

2011

Management Information Circular

lundin mining

lundin mining

MANAGEMENT INFORMATION CIRCULAR

(all information as at May 19, 2011 unless otherwise noted)

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VOTING INFORMATION

Solicitation of Proxies

This Management Information Circular (the "Circular") is furnished in connection with the solicitation of proxies being undertaken by the management of Lundin Mining Corporation (the "Corporation", or "Lundin Mining") for use at the annual meeting of the Corporation's shareholders to be held on Friday, June 24, 2011 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 compensation other than their regular fees or salaries, by directors, officers and employees of the Corporation. The cost of solicitation by management will be borne by the Corporation.

It is anticipated that this Circular, together with the accompanying notice of meeting and form of proxy will be mailed to shareholders of the Corporation on or about May 31, 2011.

Unless otherwise stated, the information contained in this Circular is as of May 19, 2011. All monetary amounts referred to herein are stated in United States currency, unless otherwise indicated.

Appointment of Proxyholder

The persons named as proxyholders in the enclosed form of proxy are directors and/or officers of the Corporation (the "Management Proxyholders"). A registered shareholder ("Registered Shareholder") has the right to appoint a person or company other than one of the Management Proxyholders to represent the Registered Shareholder at the Meeting by striking out the printed names and inserting that other person or company's name in the blank space provided. A proxyholder need not be a shareholder. If a shareholder appoints one of the Management Proxyholders as a nominee and there is no direction by the Registered Shareholder, the Management Proxyholder shall vote the proxy FOR all proposals set out in the enclosed proxy form, including FOR the election of the directors and the appointment of the auditors.

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, June 22, 2011 (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.

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.**

Beneficial Shareholders 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 May 20, 2011 (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 582,061,678 common shares are issued and outstanding as of May 19, 2011. Each common share is entitled to one vote on all matters to be acted upon at the Meeting.

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

Voting Rights

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

Note:

⁽¹⁾ Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settlor was the late Adolf H. Lundin.

BUSINESS OF THE MEETING

1. Financial Statements

The audited consolidated financial statements of the Corporation for the year ended December 31, 2010 and the report of the auditor thereon have been provided to shareholders who have validly requested such statements separately and are available on SEDAR at www.sedar.com.

2. 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 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, province, and country of residence and current position(s) held in the Company	Principal occupations for last five years	Served as director since	Number of voting securities beneficially owned or controlled, directly or indirectly ⁽¹⁾
Lukas H. Lundin British Columbia, Canada <i>Chairman</i>	Chairman and a director of the Company; chairman and director of a number of publicly traded resource-based companies which include Denison Mines Corp., Lucara Diamond Corp., NGEx Resources Inc., Atacama Minerals Corp. and Vostok Nafta Investment Ltd.; and director of Lundin Petroleum AB.	September 9, 1994	1,771,449 common shares
Philip J. Wright ⁽⁵⁾ France <i>President & Chief Executive Officer</i>	President and Chief Executive Officer of the Corporation since January 16, 2008.	January 16, 2008	Nil
Colin K. Benner ⁽⁵⁾ British Columbia, Canada <i>Director</i>	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	40,000 common shares
Donald K. Charter ⁽²⁾⁽⁴⁾ Ontario, Canada <i>Director</i>	President & CEO of Corsa Coal Corp. since August 2010; since January 2006, he has been the President of 3Cs Corporation, his private consulting and investment company, and a director sitting on a number of public company boards; prior to December 2005, Chairman, President and Chief Executive Officer of a financial services company.	October 31, 2006	11,424 common shares
John H. Craig ⁽³⁾ Ontario, Canada <i>Director</i>	Lawyer, partner of Cassels Brock & Blackwell LLP.	June 11, 2003	186,849 common shares
Brian D. Edgar ⁽³⁾⁽⁵⁾ British Columbia, Canada <i>Director</i>	Executive Chairman of Silver Bull Resources, Inc.; director of a number of publicly traded companies.	September 9, 1994	230,000 common shares
Dale C. Peniuk ⁽²⁾⁽³⁾⁽⁴⁾ British Columbia, Canada <i>Director</i>	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 ⁽⁶⁾
William A. Rand ⁽²⁾⁽⁴⁾ British Columbia, Canada <i>Director</i>	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, no proposed director is, as of the date hereof, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation), that:

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

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 remained under CCAA protection and was sold to a third party.

Individual Bankruptcies

No proposed director of the Corporation has, within the 10 years prior to the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Penalties or Sanctions

No proposed director of the Corporation has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for the proposed director.

3. 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 resolution regarding the re-appointment of PwC is an ordinary resolution which requires that it is passed by at least a majority of the votes cast by shareholders who vote in respect of this resolution.

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, 2011 as filed on SEDAR at www.sedar.com.

STATEMENT OF EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

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.

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. An underlying principle of the reward package is that good performance will be recognized, and poor performance will not be tolerated or rewarded. A key aspect of remuneration is to align the interests with those of shareholders by tying compensation to performance.

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 organization competitive in its chosen mining and mineral exploration markets.

2010 Approach

No significant change to the structure of the remuneration package has been made in 2010. 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; and
- Long-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; and
- The long-term incentive plan represents a potentially significant portion of an executive's total remuneration and provides a longer-term focused reward that is subject to the same external market conditions as shareholders.

Human Resource/Compensation Committee Mandate

The Human Resources/Compensation Committee (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;
- Ensuring management compensation is competitive to enable the Corporation to continue to attract individuals of the highest calibre; and
- Recommending the adequacy and form of director compensation to the Board.

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), Dale C. Peniuk and William A. Rand, all of whom are independent. The HRCC met 4 times in 2010.

Towards the end of each fiscal year (or as appropriate) the HRCC reviews the performance of the executive officers. The HRCC 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; and
- 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 2010, 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. During 2010 no share option grants were made to the NEOs except for a share option grant to the CFO in the amount of 50,000 options made pursuant to her employment agreement.

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 HRCC 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, and the breadth of the mining and resources sectors in which we compete for talent, the HRCC did not elect to use a fixed comparator group in 2010 for the purposes of salary comparison.

During 2010, management provided the HRCC with information as required on general remuneration issues, and the HRCC referred as appropriate, to independent market data from a number of service providers, including Coopers Consulting (the “Coopers Mining Survey”) and Hay Management Consultants.

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 HRCC as required by the HRCC. 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 HRCC the results of performance evaluations for the management team to assist the HRCC 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, 2010 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, 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 2010, an increase of base salaries of approximately 2% was granted to the executive and management group. Higher adjustments were made for a limited number of individuals based on special reasons (for example, to recognize promotion, or to address misalignment with the market).

The base salaries of the Corporation's NEOs as at December 31, 2010, and adjustments thereto, are shown in the table below

Base Salaries

Name	Title	2010 Base Salary (US\$) ⁽¹⁾	Increase to base salary in 2010
Philip Wright	President and Chief Executive Officer	558,325	-
Marie Inkster	Chief Financial Officer	310,720	6.7%
Joao Carrelo	Executive Vice President and Chief Operating Officer	450,584	2%
Paul Conibear	Senior Vice President, Corporate Development	373,835	2%
Neil O'Brien	Senior Vice President, Exploration and Business Development	297,126	2%

Notes:

⁽¹⁾ Average 2010 exchange rates were used in this and the following tables (US\$ 0.9710:C\$1.00; US\$1.3272:€1.00; USD\$1.5461:UK£1.00).

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 organization.

For the NEOs, other than the Chief Executive Officer, whose compensation is discussed later in this circular, the following provides details of the basis of evaluation for the 2010 performance year, with an approximate weighting indicated against each:

Basis of Evaluation

NEO	Key Deliverables		Management Behaviours
Marie Inkster, Chief Financial Officer	<ul style="list-style-type: none"> • Targets met for financial reporting and IFRS project • Amended and renegotiated credit agreements to allow for growth and additional debt • Improved budgeting and cash management 	75%	25%
João Carrêlo, Executive Vice President & Chief Operating Officer	<ul style="list-style-type: none"> • All key budget deliverables met • Improvement in HSEC performance • Key strategic initiatives met 	75%	25%
Paul Conibear, Senior Vice President, Corporate Development	<ul style="list-style-type: none"> • Managed Tenke investment post start-up • Key strategic initiatives met 	75%	25%
Neil O'Brien, Senior Vice President, Exploration & Business Development	<ul style="list-style-type: none"> • Upgraded and expanded near-mine resources • Disposal of non-core exploration assets • Improvement in HSEC performance • All key budget deliverables met • Key strategic initiatives met 	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 standardization and improvement, operational improvement, customer and revenue growth, financial management, investor relations, HSEC Committee performance, 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.

2010 Performance

2010 was a year of consolidation, growth and consistent delivery. Metal prices remained strong throughout the year, and the Corporation generated an increase of more than 300% in annual net income (before impairment) from \$73.7 million, to \$317.1 million, and an increase in cash flow from \$137.4 million to \$277.3 million. In addition, production targets were delivered in line with guidance, mineral reserves were increased once again to replace record ore tonnages mined, and there was continued good performance by the whole organization in both safety and production. The discovery of the Semblana deposit at Neves-Corvo was a particularly important development on the exploration front, and significant progress was also made on a number of key strategic corporate development initiatives. Overall, the Board decided that the performance by the entire Corporation's leadership merited an average payment of approximately 90% of the relevant individual target STI levels. STI target levels are a guideline, and individual incentive award decisions are made taking full account of individual performance and behavioural factors (as described in detail above), corporate performance including extraordinary events in the year and the competitive environment in which the Corporation is operating. In 2010, STI awards made to individuals ranged from zero to more than 100% of that employee's personal target. In particular, the HRCC judged that the personal contribution of four of the NEOs to 2010's overall corporate performance was both exceptional and material, and so it warranted STI awards on this occasion which were commensurate with that level of exceptional performance. Details of the 2010 STI awards to the NEOs are included in the table below.

Summary

The following table records the STI target for each NEO in 2010 as a percentage of base salary as well as their awards for that performance year.

STI Target

Name	2010 Target STI as a Percentage of Base Salary	2010 STI paid
Philip Wright	60%	-
Marie Inkster	50%	291,300
João Carrêlo	60%	464,520
Paul Conibear	40%	291,300
Neil O'Brien	40%	291,300

3. Long-Term Incentive

Purpose of Long-Term Incentives

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

2010 Option Grants

50,000 options were granted to the CFO in 2010, pursuant to her employment agreement. Those options have a term of 3 years and fully vest on grant. No other stock options were granted to NEOs in 2010. A small number of options were granted during the year to other senior managers, which were also related to commitments in their individual employment agreements. Those grants were made under the current incentive stock option plan and have a 3-year term, with one-third of the total grant vesting each year.

The following incentive stock options were granted during the most recently completed financial year to the Corporation's NEOs:

Incentive Stock Options

Name of Executive Officers	Securities Under Options Granted (#)	% of Total Options Granted to All Employees in the Financial Year ⁽¹⁾	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	-	-	n/a	n/a	n/a	n/a
João Carrêlo	-	-	n/a	n/a	n/a	n/a
Marie Inkster	50,000	14.7%	\$4.47	\$4.47	Sept 17, 2010	Sept 16, 2013
Paul Conibear	-	-	n/a	n/a	n/a	n/a
Neil O'Brien	-	-	n/a	n/a	n/a	n/a

Note:

⁽¹⁾ A total of 340,834 stock options were granted during the calendar year.

4. Retirement Benefits

In the year ended December 31, 2010, 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.

A retirement savings plan is in place in Canada, to which the Corporation contributes 6% of base salary up to a maximum of C\$22,000 per annum (or \$21,362). Four of the NEOs, Messrs. Wright, Conibear and O'Brien, and Ms. Inkster, were covered by that plan.

Mr. Carrêlo, who is employed in the UK, has a potential matched contribution of 10% to the contributory retirement savings plan offered in the UK. In previous reports we indicated that he had not yet taken up membership of the plan, and that the matter was outstanding. During 2010, Mr. Carrêlo was able to take up membership, effective from the date of his original employment with the Corporation in Portugal in 2005. As a result, the Compensation Committee approved two contributions totalling £101,122 (\$156,345) during the year, as detailed below, to bring his contributions up to date:

- A one-off payment of £80,095 (\$123,835) covering the period April 2007 to March 2010 in the UK.
- A one-off payment of £21,027 (\$32,510) covering the period August 2005 to March 2007 in Portugal.

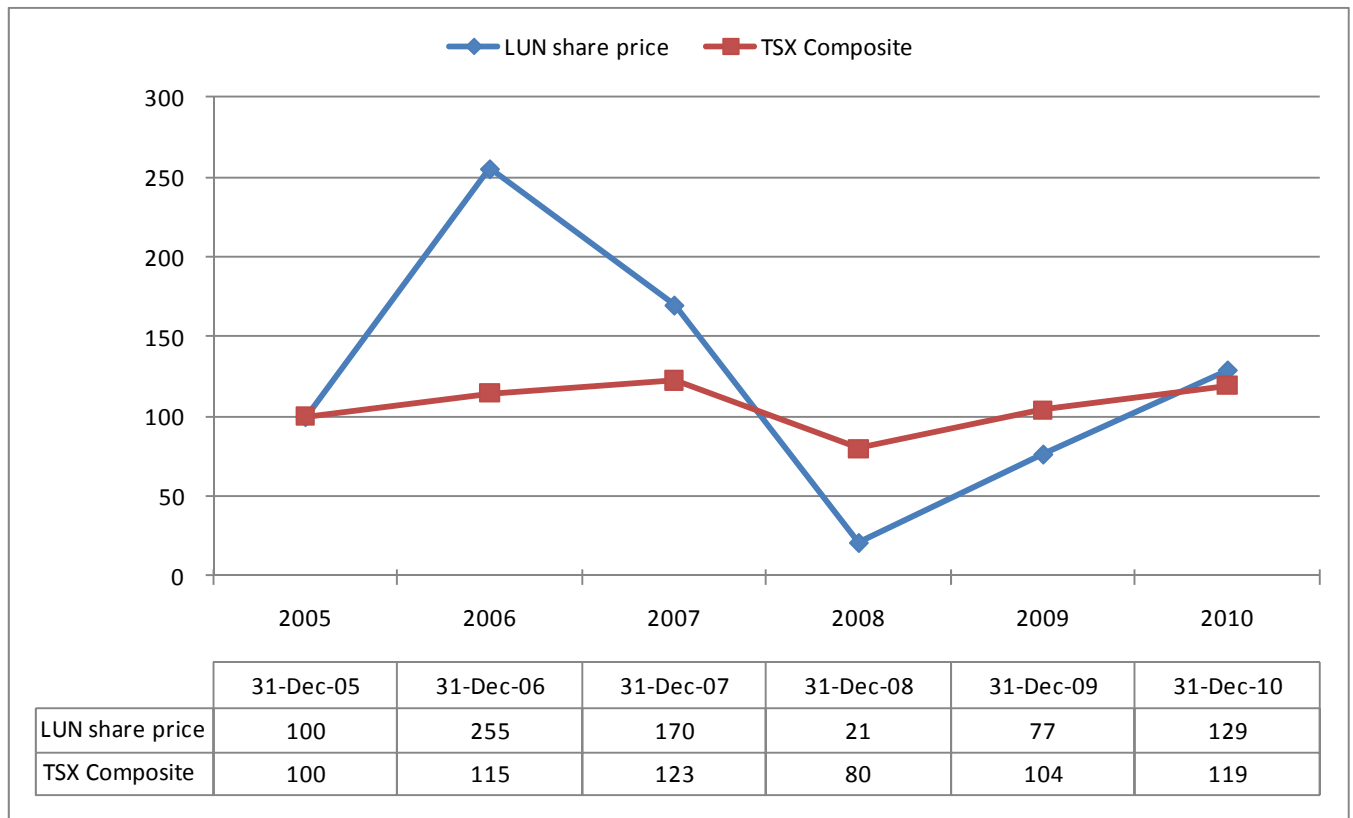
From April 2010 onwards, a regular 10% contribution matched by the Corporation will continue to be made on his behalf as per the terms of his UK employment contract.

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, 2005 against the cumulative total shareholder return of the S&P/TSX Composite Index for the five most recently completed financial years of the Corporation.



Following the trend of the graph, base salary and annual incentive compensation of the NEOs (in local currency) have risen from a low in 2008, in line with improving share performance in 2009 and 2010.

Compensation of the Chief Executive Officer

As previously disclosed, an Executive Employment Agreement with Mr. Philip Wright was made as of 16th 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: with agreement of both the Corporation and Mr. Wright), in consideration of an annual base salary equivalent to C\$575,000 (\$558,325), 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 original 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 was equal to C\$3,000,000, net of any relevant income taxes. Further payments are prescribed for each extension. In 2010, the Corporation made a payment of C\$1,500,000 net (equivalent to \$1,728,518 after engrossment for tax) as the final balance of the Additional Payment outstanding for completion of the first 2 year initial term. An amount of C\$1,500,000 net (equivalent to \$1,668,451 after engrossment for tax) was already advanced in 2009. If applicable, in Years 3 and 4 (the first and second extension periods) the total Additional Payment to be applied across the whole contractual period was defined in the contracts as C\$4,000,000 and C\$5,000,000 respectively (net of taxes and inclusive of amounts already paid).

Mr. Wright's agreement was extended for a third year in 2010, as per the process defined above. The terms of the extended contract defined in the original Employment Agreements were reviewed by the HRCC, and it was decided that the annual Additional Payment portion available for 2010 (Year 3 of his contract) would be increased to C\$1,500,000 (net of tax, and the same level as Years 1 and 2) taking the total over Years 1 to 3 inclusive to C\$4,500,000¹ (net of tax).

The Board assessed the Chief Executive Officer's performance against the overall performance of the business, achievement of budgetary results and the achievement of the key strategic initiatives. The Board determined the Chief Executive Officer to have exceeded expectations. Had the Chief Executive Officer 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**".

¹ Since year-end, Mr. Wright's agreement was extended to cover the period post January 15, 2011. The terms of the extended contract defined in the original Employment Agreements were reviewed by the HRCC and, with the consent of Mr. Wright, the contract was changed to a monthly contract with his base salary pro-rated monthly and, with the Additional Payment of C\$1.5 million pro-rated at C\$125,000 per month (net of tax). With respect to his options and the option offset, the contract was amended to provide that Mr. Wright, upon relinquishing 200,000 of his outstanding options, would be entitled to the gains, if any, on his remaining 400,000 options.

Summary Compensation Table

The following table provides information regarding compensation received in or in respect of the financial year ended December 31, 2010 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, 2010 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, 2010.

Summary Compensation

Name and principal position	Year	Salary (\$)	Option awards (\$) ⁽¹⁾	Non-equity incentive plan compensation (\$)		All other compensation (\$) ⁽⁴⁾	Total compensation (\$)
				Annual incentive plans ⁽²⁾	Long-term incentive plans ⁽³⁾		
Philip Wright, President and Chief Executive Officer	2010	558,325	-	-	n/a	1,751,468 ⁽⁵⁾	2,309,793
	2009	505,917	-	-	-	1,539,559	2,045,476
	2008	523,124	2,260,695	-	-	13,358	2,797,187
Marie Inkster, ⁽⁶⁾ Chief Financial Officer	2010	310,720	105,873	291,300	n/a	40,715	748,608
	2009	249,293	134,618	143,825	-	21,354	585,219
	2008	78,108	121,099	36,129	-	5,603	240,939
João Carrêlo, Executive Vice President and Chief Operating Officer	2010	450,584	-	464,520	n/a	253,375	1,168,479
	2009	463,707	113,501	285,442	-	39,776	1,072,034
	2008	489,153	478,289	169,608	-	16,491	1,153,541
Paul Conibear, Senior Vice President, Corporate Development	2010	373,835	-	291,300	n/a	48,074	711,218
	2009	329,418	102,151	143,825	-	27,343	705,963
	2008	350,914	430,460	103,226	-	25,253	909,853
Neil O'Brien, Senior Vice President, Exploration & Business Development	2010	297,126	-	291,300	n/a	30,061	618,486
	2009	263,957	102,151	115,060	-	25,286	577,852
	2008	274,510	398,585	71,398	-	20,907	765,400

Notes:

- ⁽¹⁾ 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, 2010 available on the SEDAR website at www.sedar.com.
- ⁽²⁾ Represents incentive awards in respect of the corresponding year's performance but are paid the following year.
- ⁽³⁾ There are no cash based, long-term incentive plans.
- ⁽⁴⁾ 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. In the case of Mr. Carrêlo, this figure includes pension contributions for 2005-2010, inclusive, as detailed previously.
- ⁽⁵⁾ This total includes C\$1,500,000 net (plus tax of C\$280,142 paid by the Corporation which was Mr Wright's 'Additional Payment' described earlier under 'Compensation of Chief Executive Officer'), plus C\$23,636 of standard benefits.
- ⁽⁶⁾ Ms Inkster joined the Corporation as Vice President, Finance in September 2008 and was appointed to her role as Chief Financial Officer of the Corporation on May 1, 2009.

Incentive Plan Awards

The following table provides information regarding the equity incentive plan awards for each NEO outstanding as of December 31, 2010:

Outstanding Option Awards

Name	Grant Date	Option Awards			
		Number of securities underlying unexercised options (#)	Option exercise price (C\$)	Option expiration date	Value of vested unexercised in-the-money options (C\$) ⁽⁴⁾
Philip Wright	Sept 4/08	600,000 ⁽¹⁾	4.42	Dec 31/11- Dec 31/13 ⁽²⁾	567,997
Marie Inkster	Sept 2/08	100,000	4.82	Sept 1/11	710,998
	May 20/09	50,000	2.67	May 19/12	
	Sept 23/09	50,000	3.77	Sept 22/12	
	Sept 17/10	50,000	4.47	Sept 16/13	
João Carrêlo	May 11/06	171,360 ⁽³⁾	10.15	May 11/11	447,997
	Nov 14/07	100,000	10.58	Nov 13/12	
	Dec 6/07	200,000	9.63	Dec 5/12	
	Sept 4/08	250,000	4.42	Dec 31/11- Dec 31/13 ⁽²⁾	
	May20/09	100,000	2.67	May 19/12	
Paul Conibear	Sept 4/08	270,000	4.42	Dec 31/11- Dec 31/13 ⁽²⁾	531,000
	May 20/09	90,000	2.67	May 19/12	
Neil O'Brien	Sept 24/07	240,000	12.74	Sept 24/12	374,366
	Sept 4/08	250,000	4.42	Dec 31/11- Dec 31/13 ⁽²⁾	
	May 20/09	90,000	2.67	May 19/12	

Notes:

⁽¹⁾ 200,000 of these options were subsequently cancelled in February 2011.

⁽²⁾ One-third of the options granted on September 4, 2008, if unexercised, expire each year on December 31, 2011 to December 31, 2013.

⁽³⁾ These represent stock appreciation rights (SARs).

⁽⁴⁾ Based on closing price on December 31, 2010 of C\$7.26.

The following table provides information regarding the value on vesting of incentive plan awards for the financial year ended December 31, 2010, plus a summary of cash awards made under the STI plan for 2010 performance.

Incentive Plan Awards Vested or Earned in 2010

Name	Option-based awards – Value vested during the year (\$) ⁽¹⁾	Share-based awards – Value vested during year (\$) ⁽²⁾	Non-equity incentive plan compensation – Value earned during year (\$) ⁽³⁾
Philip Wright	-	n/a	n/a
Marie Inkster	25,812	n/a	291,300
João Carrêlo	51,623	n/a	464,520
Paul Conibear	46,461	n/a	291,300
Neil O'Brien	46,461	n/a	291,300

Notes:

⁽¹⁾ 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.

⁽²⁾ There are no awards of this type.

⁽³⁾ This column represents only the cash 'Short Term Incentive' plan payments referred to earlier in the report.

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, 2010 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.

Under the terms of his employment agreement, the CEO, Mr. Philip Wright, is not entitled to any additional payments as a result of involuntary termination or change of control.

The employment agreements for each of Messrs. Carrêlo, Conibear, O'Brien, and Ms. Inkster are indefinite term employment agreements with notice periods ranging between 12 and 24 months. If those agreements are terminated by Lundin Mining without cause, or if the agreement is terminated by the executive officers for "good reason" then payment of salary and, in some cases, STI and benefits will be due for the appropriate notice period as provided in the their respective contract. See "Payments on Change of Control or Termination" below for details. In the majority of cases, this includes a specific provision for 'change of control' such that a material change in the terms of their contract can allow them to trigger the provisions at any time between 6 and 12 months after a change of control.

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, 2010.

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 (\$) ⁽¹⁾	Severance: STI (\$) ⁽²⁾	Severance: Value of Benefits (\$) ⁽³⁾	Total (\$)
Marie Inkster	310,720	-	-	310,720
João Carrêlo	901,169	729,960	225,131	1,856,260
Paul Conibear	747,670	436,950	92,166	1,276,786
Neil O'Brien	594,252	407,820	60,120	1,062,192

Notes:

⁽¹⁾ Based on 12-24 months' salary, as set out in the individual employment contract, using the average exchange rates in 2010 specified earlier

⁽²⁾ Where applicable, bonus on termination would be based on the average bonus paid over the 2 preceding fiscal years (2009 and 2010).

⁽³⁾ Assumes benefits paid at the 2010 rate for the duration of the severance period.

COMPENSATION OF DIRECTORS

Introduction

At the beginning of 2010, the chairman of the Board received annual remuneration of C\$200,000 (paid in monthly installments). Each non-executive director received annual remuneration of C\$75,000 paid in monthly installments. Non-executive Board members who are also members of a Board committee received C\$1,000 per committee meeting. The chair of the Audit Committee received annual remuneration of C\$10,000, plus C\$1,500 for each committee meeting attended and the chair of each of the other Board committees received annual remuneration of C\$5,000, plus C\$1,500 for each committee meeting attended.

As at July 1, 2010, pursuant to the recommendations of the HRCC, the directors' compensation was amended. The chairman of the Board receives annual remuneration in the amount of C\$200,000. Each non-executive director receives annual remuneration of C\$90,000. The chair of the Audit Committee receives annual remuneration of C\$25,000 and each committee member receives annual remuneration of C\$15,000. The chair of the HRCC receives annual remuneration of C\$20,000 and each committee member receives annual remuneration of C\$10,000. The chair of each of the other Board committees receives annual remuneration of C\$10,000 and each committee member

receives annual remuneration of C\$5,000. The lead director receives annual remuneration of C\$25,000. All of these amounts are paid in monthly installments.

Non-executive directors do not receive any stock options.

It was decided that the chair and the deputy chair of the special committee, created in conjunction with a failed merger transaction, would receive individual one-time payments of C\$30,000 and each member would receive individual one-time payments of C\$25,000.

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 \$295,000 for services rendered during the fiscal year ended December 31, 2010, plus reimbursement of out-of-pocket expenses at cost. Namdo has approximately 15 employees and provides administrative, investor and public relations and, in some cases, financial services to a number of public companies. 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 \$747,082 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 paid to the Corporation’s non-executive directors during the financial year ended December 31, 2010:

Director Compensation Table

Name	Fees earned (US\$)	Share-based awards (US\$)	Option-based awards (US\$)	Non-equity incentive plan compensation (US\$)	Pension value (US\$)	All other Compensation (US\$)	Total (US\$)
Lukas H. Lundin	194,199	-	-	n/a	-	-	194,199
Colin K. Benner	92,973	-	-	n/a	7,282	604	100,860
Donald K. Charter	107,780	-	-	n/a	-	-	107,780
John H. Craig	84,477	-	-	n/a	-	-	84,477
Brian D. Edgar	96,857	-	-	n/a	-	-	96,857
Dale C. Peniuk	114,092	-	-	n/a	-	-	114,092
William A. Rand	113,121	-	-	n/a	-	-	113,121

Notes:

⁽¹⁾ As part of Mr. Benner’s termination agreement upon resignation as CEO, he received continuation of RRSP and medical benefits. These benefits ceased on March 31, 2010.

Incentive Plan Awards

The following table provides information regarding the equity incentive plan awards for each director outstanding as of December 31, 2010:

Outstanding Option Awards

Name	Grant Date	Option Awards			
		Number of securities underlying unexercised options (#)	Option exercise price (C\$)	Option expiration date	Value of vested unexercised in-the-money options (C\$) ¹
Lukas H. Lundin	-	-	-	-	-
Colin K. Benner	-	-	-	-	-
Donald K. Charter ⁽²⁾	June 12, 2006	142,800	\$9.14	June 12, 2011	-
John H. Craig	-	-	-	-	-
Brian D. Edgar	-	-	-	-	-
Dale C. Peniuk ⁽²⁾	May 11, 2006	142,800	\$10.15	May 11, 2011	-
William A. Rand	-	-	-	-	-

Notes:

⁽¹⁾ Based on closing price at December 31, 2010 of C\$7.26.

⁽²⁾ These options were issued in their capacity as directors of Eurozinc Mining Corporation, prior to amalgamation with Lundin Mining.

Incentive Plan Awards Vested or Earned in 2010

There were no incentive plan awards vested or granted in the financial year ended December 31, 2010, nor any cash awards made under the STI plan for 2009 and 2010 performance.

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 Incentive Stock Option Plan ("ISOP"), described below, is the only compensation plan under which equity securities of the Corporation are authorized for issuance.

Equity Compensation Plan Information as of December 31, 2010

Plan Category ⁽¹⁾	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options (C\$)	Number of securities remaining available for future issuance under the plan
Equity Compensation Plans approved by security holders	7,236,905	6.64*	13,763,095
Equity Compensation Plans not approved by security holders	-	-	-
Total	7,236,905	6.64	13,763,095

Notes:

⁽¹⁾ Includes 171,360 stock option appreciation rights.

The Corporation's Incentive Stock Option Plan

The ISOP 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 ISOP are 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 ISOP 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 ISOP which permit directors of the Corporation to receive options, the OMX Nordic Stock Exchange discourages this practice and accordingly, the Corporation does not grant directors of the Corporation stock options.
- The Board has the authority under the ISOP to establish the option price at the time each share option is granted but, in any event, it shall not be lower than the market price of the common shares of the Corporation on the date of grant of the options. The market price shall be calculated as the closing market price on the TSX of the Corporation’s common shares on the date of the grant, or, if the date of grant is not a trading day, the closing price of the Corporation’s common shares on the last trading day prior to the date of grant.
- The Board has the authority to set the periods within which options may be exercised and the number of options which may be exercised in any such period. This shall be determined by the Board at the time of granting the options provided, however, that all options must be exercisable during a period not extending beyond ten years from the date of the option grant unless otherwise permitted by the TSX.
- The Board has the authority to determine the vesting terms of the options at the date of the option grant and as indicated in any option commitment related thereto. Notwithstanding the foregoing, options granted to consultants providing investor relations services shall vest in stages over a 12 month period with a maximum of one-quarter of the options vesting in any 3 month period.
- The aggregate number of common shares reserved for issuance for all purposes under the Stock Option Plan and all other share based compensation arrangements is 21,000,000. In addition, the ISOP contains the following restrictions on the issuance of options:
 - The aggregate number of common shares reserved for issuance pursuant to the ISOP or any other share based compensation arrangement (pre-existing or otherwise):
 - to any one participant shall not exceed 5% of the Corporation’s common shares outstanding from time to time;
 - to any consultant within any one-year period shall not exceed 2% of the common shares of the Corporation outstanding at the time of the grant;
 - to any employee conducting investor relations activities within any one-year period shall not exceed 2% of the common shares of the Corporation outstanding at the time of the grant; and
 - to insiders shall not exceed 10% of the common shares of the Corporation outstanding at any time unless the Corporation obtains disinterested shareholder approval to do so.
 - The aggregate number of common shares issued and options granted pursuant to the ISOP or any other share based compensation arrangement (pre-existing or otherwise):
 - to insiders within any one-year period shall not exceed 10% of the common shares of the Corporation outstanding unless the Corporation has obtained disinterested shareholder approval to do so.
 - to any one insider and such insider’s associates within any one-year period shall not exceed 5% of the common shares of the Corporation outstanding from time to time unless the Corporation has obtained disinterested shareholder approval to do so.
- 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 ISOP.
- 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 Board may from time to time, subject to applicable law and to the prior approval, if required, of the TSX or any other regulatory body having authority over the Corporation or the ISOP or, if required by the rules and policies of the TSX, the shareholders of the Corporation, suspend, terminate or discontinue the ISOP at any time, or amend or revise the terms of the

ISOP or of any option granted under the ISOP and the option commitment relating thereto, provided that no such amendment, revision, suspension, termination or discontinuance shall in any manner adversely affect any option previously granted to an optionee under the ISOP without the consent of that optionee.

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

There are 5,469,757 options outstanding exercisable for 5,469,757 common shares, representing approximately 1.0% of the Corporation's common shares currently outstanding. In addition, 15,530,243 options remain available for future issuances pursuant to the Stock Option Plan, representing approximately 2.7% of the Corporation's current outstanding common shares.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

During 2010, the Corporation maintained liability insurance for its directors and officers acting in their respective capacities in an aggregate amount of \$60,000,000 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 \$323,364. 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 practice 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**").

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 CEO, sets the standards of conduct for the Corporation.

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its chairman 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 Corporate Governance and Nominating Committee, the Health, Safety, Environment and Community Committee and the Human Resources/Compensation 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 8 directors, a majority of whom are independent.

Mr. Wright is not independent because of his current role as an executive officer. Mr. Lundin, chairman of the Board, is not considered independent due to his direct involvement with management of the Corporation. The remaining directors, Messrs. Benner, Charter, Edgar, 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 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, 2010 to December 31, 2010:

Directors Attendance Record

Directors	Board Committees											
	Board		Audit		Human Resources/ Compensation		Corporate Governance/ Nominating		Health, Safety, Environment and Community		Special Committee	
	# of meetings attended	Total # of meetings ⁽¹⁾	# of meetings attended	Total # of meetings ⁽¹⁾	# of meetings attended	Total # of meetings ⁽¹⁾	# of meetings attended	Total # of meetings ⁽¹⁾	# of meetings attended	Total # of meetings ⁽¹⁾	# of meetings attended	Total # of meetings ⁽¹⁾
Colin K. Benner	7	8	-	-	-	-	-	-	4	4	-	-
Donald K. Charter	8	8	8	8	4	4	-	-	-	-	3	3
John H. Craig	8	8	-	-	-	-	2	2	-	-	-	-
Brian D. Edgar	8	8	-	-	-	-	2	2	4	4	-	-
Lukas H. Lundin	8	8	-	-	-	-	-	-	-	-	-	-
Dale C. Peniuk	8	8	8	8	2	2	-	-	-	-	3	3
William A. Rand	8	8	8	8	4	4	-	-	-	-	3	3
Philip J. Wright	8	8	-	-	-	-	-	-	4	4	-	-

Note:

⁽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 ⁽¹⁾
Colin K. Benner	Adriana Resources Inc. (TSX-V), Capstone Mining Corp. (TSX), Corsa Coal Corp. (TSX-V) Creston Moly Corp. (TSX-V), Dalradian Resources Inc. (TSX), Gammon Gold Inc. (TSX), Troon Ventures Ltd. (TSX-V)
Donald K. Charter	Adriana Resources Inc. (TSX-V), Dundee Real Estate Investment Trust (TSX), IAMGOLD Corporation (TSX)
John H. Craig	Atacama Minerals Corp. (TSX-V), Africa Oil Corp. (TSX-V), Black Pearl Resources Inc. (TSX), Consolidated HCl Holdings Corp. (TSX), Corsa Coal Corp. (TSX-V), Denison Mines Corp. (TSX/AMEX), Etrion Corporation (TSX)
Brian D. Edgar	Black Pearl Resources Inc. (TSX), Denison Mines Corp. (TSX/AMEX), Lucara Diamond Corp. (TSX-V), Shamaran Petroleum Ltd. (TSX-V), Silver Bull Resources, Inc. (TSX/AMEX)
Lukas H. Lundin	Atacama Minerals Corp. (TSX-V), Denison Mines Corp. (TSX/AMEX), Fortress Minerals Corp. (TSX-V), Lucara Diamond Corp. (TSX-V), Lundin Petroleum AB (OMX-Nordic), NGEx Resources Inc. (TSX), Vostok Nafta Investment Ltd. (OMX-Nordic)
Dale C. Peniuk	Argonaut Gold Inc. (TSX), Capstone Mining Corp. (TSX), Rainy River Resources Ltd. (TSX-V), Sprott Resource Lending Corp. (TSX/AMEX)
William A. Rand	Denison Mines Corp. (TSX/AMEX); Lundin Petroleum AB (OMX-Nordic/TSX) New West Energy Services Inc. (TSX-V), NGEx Resources Inc. (TSX), Vostok Nafta Investment Ltd. (OMX-Nordic)
Philip J. Wright	Nil

Notes:

(1) Does not include boards where the director is an employee.

Legend:

TSX	=	Toronto Stock Exchange
TSX-V	=	Toronto Stock Exchange Venture Exchange
AMEX	=	New York Stock Exchange Amex Equities
OMX-Nordic	=	OMX Nordic Stock Exchange (previously, the Stockholm Stock Exchange)
NYSE	=	New York Stock Exchange

Position Descriptions

The Board has adopted a written position description for each of the chairman, lead director, CEO, CFO 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 Corporation's operations and ensure that their knowledge and understanding of the Corporation's business remains current. During 2010, the directors visited the Tenke Fungurume mine, one of the Corporation's mines located in the Democratic Republic of Congo in Africa, to view first hand this modern copper mining facility.

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 may conflict with their duties to the Corporation or with the economic interest of the Corporation. All business transactions with individuals, corporations or other entities that could potentially, directly or indirectly, be considered to be a related party, must be approved by the Board 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. 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.

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

Board Committees

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

Audit Committee

The Audit Committee (“**AC**”) is comprised of 3 directors. The current members of the AC are Dale C. Peniuk (chair), Donald K. Charter and William A. Rand, all of whom are independent and financially literate for the purposes of NI 52-110.

The AC 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 AC. The AC 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 AC 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 AC 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 AC recommends to the Board annually the firm of independent auditors to be nominated for appointment by the shareholders.

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

The AC meets a minimum of 4 times a year. The AC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

Additional information relating to the Audit Committee, including a copy of the Audit Committee's mandate, is provided in the Corporation's Annual Information Form for the year ended December 31, 2010, a copy of which is available on the SEDAR website at www.sedar.com.

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 Donald K. Charter (chair), Dale C. Peniuk 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 HRCC include, without limitation, the following:

- 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;
- Ensuring management compensation is competitive to enable the Corporation to continue to attract individuals of the highest calibre; and
- Recommending the adequacy and form of director compensation to the Board.

The Board appoints the members of the HRCC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the HRCC and may fill any vacancy in the HRCC.

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

Corporate Governance and Nominating Committee

The 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 Brian D. Edgar (chair), John H. Craig and Dale C. Peniuk. 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 recommend to the Board a slate of nominees for election as directors of the Corporation at the Annual Meeting of Shareholders;
- 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 CGNC for the ensuing year at its organizational meeting held in conjunction with each annual general meeting of the shareholders of the Corporation. The Board may at any time remove or replace any member of the CGNC and may fill any vacancy in the CGNC.

The CGNC meets regularly each year on such dates and at such locations as the chair of the CGNC determines. The CGNC has access to such officers and employees of the Corporation and to such information respecting the Corporation and may engage independent

counsel and advisors at the expense of the Corporation, all as it considers to be necessary or advisable in order to perform its duties and responsibilities.

Health, Safety, Environment and Community Committee

The Health, Safety, Environment and Community Committee (the “**HSEC Committee**”) consists of 3 directors. The HSEC Committee currently consists of 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 HSEC 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 HSEC Committee and may fill any vacancy in the HSEC Committee.

The HSEC Committee meets a minimum of 4 times a year. The HSEC 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 and are available on SEDAR at www.sedar.com.

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

Dale C. Peniuk

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, no informed person of the Corporation, proposed directors or any associate or affiliate of any of them, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction since the commencement of the Corporation's most recently completed financial year which has materially affected or will materially affect the Corporation or any of its subsidiaries.

OTHER BUSINESS

Management of the Corporation knows of no other matters which will be brought before the Meeting, other than those referred to in the Notice of Meeting. Should any other matters properly be brought before the Meeting, the Common Shares represented by the proxies solicited hereby will be voted on those matters in accordance with the best judgment of the persons voting such proxies.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on the SEDAR website under the Corporation's profile at www.sedar.com. Financial information related to the Corporation is contained in the Corporation's financial statements and related management's discussion and analysis. Copies of the Corporation's consolidated audited financial statements and Annual Information Form prepared for its fiscal year ended December 31, 2010 may be obtained free of charge by writing to the Corporate Secretary of the Corporation at Suite 1500, 150 King Street West, P.O. Box 38, Toronto, Ontario, Canada, M5H 1J9 or may be accessed on the Corporation's website at www.lundinmining.com or under the Corporation's profile on the SEDAR website at www.sedar.com.

CERTIFICATE OF APPROVAL

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

DATED at Toronto, Ontario this 24th day of May, 2011.

BY ORDER OF THE BOARD OF DIRECTORS

(Signed) Philip J. Wright,
President and Chief Executive Officer

APPENDIX A LUNDIN MINING CORPORATION MANDATE OF THE BOARD OF DIRECTORS

A. INTRODUCTION

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

B. PROCEDURES AND ORGANIZATION

The Board operates by delegating certain of its authorities to management and by reserving certain powers to itself. The Board retains the responsibility for managing its own affairs including selecting its Chair, 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.