

**INMET**

MINING

**Inmet Mining Corporation**

**NOTICE OF  
2006 ANNUAL MEETING  
OF SHAREHOLDERS**

**MANAGEMENT PROXY CIRCULAR**

**March 24, 2006**

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**INMET MINING CORPORATION**  
**NOTICE OF 2006 ANNUAL MEETING OF SHAREHOLDERS**

You are invited to attend our annual meeting of shareholders.

**When**

Tuesday May 2, 2006  
2:30 p.m. (Toronto time)

**Where**

The Design Exchange  
Trading Floor  
234 Bay Street  
Toronto, Ontario

**What the meeting will cover**

1. Receiving our consolidated annual financial statements for the year ended December 31, 2005, and the auditors' report
2. Electing the board of directors
3. Appointing the auditors
4. Considering other matters that may properly come before the meeting.

**You have the right to vote**

You have the right to vote if you were an Inmet shareholder on March 21, 2006.

Your vote is important. You do not have to vote in person at the meeting. The attached management proxy circular tells you how to exercise your right to vote your shares. It also provides more information about the items to be covered at the meeting and is considered part of this notice.

March 24, 2006

By order of the board,



Steve Astritis  
Vice-President, General Counsel and Secretary

## INMET MINING CORPORATION MANAGEMENT PROXY CIRCULAR

In this document, *we, us, our* and *Inmet* refer to Inmet Mining Corporation (Inmet). *You* and *your* refer to Inmet shareholders. The information in this management proxy circular is as of March 21, 2006, unless indicated otherwise.

We are sending you this management proxy circular because you owned Inmet shares on March 21, 2006.

The circular explains the items we will be discussing at our annual meeting of shareholders, and tells you more about the nominated directors and Inmet's corporate governance practices, compensation and share performance. The board of directors has approved the contents of this document and has authorized us to send it to you.

Inmet management invites to you vote at our annual meeting of shareholders on Tuesday, May 2, 2006. Pages 3 to 6 of this circular tell you what you will be voting on and how you can vote.

March 24, 2006

By order of the board,

A handwritten signature in black ink, appearing to read "Steve Astritis", with a long horizontal flourish extending to the right.

Steve Astritis  
Vice-President, General Counsel and Secretary

## ABOUT VOTING

### Who can vote

You have the right to vote if you owned Inmet shares on March 21, 2006. Every share you own entitles you to five votes.

You are a **registered shareholder** if the shares are registered in your name. This means that your name appears in the shareholders' register maintained by our transfer agent, CIBC Mellon Trust Company and is on the share certificate representing your shares.

You are a **non-registered shareholder** if your bank, trust company, securities broker or other financial institution or intermediary (your *nominee*) holds your shares for you in a nominee account.

We pay for all costs associated with the voting process.

At March 21, 2006, we had 48,097,482 shares outstanding. Our directors and officers are not aware of anyone who beneficially owns, directly or indirectly, or exercises control or direction of more than 10 percent of the voting shares of Inmet, except for Leucadia National Corporation, which owns 5.6 million shares, or approximately 11.6 percent of our outstanding shares, through its subsidiary, MK Resources Company. These shares were issued by Inmet when Inmet acquired a 70 percent interest in the Las Cruces copper project located in Spain from MK Resources Company. Mr. Thomas Mara, a nominated director, is an officer of Leucadia National Corporation.

### What happens if you bought shares after March 21, 2006

If you are a registered shareholder, you will need to:

- send a note to our Vice-President, General Counsel and Secretary by Monday, May 1, 2006, asking to be added to the list of shareholders who are entitled to vote, *or*
- attend the meeting and provide proof that you own the shares.

If you are a non-registered shareholder, you will need to send a note to our Vice-President, General Counsel and Secretary by Monday, May 1, 2006, asking to be added to the list of shareholders who are entitled to vote.

### How to vote

You can vote in person at the meeting or by proxy.

Voting by proxy is the easiest way to vote. It means you are giving someone else the authority to attend the annual meeting and vote for you. This person is called your *proxyholder*.

### About completing the proxy form

This package includes either a proxy form or voting instruction form that includes the names of Inmet officers who are proxyholders. When you vote by proxy, you are giving these officers the authority to vote for you. If you return your proxy form or voting instruction form and do not specify how you want to vote your shares, one of these officers will vote your shares *in favour* of the items.

You can also appoint someone else to vote for you by printing his or her name in the space provided on the form, or by completing another proxy form. The person does not need to be a shareholder. If you appoint someone else to be your proxyholder, your vote can only be counted if he or she attends the meeting and votes for you. If you do not specify how you want your shares voted, your proxyholder can vote as he or she sees fit.

*When we need to receive your proxy form*

- Your completed proxy form or voting instruction form must be received by 4:45 p.m. (Toronto time) on Monday, May 1, 2006.

- If you are voting by telephone or on the Internet, all required information must be entered by 4:45 p.m. (Toronto time) on Monday, May 1, 2006.
- If the meeting is adjourned, we must receive your completed form by 4:45 p.m. (Toronto time), one business day before the day of the adjourned meeting.

### How to vote — registered shareholders

If you are a registered shareholder, you can vote in one of the following ways:

#### 1 — *By proxy*

- *By telephone (North America)*  
Call 1.866.271.1207 and follow the instructions. There is no charge for this call. You will need your control number, which appears below your name and address on the proxy form.
- *On the Internet (worldwide)*  
Go to [www.eproxyvoting.com/inmetmining](http://www.eproxyvoting.com/inmetmining) and follow the instructions on screen. You will need your control number, which appears below your name and address on the proxy form.
- *By fax (worldwide)*  
Complete both sides of the form, sign and date it and fax both sides to our transfer agent, CIBC Mellon Trust Company, Attention: Proxy Department, at 1.416.368.2502.
- *By mail (worldwide)*  
Complete, sign and date the form and return it in the envelope provided, or send it to CIBC Mellon Trust Company, Attention: Proxy Department, 200 Queen's Quay East, Unit 6, Toronto, Ontario M5A 4K9.
- *By appointing someone else to attend the meeting for you and vote your shares*  
This person does not need to be a shareholder. Strike out the two names that are printed in section A on the form and write the name of the person you are appointing in the space provided. Complete your voting instructions, sign and date the form.

Make sure the person you are appointing is aware that he or she has been appointed and attends the meeting. When this person arrives at the meeting, he or she should see a representative of CIBC Mellon Trust Company.

#### 2 — *By attending the meeting in person*

When you arrive at the meeting, see a representative of CIBC Mellon Trust Company to register your attendance.

Voting in person will automatically cancel any proxy form you previously completed and submitted.

### How to vote — non-registered shareholders

If you are a non-registered shareholder, you can vote in one of two ways:

#### 1 — *By proxy*

If you received a proxy form, follow the instructions provided by the transfer agent.

If you received a voting instruction form, follow the instructions provided by your nominee.

Then complete the form and choose the method you prefer for sending your voting instructions.

**If you return your form and do not specify how you want to vote your shares, the Inmet officers named in the form will vote your shares *in favour* of the items.**

#### 2 — *By attending the meeting in person*

You can vote your shares in person at the meeting if you advise your nominee to appoint you as proxyholder. Write your name in the blank space provided on the voting instruction form and follow the instructions provided by your nominee. You do not need to complete the rest of the form because your vote will be taken and counted at the meeting.

When you arrive at the meeting, see a representative of CIBC Mellon Trust Company, our transfer agent.

## **Revoking your vote**

### *Registered shareholders*

You can revoke a vote you made by proxy by:

- completing a proxy form that is dated later than the proxy form you want to revoke and then mailing it to our transfer agent, CIBC Mellon Trust Company, so they receive it by 4:45 p.m. (Toronto time) on Monday, May 1, 2006
- sending a notice in writing from you or your authorized attorney to our Vice-President, General Counsel and Secretary by 4:45 p.m. (Toronto time) on Monday, May 1, 2006
- providing a notice in writing from you or your attorney to the Chairman of the meeting, at the meeting or any adjournment.

### *Non-registered shareholders*

You can revoke your voting instructions by sending a note in writing to your nominee at least seven days before the meeting.

Follow this same process if you want to waive the right to receive meeting materials or to vote.

## **Processing your vote**

Non-registered shareholders receive proxy materials either directly from our transfer agent, CIBC Mellon Trust Company, or from their nominee.

If you received the materials directly from our transfer agent, Inmet is assuming responsibility for delivering these materials and executing your proper voting instructions. Personal information such as your name, address and number of shares you own has been obtained from your nominee according to the securities regulatory requirements that apply.

If you received the materials from your nominee, they are assuming the responsibility for delivering the materials and executing your voting instructions.

## **WHAT THE MEETING WILL COVER**

1. Receiving our consolidated annual financial statements for the year ended December 31, 2005, and the auditors' report
2. Electing the directors
3. Appointing the auditors
4. Considering other matters that may properly come before the meeting.

## **Receiving our consolidated annual financial statements**

You will receive our consolidated financial statements for the year ended December 31, 2005, including the auditors' report. The items are included in our 2005 annual report, which was mailed to you with this circular.

## **Electing the directors**

You can vote on electing directors to the board. Nine directors have been nominated. All of them are currently directors of Inmet. They are all eligible to be directors and have expressed their willingness to do so.

Directors will hold office until the next annual meeting of shareholders or until a successor is elected or appointed.

We do not anticipate that any of the nominated directors will be unable to serve as a director. If for any reason this does happen prior to the meeting, the management representatives named in the enclosed proxy form reserve the right to vote for other nominees at their discretion, unless they have been directed to withhold their vote.

The board has adopted a policy stipulating that if the votes in favour of the election of a director nominee at a shareholders' meeting represent less than a majority of the shares voted and withheld, the nominee will submit his or her resignation promptly after the meeting for the corporate governance and nominating committee to consider. The committee will make a recommendation to the board after reviewing the matter and the board's decision to accept or reject the resignation offer will be publicly disclosed. The nominee will not participate in any committee or board deliberations on the offer of resignation. This policy does not apply in circumstances involving any contested elections of directors.

### Appointing the auditors

You can vote on the appointment of Inmet's auditors. The board, on the recommendation of the audit committee, proposes that KPMG LLP be reappointed as auditors.

If KPMG LLP is reappointed as auditors, they would serve until the end of the next annual meeting of shareholders and their compensation for 2006 would be set and approved by the audit committee. See *About the board of directors — Audit committee* for details on the fees paid to KPMG in 2005 and 2004.

KPMG LLP and its predecessor companies have been Inmet's auditors since 1992.

### Considering other matters

We will also consider other matters that may properly come before the meeting.

As of the date of this circular, management did not expect any other items to be brought forward at the meeting. If there are new items, your proxyholder can vote your shares on these items as he or she sees fit.

### ABOUT THE NOMINATED DIRECTORS

The table below tells you about the nominated directors. Eight of the nine nominated directors are *independent*, as determined by the board, which means they are independent of management and free from conflict of interest. A nominated director is not independent if he has any direct or indirect relationship that the board believes could be reasonably expected to interfere with his ability to exercise independent judgement — see "*The board — Definitions and roles*".

The table also lists the Inmet securities the nominated directors own individually or indirectly. See *Compensation — How we compensate our directors* for more information about the fees they receive and our director share ownership guidelines.

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<b>Dr. Yilmaz Argüden, Ph.D.</b> Istanbul, Turkey  Independent Director since 2005  Member of <ul style="list-style-type: none"><li>• Compensation committee</li><li>• Corporate governance and nominating committee</li></ul> Nil common shares 1,814 deferred share units	<p>Dr. Argüden is Chairman of ARGE Consulting A.S., a management consulting firm based in Istanbul, Turkey. He is also an Adjunct Professor of Business Strategy at the Bosphorus University and the Masters of Business Administration programme at Koç University.</p> <p>He is the former Chairman of Erdemir, the largest Turkish steel company, and is also a board member of various Anadolu, Borusan, and Koç Group companies in Turkey.</p> <p>Dr. Argüden was selected as a "Global Leader of Tomorrow" by the World Economic Forum in 1999. He received his Ph.D. in policy analysis from the RAND Graduate Institute.</p> <p>Dr. Argüden is also Chairman of:</p> <ul style="list-style-type: none"><li>• the Turkish Canadian Business Council</li></ul>
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<p><b>David R. Beatty, O.B.E.<sup>(1)</sup></b> Toronto, Ontario</p> <p>Independent Lead director Director since 2003</p> <p>Member of</p> <ul style="list-style-type: none"> <li>• Compensation committee</li> <li>• Corporate governance and nominating committee (chair)</li> </ul> <p>10,000 common shares 2,487 deferred share units</p>	<p>Mr. Beatty is Professor of Strategic Management and director of the Clarkson Centre for Business Ethics and Board Effectiveness at the University of Toronto's Rotman School of Management. He is also the Managing Director of the Canadian Coalition for Good Governance.</p> <p>He is Honorary Consul to Canada for the Government of Papua New Guinea, and in 1993, was awarded the O.B.E.</p> <p>Mr. Beatty is also a director of:</p> <ul style="list-style-type: none"> <li>• Bank of Montreal</li> <li>• First Service Corporation</li> <li>• Garbell Holdings Limited</li> <li>• Goldcorp Inc.</li> <li>• Husky Injection Molding Systems Ltd.</li> </ul>
<p><b>John C. Eby</b> Toronto, Ontario</p> <p>Independent Director since 2005</p> <p>Member of</p> <ul style="list-style-type: none"> <li>• Audit committee</li> <li>• Safety, environmental and community affairs committee</li> </ul> <p>3,000 common shares 907 deferred share units</p>	<p>Mr. Eby is Vice-Chairman, Scotia Capital Inc. where he is responsible for overseeing the firm's mining practice.</p> <p>He has over 29 years of experience with Scotiabank and its affiliates, covering corporate banking, capital markets and investment banking in a variety of sectors.</p> <p>Mr. Eby is also a director of Jaguar Nickel Inc.</p>
<p><b>Paul E. Gagné</b> Senneville, Quebec</p> <p>Independent Director since 1996</p> <p>Member of</p> <ul style="list-style-type: none"> <li>• Audit committee (chair)</li> <li>• Safety, environmental and community affairs committee (chair)</li> </ul> <p>5,300 common shares 27,772 deferred share units</p>	<p>Mr. Gagné is a corporate director. From 1998 to 2002, he was a consultant to Kruger Inc. and prior to that, he was Chief Executive Officer of Avenor Inc., a pulp, paper and wood products company.</p> <p>Mr. Gagné has extensive experience in the resources sector and is a Canadian chartered accountant.</p> <p>Mr. Gagné is also a director of:</p> <ul style="list-style-type: none"> <li>• CAE Inc.</li> <li>• Fraser Papers Inc.</li> <li>• Textron Inc.</li> <li>• Wajax Income Fund</li> </ul>
<p><b>W. Warren Holmes</b> Timmins, Ontario</p> <p>Independent Director since 2004</p> <p>Member of:</p> <ul style="list-style-type: none"> <li>• Safety, environmental and community affairs committee</li> </ul> <p>3,000 common shares 2,487 deferred share units</p>	<p>Mr. Holmes is President and Chief Executive Officer and a director of Nuinsco Resources Limited. He is the past President of the Canadian Institute of Mining, Metallurgy and Petroleum.</p> <p>Prior to July 2002, he was Senior Vice-President, Canadian Mining Operations at Falconbridge Limited.</p> <p>Mr. Holmes is a professional engineer.</p> <p>He is also a director of:</p> <ul style="list-style-type: none"> <li>• Canadian Arrow Mines Limited</li> <li>• Jaguar Nickel Inc.</li> <li>• Twin Mining Corporation</li> <li>• Wallbridge Mining Company Limited</li> <li>• Norcast Income Fund</li> </ul>

<p><b>Oyvind Hushovd</b> Kristiansand, Norway</p> <p>Independent Director since 2002</p> <p>Member of:</p> <ul style="list-style-type: none"> <li>• Audit committee</li> <li>• Safety, environmental and community affairs committee</li> </ul> <p>Nil common shares 5,895 deferred share units</p>	<p>Mr. Hushovd is the past Chairman and Chief Executive Officer and currently a director of Gabriel Resources Ltd.</p> <p>From 1996 to 2002, he was President and Chief Executive Officer of Falconbridge Limited and prior to that held senior positions within that company.</p> <p>Mr. Hushovd is also a director of:</p> <ul style="list-style-type: none"> <li>• Cameco Corporation</li> <li>• LionOre Mining International Ltd.</li> <li>• Western Oil Sands Inc.</li> </ul>
<p><b>Thomas E. Mara</b> New York, USA</p> <p>Independent Director since August 2005</p> <p>Nil common shares 320 deferred share units</p>	<p>Mr. Mara is Executive Vice-President and Treasurer, Leucadia National Corporation. He has broad U.S. and international financial experience. He is also Chief Executive Officer and a director of The Finova Group Inc.</p>
<p><b>Richard A. Ross</b> Nobleton, Ontario</p> <p>Director since 1999</p> <p>30,000 common shares Nil deferred share units</p>	<p>Mr. Ross is Inmet's Chairman and Chief Executive Officer. He is a Canadian chartered accountant.</p> <p>Mr. Ross is also:</p> <ul style="list-style-type: none"> <li>• Chairman of the Mining Association of Canada</li> <li>• President of the Canadian-Turkish Business Council</li> <li>• a director of St. Joseph's Health Centre, Toronto</li> </ul>
<p><b>James M. Tory, Q.C.</b> Toronto, Ontario</p> <p>Independent Director since 1987</p> <p>Member of:</p> <ul style="list-style-type: none"> <li>• Audit committee</li> <li>• Compensation committee (chair)</li> <li>• Corporate governance and nominating committee</li> </ul> <p>68,125 common shares 26,426 deferred share units</p>	<p>Mr. Tory is a corporate director. He is highly regarded for his lengthy career in law, focusing on general corporate law and acting for many of Canada's leading corporations, banks and investment dealers.</p> <p>He is a director of Canadian General Tower Ltd and Cognos Inc.</p> <p>Mr. Tory is also the chair and a trustee of Canadian Real Estate Investment Trust.</p>

(1) Mr. Beatty was a director of Thistle Mining Inc. (Thistle) on December 21, 2004 when Thistle announced its plans to restructure under the *Companies' Creditors Arrangement Act* (CCAA). Thistle completed its restructuring on June 30, 2005. Its common shares have been suspended from trading on the Toronto Stock Exchange since December 31, 2004 due to the restructuring. Mr. Beatty is no longer a director of Thistle.

## Meeting attendance

The table below shows the number of board and committee meetings held in 2005 and the number of meetings attended by each director.

	Board of Directors (6 Meetings)		Audit Committee (5 Meetings)		Compensation Committee (5 Meetings)		Corporate Governance and Nominating Committee (2 Meetings)		Safety, Environmental and Community Affairs Committee (3 Meetings)	
	Number	%	Number	%	Number	%	Number	%	Number	%
Dr. Yilmaz Argüden, <sup>(1)</sup> Ph.D.	4/4	100%	—	—	4/4	100%	1/1	100%	—	—
David R. Beatty, O.B.E.	6	100%	—	—	5	100%	2	100%	—	—
John C. Eby <sup>(1)</sup>	4/4	100%	3/3	100%	—	—	—	—	2/2	100%
Paul E. Gagné	6	100%	5	100%	—	—	—	—	3	100%
W. Warren Holmes	6	100%	—	—	—	—	—	—	3	100%
Oyvind Hushovd	5	83%	4	80%	—	—	—	—	2	67%
Jyrki Juusela, Ph.D.	4	67%	—	—	4	80%	2	100%	—	—
Thomas E. Mara <sup>(2)</sup>	2/2	100%	—	—	—	—	—	—	—	—
Richard A. Ross <sup>(3)</sup>	6	100%	—	—	—	—	—	—	—	—
James M. Tory, Q.C.	6	100%	5	100%	5	100%	2	100%	—	—

(1) Dr. Argüden and Mr. Eby were elected as directors of Inmet on May 3, 2005.

(2) Mr. Mara was appointed a director of Inmet on August 22, 2005.

(3) Mr. Ross is not a member of any board committee but attends board committee meetings.

## OUR CORPORATE GOVERNANCE PRACTICES

This section describes our corporate governance practices and how they compare to policies and rules of the Canadian Securities Administrators (CSA).

### ABOUT THE BOARD OF DIRECTORS

The board of directors is responsible for the stewardship of Inmet's business and affairs. Its main role is to oversee corporate performance and to ensure that management continues to operate with professionalism and integrity so Inmet can successfully execute its strategic plans and achieve its corporate objectives.

The board normally meets quarterly. It may meet more often depending on the state of our affairs, business opportunities and the risks we face in our business.

The board met six times in 2005.

#### The board — Definitions and roles

The board defines a director:

- as *independent* if he has no direct or indirect material relationship with Inmet
- as having a *material relationship* if the board believes this relationship can be reasonably expected to interfere with a director's judgment.

This definition of independence is the same as the one under the CSA's Multilateral Instrument 52-110 — "Audit committees".

The board views all directors, except Mr. Ross, the Chairman and Chief Executive Officer, as being independent.

The corporate governance and nominating committee is responsible for ensuring that the board functions independently of management. Since the Chairman is not independent, David Beatty, Chairman of the corporate governance and nominating committee, acts as Inmet's Lead director. As Lead director, his main role is to ensure that the board operates independently of management and that directors have a contact in a leadership role who is independent. This would be especially important if there were a conflict in the joint roles of Chairman and CEO. A description of the Lead director's role is posted on our website at [www.inmetmining.com](http://www.inmetmining.com).

Time is set aside at each board meeting and board committee meeting for the independent directors to meet without the Chairman and Chief Executive Officer present. See *Meeting attendance* on page 9 for the number of board and board committee meetings held in 2005 and the attendance of each director.

Some of our directors are also directors of other public companies. See *About the nominated directors* on page 6 for more information.

#### Board mandate

The board of directors is responsible for the stewardship of Inmet's business and affairs. Its main role is to oversee corporate performance and to ensure that management continues to operate with professionalism, integrity and the right talent so Inmet can successfully execute its strategic plans and achieve its corporate objectives.

The board operates under a written mandate that sets out the key responsibilities for fulfilling this role. The mandate is reviewed by the corporate governance and nominating committee and reviewed and approved by the board annually. The board normally meets quarterly. It may meet more often depending on the state of our affairs, business opportunities and the risks we face in our business.

The board carries out its affairs according to:

- the Canada Business Corporations Act
- Inmet's articles of incorporation and by-laws

- Inmet's code of business conduct and ethics
- the board mandate and committee charters
- Inmet's policies and other laws that apply.

The board's mandate is posted on our website at [www.inmetmining.com](http://www.inmetmining.com).

## **Board activities**

### *Authorization and decision making*

Under Inmet's authorization policy, the board must approve all significant decisions that affect Inmet before management implements them. These decisions include, among other things:

- annual budgets
- significant acquisitions and dispositions
- unbudgeted expenditures over specified amounts
- transactions outside of the ordinary course of business.

The board supervises the implementation of these decisions and reviews the results. The board also approves changes in senior management.

### *Strategic planning*

The board is actively involved in Inmet's strategic planning process. It discusses and reviews with management all materials relating to Inmet's strategy and is responsible for reviewing and approving the strategic plan. The board sets aside at least one meeting each year to consider and discuss the risks and opportunities of Inmet's business and to approve Inmet's strategy.

### *Risk management*

The board, with the assistance of its committees, is responsible for overseeing Inmet's processes for identifying, assessing and managing its principal risks and for ensuring that management implements appropriate risk management systems. See — *Board committees* starting on page 13 for more information.

### *Management*

The board is also responsible for selecting the Chief Executive Officer, appointing other senior management and for monitoring their performance. The board, through the compensation committee, approves the CEO's annual objectives (which are Inmet's annual corporate objectives) and compensation, as well as the compensation of his direct reports.

### *Communications*

The board, or the audit committee on behalf of the board, reviews and approves Inmet's major communications, including disclosure, financing documents and news releases that contain earnings related and/or financial information.

Inmet's corporate disclosure policy covers the accurate and timely communication of all material information about Inmet. The board reviews this policy annually and delegates oversight of the policy to management. The Chief Executive Officer, the President and Chief Operating Officer, the Vice-President, Finance and Chief Financial Officer, the Vice-President, Controller, the Vice-President, Corporate Finance and Commercial and the Vice-President, General Counsel and Secretary are all members of the disclosure committee that manages Inmet's disclosure to shareholders and others.

Inmet communicates with its stakeholders in a number of ways, including:

- its corporate website
- management's quarterly conference calls with analysts, which shareholders and the public can access

- specific shareholder inquiries, which are handled by the:
  - Chief Executive Officer
  - President and Chief Operating Officer
  - Vice-President, Finance and Chief Financial Officer
  - Vice-President, General Counsel and Secretary.

In addition, the board, through its audit committee, examines the effectiveness of Inmet's internal control processes and management information systems. The audit committee consults with the external auditors and management to ensure that Inmet maintains the quality and integrity of its internal control process.

### **Position descriptions**

The board has reviewed and approved position descriptions for the CEO, the Lead director and each of the board committee chairs. These positions have been reviewed by the corporate governance and nominating committee, which has recommended them to the board for approval. These are posted on our website at [www.inmetmining.com](http://www.inmetmining.com).

The board has also approved a statement of expectations for directors, which applies to each director of the Inmet board. It is also posted on our website at [www.inmetmining.com](http://www.inmetmining.com).

### **Orientation and continuing education**

The Chairman and CEO and the Lead director work together to ensure that new directors become familiar with Inmet's operations, its executives and management. All directors, including those new to the board, have the opportunity to visit at least one operation each year.

### **Ethical business conduct**

The board has approved and adopted a written code of business conduct and ethics for all directors, officers and employees that contains rules and guidelines for ethical behaviour at Inmet. The code is based on Inmet's values and the laws, regulations and rules that apply to its businesses.

The code is posted on our website at [www.inmetmining.com](http://www.inmetmining.com). You can also obtain a copy by writing to Inmet's Vice-President, General Counsel and Secretary at 330 Bay Street, Suite 1000, Toronto, Ontario M5H 2S8.

### **Nomination of directors**

The corporate governance and nominating committee consists only of independent directors and is responsible for identifying and recommending to the board appropriate candidates to serve as director. As part of this process, the committee uses a matrix of the skill sets of the current board members that is updated regularly and used as part of the ongoing assessment of the composition of the board. The matrix also helps the committee to identify any additional skills that may be beneficial to the board and this is used when it is considering candidates.

Candidates receive clear information about the workload and time commitment required before they agree to be nominated as a director.

The board and the corporate governance and nominating committee each review the composition and size of the board annually.

You can find more information about the role and responsibilities of the corporate governance and nominating committee on page 16.

### **Compensation**

The board, through the compensation committee, determines the compensation for the executive officers. This is explained in the *Report on executive compensation*, starting on page 23.

The compensation committee also regularly reviews the compensation of our directors. As part of this process, the committee takes into account the types and amount of compensation paid to directors of similar publicly traded Canadian companies.

The compensation committee also reviews and approves the corporate objectives that have been set for the CEO as well as those for his direct reports, assesses the CEO's performance against these objectives, and reports the results of this assessment to the board.

In 2005, Inmet introduced a Share award plan (SAP) for senior management (see *Share award plan* on page 20). The committee retained Towers Perrin Inc. to review the terms of the plan to ensure that they are reasonable, meet the stated objectives of the plan and enable Inmet to provide an equity-based compensation plan that accommodates the inherent volatility of the mining industry.

You can find more information about the roles and responsibilities of the compensation committee on page 15.

### **Assessments**

- The corporate governance and nominating committee evaluates the effectiveness of the board, its committees and individual directors. It also assesses the operation of the board and its committees annually, using a board survey on corporate governance. It also uses a survey on peer feedback to solicit feedback on individual directors.

The results of the board and committee surveys are:

- tabulated by Meridien Consulting, an independent consulting firm
- reviewed with the Lead director
- assessed by the corporate governance and nominating committee.

Based on its assessment, the committee recommends any necessary changes to enhance the performance of the board and its committees. Each director receives the results of his peer feedback survey. The Lead director is responsible for implementing and managing this process. The Lead director holds one-on-one discussions with individual directors, as required, to discuss the survey results and to receive suggestions on how to enhance Inmet's corporate governance practices, overall effectiveness of the board and committees and the contributions of individual directors. The Lead director provides the interview results to the Chairman and CEO and the corporate governance and nominating committee. The committee then recommends changes that will enhance performance in these areas.

### **Board committees**

The board has four standing committees:

- audit committee
- compensation committee
- corporate governance and nominating committee
- safety, environmental and community affairs committee.

The board may also appoint ad hoc committees from time to time.

Each committee has a mandate or charter that outlines its purpose. These are posted on our website at [www.inmetmining.com](http://www.inmetmining.com).

### **Audit committee**

The audit committee consists of four directors:

- Paul E. Gagné (chair)
- John C. Eby
- Oyvind Hushovd

- James M. Tory

Each member is independent and financially literate according to the terms of Multilateral Instrument 52-110, *Audit committees*.

The committee's main function is to assist the board by overseeing:

- the quality, integrity and appropriateness of our financial reporting
- the quality, integrity and performance of our systems of internal control for finance, accounting and ethics
- the quality, performance and independence of our external auditors
- our compliance with legal and regulatory requirements.

In order to fulfill its mandate, the audit committee receives regular reports on:

- significant accounting transactions and financial matters that required professional judgment in arriving at the financial statements
- financial risk management
- exploration and capital spending in relation to approved budgets
- our system of internal controls.

The audit committee and the corporate governance and nominating committee review this committee's charter once a year to make sure it meets regulatory requirements and reflects best practices.

#### *Financial reporting*

The audit committee is also responsible for:

- reviewing our financial reporting procedures, internal controls and risk management practices as they relate to financial reporting
- reviewing the terms of engagement and performance of the external auditors
- reviewing our interim financial statements and annual financial statements, management's discussion and analysis of financial condition and results, and the annual report before they are reviewed and approved by the board.

The audit committee meets regularly with our external auditors without management present. It also has direct access to management in order to review specific issues.

#### *External auditors*

KPMG LLP (KPMG) is Inmet's current auditor. From time to time, KPMG and/or its affiliates also provide advisory and other non-audit services to Inmet and some of its subsidiaries.

These professional services break down into different types of fees:

- *audit fees* for services for reviewing annual financial statements and notes and for conducting the annual audit
- *audit-related fees* for services relating to KPMG's role as auditor. The fees for fiscal 2005 and 2004 relate to the audit of our pension plan and in 2004, for due diligence as well.
- *tax fees* for services relating to tax compliance, tax advice and tax planning, including expatriate tax services.

The table below shows the fees that were paid to KPMG for the fiscal years ended December 31, 2005 and 2004.

Fee (\$ thousands)	2005	2004
Audit fees	431	\$364
Audit-related fees	15	135
Tax fees	94	299
<b>Total</b>	<b>540</b>	<b>\$798</b>

### *Auditor independence*

The audit committee has reviewed this list of services and determined that these services were in keeping with KPMG maintaining auditor independence.

The audit committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities and has direct access to the external auditors, our financial management, any other of our officers or employees and all of our books and records. Any member of the committee may request that it retain accounting, legal or other consultants or experts it deems necessary to perform its duties, and these expenses would be paid by Inmet.

### *Approving services*

The audit committee has a policy that requires any services to be performed by the external auditors to be pre-approved.

The policy covers specific terms that the audit committee must pre-approve:

- audit and non-audit services by the external auditors and the range of fees for specific services annually
- services that were not part of the annual process
- services that were previously pre-approved but their fees are higher than the pre-approved range of fees.

As part of the annual process for pre-approving services and fees, management must submit a report each year to the audit committee describing in detail the total services it expects the external auditors to provide the following fiscal year. The report must also include a range of fees for each of the three categories of fees described above under *External auditors*.

The audit committee pre-approves services and fees by taking into account the ratio of fees for audit and audit-related services to non-audit services. It has delegated limited authority to the committee chair to pre-approve audit, audit-related and non-audit services and fees. Any services and fees that he approves must be reported to and ratified by the audit committee at its next meeting.

Inmet also has a policy of not engaging external auditors to provide services relating to internal audit and design and implementation of financial information systems.

The committee met five times in 2005.

### **Compensation committee**

The compensation committee consists of four directors:

- James M. Tory (chair)
- Yilmaz Argüden, Ph.D.
- David R. Beatty
- Jyrki Juusela, Ph.D.

The compensation committee assists the board by overseeing Inmet's efforts to recruit, retain and motivate employees.

The committee's responsibilities include for making recommendations to the board on the compensation of our senior executives, and incentive compensation plans for them and for other employees. From time to time, the committee seeks advice from compensation consultants to assess the appropriateness of our compensation practices.

The compensation committee and the corporate governance and nominating committee review this committee's charter once a year.

The committee met five times in 2005.

### **Corporate governance and nominating committee**

The corporate governance and nominating committee consists of four directors:

- David R. Beatty (chair)
- Yilmaz Argüden, Ph.D.
- Jyrki Juusela, Ph.D.
- James M Tory

The committee is responsible for:

- reviewing corporate governance practices generally
- monitoring board composition
- assessing the effectiveness of the board and individual directors
- reviewing and making recommendations about directors
- seeking appropriate candidates to serve as director and reporting this progress to the board.

The committee reviews its charter once a year.

The committee met two times in 2005.

### **Safety, environmental and community affairs committee**

The safety, environmental and community affairs committee consists of four directors:

- Paul E. Gagné (chair)
- John C. Eby
- W. Warren Holmes
- Oyvind Hushovd

The committee is responsible for:

- reviewing our safety, health, environmental and community affairs policies and programs
- reviewing the safety, health, environmental and community affairs performance of our operations
- making recommendations to management and the board on issues the committee identifies in its reviews.

The committee receives regular reports from management on safety, health, environmental and community affairs matters and may from time to time request additional information as it deems appropriate. The committee members also have direct access to our Vice-President, Safety, Environmental and Community Affairs and other senior officers.

The committee reviews its charter once a year.

The committee met three times in 2005.

## COMPENSATION

### HOW WE COMPENSATE OUR DIRECTORS

In 2005, our directors received:

- an annual retainer
- an annual fee if acting as Lead director or Chair of a board committee
- an attendance fee for each board and committee meeting they attended
- if applicable, a travel fee to cover travel time related to meetings they attended when substantial travel time was required.

We also reimbursed directors for reasonable costs and expenses related to any board or committee meeting they attended.

The table below lists the fees our directors were entitled to receive in 2005. The Chairman and CEO does not receive these fees. Directors must receive at least half of their annual retainers in deferred share units (DSUs).

	Fee
<b>Annual retainer</b>	
Directors	\$50,000
Lead director	20,000
Audit committee chair	25,000
Committee chairs	5,000
<b>Attendance fees (board and committees)</b>	
In person	\$ 1,500
By telephone or videoconference	750
Travel fee per meeting <sup>(1)</sup>	1,500

(1) This fee applies if substantial travel from outside of Canada is required.

In 2005, we paid total fees of \$621,167 to our directors. Of the total, \$306,500 was paid in cash and the balance was allocated to DSUs. The table below shows a breakdown of the total fees that were paid to each director.

	Annual Fees	Board Meeting Fees	Lead Director Fees	Committee Chair Fees	Committee Meeting Fees	Travel Fees	Total Fees	% of Total Fees Allocated to Shares or DSUs
Dr. Yilmaz Argüden, Ph.D. <sup>(1)</sup>	\$37,500	\$6,000	—	—	\$ 9,750	\$6,000	\$ 59,250	63%
David R. Beatty, O.B.E.	50,000	9,000	20,000	5,000	11,250	—	95,250	52%
John C. Eby <sup>(1)</sup>	37,500	6,000	—	—	9,000	—	52,500	36%
Paul E. Gagné	50,000	9,000	—	30,000	13,500	—	102,500	24%
W. Warren Holmes	50,000	9,000	—	—	6,000	—	65,000	77%
Oyvind Hushovd	50,000	7,500	—	—	10,500	3,000	71,000	70%
Jyrki Juusela, Ph.D.	50,000	6,000	—	—	8,250	7,500	71,750	70%
Thomas E. Mara <sup>(2)</sup>	16,667	3,000	—	—	—	3,000	22,667	37%
Richard A. Ross	—	—	—	—	—	—	—	—
James M. Tory, Q.C.	50,000	9,000	—	5,000	17,250	—	81,250	31%

(1) Dr. Argüden and Mr. Eby were elected as directors of Inmet on May 3, 2005.

(2) Mr. Mara was appointed a director of Inmet on August 22, 2005.

**Share ownership guidelines**

The board implemented a policy in 2005 that requires each director to accumulate at least three times the annual retainer fee, or \$150,000, in Inmet common shares or DSUs within five years of becoming a director.

**Deferred share unit plan**

We adopted a DSU plan in 1998 that allows all directors who are not employees to receive their annual and meeting attendance fees in DSUs instead of cash. The value of DSUs fluctuates with variations in the market price of Inmet's common shares. Under the DSU plan, DSUs are credited quarterly to a director's account as of the last day of a fiscal quarter, based on the average of the high and low prices of Inmet's common shares on the Toronto Stock Exchange on the ten business days preceding the last day of that fiscal quarter. Directors are also credited with dividend equivalents when dividends are paid on Inmet's common shares on a similar basis.

Under the plan, directors can redeem their DSUs for shares issued from treasury when they retire from the board.

In 2005, 15,728 DSUs were earned and 378,234 DSUs were redeemed following the retirement of Mr. William James on February 5, 2005. Mr. James had accumulated his DSUs in his capacity as chief executive officer and subsequently as non-executive chairman of the board.

As of March 21, 2006 there are 73,621 DSUs outstanding that may be redeemed for 73,621 common shares.

## HOW WE COMPENSATE OUR EXECUTIVE OFFICERS

### Executive compensation

In this section, *executive officer* is a chairman, president, vice-president, or an officer of Inmet or a subsidiary, or other individual, who performed a policy-making function at Inmet.

### Summary compensation table

The table below shows the annual and long-term compensation that was paid to the Chairman and CEO, President and Chief Operating Officer, and the other four most highly compensated senior officers as at December 31, 2005 (including Ms. Jo-Anne Oswald who was the Chief Financial Officer until her retirement on July 4, 2005). The Chairman and CEO, the President and Chief Operating Officer and Messrs. Astritis, Balint and Slattery are collectively the named executive officers (NEOs).

Name and Principal Position	Year	Annual Compensation				Long-Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) <sup>(1)</sup>	All Other Compensation (\$) <sup>(2)</sup>	Share Award (\$) <sup>(3)</sup>	Share Plan Vested	Securities Under Options/SARs Granted	
<b>Richard Ross</b> <sup>(4)</sup>	2005	625,000	500,000	32,622	137,023	250,000	Nil	Nil	
Chairman and Chief Executive Officer	2004	525,000	289,000	37,839	99,668	Nil	Nil	Nil	
	2003	500,000	750,000	38,297	151,973	Nil	Nil	Nil	
<b>Jochen Tilk</b> <sup>(5)</sup>	2005	450,000	288,000	33,059	89,370	162,000	Nil	Nil	
President and Chief Operating Officer	2004	360,000	177,000	29,503	77,583	Nil	Nil	Nil	
	2003	350,000	370,000	26,291	95,576	Nil	Nil	Nil	
<b>D. James Slattery</b> <sup>(6)</sup>	2005	154,615	75,000	11,523	27,845	49,500	Nil	Nil	
Vice- President, Finance and Chief Financial Officer	2004	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
	2003	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
<b>Steve Astritis</b>	2005	320,000	147,000	25,593	56,040	97,600	Nil	Nil	
Vice- President, General Counsel	2004	250,000	109,000	20,665	43,900	Nil	Nil	Nil	
	2003	225,000	145,000	19,596	49,982	Nil	Nil	Nil	
<b>Frank Balint</b>	2005	255,000	121,000	28,502	45,965	80,325	Nil	Nil	
Vice- President, Corporate Development	2004	250,000	83,000	31,917	53,068	Nil	Nil	Nil	
	2003	240,000	120,000	28,569	46,631	Nil	Nil	Nil	
<b>Jo-Anne Oswald</b> <sup>(7)</sup>	2005	172,096	Nil	13,631	18,845	Nil	Nil	Nil	
Vice- President, Finance and Chief Financial Officer	2004	275,000	116,000	21,881	56,853	Nil	Nil	Nil	
	2003	250,000	155,000	21,478	54,810	Nil	Nil	Nil	

(1) The amounts in this column reflect the value of perquisites and benefits including but not limited to: (i) premiums paid by Inmet for standard benefits including life insurance; (ii) automobile benefits; (iii) tax assistance and the imputed interest (as calculated for purposes of the Income Tax Act) on non-interest-bearing home and share purchase loans.

(2) The amounts in this column reflect the value of executive perquisites and benefits including but not limited to: (i) premiums paid by Inmet for executive benefits including term life insurance; (ii) annual contributions by Inmet under various pension arrangements; and (iii) directors' fees paid by associated companies.

(3) The amounts shown represent the value awarded under Inmet's Share award plan. The net after tax amounts awarded in 2005 will be used to purchase Inmet shares in 2006. Twenty-five percent of the award under this program will vest on December 31<sup>st</sup> of each of the next four years (the anniversary of the award), and awards are subject to Inmet's share ownership guidelines. The value awarded under the plan has not been discounted to reflect the deferred vesting.

(4) Mr. Ross was appointed Chairman and Chief Executive Officer on February 5, 2005. Prior to that, he was President and Chief Executive Officer.

(5) Mr. Tilk was appointed President and Chief Operating Officer on February 5, 2005. He was appointed Executive Vice-President and Chief Operating Officer effective August 1, 2003. Prior to that, he was Executive Vice-President.

(6) Mr. Slattery joined Inmet as Vice-President and Chief Financial Officer effective June 27, 2005.

(7) Ms. Oswald was no longer the Chief Financial Officer and an employee of Inmet effective July 4, 2005.

## Equity compensation plan information

The table below provides information about Inmet common shares authorized for issuance under our two stock option plans and our DSU plan as at December 31, 2005.

Plan Category	Number of shares to be issued upon exercise of outstanding options and DSUs	Weighted-average exercise price of outstanding options and DSUs	Number of other shares remaining for future issuance under equity compensation plans
Equity compensation plans approved by security holders	247,871	\$4.27	218,305
Equity compensation plans not approved by security holders	Nil	Nil	Nil
Total	247,871	\$4.27	218,305

### Stock option plans

Inmet has two stock option plans:

- treasury stock option plan
- supplementary stock option plan.

With the implementation of the Share award plan, both of the treasury stock option plan and the supplementary stock option plan will be wound down because we have not granted stock options since 2001 and do not intend to grant options in the future. The remaining reserve of 218,305 common shares for our equity based compensation plans will be allocated to the DSU plan in line with shareholder approvals received in 2003 when the DSU plan and supplementary stock option plan were amended to allow shares under those plans to be issued from treasury.

We introduced the *treasury stock option plan* in 1987. Under the plan, as amended, the board of directors has the authority, at its discretion, to grant non-assignable options to directors, officers and certain key executives of Inmet and its affiliates, to buy common shares. Each non-assignable option has an exercise price that is the same as or higher than the closing price on the date of grant. Unless the board of directors determines otherwise, 25 percent of a grant of options vest each year, on the anniversary date of the grant. The options can be exercised over a period of up to 10 years.

We introduced the *supplementary stock option plan* in 2000. The terms of the options issued under this plan, as amended in May 2003, are the same as those issued under the treasury stock option plan. The only difference is that options issued under the supplementary stock option plan can be exercised over a period of up to six years.

In late 2002, Inmet's directors and senior management who held options waived all entitlements to stock appreciation rights associated with options granted under the two plans.

As at March 21, 2006, there were:

- 79,000 common shares reserved for issuance under the treasury stock option plan
- 95,250 common shares reserved for issuance under the supplementary stock option plan
- options for 174,250 common shares outstanding under both plans
- 171,750 vested options, ranging in price from \$2.95 to \$5.80.

### Share award plan

In December 2005, the board of directors approved a share award plan (SAP), an equity-based compensation plan to help management build share ownership in Inmet.

The objectives of the SAP are to:

- provide performance-based compensation to recognize Inmet management for achieving results that generate long-term shareholder value

- provide a mechanism that allows individual members of Inmet's management to accumulate an appropriate amount of Inmet shares over time through the purchase of shares on the open market.

The following employees can participate in the plan:

- executive officers of Inmet
- employees at the director level at Inmet's corporate office
- employees who are general managers or managing directors of operations owned and operated by Inmet or its subsidiaries.

We require all employees who are eligible to participate in the SAP to own Inmet common shares and to build share ownership to a certain level. Each participant is expected to accumulate the number of shares (required shares) according to the share ownership requirement for his or her management level, called the *participant's target ownership value*.

Each participant is expected to build share ownership that exceeds:

- the participant's target ownership value, divided by the average closing price of Inmet common shares for November of the immediately preceding year, *and*
- the participant's target ownership value, divided by the average closing price of Inmet common shares on the Toronto Stock Exchange for the 20 trading days immediately preceding the date for determining the participant's required shares.

Participants may own the required shares inside or outside of the SAP.

Every year, each participant directs a designated percentage of his or her annual performance-based compensation bonus (net of tax) to be paid to CIBC Mellon Trust Company, the administrator of the SAP. The administrator uses this amount to buy Inmet common shares through a broker according to Inmet's insider trading policy. Inmet pays all commissions for these purchases, as well as the administrator's fees.

Participants are entitled to receive all dividends and distributions on shares purchased under the SAP, as they are paid. This includes vested and unvested shares.

A participant who owns less than the required shares may not sell any vested shares or unvested shares purchased under the SAP. A participant who owns more than the required shares may reduce his or her share ownership to meet the required shares by selling any excess shares purchased under the SAP that have vested, and retaining the proceeds from the sale. Participants may not sell unvested shares under the SAP at any time.

Under the SAP, a participant is the beneficial owner of shares purchased under the plan. The shares require each participant to sell them to Inmet for one cent (1¢) for cancellation if his or her employment terminates for any reason other than death or disability. Twenty-five percent of each annual purchase of shares vests on December 31 of each year, starting with the year immediately after the year on which the annual performance bonus amount was based. The obligation to sell shares on termination of employment expires as shares vest.

The SAP is also described in the *Report on executive compensation* that starts on page 23.

#### **Options granted during year ended December 31, 2005**

We did not grant any stock options during the year ended December 31, 2005.

### Aggregate options exercised during the year ended December 31, 2005 and year-end option values

The table below gives information about the NEOs and Ms. Oswald and the options exercised during the financial year ended December 31, 2005, the number of unexercised options held by them as at December 31, 2005 and the notional value of these options.

Name	Securities acquired on exercise (#) <sup>(1)</sup>	Aggregate value realized <sup>(2)</sup>	Unexercised options at December 31, 2005 exercisable / unexercisable	Value of all unexercised in-the-money options at December 31, 2005 <sup>(3)</sup> exercisable / unexercisable
Richard Ross	392,500	\$4,852,084	67,500 / -	\$1,792,125 / -
Jo-Anne Oswald	150,500	\$1,967,303	— / -	— / -
Jochen Tilk	72,500	\$ 916,234	27,500 / -	\$ 730,125 / -
Steve Astritis	18,750	\$ 293,604	12,500 / -	\$ 331,875 / -
Frank Balint	22,500	\$ 288,000	22,500 / -	\$ 597,375 / -

(1) These officers received shares of Inmet Mining Corporation for all options they exercised in 2005.

(2) The fair market value of the shares received on the date of exercise, less the exercise price of the options.

(3) At December 31, 2005, the closing market price of the shares on the Toronto Stock Exchange was \$29.50. The value of unexercised options represents the amount the market price exceeds the exercise price of unexercised options, multiplied by the number of shares subject to these options.

### Defined contribution pension plan

The NEOs and other executive officers participate solely in the defined contribution component of our registered retirement plan. Inmet contributes the maximum annual contribution for registered plans allowed by the Canada Revenue Agency.

Inmet does not have a supplemental pension plan to provide a pension benefit in excess of the maximum benefits permitted under registered pension plans by the Canada Revenue Agency. In lieu of a supplemental pension benefit, Inmet makes an annual payment to each of the NEOs (and other executive officers) of up to 12 percent of his or her salary and cash bonus for the year, less the amount contributed to the registered plan. These annual payments totalled \$261,720 in 2005. As a result, we have no obligation to pay a supplemental pension benefit to our executives when they retire.

### Change of control agreements

If the NEOs are individually terminated by Inmet, other than for cause, within 24 months of a change of control, then:

- in the case of Mr. Ross, he is entitled to compensation that equals his total salary, bonus, benefits and other perquisites for three years
- in the case of the other NEOs, each of them is entitled to compensation that equals his total salary, bonus, benefits and other perquisites for two years.

### Personal loans to directors and officers

The table below shows the details of a loan granted by Inmet to a director.

Name and Principal Position	Loan Made by Inmet or Subsidiary	Largest Amount Outstanding During 2005	Amount Outstanding as at February 28, 2006	Financially Assisted Securities Purchased During 2005	Security for Indebtedness	Amount Forgiven in 2005
<b>Securities purchase program</b>						
James M. Tory Director	Inmet	\$281,250	\$186,758	Nil	Inmet common shares	Nil

Neither Inmet nor any of its subsidiaries has any outstanding loan to an executive officer.

## Aggregate indebtedness

The table below summarizes the total loans Inmet and its subsidiaries had made to officers, directors and employees as at March 21, 2006.

Aggregate indebtedness	
Purpose	Inmet and its subsidiaries (\$)
Share purchase loan to director	186,758
Other <sup>(1)</sup>	61,000

(1) Amount of home purchase loans provided to employees at our Troilus operation.

## REPORT ON EXECUTIVE COMPENSATION

### A. Philosophy

The compensation committee assists the board in fulfilling its oversight responsibilities relating to recruiting, retaining and compensating executive management by making recommendations to the board with respect to the formulation and execution of our executive compensation policies and practices.

Our executive compensation philosophy is to:

- attract and retain the right people to the right jobs
- fairly compensate
- reward management for achieving outcomes which generate long term shareholder value

#### *The right people*

We believe that the most important job of the board is to ensure that the right executive management team is in place. Our compensation practices are therefore focused on hiring and retaining individuals who have an innate drive to achieve their best and who understand how to create long term shareholder value. Factors that the committee continually assesses are the executives' leadership skills, integrity, work ethic, intelligence and self motivation. These attributes are in essence a condition of employment at Inmet.

#### *Fairly compensate*

In order to achieve a fair level of compensation, the committee has targeted total compensation at the median of a comparator group of Canadian mining companies. The committee, at least annually, reviews data from published proxy circulars as well as salary surveys conducted by external consultants. One such survey used in 2005 was the PriceWaterhouseCoopers 2005 Mining Industry Salary Survey. The committee also reviewed the executive compensation levels disclosed in the 2004 management proxy circulars of a comparator group of Canadian mining companies that it believes are competitors for executive talent. Also in 2005, the committee retained Towers Perrin to provide independent advice to the committee with respect to the development of the Share award plan, which is described below. In the course of its review, Towers Perrin provided the committee further comparative data with respect to executive compensation.

#### *Rewards consistent with long-term shareholder value*

The Annual bonus plan and Share award plan together comprise a significant portion of each executive's compensation. These plans have been designed to reward management based on the achievement of objectives and to provide management an opportunity to achieve a meaningful level of Inmet share ownership.

Management prepares objectives each year which are focused on advancing our long-term strategy: to grow as a base metal mining company providing superior returns to shareholders. These objectives are approved by the board at the beginning of each year. Management's progress in relation to these objectives is continually monitored throughout the year. The purpose of the objectives is to:

- identify and achieve alignment on those actions which will create long term shareholder value
- create a framework and a disciplined environment within which our employees focus their efforts
- establish a basis to reward management for achieving outcomes which generate long-term shareholder value

By providing an opportunity for our management to acquire and hold Inmet shares, we are ensuring that they are exposed to the same risks and rewards as our shareholders.

## **B. Executive compensation policy**

Our executive compensation policy consists of the following: base salary; an annual bonus plan; a share award program; a leadership bonus; participation in a defined contribution pension plan and other benefits.

### *Base salary*

In establishing executive base salary levels, the committee considers the seniority and level of experience of each executive and the individual's ability to perform his or her responsibilities. Prior to 2002, when stock option grants were being awarded, executive base salaries lagged the median of the comparator group. Following the decision in 2002 to discontinue the granting of stock options, the committee established the policy of increasing executive base salaries to the median of the comparator group. The committee believes that this has now been achieved. In addition, for individuals identified by the committee as critical to our long term success, or who are earmarked for increasingly greater responsibility, base salaries are targeted above the median.

### *Annual bonus plan and share award Plan*

Following the decision in 2002 to discontinue granting stock options, the annual bonus plan was amended to incorporate both short term and medium term objectives in order to provide an element of compensation related to accomplishments which extended beyond one year. As there were significant levels of stock options outstanding at that time, the committee was satisfied that managements' compensation was appropriately tied to both short and longer term performance. Since that time, the level of outstanding options has been reduced following the exercise of options. In addition, through promotions or new hires, there are now members of executive management who have limited or no ownership of Inmet stock.

Therefore, in order for our executive compensation practices to remain competitive and to ensure that management's compensation is appropriately linked to longer term shareholder value creation, a new form of long term compensation was put in place, effective January 1, 2006.

The Share award plan is integrated with the Annual bonus plan, providing in effect for an increase in the maximum amount payable under the annual plan with the requirement that a portion of the increased amount be applied to the purchase of Inmet shares in the market for the account of the executive.

The way in which amounts paid to the executive under the integrated plan are determined has remained unchanged from prior years. Management's performance in relation to objectives agreed to by the Board is evaluated by the compensation committee at the end of each year. There are both corporate objectives as well as personal objectives, the latter of which are specifically linked to an individual's performance. The annual bonuses for the Chief Executive Officer and Chief Operating Officer are based solely on the committee's assessment of the achievement of the corporate objectives. Bonuses for the Vice-Presidents are based 75 percent on the achievement of corporate objectives and 25 percent on their individual performance in relation to their personal objectives.

In order to reflect the Share award plan component, the maximum bonus amount as a percentage of base salary has increased in 2005 to 150 percent for the CEO, 125 percent for the COO and 100 percent for Vice Presidents. This compares to 100 percent, 80 percent and 60 percent respectively in 2004.

Under the plans, half of the annual bonus amount is paid to the executive in cash and the other half, after taking into consideration income taxes, is used to acquire shares on the open market. In 2005, as a transition measure, the bonus allocation between cash and the funding of share purchases was 100/50 for the CEO, 80/45 for the COO and 60/40 for Vice Presidents. The shares are acquired by a third party custodian and vest in equal amounts over a period of four years on December 31<sup>st</sup> of the first, second, third and fourth anniversary of the award. During this vesting period, executives will receive any dividends paid on unvested shares.

Executives are subject to share ownership requirements: the CEO must hold 150 percent of his salary in Inmet shares, the COO 125 per cent and Vice Presidents 100 percent, whether under the Share award plan or otherwise. Both vested and unvested shares under the plan are included in the determination of share ownership. An executive is free to sell any vested shares that are in excess of ownership level at their discretion.

The committee considered other forms of stock based compensation and came to the conclusion that the Share Award Program was the most appropriate plan for Inmet at this stage of its development. The committee believes the benefits of this plan are as follows:

- It will encourage retention as the shares vest over a four year period.
- A reasonable portion of the employee's compensation is directly tied to the performance of Inmet's shares.
- There is no shareholder dilution as the shares are acquired from the open market.
- As the shares are acquired up front, the cost to Inmet and the employee is quantified and fixed.

This will be the only share based compensation plan in future. Therefore, following the exercise of the remaining outstanding stock options, the stock option plans will be eliminated.

The committee retained Towers Perrin to review the Share award plan. As Towers Perrin has not recently acted and does not currently act as a consultant to Inmet, the committee considered Towers Perrin to be independent. Towers Perrin advised the committee that the terms of the Share award plan are fair in the context of Inmet's overall executive compensation.

#### *Leadership bonus*

The committee constituted a leadership bonus of up to 10 percent of base salary which will be available to those employees who demonstrate strong leadership skills and establish themselves as a model for others to follow in fostering teamwork and encouraging communication throughout the organization. As strong leadership is a fundamental requirement of the CEO and COO, those officers will not be eligible for the leadership bonus.

#### *Defined contribution pension plan*

Executives only participate in a defined contribution pension plan to which Inmet contributes the maximum annual contribution for registered plans allowed by the Canada Revenue Agency.

Inmet does not have a supplemental pension plan to provide a pension benefit in excess of the maximum benefits permitted under registered pension plans by the Canada Revenue Agency. In lieu of a supplemental pension plan, Inmet provides for an annual payment to executives equal to 12 percent of their base salary and cash bonus amounts, less the amount paid by Inmet to the registered defined contribution pension plan. This amount was determined to be sufficient to provide a reasonable level of pension benefit. As a result of these annual payments, Inmet does not retain any liability for future pension funding for executives.

#### *Other benefits*

We make available to the executives a limited number of benefits including: fitness club membership; life insurance, and a leased car or car allowance.

### **C. Evaluation of 2005 corporate objectives**

The corporate objectives that were established by the Board for 2005, which were published in the 2004 Annual Report were:

- Inmet's share price to outperform the S&P/TSX metals and mining index
- exceed budgeted production and financial targets
- grow through expansion of existing operations, acquisition of a producing mine, development of a property or successful exploration
- achieve further advancements in the safety and health management of our employees
- successfully implement the Enterprise Risk Management System and improve our performance with respect to Mining Association of Canada's *Towards Sustainable Mining*

At the end of 2005 the committee evaluated Inmet's performance against these objectives. The committee concluded that Inmet made substantial progress in advancing its strategy and arrived at a corporate performance rating of 80 per cent.

Inmet's relative share price performance in 2005 was slightly below our peers and therefore on an annual basis this objective was not met. However, the committee believes that Inmet's long term share price out-performance is the more meaningful measure. In that regard, Inmet's performance over the past five years has been excellent. With the implementation of the Share award plan, the link between share price performance and management compensation will be very direct. Therefore, the committee has removed the relative share price performance as an annual objective but has retained it as the key long term focus.

The strong production and financial results in 2005 as well as the acquisition of Las Cruces were the key factors which were taken into consideration in arriving at the corporate performance rating.

Inmet's operating and financial performance was excellent in 2005. Although metal prices were an important factor contributing to these results, the committee concluded that the superior financial results were, in large part, a result of the numerous initiatives taken in the past which put Inmet in a position to take advantage of the strong markets in 2005. The committee also recognized that Inmet's operations maintained a very competitive cost structure in 2005, in spite of the strong cost pressures that the industry has experienced due primarily to rising energy costs. The committee also concluded that management responded well to the production difficulties encountered at Çayeli over the past year to ensure the long term viability of this mine.

With respect to the growth objective, the most significant accomplishment in 2005 was the acquisition of Las Cruces. The challenge of completing a successful acquisition in a rising metal market was recognized at the beginning of 2005. In spite of this, based on the progress that has been made to date on confirming the capital cost estimates and the identification a number of initiatives which have the potential to add significant value to this project, the committee believes that this transaction has the potential to create significant long term shareholder value.

With respect to our progress in advancing our safety and health management, the committee concluded that although some progress has been made, further effort and focus is required in this area. The committee is very pleased with the initiatives taken by management recently and is confident that progress will be made this year.

The committee is also satisfied with the progress that is being made with respect to the management of risk in Inmet. The implementation of the Enterprise Risk Management system together with the leadership that Inmet is demonstrating with respect to the international adoption of the Mining Association of Canada's *Towards Sustainable Mining* are demonstrable signs of progress in this area.

#### **D. CEO's compensation**

The CEO's total compensation in 2005 was \$1,544,600, excluding stock option exercises. The breakdown of his 2005 compensation was as follows:

Item	Amount
Base Salary	625,000
Annual Cash Bonus	500,000
Share Award Plan (unvested)	250,000
Contributions to Pension Plan and Payments in Lieu of Supplemental Pension Plan	135,000
Other Benefits	34,600
<b>Total</b>	<b>\$1,544,600</b>

The CEO's base salary was determined using the comparative data that the committee reviewed and was in line with the median of his peers. The committee increased his base salary in 2006 to \$675,000 which reflects the committee's satisfaction with his level of experience and knowledge of Inmet's affairs.

The CEO's annual bonus and Share award plan entitlement was based on 80 percent corporate performance, as described in Section C, applied to 150 percent of his base salary, equaling in 2005 a total of \$750,000. As shown in the above table, \$500,000 was allocated to the cash bonus. The net after tax amount on the balance of \$250,000 will be used to purchase Inmet shares. One quarter of these shares will vest annually on December 31<sup>st</sup> of the first, second, third and

fourth anniversary of the award. As a result, in subsequent years, the vested shares will be included in the table of CEO compensation.

Inmet provides a pension benefit to the CEO equal to 12 percent of his salary and annual bonus. Part of this is contributed by Inmet to the defined contribution plan, up to the maximum permitted by the Canada Revenue Agency. The balance is paid in cash to him. Inmet has no other obligation to make further payments to him upon his retirement.

The most significant other benefit provided to the CEO is a leased automobile and related expenses of \$25,000.

In addition to the above compensation, the CEO exercised 392,500 options in 2005 at an average exercise price of \$16.10 which resulted in a stock option benefit of \$4,852,084. These options had been granted to the CEO during the period from 1998 through 2001 at the then prevailing share price. In the years prior to 2002, options were granted annually at levels consistent with industry practice to retain executive management in light of our financial situation and uncertain future prospects during that time, as well as to align management's interests with those of our shareholders. The committee determined in December 2002 that the number of options outstanding at that time had reached a maximum level that was appropriate for the executive management. At that time, the number of stock options outstanding held by executive management was equal to approximately 6 percent of our issued and outstanding shares. As a result, no stock options have been granted to management, including the CEO, since December, 2001. In light of the introduction of the Share award plan, there is no intention to issue further stock options to the CEO. The CEO has 67,500 stock options outstanding at an average grant price of \$2.95 per share.

The committee is satisfied that the overall compensation of the CEO is appropriate and competitive.

Report presented by the compensation committee:

James M. Tory (chair)  
Yilmaz Argüden, Ph.D.  
David R. Beatty  
Jyrki Juusela, Ph.D.

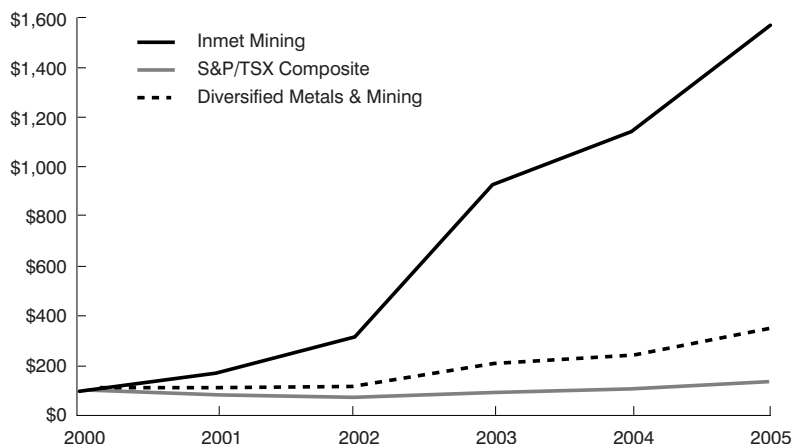
#### **LIABILITY INSURANCE FOR DIRECTORS AND OFFICERS**

We have liability coverage for our directors and officers to protect them against liabilities they may incur in their capacity as directors and officers. In 2005, we maintained \$25 million of coverage and paid premiums of \$213,000. We are taking steps to increase the amount of coverage to \$50 million. For 2005 and going forward, there is a \$100,000 deductible for all claims, except for securities claims for which there is a \$250,000 deductible.

## HOW OUR SHARES HAVE PERFORMED

The graph below compares the total cumulative shareholder return for \$100 invested in Inmet common shares with the total return of the S&P/TSX Composite Total Return Index and the S&P/TSX Diversified Metals & Mining Total Return Index for the five most recently completed financial years.

### Five Year Cumulative Total Return on \$100 Investment



At December 31	2000	2001	2002	2003	2004	2005
Inmet common shares	100	167	319	928	1,145	1,569
S&P/TSX Composite Total Return Index	100	87	76	97	111	137
S&P/TSX Diversified Metals & Mining Total Return Index	100	109	119	209	241	354

## OTHER INFORMATION

### *Documents you can request*

You can ask us for the following documents at no charge:

- our most recent annual report, which includes our consolidated annual financial statements, auditors' report and management's discussion and analysis (MD&A)
- interim consolidated financial statements and MD&A
- our most recent annual information form
- our most recent management proxy circular.

Please write to the Vice-President, General Counsel and Secretary, Inmet Mining Corporation, 330 Bay Street, Suite 1000, Toronto, Ontario, Canada M5H 2S8 to request a copy. You can also call us at 1.416.361.6400 or send a fax to 1.416.368.4692.

Copies of these documents will also be available at the annual meeting of shareholders on May 2, 2006.

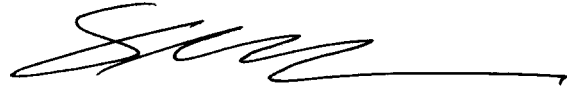
### *Accessing documents online*

These documents are also available on our website at [www.inmetmining.com](http://www.inmetmining.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

**DIRECTORS' APPROVAL**

The board has approved the contents and sending of this circular to our shareholders.

Dated at Toronto, Ontario  
March 24, 2006

A handwritten signature in black ink, appearing to read 'Steve Astritis', with a long horizontal flourish extending to the right.

Steve Astritis  
Vice-President, General Counsel and Secretary

**INMET**

MINING