms. Inkster) a retirement savings plan is in place, to which the Corporation contributed 6% up to a maximum of C\$21,000 per annum (or \$17,600). The pension benefit covers old age pension, survivor's pension and long-term disability.

Mr. Carrêlo, who is employed in the UK, has not as yet taken membership of the contributory retirement savings plan offered in the UK, which has a potential company matched contribution of 10% in his case.

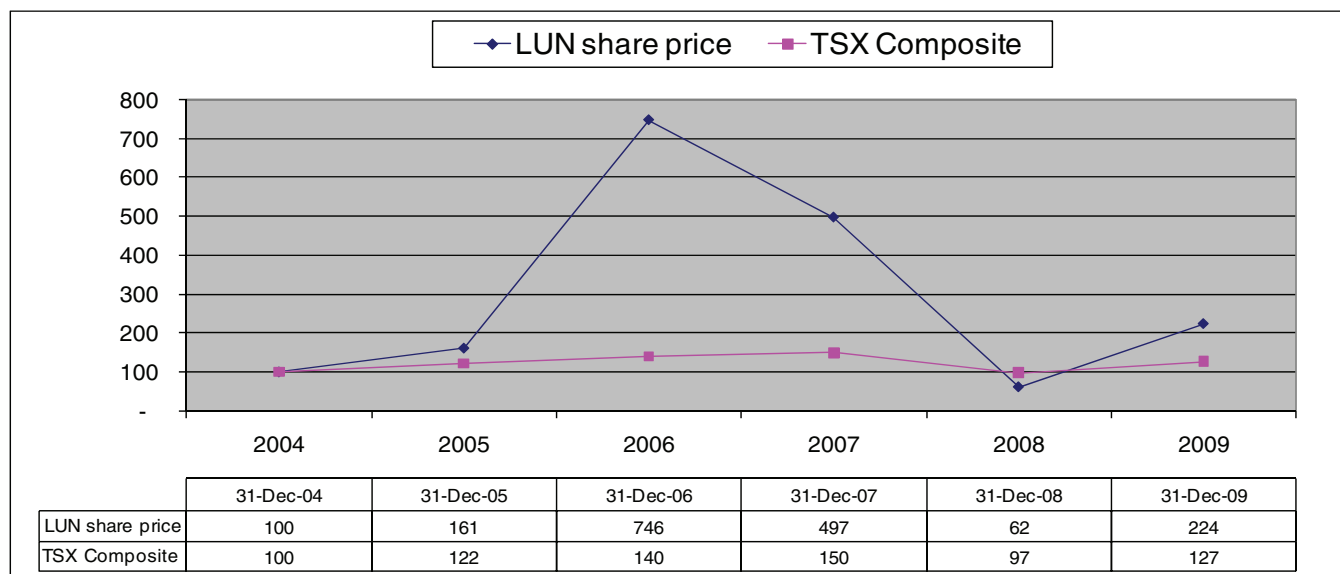
#### **5. Other Executive Benefits**

'Other benefits' do not form a significant part of the remuneration package of any of our NEOs. In most cases, retirement benefits, health care and life insurance are provided in a manner which is appropriate to the country of employment.



## Performance Graph

The following graph compares the yearly percentage change in the cumulative total shareholder return on the Toronto Stock Exchange for C\$100 invested in common shares of the Corporation on December 31, 2004 against the cumulative total shareholder return of the S&P/TSX Composite Index for the five most recently completed financial years of the Corporation.



## Compensation of Chief Executive Officer

As previously disclosed, an Executive Employment Agreement with Mr. Philip J. Wright was made as of 16<sup>th</sup> January 2008 and subsequently amended by further agreement to allow for the secondment of Mr. Wright to the UK subsidiary (collectively, "Employment Agreements"). The amendment was made by mutual consent in order to better serve the Corporation's global operations by having Mr. Wright spend more time in Europe, while still retaining his executive responsibilities in Canada. Under the Employment Agreements, Mr. Wright agreed to serve the Corporation as President and Chief Executive Officer for an initial term of 2 years with the option to extend beyond that for a further 1 or 2 years (first year extension: Corporation's option; second year extension: has to be agreed by both the Corporation and Mr. Wright), in consideration of an annual base salary equivalent to C\$575,000 (\$505,917), payable monthly by the Corporation and its subsidiaries, a comprehensive package of medical, dental and pension benefits, participation in the Corporation's stock option plan, 30 days paid annual vacation, and 4 return airfares to Australia per annum provided by the Corporation.

The Employment Agreements allow for a payment, in addition to salary ("Additional Payment"), calculated net of any gains under the Corporation's short-term and long-term incentive plans. During the initial term, the Additional Payment is equal to C\$3,000,000, net of any relevant income taxes. Further payments are prescribed for each extension. In 2009, the Company made a one-off payment of C\$1,500,000 (net of tax) as a pro-rated partial settlement of the total Additional Payment of C\$3,000,000 due for the first 2 year initial term, with the balance of C\$1,500,000 (net of tax) due in 2010. If applicable, in Years 3 and 4 (the first and second extension periods) the total Additional Payment which is applied across the whole contractual period is C\$4,500,000 and C\$5,500,000 respectively (inclusive of amounts already paid).

In the event of termination without cause, or terminated by Mr. Wright for (i) Good Reason, which includes a material change in the terms of Mr. Wright's employment, or (ii) at any time between 6 and 12 months after the change of control, then Mr. Wright is entitled to: payment of salary to the date he ceases work, repatriation to Australia, and the Additional Payment relevant to the term of his contract.

Mr Wright's agreement has been extended for a third year, as per the process defined above. The terms of the extended contract are as defined in the original Employment Agreements.

The Board assessed the Chief Executive's performance against the overall performance of the business, achievement of budgetary results and the achievement of the key strategic initiatives. The Board assessed the Chief Executive to have exceeded expectations. Had the Chief Executive been paid 100% of target STI award the amount would not have exceeded the Additional Payment due in terms of his Employment Agreement and, as no gain was realised under the long-term incentive plan, the Additional Payment was made and has been recorded in the tables under "all other compensation".

## Summary Compensation Table

The following table provides information regarding compensation received in or in respect of the financial year ended December 31, 2009 by each of the Corporation's NEOs, who are the following executive officers of the Corporation: (i) the Chief Executive Officer, (ii) the Chief Financial Officer, and (iii) each of the Corporation's three most highly compensated executive officers, other than the CEO and CFO, who were serving as executive officers during the fiscal year ended December 31, 2009 and whose total salary and bonus exceeds C\$150,000; and (iv) any additional individuals for whom disclosure would have been provided under (iii) but for the fact that the individual was not serving as an executive officer of the Corporation as at December 31, 2009.

### Summary Compensation

Name and principal position	Year	Salary (\$)	Option awards (\$) <sup>(1)</sup>	Non-equity incentive plan compensation (\$)		All other compensation (\$) <sup>(4)</sup>	Total compensation (\$)
				Annual incentive plans <sup>(2)</sup>	Long-term incentive plans <sup>(3)</sup>		
Philip Wright, President and Chief Executive Officer	2009	505,917	-	-	n/a	1,539,559 <sup>(5)</sup>	2,045,476
	2008	523,124	2,260,695	-	-	13,358	2,797,187
Marie Inkster <sup>(6)</sup> , Chief Financial Officer	2009	249,293	134,618	143,825	n/a	21,354	585,219
	2008	78,108	121,099	36,129	-	5,603	240,939
João Carrêlo, Executive Vice President and Chief Operating Officer	2009	463,707	113,501	285,442	n/a	39,776	1,072,034
	2008	489,153	478,289	169,608	-	16,491	1,153,541
Paul Conibear, Sr. Vice President, Corporate Development	2009	329,418	102,151	143,825	n/a	27,343	705,963
	2008	350,914	430,460	103,226	-	25,253	909,853
Neil O'Brien, Sr. Vice President, Exploration & Business Development	2009	263,957	102,151	115,060	n/a	25,286	577,852
	2008	274,510	398,585	71,398	-	20,907	765,400
Ted Mayers <sup>(7)</sup> , former Chief Financial Officer	2009	131,978	-	-	n/a	10,403	228,403
	2008	140,591	242,191	86,022	-	6,432	475,236

#### Notes:

<sup>(1)</sup> This amount represents the fair value, on the date of grant, of awards made under the Corporation's stock option plan. See "Long-Term Incentives" herein for details. The grant date fair value has been calculated using the Black-Scholes model according to Section 3870 of the CICA Handbook since it is used consistently by comparable companies. The key assumptions and estimates used for the calculation of the grant date fair value under this model include the risk-free interest rate, expected stock price volatility, expected life and expected dividend yield. Option fair values were calculated in C\$ and translated into US\$. Reference is made to the disclosure regarding the Corporation's stock option plan in Note 19 in the consolidated audited financial statements for the year ended December 31, 2009 available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

<sup>(2)</sup> Represents incentive awards in respect of the corresponding year's performance but are paid the following year

<sup>(3)</sup> There are no cash based long term incentive plans.

<sup>(4)</sup> Except as described below, amounts in this column typically consist of, but are not limited to, benefits such as retirement savings benefits, life insurance premiums, parking benefits, pension contribution and medical/dental plans. There are no defined benefit or actuarial plans in place

<sup>(5)</sup> This total includes \$1,528,258, which was Mr Wright's 'Additional Payment' described earlier under 'Compensation of Chief Executive Officer', and \$11,301 of standard benefits

<sup>(6)</sup> Ms Inkster was appointed to her role as Chief Financial Officer of the Corporation on May 1, 2009.

<sup>(7)</sup> Mr. Mayers employment with the Corporation terminated on April 30, 2009 by reason of resignation. No termination payments were made to Mr Mayers (other than the partial 2008 performance bonus referred to above).

## Incentive Plan Awards

The following table provides information regarding the equity incentive plan awards for each NEO outstanding as of December 31, 2009:

### Outstanding Option Awards

Name	Grant Date	Number of securities underlying options at the time of grant (#)	Number of securities underlying unexercised options (#)	Option Awards		Value of vested unexercised in-the-money options (C\$)
				Option exercise price (C\$)	Option expiration date	
Philip Wright	Sept 4/08	600,000	600,000	4.42	Dec 31/11- Dec 31/13 <sup>(1)</sup>	-
Marie Inkster	Sept 2/08	100,000	100,000	4.82	Sept 1/11	53,666
	May 20/09	50,000	50,000	2.67	May 19/12	
	Sept 23/09	50,000	50,000	3.77	Sept 22/12	
João Carrêlo	May 11/06	171,360 <sup>(2)</sup>	171,360	10.15	May 11/11	54,333
	Nov 14/07	100,000	100,000	10.58	Nov 13/12	
	Dec 6/07	200,000	200,000	9.63	Dec 5/12	
	Sept 4/08	300,000	300,000	4.42	Dec 31/11- Dec 31/13 <sup>(1)</sup>	
	May20/09	100,000	100,000	2.67	May 19/12	
Paul Conibear	Sept 4/08	270,000	270,000	4.42	Dec 31/11- Dec 31/13 <sup>(1)</sup>	48,900
	May 20/09	90,000	90,000	2.67	May 19/12	
Neil O'Brien	Sept 24/07	240,000	240,000	12.74	Sept 24/12	48,900
	Sept 4/08	250,000	250,000	4.42	Dec 31/11- Dec 31/13 <sup>(1)</sup>	
	May 20/09	90,000	90,000	2.67	May 19/12	

Notes:

<sup>(1)</sup> One-third of the options granted on September 4, 2008, if unexercised, expire each year on December 31, 2011 to December 31, 2013.

<sup>(2)</sup> These represent stock appreciation rights (SARs). During fiscal 2009, Mr. Carrêlo exercised 135,360 SARs at an exercise price of C\$2.31.

The following table provides information regarding the value on vesting of incentive plan awards for the financial year ended December 31, 2009, plus a summary of cash awards made under the STI plan for 2008 and 2009 performance.

### Incentive Plan Awards Vested or Earned in 2009

Name	Option-based awards – Value vested during the year (\$) <sup>(1)</sup>	Non-equity incentive plan compensation – STI amount earned for 2008 (\$)	Non-equity incentive plan compensation – STI amount earned for 2009 (\$)
Philip Wright	-	-	-
Marie Inkster	-	36,129	143,825
João Carrêlo	-	169,608	285,442
Paul Conibear	-	103,226	143,825
Neil O'Brien	-	71,398	115,060

Notes:

<sup>(1)</sup> 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. In all cases shown above, when shares vested during 2009, the option exercise price was higher than the market price of the share at the time of vesting; accordingly, the value of the options at time of vesting was zero.

## Pension Plan Benefits

The Corporation does not have any defined benefit or actuarial plans for the NEOs.

## Termination and Change of Control Benefits

Each of the Corporation's NEOs as of December 31, 2009 is a party to an employment agreement with the Corporation that sets forth certain instances where payments and other obligations arise on the termination of their employment. See "Payments on Change of Control or Termination" below.

The employment agreements for each of Messrs. Wright, Carrêlo, Conibear and O'Brien, and Ms. Inkster provide for the following payments and benefits following their involuntary termination without just cause:

- Under the terms of his employment agreement, the CEO, Mr. Philip J. Wright, is entitled to payment of salary to the date he ceases work, repatriation to Australia and the Additional Payment relevant to the term of his contract. This Additional Payment is calculated as an after-tax payment, net of any gains under the Corporation's short-term and long-term incentive plans. For

the initial 2-year term of his contract, the maximum Additional Payment payable to Mr. Wright is C\$3,000,000 in total, before offset of any incentives. As indicated previously, in Years 3 and 4 (the first and second extension periods) the maximum Additional Payment which is applied across the whole contractual period is C\$4,500,000 and C\$5,500,000 respectively.

- All other NEOs have indefinite term employment agreements with notice periods of 12 or 24 months. If those agreements are terminated by the Corporation without cause, or if the agreement is terminated by the NEO for Good Reason (which includes a material change in the terms of the NEO's contract, or at any time between 6 and 12 months after a change of control) then payment of salary and, in some cases, benefits will be due for the appropriate notice period as provided in the NEO's respective contract. See "Payments on Change of Control or Termination" below for details.

Other than as set forth above, the Corporation and its subsidiaries have no compensatory plan, contract or arrangement where a Named Executive Officer is entitled to receive more than C\$100,000 (including periodic payments or instalments) to compensate such executive officer in the event of resignation, retirement or other termination of the Named Executive Officer's employment with the Corporation or its subsidiaries, a change of control of the Corporation or its subsidiaries, or a change in responsibilities of the Named Executive Officer, with or without a change in control.

### Payments on Change of Control or Termination

The following table provides details regarding the estimated incremental payments from the Corporation to the NEOs assuming termination on December 31, 2009.

For clarity, in the case of Change of Control, each of the NEOs has, under the terms of their employment agreements, a commitment that they may not terminate their employment for Good Reason until the expiry of a six month period following it, except in the case of a reduction in the NEO's compensation (other than any year over year change in their awards under incentive compensation plans) or a material change in the NEO's place of employment. During the period 6 to 12 months following a change of control, the NEO may terminate their employment with the Corporation for Good Reason, in which case the termination payments below would apply. In addition, in some cases (viz. Messrs Carrêlo, Conibear and O'Brien) any unvested outstanding stock options would become vested, and exercisable within the termination period (or by their normal expiry date, whichever is the sooner).

#### Payments on Change of Control or Termination

Name	Severance: Base Salary (\$) <sup>(1)</sup>	Severance: STI (\$) <sup>(2)</sup>	Severance: Value of Benefits (\$) <sup>(3)</sup>	Total (\$)
Philip Wright <sup>(4)</sup>	-	-	1,666,500	1,666,500
Marie Inkster	263,957	-	-	263,957
João Carrêlo	927,414	455,050	79,552	1,462,016
Paul Conibear	658,836	247,051	54,686	960,573
Neil O'Brien	527,914	186,458	50,572	764,944

Notes:

<sup>(1)</sup> Based on 12-24 months' salary, as set out in the individual employment contract, using the average exchange rates in 2009 of C\$1.00: US\$0.88 and EUR 1.00: US\$1.39.

<sup>(2)</sup> Where applicable, bonus on termination would be based on the average bonus paid over the 2 preceding fiscal years (2008 and 2009).

<sup>(3)</sup> Assumes benefits paid at the 2009 rate for the duration of the severance period.

<sup>(4)</sup> Represents contractual amount to be paid of C\$1,500,000 (\$1,320,000) net of tax, plus estimated tax of \$346,500.

## COMPENSATION OF DIRECTORS

### Introduction

The Chairman of the Board receives annual remuneration in the amount of C\$200,000 (paid in monthly installments). Each non-executive director receives annual remuneration of C\$75,000 (paid in monthly installments) but does not receive any stock options. Non-executive Board members who are also members of a Board Committee receive C\$1,000 per committee meeting. The Chairman of the Audit Committee receives annual remuneration of C\$10,000, plus C\$1,500 for each committee meeting attended and the Chairman of each of the other Board Committees receives annual remuneration of C\$5,000, plus C\$1,500 for each committee meeting attended.

## Compensation for Services

Namdo Management Services Ltd. ("Namdo"), a private corporation owned by Mr. Lukas H. Lundin, Chairman and a director of the Corporation, was paid or accrued the sum of \$293,000 during the fiscal year ended December 31, 2009, plus reimbursement of out-of-pocket expenses at cost. Namdo has approximately 15 employees and provides administrative and, in some cases, financial services to a number of public companies in exchange for management fees in varying amounts. Mr. Lundin is paid compensation by Namdo; however, there is no basis for allocating the amounts paid by Namdo to Mr. Lundin as he is not receiving such compensation primarily in respect of his personal services provided to the Corporation.

During the most recently completed financial year, an amount of approximately \$617,000 was paid or accrued to the law firm of Cassels Brock & Blackwell LLP, of which Mr. John H. Craig, a director of the Corporation, is a partner, for legal services rendered to the Corporation.

No other director was compensated either directly or indirectly by the Corporation and its Subsidiaries during the most recently completed financial year for services as consultants or experts.

## Director Compensation Table

The following table provides information regarding compensation earned by the Corporation's non-executive directors during the financial year ended December 31, 2009:

**Director Compensation Table**

<b>Name</b>	<b>Fees earned (US\$)</b>	<b>Option awards (US\$)</b>	<b>All other Compensation (US\$)</b>	<b>Total (US\$)</b>
Lukas H. Lundin	183,239	-	-	183,239
Colin K. Benner	76,111	-	33,121	109,232
Donald K. Charter	73,912	-	-	73,912
John H. Craig	68,632	-	-	68,632
Brian D. Edgar	76,991	-	-	76,991
Anthony O'Reilly Jr.	68,632	-	-	68,632
David F. Mullen	72,152	-	-	72,152
Dale C. Peniuk	81,391	-	-	81,391
William A. Rand	71,712	-	-	71,712

Notes:

<sup>(1)</sup> As part of Mr. Benner's termination agreement upon resignation as CEO, he receives continuation of RRSP and medical benefits. These benefits cease on March 31, 2010.

## 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 Stock Option Plan, described below, is the only compensation plan under which equity securities of the Corporation are authorized for issuance.

The information in the following table is as of December 31, 2009:

### Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options  (a)	Weighted-average exercise price of outstanding options (C\$) (b)	Number of securities remaining available for future issuance under the plan (excluding securities reflected in column (a)) (c)
Equity Compensation Plans approved by security holders	9,171,270	6.97	11,828,630
Equity Compensation Plans not approved by security holders	-	-	-
<b>Total</b>	9,171,370	6.97	11,828,630

#### The Corporation's Stock Option Plan

The Stock Option Plan is currently the only equity-based compensation arrangement pursuant to which securities may be issued from treasury of the Corporation. The major features of the Plan can be summarized as follows:

- The Board, or a committee appointed for such purposes, may from time to time grant to directors, officers, eligible employees of, or consultants to, the Corporation or its subsidiaries, or to employees of management companies providing services to the Corporation (collectively, the "Eligible Personnel") options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board or such committee. The purpose of the Stock Option Plan is to advance the interests of the Corporation by providing Eligible Personnel with a financial incentive for the continued improvement of the Corporation's performance and encouragement to stay with the Corporation. Notwithstanding the provisions of the plan which permit directors of the Corporation to receive options, OMX Nordic Stock Exchange discourages this practice; accordingly, the Corporation does not grant directors of the Corporation stock options.
- The maximum number of common shares that may be reserved for issuance for all purposes under the Stock Option Plan shall not exceed ten percent of the issued and outstanding shares of the Corporation at the time of grant subject to a maximum of 21,000,000 shares or such additional amount as the Corporation's shareholders may approve from time to time. Any common shares subject to a share option which for any reason is cancelled or terminated without having been exercised will again be available for grant under the Stock Option Plan. The maximum number of common shares that may be reserved for issuance to insiders of the Corporation under the Stock Option Plan and under any other share compensation arrangement is limited to 10% of the common shares outstanding at the time of grant (on a non-diluted basis).
- The Board has the authority under the Stock Option Plan to establish the option price at the time each share option is granted. The option price may not be lower than the market price, for example, the closing price of the common shares as traded on the TSX on the last trading day preceding the date on which the option is approved by the Board.

Options granted under the Stock Option Plan must be exercised no later than 10 years after the date of grant or as otherwise determined by the Board, and options are not transferable other than by will or the laws of dissent and distribution. Typically, if an optionee ceases to be an Eligible Person for any reason whatsoever other than death, each option held by such optionee will cease to be exercisable 60 days following the termination date (being the date on which such optionee ceases to be an Eligible Person). If an optionee dies, the legal representative of the optionee may exercise the optionee's options within one year after the date of the optionee's death but only up to and including the original option expiry date.

The Corporation provides no financial assistance to facilitate the purchase of common shares by Eligible Personnel who hold options granted under the Stock Option Plan.

#### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During 2009 the Corporation maintained liability insurance for its directors and officers acting in their respective capacities in an aggregate amount of €40,000,000 (\$55,700,000) against liabilities incurred by such persons as directors and officers of the Corporation and its subsidiaries, except where the liability relates to such person's failure to act honestly and in good faith with a view to the best interests of the Corporation. The annual premium paid by the Corporation for this insurance in respect of the directors and officers as a group is €410,000 (\$571,300). No premium for this insurance is paid by the individual directors and officers. The insurance contract underlying this insurance does not expose the Corporation to any liability in addition to the payment of the required premium.

**STATEMENT OF CORPORATE GOVERNANCE PRACTICE**  
(presented by the Corporate Governance and Nominating Committee)

**Introduction**

This statement of corporate governance practices is made with reference to National Policy 58-201, *Corporate Governance Guidelines* and National Instrument 58-101, *Disclosure of Corporate Governance Practices* (hereinafter collectively the "Governance Guidelines") which are initiatives of the Canadian Securities Administrators ("CSA").

Major securities regulatory changes in the United States affecting the Corporation have come into effect over the last several years. Many of these changes arise from SOX and subsequent rules and regulations issued by the United States Securities and Exchange Commission. The Corporate Governance and Nominating Committee has closely monitored the various changes and proposed changes in the regulatory environment and, where applicable, amended its governance practices to align with these changes that are currently in effect.

In accordance with the Governance Guidelines, the Corporation has chosen to disclose its system of corporate governance in this Circular. The following text sets forth the steps taken by the Corporation in order to comply with the Governance Guidelines and its system of corporate governance now in force.

**Board Governance**

The Board has adopted a mandate which acknowledges its responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management. Management is responsible for the day-to-day conduct of the business of the Corporation. The Board's fundamental objectives are to enhance and preserve long-term shareholder value, and to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board considers the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, 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.

The full text of the Board's mandate is attached hereto as Appendix A.

To assist the Board in its responsibilities, the Board has established four standing committees: the Audit Committee, the Human Resources/Compensation Committee, the Corporate Governance and Nominating Committee and the Health, Safety, Environment and Community Committee. Each committee has a written mandate and reviews its mandate annually.

**Composition of the Board**

The Board has considered the relationship and status of each director. As of the date hereof, the Board currently consists of 10 directors, a majority of whom are independent.

Mr. Wright and Mr. Benner are not independent because of their current or past roles as executive officers (effective June 18, 2010 Mr. Benner will be considered independent as a result of a change in his employment status). Mr. Lundin, Chairman of the Board, may not be considered independent due to his direct involvement with management of the Corporation. The remaining directors, Messrs. Charter, Edgar, Mullen, O'Reilly Jr., Peniuk and Rand do not have any material business relationships with the Corporation and are therefore considered independent under the Governance Guidelines and otherwise independent under National Instrument 52-110, *Audit Committees* ("NI 52-110") for the purposes of sitting on the Corporation's Audit Committee. Mr. Craig is also considered independent. While Mr. Craig's law firm provides legal services for the Corporation, the amount of the fees charged by Mr. Craig's law firm for such legal services are considered insignificant relative to the overall fee income of his law practice. Mr. Craig is, however, not eligible to be a member of the Audit Committee because he is a partner of a law firm that provides legal services to the Corporation and is therefore deemed not to be independent pursuant to National Instrument NI 52-110.

The Board regularly sets aside a portion of each meeting to meet without management and non-independent directors present. In addition, the mandates of the Board and the Corporate Governance and Nominating Committee require that procedures be implemented at such times as are desirable or necessary to enable the Board to function independently of management and to facilitate open and candid discussion among its independent directors.

The Board has appointed William A. Rand, an independent director, as Lead Director to act as effective leader of the Board, to ensure that the Board's agenda will enable it to successfully carry out its duties and to provide leadership for the Board's independent directors. As Lead Director, Mr. Rand, among other things, presides at meetings of the Board and of the Corporation's shareholders, ensures that the Board is alert to its obligations and responsibilities and that it fully discharges its duties, communicates with the Board to keep the Board up to date on all major developments, and acts as a liaison between the Board and management of the Corporation.

#### Board and Committee Meetings – Attendance Record

Below is the attendance record of each director for all Board and Committee meetings held during the period from January 1, 2009 to December 31, 2009:

#### Directors Attendance Record

Directors	Board Committees									
	Board		Audit		Human Resources/ Compensation		Corporate Governance/ Nominating		Health, Safety, Environment and Community	
	# of meetings attended	Total # of meetings <sup>(1)</sup>	# of meetings attended	Total # of meetings <sup>(1)</sup>	# of meetings attended	Total # of meetings <sup>(1)</sup>	# of meetings attended	Total # of meetings <sup>(1)</sup>	# of meetings attended	Total # of meetings <sup>(1)</sup>
Lukas H. Lundin	11	11	-	-	3	3	-	-	-	-
Philip J. Wright	11	11	-	-	-	-	-	-	3	3
Colin K. Benner	11	11	-	-	-	-	-	-	3	3
Donald K. Charter	11	11	5	5	4	4	-	-	-	-
John H. Craig	11	11	-	-	-	-	3	3	-	-
Brian D. Edgar	11	11	-	-	-	-	3	3	3	3
Anthony O'Reilly Jr.	9	11	-	-	-	-	-	-	-	-
David F. Mullen	11	11	-	-	4	4	3	3	-	-
Dale C. Peniuk	11	11	5	5	-	-	-	-	-	-
William A. Rand	11	11	5	5	1	1	-	-	-	-

Notes:

(1) Represents number of meetings the Director was eligible to attend.



## Directors Other Board Memberships

Several of the directors of the Corporation serve as directors of other reporting issuers. Currently, the following directors serve on the boards of directors of other public companies as listed below:

### Directors Other Board Memberships

Director	Public Company Board Membership
Lukas H. Lundin	Atacama Minerals Corp. (TSX-V), NGEx Resources Inc. (formerly, Canadian Gold Hunter Corp.) (TSX), Fortress Minerals Corp. (TSX-V), Black Pearl Resources Inc. (formerly, Pearl Exploration and Production Ltd.) (TSX), Lucara Diamond Corp. (CNQ), Denison Mines Corp. (TSX/AMEX); Red Back Mining Inc. (TSX), Lundin Petroleum AB (OMX-Nordic), Vostok Nafta Investment Ltd. (OMX-Nordic)
Philip J. Wright	Nil
Colin K. Benner	Adriana Resources Inc. (TSX-V), Capstone Mining Corp. (TSX), Corsa Capital Ltd. (TSX-V), Troon Ventures Ltd. (TSX-V), Polaris Minerals Inc. (TSX), Creston Moly Corp. (TSX-V)
Donald K. Charter	Adriana Resources Inc. (TSX-V), Corsa Capital Ltd. (TSX-V), IAMGOLD Corporation (TSX/NYSE), Dundee REIT (TSX), Great Plains Exploration Inc. (TSX)
John H. Craig	Atacama Minerals Corp. (TSX-V), Africa Oil Corp. (TSX-V), Black Pearl Resources Inc. (TSX), Consolidated HCl Holdings Corp. (TSX), Denison Mines Corp. (TSX/AMEX), Etrion Corporation (TSX)
Brian D. Edgar	Black Pearl Resources Inc. (formerly, Pearl Exploration and Production Ltd.) (TSX), Denison Mines Corp. (TSX/AMEX), Dome Ventures Corp. (TSX-V), Red Back Mining Inc. (TSX), Lucara Diamond Corp. (CNQ), Shamaran Petroleum Ltd. (formerly, Bayou Bend Petroleum Ltd.) (TSX-V)
David F. Mullen	Gold-Ore Resources Ltd. (TSX-V), Transformative Ventures Ltd. (TSX-V)
Anthony O'Reilly Jr.	Independent News & Media PLC (ISE/LSE), Fitzwilton Ltd., Providence Resources Plc. (ISE/AIM), Zenergy Power Plc. (AIM)
Dale C. Peniuk	Argonaut Gold Ltd. (TSX), Capstone Mining Corp. (TSX), Corriente Resources Inc. (TSX/AMEX), Quest Capital Corp. (TSX/AMEX), Rainy River Resources Ltd. (TSX-V), Reservoir Capital Corp. (TSX-V),
William A. Rand	NGEx Resources Inc. (formerly, Canadian Gold Hunter Corp.) (TSX), Dome Ventures Corporation (TSX-V), Denison Mines Corp. (TSX/AMEX); New West Energy Services Inc. (TSX-V), Vostok Nafta Investment Ltd. (OMX-Nordic); Lundin Petroleum AB (OMX-Nordic)

**Legend:**

CNQ	= Canada's New Stock Exchange	TSX	= Toronto Stock Exchange
TSX-V	= Toronto Stock Exchange Venture Exchange	NYSE	= New York Stock Exchange
AMEX	= New York Stock Exchange Amex Equities	ISE	= Irish Stock Exchange
LSE	= London Stock Exchange	AIM	= London Stock Exchange's AIM market
OMX-Nordic	= OMX Nordic Stock Exchange (previously, the Stockholm Stock Exchange)		

## Position Descriptions

The Board has adopted a written position description for each of the Chairman, Lead Director, Chief Executive Officer, Chief Financial Officer and the chair of each Board committee.

## Orientation and Education

The Corporation provides new directors with an orientation package upon joining the Corporation that includes financial and technical information relevant to the Corporation's operations, and periodically arranges for project site visits to familiarize members of the Board with the Company's operations and ensure that their knowledge and understanding of the Company's business remains current.

Board members are encouraged to communicate with management and auditors, to keep themselves current with industry trends and development, and to attend related industry seminars. Board members have full access to the Corporation's records. The Corporation's legal counsel also provides directors and senior officers with summary updates of any developments relating to the duties and responsibilities of directors and officers and to any other corporate governance matters. In addition, the Board will provide any further continuing education opportunities for all directors, where required, so that individual directors may maintain or enhance their skills and abilities as directors.

## Board Diversity

The Corporation recognizes that improving diversity on the Board of Directors and among its senior executives presents the Corporation with an opportunity to develop a competitive advantage by ensuring that the Corporation appeals to potential employees from the broadest possible talent pool. To that end, while the focus always has been, and will continue to be, to recruit and appoint the most qualified individuals, the Corporation proposes to make a greater effort to locate qualified women as candidates for nomination to the Board. Women are well represented in senior executive positions.

## **Ethical Business Conduct**

The Board has adopted a formal written Code of Conduct and Ethical Values Policy (the “Code of Conduct”) for its directors, officers and employees.

Individuals governed by the Code of Conduct are required to disclose in writing all business, commercial or financial interests or activities which might reasonably be regarded as creating an actual or potential conflict with their duties. Individuals must avoid all situations in which their personal interests conflict or might conflict with their duties to the Corporation or with the economic interest of the Corporation. All business transactions with individuals, corporations or other entities that could potentially, directly or indirectly, be considered to be a related party, must be approved by the Board of Directors regardless of the amount involved.

Directors, officers and employees are encouraged to report violations of the Code of Conduct on a confidential and, if preferred, anonymous basis, in accordance with the complaints procedure set out in the Code of Conduct or the Corporation’s whistleblower procedures. The Audit Committee may request special treatment for any complaint, including the involvement of the Corporation’s external auditors or outside counsel or other advisors. All complaints are required to be documented in writing by the person(s) designated to investigate the complaint, who shall report forthwith to the Chair of the Audit Committee. On an annual basis, or otherwise upon request from the Board of Directors, the Code of Conduct requires the Chair of the Audit Committee to prepare a written report to the Board summarizing all complaints received during the previous year, all outstanding unresolved complaints, how such complaints are being handled, the results of any investigations and any corrective actions taken.

The Code of Conduct is available on the Corporation’s website and has been filed and is accessible through SEDAR on the Corporation’s profile at [www.sedar.com](http://www.sedar.com).

The Audit Committee has also established a Fraud Reporting and Investigation (Whistleblower) Policy (the “Whistleblower Policy”) to encourage employees, officers and directors to raise concerns regarding questionable accounting, internal controls, auditing or other fraudulent matters, on a confidential basis free from discrimination, retaliation or harassment.

## **Board Committees**

The Board has established four standing committees; namely, the Audit Committee, the Human Resources/Compensation Committee, the Corporate Governance and Nominating Committee and the Health, Safety, Environment and Community Committee.

### ***Audit Committee***

The Audit Committee is comprised of 3 directors. The current members of the Committee are: Messrs. Dale C. Peniuk (Chair), Donald K. Charter and William A. Rand, all of whom are independent and financially literate for the purposes of National Instrument NI 52-110.

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 continuous basis, any reports prepared by the Corporation’s external auditors relating to the Corporation’s accounting policies and procedures, as well as internal control procedures and systems. The Audit Committee is also responsible for examining all financial information, including annual and quarterly financial statements, prepared for securities commissions and similar regulatory bodies prior to filing or delivery of the same. The 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 (Whistleblower) Policy, any complaints and concerns regarding accounting, internal control or audit matters and the resolution of issues identified by the Corporation’s external auditors. The Audit Committee recommends to the Board the firm of independent auditors to be nominated for appointment by the shareholders. The Audit Committee meets a minimum of 4 times a year.

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, 2009, a copy of which is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

### ***Human Resources/Compensation Committee***

The Human Resources/Compensation Committee (the “HRCC”) consists of 3 directors, all of whom are independent within the meaning of the Governance Guidelines. The HRCC currently includes: Messrs. Donald K. Charter (Chair), David F. Mullen and William A. Rand. The Board has adopted a formal written mandate for the HRCC.

The principal purpose of the HRCC is to implement and oversee human resources and compensation policies approved by the Board of Directors of the Corporation. The duties and responsibilities of the committee include, without limitation, the following:

- to recommend to the Board human resources and compensation policies and guidelines for application to the Corporation;
- to ensure that the Corporation has in place programs to attract and develop management of the highest caliber and a process to provide for the orderly succession of management;
- to review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer and, in light of those goals and objectives, to recommend to the Board the annual salary, bonus and other benefits, direct and indirect, of the Chief Executive Officer and to approve compensation for all other designated officers of the Corporation, after considering the recommendations of the Chief Executive Officer, all within the human resources and compensation policies and guidelines approved by the Board.

The HRCC meets regularly each year on such dates and at such locations as the Chair of the committee determines. The committee has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel or advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

### ***Corporate Governance and Nominating Committee***

The Corporate Governance and Nominating Committee (the “CGNC”) consists of 3 directors, all of whom are independent within the meaning of the Governance Guidelines. The CGNC currently consists of Messrs. Brian D. Edgar (Chair), John H. Craig and David F. Mullen. The Board has adopted a formal written mandate for the CGNC.

The principal purposes of the CGNC is to provide a focus on corporate governance that will enhance corporate performance, and to ensure on behalf of the Board of Directors and shareholders that the Corporation’s corporate governance system is effective in the discharge of its obligations to the Corporation’s stakeholders. The duties and responsibilities of the CGNC include, without limitation, the following:

- to develop and monitor the Corporation’s overall approach to corporate governance issues and, subject to approval by the Board, to implement and administer a system of corporate governance which reflects superior standards of corporate governance practices;
- to report annually to the Corporation’s shareholders, through the Corporation’s annual management proxy circular or annual report to shareholders, on the Corporation’s system of corporate governance and the operation of its system of governance;
- to analyze and report annually to the Board the relationship of each director to the Corporation as to whether such director is a related director or an unrelated director; and
- to advise the Board or any of the committees of the Board of any corporate governance issues which the CGNC determines ought to be considered by the Board or any such committee.

The Board appoints the members of the 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 committee and may fill any vacancy in the committee.

The CGNC meets regularly each year on such dates and at such locations as the Chair of the committee determines. The 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.

### ***Health, Safety, Environment and Community Committee***

The Health, Safety, Environment and Community Committee (the “HSEC Committee”) consists of 3 directors. The HSEC Committee currently consists of Messrs. Colin K. Benner (Chair), Brian D. Edgar and Philip J. Wright. The Board has adopted a formal written mandate for the HSEC Committee.

The principal purpose of the HSEC Committee is to assist the Board in its oversight of;

- health, safety, environment and community risks;
- compliance with applicable legal and regulatory requirements associated with health, safety, environmental and community matters;
- performance in relation to health, safety, environmental and community matters;
- the performance and leadership of the health, safety, environment and community function; and
- external annual reporting in relation to health, safety, environmental and community matters.

The Board appoints the members of the 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 committee and may fill any vacancy in the committee.

The HSEC Committee meets regularly each year on such dates and at such locations as the Chair of the committee determines. The committee has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

### **Assessment of the Board**

In accordance with the Board’s mandate, the Board, through the CGNC, undertakes assessments of itself, its committees and each individual director’s effectiveness and contribution on an annual basis.

The CGNC prepares and delivers an Annual Board Effective Assessment questionnaire to each member of the Board. The questionnaire is divided into four parts dealing with: (i) Board Responsibility; (ii) Board Operations; (iii) Board Effectiveness; and (iv) Individual Assessments. The CGNC reviews and considers the responses received and makes a final report, with recommendations (if any) to the Board of Directors. This process occurs prior to the consideration by the CGNC of nominations for Board member elections at the Corporation’s annual meeting each year.

### **Review of Adequacy and Form of Compensation of Directors**

The extent and level of directors' compensation is determined by the Board, as a whole, after considering the recommendations of the HRCC, which has been mandated to review the adequacy and form of the compensation of directors to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director.

### **Shareholder Communications**

The Board has put structures in place to ensure effective communication between the Corporation, its shareholders and the public. The Corporation has established a Disclosure and Confidentiality Policy. Significant shareholder concerns are brought to the attention of management or the Board. Shareholders are informed of corporate developments by the issuance of timely press releases which are concurrently posted to the Corporation’s website.

Under its mandate, the Board is required to oversee the Corporation’s communications policy. The Board monitors the policies and procedures that are in place to provide for effective communication by the Corporation with its shareholders and with the public generally, including effective means to enable shareholders to communicate with senior management and the Board. The Board also monitors the policies and procedures that are in place to ensure a strong, cohesive, sustained and positive image of the Corporation with shareholders, governments and the public generally.

Presented by the Corporate Governance and Nominating Committee:

*Brian D. Edgar (Chair)*

*John H. Craig*

*David F. Mullen*

## MANAGEMENT CONTRACTS

Management functions of the Corporation are performed by directors, executive officers or senior officers of the Corporation and not, to any substantial degree, by any other person with whom the Corporation has contracted.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the best of the Corporation's knowledge, none of the directors, officers or principal shareholders of the Corporation, and no associate or affiliate of any of them, has or has had any material interest in any transaction within the 3 most recently completed financial years or during the current financial year that has materially affected or will materially affect the Corporation other than as follows:

- the business combination between Tenke Mining and Lundin Mining which was effected by way of statutory plan of arrangement pursuant to which each common share of Tenke Mining was exchanged for 1.73 Lundin Mining common shares plus C\$0.001. This transaction was completed on July 3, 2007. In this connection, Messrs. Lukas H. Lundin, William A. Rand and John H. Craig, all of whom were directors of Lundin Mining at the time, were also directors of Tenke Mining; and
- the Arrangement Agreement entered into between the Corporation and HudBay Minerals Inc. ("HudBay") dated November 21, 2008 which was terminated pursuant to a Termination Agreement between the Corporation and HudBay dated February 23, 2009. In this connection, Messrs. Colin K. Benner and Donald K. Charter, both of whom are directors of the Corporation, were also directors of HudBay. Mr. Benner formerly served as Chief Executive Officer of the Corporation from October 2006 to March 2007 and as the Chief Executive Officer of Skye Resources Inc. prior to its acquisition by HudBay in August 2008 and as interim CEO of HudBay from March 9, 2009 to March 23, 2009. Mr. Benner also served as Vice Chairman of the Corporation from October 2006 to January 2008. Mr. John Craig, a director of the Corporation, is a partner of Cassels Brock & Blackwell, LLP, Canadian legal advisor to HudBay in connection with the Arrangement.

## SPECIAL BUSINESS

### **Amendment to the Articles to Change the Provincial Location of the Registered Office of the Corporation**

At a meeting of the Board of Directors held February 24, 2010, the directors of the Corporation recommended that the shareholders of the Corporation be asked to approve an amendment to the Articles of Amalgamation of the Corporation to change the provincial location of the registered office of the Corporation. The Articles of Amalgamation currently provide that the registered office of the Corporation is to be located in British Columbia. For many years, the corporate secretarial duties for the Corporation were carried out at the Corporation's office in British Columbia. A decision has now been made to have the corporate secretarial duties carried out at the Corporation's head office in Ontario. In conjunction with this decision, it has been determined that for purposes of efficiency and better management of the secretarial affairs of the Corporation it is necessary to locate the registered office of the Corporation with the corporate secretarial function. The shareholders are therefore being asked to amend the Articles of Amalgamation to provide that the registered office of the Corporation be located in the province of Ontario together with the corporate secretarial function.

The text of the special resolution to authorize this amendment is set forth in Appendix B to this Circular. It must be passed by a majority of not less than two-thirds of the votes cast at the Meeting.

**The persons named in the enclosed form of proxy, if named as proxy, intend to vote FOR the special resolution regarding the amendment to the Articles of Amalgamation unless a shareholder has specified in their proxy that their shares are to be voted against such resolution.**

## 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](http://www.sedar.com). Financial information related to the Corporation is contained in the Corporation's financial statements and related management's discussion and analysis. Copies of the Corporation's consolidated audited financial statements and Annual Information Form prepared for its fiscal year ended December 31, 2009 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](http://www.lundinmining.com) or under the Corporation's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

**CERTIFICATE**

The contents and the distribution of this Circular have been approved by the Board.

DATED at Toronto, Ontario this 1st day of April, 2010.

**BY ORDER OF THE BOARD OF DIRECTORS**

(Signed) Philip J. Wright,  
President and CEO

## APPENDIX A

### LUNDIN MINING CORPORATION

#### MANDATE OF THE BOARD OF DIRECTORS

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##### **A. INTRODUCTION**

The Board of Directors (the “Board”) has the responsibility for the overall stewardship of the conduct of the business of the Corporation and the activities of management. Management is responsible for the day-to-day conduct of the business. The Board’s fundamental objectives are to enhance and preserve long-term shareholder value, and to ensure the Corporation meets its obligations on an ongoing basis and that the Corporation operates in a reliable and safe manner. In performing its functions, the Board should also consider the legitimate interests that its other stakeholders, such as employees, customers and communities, may have in the Corporation. In overseeing the conduct of the business, the Board, through the Chief Executive Officer, shall set the standards of conduct for the Corporation.

##### **B. PROCEDURES AND ORGANIZATION**

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair, nominating candidates for election to the Board and constituting committees of the Board. Subject to the Articles and By-Laws of the Corporation and the Canada Business Corporations Act (the “Act”), the Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

##### **C. DUTIES AND RESPONSIBILITIES**

The Board’s principal duties and responsibilities fall into a number of categories which are outlined below.

###### **1. Legal Requirements**

- (a) The Board has the responsibility to ensure that legal requirements have been met and documents and records have been properly prepared, approved and maintained;
- (b) The Board has the statutory responsibility to:
  - (i) manage or, to the extent it is entitled to delegate such power, to supervise the management of the business and affairs of the Corporation by the senior officers of the Corporation;
  - (ii) act honestly and in good faith with a view to the best interests of the Corporation;
  - (iii) exercise the care, diligence and skill that reasonable, prudent people would exercise in comparable circumstances; and
  - (iv) act in accordance with its obligations contained in the Act and the regulations thereto, the Corporation’s Articles and By-Laws, securities legislation of each province and territory of Canada, and other relevant legislation and regulations.

###### **2. Independence**

The Board has the responsibility to ensure that appropriate structures and procedures are in place to permit the Board to function independently of management, including endeavouring to have a majority of independent directors as well as an independent Chair or an independent Lead Director, as the term “independent” is defined in National Instrument 58-101 “Disclosure of Corporate Governance Practices”.

###### **3. Strategy Determination**

The Board has the responsibility to ensure that there are long-term goals and a strategic planning process in place for the Corporation and to participate with management directly or through its committees in developing and approving the mission of the business of the Corporation and the strategic plan by which it proposes to achieve its goals, which strategic plan takes into account, among other things, the opportunities and risks of the Corporation’s business.

#### 4. **Managing Risk**

The Board has the responsibility to identify and understand the principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and the potential return to shareholders, and to ensure that there are systems in place which effectively monitor and manage those risks with a view to the long-term viability of the Corporation.

#### 5. **Division of Responsibilities**

The Board has the responsibility to:

- (a) appoint and delegate responsibilities to committees where appropriate to do so; and
- (b) develop position descriptions for:
  - (i) the Board;
  - (ii) the Chairman and Vice-Chairman of the Board;
  - (iii) the Chair of each Board Committee;
  - (iv) the Chief Executive Officer;
  - (v) the Chief Financial Officer;
  - (vi) the Chief Operating Officer; and
  - (vii) the President.
- (c) ensure that the directors of the Corporation's subsidiaries are qualified and appropriate in keeping with the Corporation's guidelines and that they are provided with copies of the Corporation's policies for implementation by the subsidiaries.

To assist it in exercising its responsibilities, the Board hereby establishes four standing committees of the Board: the Audit Committee, the Human Resources/Compensation Committee, the Corporate Governance and Nominating Committee and the Environment, Safety and Health Committee. The Board may also establish other standing committees from time to time.

Each committee shall have a written mandate that clearly establishes its purpose, responsibilities, members, structure and functions. Each mandate shall be reviewed by the Board regularly. The Board is responsible for appointing committee members.

#### 6. **Appointment, Training and Monitoring Senior Management**

The Board has the responsibility:

- (a) to appoint the Chief Executive Officer, to monitor and assess the Chief Executive Officer's performance, to satisfy itself as to the integrity of the Chief Executive Officer, and to provide advice and counsel in the execution of the Chief Executive Officer's duties;
- (b) to develop or approve the corporate goals or objectives that the Chief Executive Officer is responsible for;
- (c) to approve the appointment of all senior corporate officers, acting upon the advice of the Chief Executive Officer and to satisfy itself as to the integrity of such corporate officers;
- (d) to ensure that adequate provision has been made to train, develop and compensate management and for the orderly succession of management and to ensure that all new directors receive a comprehensive orientation, fully understand the role of the Board and its committees, the nature and operation of the Corporation's business and the contribution that individual directors are required to make;
- (e) to create a culture of integrity throughout the Corporation;
- (f) to ensure that management is aware of the Board's expectations of management;
- (g) to provide for succession of management; and
- (h) to set out expectations and responsibilities of directors including attendance at meetings and review of meeting materials.



**7. Policies, Procedures and Compliance**

The Board has the responsibility:

- (a) to ensure that the Corporation operates at all times within applicable laws, regulations and ethical standards; and
- (b) to approve and monitor compliance with significant policies and procedures by which the Corporation is operated.

**8. Reporting and Communication**

The Board has the responsibility:

- (a) to ensure the Corporation has in place policies and programs to enable the Corporation to communicate effectively with its shareholders, other stakeholders and the public generally;
- (b) to ensure that the financial performance of the Corporation is adequately reported to shareholders, other security holders and regulators on a timely and regular basis;
- (c) to ensure the timely reporting of developments that have a significant and material impact on the value of the Corporation;
- (d) to report annually to shareholders on its stewardship of the affairs of the Corporation for the preceding year;
- (e) to develop appropriate measures for receiving shareholder feedback; and
- (f) to develop the Corporation's approach to corporate governance and to develop a set of corporate governance principles and guidelines.

**9. Monitoring and Acting**

The Board has the responsibility:

- (a) to monitor the Corporation's progress towards its 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.

**APPENDIX B**

**SPECIAL RESOLUTION OF THE SHAREHOLDERS**

**OF**

**LUNDIN MINING CORPORATION**

**RESOLUTION 3**

To approve an Amendment to the Corporation's Articles of Amalgamation, as follows:

**BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:**

1. the Articles of Amalgamation of the Corporation are hereby amended to change the provincial location of the registered office of the Corporation to Ontario; and
2. The directors and proper officers of the Corporation be and they are hereby authorized to do all things and execute all instruments and documents necessary or desirable to carry out the foregoing.

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