

# **Inmet Mining Corporation**

Notice of 2011 annual and special meeting of shareholders

Management proxy circular

May 18, 2011



May 18, 2011

Dear Shareholder,

You are invited to attend our annual and special meeting of shareholders on Monday, June 27, 2011 at 2:30 p.m. (Toronto time) at The Toronto Board of Trade, East Ballroom, Fourth Floor, 1 First Canadian Place, 100 King Street West, Toronto, Ontario.

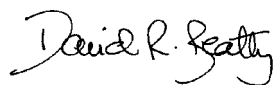
Attending the meeting gives you an opportunity to vote your shares in person, hear first-hand about our 2010 results and strategy for future growth, and meet face to face with members of the Board of Directors and Inmet's senior management.

Voting is important. The attached management proxy circular contains important information about voting, the nominated directors, our governance practices and how we compensate our directors and executives, including the key compensation decisions affecting Inmet's senior management. Voting by proxy is the easiest way to vote – just complete the enclosed form, sign and date it, and then follow the instructions for submitting it.

Inmet has made progress on many fronts, and we are very excited about our future prospects. You can find more information in our management's discussion and analysis of results of operations and financial condition and annual financial statements for the year ended December 31, 2010.

On behalf of my board colleagues and the entire management team, we look forward to welcoming you on June 27th. Thank you for your continued confidence in Inmet.

Sincerely,



David R. Beatty  
Chairman of the Board  
Inmet Mining Corporation

#### WHAT'S INSIDE

Letter to shareholders.....	IFC
Notice of 2011 annual and special meeting of shareholders.....	1
Management proxy circular.....	2
<b>Section 1</b>	
<b>About our shareholder meeting – what you need to know</b>	
Business of the meeting .....	3
About voting .....	5
About the nominated directors.....	8
<b>Section 2</b>	
<b>About Inmet</b>	
Our corporate governance practices.....	16
About the board of directors .....	17
How we compensate our directors .....	34
• Compensation discussion and analysis .....	34
• 2010 results .....	36
How we compensate our executives .....	38
• Compensation discussion and analysis .....	38
• 2011 Equity-based compensation plans.....	47
Share option plan .....	48
Performance share unit plan.....	52
• 2010 results .....	62
Other information .....	71
<b>Appendices .....</b>	<b>72</b>



MINING

## Notice of 2011 annual and special meeting of shareholders

You are invited to attend our annual and special meeting of shareholders.

**When**

Monday, June 27, 2011  
2:30 p.m. (Toronto time)

**Where**

The Toronto Board of Trade  
East Ballroom, Fourth Floor  
1 First Canadian Place  
100 King Street West  
Toronto, Ontario

**The purpose of the meeting is to:**

1. receive our consolidated annual financial statements for the year ended December 31, 2010, and the auditors' report for those statements
2. elect the directors
3. appoint our auditors
4. consider and, if deemed appropriate, adopt, with or without variation, a resolution (the full text of which is produced in Appendix C to the accompanying management proxy circular) approving the adoption by the Corporation of a new share option plan, the text of which plan is attached as Appendix D to the accompanying management proxy circular, and in connection with the adoption of the share option plan, ratifying a reserve for issuance under the plan of 2,846,000 common shares and an initial grant of 380,000 options
5. consider such other business that may properly come before the meeting.

**You have the right to vote**

You have the right to vote your shares if you were an Inmet shareholder on May 18, 2011.

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

By Order of the Board,

Lynda Beesley  
Corporate Secretary

May 18, 2011



MINING

## Management proxy circular

We are sending you this management proxy circular because you owned Inmet shares on May 18, 2011.

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

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 May 18, 2011, unless indicated otherwise.

Inmet management invites you to vote at our annual and special meeting of shareholders on Monday, June 27, 2011. Pages 3 to 7 of this circular tell you what you will be voting on and how you can vote.

By Order of the Board,

A handwritten signature in cursive script that reads "Beesley".

Lynda Beesley  
Corporate Secretary

May 18, 2011

## SECTION 1 ABOUT OUR SHAREHOLDER MEETING

### Business of the meeting

#### 1 — Receiving consolidated annual financial statements

Our consolidated annual financial statements for the year ended December 31, 2010 and the auditors' report for those statements are available on our website at [www.inmetmining.com](http://www.inmetmining.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

#### 2 — Electing directors

You can vote on electing directors to the board. Nine directors have been nominated, and 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. See *About the nominated directors* starting on page 8 for more information.

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 nominated directors at their discretion, unless they have been directed to withhold their vote.

#### *Our policy on majority voting*

If the total votes cast in favour of electing a nominated director is less than a majority of the total shares voted and withheld, the nominated director will offer to resign after the meeting. The corporate governance and nominating committee will review the offer and make a recommendation to the board, which will disclose its decision to the public. The nominated director will not participate in any board or committee deliberations while they are reviewing the offer of resignation. This policy does not apply to situations where the election of a director is contested.

#### 3 — Appointing the auditors

You can vote on appointing Inmet's auditors. The board, on the recommendation of the audit committee, proposes KPMG LLP be reappointed as auditors. KPMG LLP and its predecessor companies have been the auditors since 1992. If KPMG LLP is reappointed as auditors, they will serve until the end of the next annual meeting of shareholders and their compensation for 2011 will be set and approved by the audit committee. See *Audit committee – External auditors* starting on page 28 for more information about the auditors and the fees we paid to them in 2010 and 2009.

#### 4 — Adopting a share option plan

You can vote on approving the adoption by the Corporation of a share option plan (SOP) and, in connection with the adoption of the SOP, ratifying a reserve for issuance under the SOP of 2,846,000 common shares and an initial grant of 380,000 options. A copy of the SOP is attached as Appendix D on page 79 of this circular. The SOP has been conditionally approved by the Toronto Stock Exchange, subject to shareholder approval. It will go into effect only if a majority of the votes are cast *in favour* of approving. If the SOP is approved, it will go into effect as of May 10, 2011. The board unanimously recommends that you vote *in favour* of the SOP. See Appendix C for a copy of the resolution. See *2011 Equity-based compensation plans – SOP* starting on page 47 for more information.

## **5 — Other Business**

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 voting

### Who can vote

You have the right to vote if you owned Inmet shares on May 18, 2011. 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 (CIBC Mellon), 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.

### Shares outstanding and principal holders of our shares

At May 18, 2011, we had 69,328,864 common shares outstanding.

Leucadia National Corporation owns directly and through its subsidiary, MK Resources, LLC, a total of 11,042,413 common shares, or approximately 15.9 percent of our outstanding common shares. We issued 5,600,000 of these shares when we acquired a 70 percent interest in the Las Cruces copper project in Spain in 2005, and issued 5,442,413 of these shares in December 2010 when we acquired the remaining 30 percent interest in Las Cruces. Mr. Thomas Mara is a nominated director and an officer of Leucadia National Corporation.

Following the exchange of its subscription receipts on May 17, 2011, Temasek Holdings (Private) Limited ("Temasek") beneficially owns through its wholly-owned subsidiary, Ellington Investments Pte. Ltd., a total of 7,779,692 common shares, or approximately 11.2 percent of our outstanding common shares. Temasek is entitled to designate one nominee for election or appointment to our board ("Board Designee") in accordance with the terms of an investors rights agreement with Inmet for as long as it beneficially owns at least 5 percent of Inmet's outstanding common shares. We expect that Temasek will designate a Board Designee after the Meeting.

Our directors and officers are not aware of anyone else who beneficially owns, directly or indirectly, or exercises control or direction of more than 10 percent of our voting shares.

### What happens if you bought shares after May 18, 2011

If you are a registered shareholder, you need to:

- send a note to our Corporate Secretary by Thursday, June 23, 2011, 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 Corporate Secretary by Thursday, June 23, 2011, 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 and special meeting and vote for you (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 them 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. Your proxyholder must vote your shares according to your instructions. If you do not specify how you want to vote your shares, your proxyholder can vote as he or she sees fit.**

Your proxyholder will vote according to your instructions on these items and on any ballot that may be called for. If there are changes or new items, your proxyholder has the discretionary authority to vote your shares on these items as he or she sees fit.

#### *Returning your proxy form*

We must receive your completed proxy form or voting instruction form by 2:30 p.m. (Toronto time) on Thursday, June 23, 2011. If you are voting by telephone or on the Internet, all required information must be entered by 2:30 p.m. (Toronto time) on Thursday, June 23, 2011.

If the meeting is adjourned, we must receive your completed form by 2:30 p.m. (Toronto time), one business day before the day of the adjourned meeting.

### **Registered shareholders**

Registered shareholders can vote in one of the following ways:

#### *1 • By proxy*

##### *By telephone (North America)*

Call 1.866.271.1207 toll-free and follow the instructions. 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, P.O. Box 721, Agincourt, Ontario M1S 0A1.

##### *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.

*2 • By attending the meeting in person*

When you arrive at the meeting, see a representative of CIBC Mellon to register your attendance. Voting in person will automatically cancel any proxy form you previously completed and submitted.

**Non-registered shareholders**

Non-registered shareholders have two ways to vote:

*1 • By proxy*

If you received a proxy form, follow the instructions provided by CIBC Mellon.

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.

**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 CIBC Mellon, so they receive it by 2:30 p.m. (Toronto time) on Thursday, June 23, 2011
- sending a notice in writing from you or your authorized attorney to our Corporate Secretary by 2:30 p.m. (Toronto time) on Thursday, June 23, 2011
- 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), or from their nominee.

If you received the materials directly from our transfer agent, we assume responsibility for delivering these materials and executing your proper voting instructions. Personal information such as your name, address and the 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 responsibility for delivering the materials and executing your voting instructions.

## About the nominated directors


We expect all of our directors to show leadership by conducting themselves in a way that reinforces our culture of transparency, integrity and, above all, duty to shareholders. Each candidate must have a demonstrated track record of good business judgment and the inherent characteristics we list in our *Statement of expectations for our directors*.

The table below tells you about the nominated directors, including their areas of expertise and the amount of Inmet securities they held at the end of the last three fiscal years. Each director has gained other skills and experience that are important for fulfilling his responsibilities as a member of our board. Almost all of the nominated directors have also been involved in the mining or natural resources sector as management, a board director or advisor outside of their involvement with Inmet.

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 a direct or indirect relationship that the board believes could be reasonably expected to interfere with his ability to exercise independent judgment.

In addition to those directors already nominated, Temasek is entitled to designate a Board Designee in accordance with the terms of an investor rights agreement with Inmet for as long as it beneficially owns at least 5 percent of Inmet's outstanding common shares. We expect that Temasek will designate a Board Designee after the Meeting. You can find more information on Temasek under *Shares outstanding and principal holders of our shares* on page 5.

You can find more information about our governance practices on page 16 and board of directors, including director independence, starting on page 18.

 <p><b>Dr. Yilmaz Argüden</b> Age: 53 Istanbul, Turkey Director since 2005 Independent</p> <p><b>Areas of expertise</b> Strategic leadership and management International Human resources Governance/board Sustainable development</p> <p><b>Committees</b> Audit committee Corporate governance and nominating committee Safety, environmental and community affairs committee</p>	<p>Dr. Argüden is Chairman of ARGE Consulting A.S., a management consulting firm based in Istanbul, Turkey. He is the Chairman of Rothschild investment bank in Turkey. He is also an Adjunct Professor of Business Strategy at the Bosphorus University and an author of numerous books and a columnist.</p> <p>He is the former Chairman of Erdemir, the largest Turkish steel company, and has been a board member of various Anadolu, Borusan, Koç, Vestel and state owned companies in Turkey. Dr. Argüden was selected as a "Global Leader of Tomorrow" by the World Economic Forum in 1999. Dr. Argüden is also Chairman of the Turkish Canadian Business Council, the National Representative of the United Nations Global Compact, and a member of the Private Sector Advisory Group of the Global Corporate Governance Forum.</p>						
	<b>Securities held</b>						
	<b>Year</b>	<b>Common shares</b>	<b>DSUs</b>	<b>Total common shares and DSUs held</b>	<b>Total market value of common shares and DSUs (value at risk)</b>	<b>Minimum required</b>	<b>Meets share ownership guidelines</b>
	2010	nil	8,119	8,119	\$627,274	\$345,000	yes
	2009	nil	6,096	6,096	\$388,803		
2008	nil	4,930	4,930	\$96,529			
<b>Other directorships</b>							
<p>Anadolu Efes Coca-Cola İçecek Vestel Electronics Corp. Vestel White Goods Trade and Industry A.S. Yazicilar Holding A.S.</p>							



**David R. Beatty, O.B.E.**

Age: 69  
 Toronto, Ontario  
 Director since 2003  
 Chairman, Independent

**Areas of expertise**  
 Strategic leadership and management  
 International  
 Financial literacy  
 Government relations  
 Governance/board

**Committees**  
 Human resources and compensation committee

Mr. Beatty is Inmet's non-executive Chairman. He 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 the past Managing Director of the Canadian Coalition for Good Governance. He is also Honorary Consul to Canada for the Government of Papua New Guinea, and in 1993, was awarded the O.B.E.

**Securities held**

Year	Common shares	DSUs	Total common shares and DSUs held	Total market value of common shares and DSUs (value at risk)	Minimum required	Meets share ownership guidelines
2010	4,000	9,764	13,764	\$1,063,407	\$975,000	yes
2009	4,000	6,781	10,781	\$687,612		
2008	4,000	5,613	9,613	\$188,203		

**Other directorships**

Bank of Montreal  
 FirstService Corporation  
 Walter Energy, Inc.



**John H. Clappison**

Age: 64  
 Toronto, Ontario  
 Director since June 2010  
 Independent

**Areas of expertise**  
 Strategic leadership and management  
 International  
 Financial literacy  
 Governance/board

**Committees**  
 Audit committee (chair)

Mr. Clappison is a corporate director and former managing partner of the Greater Toronto Area office of PricewaterhouseCoopers LLP. He is a Chartered Accountant, a Fellow of the Institute of Chartered Accountants of Ontario and worked with PricewaterhouseCoopers (or its predecessor firm) for 37 years.

**Securities held**

Year	Common shares	DSUs	Total common shares and DSUs held	Total market value of common shares and DSUs (value at risk)	Minimum required	Meets share ownership guidelines
2010	nil	685	685	\$52,923	\$345,000	No – has until June 14, 2015 to meet the guideline
2009	n/a	n/a	n/a	n/a		
2008	n/a	n/a	n/a	n/a		

**Other directorships**

Cameco Corporation  
 Rogers Communications Inc.  
 Sun Life Financial Inc.



**John C. Eby**

Age: 59  
 Toronto, Ontario  
 Director since 2005  
 Independent

**Areas of expertise**

Corporate finance  
 Investment banking/mergers  
 and acquisitions

**Committees**

Audit committee  
 Safety, environmental and  
 community affairs committee  
 Corporate governance and  
 nominating committee (chair)

Mr. Eby is a corporate director and former Vice-Chairman of Scotia Capital Inc. where he was responsible for overseeing the firm's mining practice. 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.

**Securities held**

Year	Common shares	DSUs	Total common shares and DSUs held	Total market value of common shares and DSUs (value at risk)	Minimum required	Meets share ownership guidelines
2010	3,200	4,317	7,517	\$580,763	\$345,000	yes
2009	4,700	3,175	7,875	\$502,268		
2008	4,700	2,465	7,165	\$140,291		

**Other directorships**

Crombie Real Estate Investment Trust  
 Wajax Corporation



**Paul E. Gagné**

Age: 64  
 Senneville, Quebec  
 Director since 1996  
 Independent

**Areas of expertise**

Financial literacy  
 Governance/board

**Committees**

Audit committee  
 Human resources and  
 compensation committee  
 Safety, environmental and  
 community affairs committee  
 (chair)

Mr. Gagné is Chairman of Wajax Corporation and 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.

Mr. Gagné has extensive experience in the resources sector and is a Canadian chartered accountant.

**Securities held**

Year	Common shares	DSUs	Total common shares and DSUs held	Total market value of common shares and DSUs (value at risk)	Minimum required	Meets share ownership guidelines
2010	5,300	31,750	37,050	\$2,862,483	\$345,000	yes
2009	5,300	30,510	35,810	\$2,283,962		
2008	5,300	29,694	34,994	\$685,163		

**Other directorships**

Ainsworth Lumber Co. Ltd.  
 CAE Inc.  
 Textron Inc.  
 Wajax Corporation (Chairman)



**Oyvind Hushovd**  
 Age: 61  
 Kristiansand, Norway  
 Director since 2002  
 Independent

**Areas of expertise**  
 Strategic leadership and management  
 International  
 Industry knowledge  
 Governance/board

**Committees**  
 Human resources and compensation committee  
 Safety, environmental and community affairs committee

Mr. Hushovd is a corporate director and past Chairman and Chief Executive Officer of Gabriel Resources Ltd. From 1996 to 2002, he was President and Chief Executive Officer of Falconbridge Limited and prior to that, held senior positions within that company.

**Securities held**

Year	Common shares	DSUs	Total common shares and DSUs held	Total market value of common shares and DSUs (value at risk)	Minimum required	Meets share ownership guidelines
2010	nil	10,333	10,333	\$798,328	\$345,000	yes
2009	nil	9,169	9,169	\$584,799		
2008	nil	8,436	8,436	\$165,177		

**Other directorships**

Cameco Corporation  
 Ivanhoe Nickel & Platinum Ltd.  
 Nyrstar NV



**Thomas E. Mara**  
 Age: 65  
 New York, USA  
 Director since 2005  
 Independent

**Areas of expertise**  
 Corporate finance  
 Investment banking/mergers and acquisitions

**Committees**  
 Audit committee

Mr. Mara is Executive Vice-President and Treasurer, Leucadia National Corporation. He has broad U.S. and international financial experience.

**Securities held**

Year	Common shares	DSUs	Total common shares and DSUs held	Total market value of common shares and DSUs (value at risk)	Minimum required	Meets share ownership guidelines
2010	nil	5,353	5,353	\$413,573	\$345,000	yes
2009	nil	3,340	3,340	\$213,025		
2008	nil	2,185	2,185	\$42,782		

**Other directorships**

Not applicable



**Jochen Tilk**

Age: 47  
 Toronto, Ontario  
 Director since 2010  
 Not independent

**Areas of expertise**  
 Strategic leadership and management  
 International Operations  
 Industry knowledge  
 Safety, health and environment

**Committees**  
 Not applicable

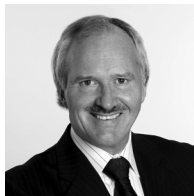
Mr. Tilk is Inmet's President and Chief Executive Officer. He is a mining engineer and holds a masters degree in engineering from the University of Aachen, Germany.

**Securities held**

Year	Common shares	Unvested common shares held under SAP	Unvested LTIP units	Total common shares	Total market value of common shares (value at risk)	Minimum required	Meets share ownership guidelines
2010	28,136	7,904	103,000	36,040	\$2,784,450	\$2,400,000	yes
2009	21,824	14,216	103,000	36,040	\$2,298,631		
2008	15,224	14,632	80,000	29,856	\$584,580		

**Other directorships**

Not applicable



**Douglas W.G. Whitehead**

Age: 64  
 North Vancouver, British Columbia  
 Director since 2007  
 Independent

**Areas of expertise**  
 Strategic leadership and management  
 International  
 Human resources  
 Financial literacy  
 Safety, health and environment  
 Governance/board

**Committees**  
 Human resources and compensation committee (chair)  
 Safety, environmental and community affairs committee

Mr. Whitehead is Chairman of the Board of Finning International Inc. He was President and Chief Executive Officer of Finning International Inc. from April 2000 to May 2008.

From 1992 to 1998, Mr. Whitehead was President and Chief Executive Officer of Fletcher Challenge Canada. Prior to that, he held a number of line management and executive positions in general management, marketing and merchandising, planning and development and human resources with Fletcher Challenge Canada and its predecessors.

**Securities held**

Year	Common shares	DSUs	Total common shares and DSUs held	Total market value of common shares and DSUs (value at risk)	Minimum required	Meets share ownership guidelines
2010	3,000	2,548	5,548	\$428,638	\$345,000	yes
2009	2,000	1,412	3,412	\$217,617		
2008	2,000	709	2,709	\$53,042		

**Other directorships**

Ballard Power Systems Inc.  
 Belcorp Industries Inc.  
 Finning International Inc.  
 International Forest Products Limited

Notes to the director profiles:

- *Independent* refers to the standards of independence established under the Canadian Securities Administrators' Multilateral Instrument 52-110.
- *Common shares* refers to the number of Inmet common shares beneficially owned or controlled by the director, as at December 31, 2010, 2009 and 2008. The amount indicated for Mr. Tilk includes vested Inmet common shares under Inmet's share award plan (SAP). The unvested common shares he holds under the SAP are listed in a separate column.
- *DSUs* refer to the number of deferred share units held by the director as at December 31, 2010, 2009 and 2008. We require all directors, except the Chairman, to accumulate at least three times the annual retainer fee for directors, or \$345,000, in Inmet common shares or DSUs within five years of becoming a director. We require the Chairman to accumulate at least three times the Chairman's annual retainer fee, or \$975,000, in Inmet common shares or DSUs within five years of being appointed to that position.
- Mr. Tilk does not participate in the DSU plan and does not receive remuneration as a director of Inmet. Prior to 2010, half of his annual bonus as CEO was used to buy Inmet common shares in the market under the SAP. These shares are subject to vesting provisions, and are reflected in the column *Unvested common shares under the SAP*. In 2010, his annual bonus under the PBP was paid 100 percent in cash. For more information on the PBP, see *2010 and 2011 changes to the SAP* on page 45 of this circular.
- *Total market value of common shares and DSUs* is calculated by multiplying the total number of Inmet common shares and DSUs held by the director by the closing price of the Inmet common shares on the Toronto Stock Exchange (TSX) on the last trading day of the year (December 31, 2010 – \$77.26, December 31, 2009 – \$63.78 and December 31, 2008 – \$19.58). For Mr. Tilk, total market value of common shares is calculated using the total number of Inmet common shares he holds directly and under the SAP. Unvested units awarded under the long term incentive plan (LTIP units) are not included in the calculations.
- Mr. Tilk holds unvested LTIP units. LTIP units do not count towards his target ownership value. See *Share ownership expectations* on page 70 for more information.
- The Chief Executive Officer is required to hold three times the value of his base salary in Inmet common shares before he can sell any of his shares. Mr. Tilk's minimum ownership is \$2,400,000.
- Mr. Clappison became a director of Inmet on June 14, 2010.

### Serving together on other boards

The table below lists the directors of Inmet who served together on the boards of directors of other publicly traded companies as at December 31, 2010. The corporate governance and nominating committee does not believe that these interlocking board memberships affect the directors' ability to act in the best interests of Inmet.

Company	Inmet director	Position held	Current board committees served
Wajax Corporation	John Eby	Director	Corporate governance and nominating committee
	Paul Gagné	Chairman and Director	None
Cameco Corporation	John Clappison	Director	Audit committee Human resources and compensation committee
	Oyvind Hushovd	Director	Audit committee Human resources and compensation committee Reserves oversight committee
Canadian Real Estate Investment Trust	John Clappison	Director	Audit Committee Compensation and Governance Committee
	James M. Tory	Director	Audit Committee Compensation and Governance Committee Investment Committee

Notes to the above table:

Mr. Clappison retired from the Canadian Real Estate Investment Trust Board effective February 15, 2011 and Mr. Tory will not be standing for re-election at Inmet's annual and special meeting of shareholders. As such, the interlocking board membership at Canadian Real Estate Investment Trust no longer exists.

### Cease trade or similar orders or other events

Early in November 2006, Mr. Gagné resigned as a director of Gemofor Inc. (Gemofor), a small, privately held manufacturer of sawmilling equipment. In December 2006, Gemofor declared bankruptcy.

Mr. Gagné was a director of Fraser Papers Inc. (Fraser) from April 2004 until February 2010. In June 2009, Fraser initiated a court-supervised restructuring under the *Companies' Creditors Arrangement Act* (CCAA) and also filed for protection pursuant to Chapter 15 of the U.S. *Bankruptcy Code*. As part of its restructuring, Fraser sold all of its productive assets and distributed the proceeds from the sale of those assets pursuant to a Consolidated Plan of Compromise and Arrangement which was approved by the courts in February, 2011.

Fraser's common shares were suspended from trading on the Toronto Stock Exchange (TSX) on June 23, 2009 and delisted on July 22, 2009. On March 10, 2011, the Ontario Securities Commission issued a cease trade order against Fraser.

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 TSX since December 31, 2004 due to the restructuring. Mr. Beatty is no longer a director of Thistle.

## Meeting attendance

Regular board and committee meetings are set approximately two years in advance. Special meetings are scheduled as required. We expect our directors to attend at least 75 percent of the regularly scheduled board and committee meetings. We encourage the directors to attend all the meetings in person, but they may also participate by teleconference.

The table below shows the number of board and committee meetings held in 2010 and the number of meetings attended by each nominated director.

	Board of directors (12 meetings)		Audit committee (6 meetings)		Human resources and Compensation committee (7 meetings)		Corporate governance and nominating committee (3 meetings)		Safety, environmental and community affairs committee (4 meetings)		Special committee (1 meeting)	
	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
Yilmaz Argüden	12/12	100	6/6	100			3/3	100	4/4	100	1/1	100
David R. Beatty	12/12	100			6/7	86	1/1	100			1/1	100
John H. Clappison	6/7	86	4/4	100							1/1	100
John C. Eby	11/12	92	6/6	100			3/3	100	4/4	100	1/1	100
Paul E. Gagné	12/12	100	6/6	100	6/6	100			4/4	100	1/1	100
Oyvind Hushovd	12/12	100	2/2	100	6/6	100			4/4	100	1/1	100
Thomas E. Mara	12/12	100	4/4	100								
Jochen Tilk	12/12	100										
Douglas Whitehead	12/12	100			7/7	100			4/4	100	1/1	100
<b>Overall attendance</b>	<b>98%</b>		<b>100%</b>		<b>95%</b>		<b>100%</b>		<b>100%</b>		<b>100%</b>	

Notes to the above table:

Mr. Beatty retired as Chair and as a member of the corporate governance and nominating committee on February 8, 2010.

Mr. Clappison was appointed to the board on June 14, 2010 and joined the Audit committee on July 20, 2010.

Mr. Hushovd retired from the Audit committee on July 19, 2010. Messrs. Hushovd and Gagné joined the HRCC on July 26, 2010.

Mr. Mara joined the Audit committee on July 20, 2010.

Mr. Seidler, who is not standing for re-election to the board, was a member of the SECA committee in 2010. He attended 100 percent of all committee and board meetings in 2010.

Mr. Tilk, who is not a member of any committee, attended 100 percent of all committee meetings in his capacity as President and CEO.

Mr. Tory, who is not standing for re-election to the board, was a member of the audit committee, HRCC, corporate governance and nominating committee in 2010. He was absent from one board meeting because of a scheduling conflict and from the board and committee strategy sessions in November 2010 as a result of hip replacement surgery.

A special committee was formed on November 30, 2010 to supervise the review process of potential transactions, including the proposed merger with Lundin Mining Corporation, and to make recommendations to the board with respect to such transaction. The special committee consisted of all directors except Messrs. Mara and Tilk.

## SECTION 2 ABOUT INMET

### Our corporate governance practices

Inmet believes in the importance of a strong board and sound corporate governance policies and practices to direct and manage our business affairs. Good corporate governance is essential to attracting and retaining the trust of our shareholders, our employees and the communities we work in. We also believe it enhances our performance.

Inmet has developed a governance model that reflects its values, respects the rights of shareholders and complies with the rules of the Canadian Securities Administrators (CSA) and the Toronto Stock Exchange (TSX). Our corporate governance practices are set out below.

### Our leadership charter

We have 12 leadership principles that apply internally and externally to our interactions with other employees, our shareholders and all other stakeholders.

### Ethical business conduct

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

As a global mining company, we believe in the importance of embracing these values throughout the organization and in every jurisdiction where we operate and do business.

### Disclosing conflicts of interest

Our directors, officers and general managers are required to disclose to the Chairman and the President and CEO any conflict of interest he or she may have when considering transactions and agreements and they will present the matter to the corporate governance and nominating committee and the board for review.

### Monitoring and oversight

The board reviews the code once a year and has delegated compliance oversight to the corporate governance and nominating committee.

We monitor compliance with the code through a confidential reporting system that allows employees to report suspected illegal, unethical or improper conduct in violation of the code 24 hours a day, seven days a week either through the Internet, a toll-free telephone number or by mail.

The reporting system is run by an independent third party and generates reports for management. Management reviews the reports and investigates any alleged breaches of the code. The system also

### Inmet leadership charter

As leaders, each of us will:

- Ensure a safe and healthy working environment and demonstrate safe working practices.
- Within the framework of our strategy, develop and communicate objectives.
- Regularly assess the achievability of our objectives and predict the outcomes.
- Deliver the predicted outcomes and thus deliver superior returns to our shareholders.
- Identify, evaluate and mitigate risk in all aspects of our business.
- Make decisions in a disciplined and timely manner.
- Act transparently and ethically.
- Be accountable for our actions.
- Demonstrate social and environmental responsibility in what we do.
- Clearly communicate in a way that promotes informed decision making.
- Consult and listen to others.
- Treat others fairly and respectfully.

serves as a database, keeping a copy of all reports, logging the receipt of each one and recording how it was investigated and resolved.

Management prepares quarterly reports for the committee, noting any alleged violations of the code. The committee updates the board quarterly about compliance with the code, and reports any alleged violations to the board as necessary. The chairs of the corporate governance and nominating committee and audit committee have access to all reports filed on the system. They may also receive and address any sensitive reports filed on the system that management does not have access to. It is standard practice for the audit committee to be notified of any alleged violations of the code relating to accounting, internal controls or auditing matters.

The corporate governance and nominating committee reviews the process for administering the code every year.

#### *Certifying compliance*

We also conduct an annual certification process to monitor compliance with the code. The Vice-President, Legal and Corporate Affairs reports the results to the board once a year. To date, we have not been required to file a material change report relating to a departure from the code.

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

## **About the board of directors**

The board of directors is responsible for the stewardship of Inmet's business and affairs. Our articles dictate that the board must consist of between three and 15 directors. Our board consists of a majority of directors who are *independent*. The board's main role is to oversee corporate performance and to make sure that management has the talent, professionalism and integrity necessary to successfully carry out our strategic plan and achieve our corporate objectives.

The board has adopted a statement of our corporate governance guidelines. The guidelines are reviewed every year by the corporate governance and nominating committee and any changes are recommended to the board for approval. A copy of our guidelines and practices is posted on our website at [www.inmetmining.com](http://www.inmetmining.com).

The board normally meets 5 times per year, but may meet more often depending on the state of our affairs, business opportunities and the risks we face in our business. The Chairman and the chairs of each of the four board committees approve an agenda prior to each meeting. Directors may suggest agenda items and/or raise the matters at the meetings.

The following officers also regularly attend portions of each board meeting:

- President and Chief Executive Officer (CEO)
- Vice-President and Chief Financial Officer (CFO)
- Vice-President, Legal and Corporate Affairs
- Vice-President, Corporate Development
- Vice-President, Corporate Responsibility
- Vice-President, Engineering and Infrastructure
- Vice-President, Finance
- Vice-President, Mining
- Vice-President, Projects
- Corporate Secretary

The Chairman and committee chairs may invite outside advisors or consultants to attend a meeting to make a presentation or provide insight to a particular agenda item that involves them.

The board met 12 times in 2010, including 7 special meetings.

## Independence

The board broadly defines a director as:

- *independent* if the director has no direct or indirect material relationship with Inmet, which means the director is independent of management and free from conflict of interest
- having a *material relationship* if the board believes this relationship could be reasonably expected to interfere with the exercise of the director's independent judgment.

This is the same as the definition under the CSA's National Instrument 52-110. The corporate governance and nominating committee uses this definition to review and assess director independence annually. The committee discusses any circumstances or factors that could be reasonably expected to interfere with each director's ability to exercise independent judgment, and then presents its conclusions to the board.

Eight of the nine nominated directors, or 89 percent, are *independent*, as determined by the board, meaning they are not related to management and free from conflict of interest. A nominated director is not independent if he has a direct or indirect relationship that the board believes could be reasonably expected to interfere with his ability to exercise independent judgment.

In determining whether or not its members are related to management and free from conflict of interest, the board, with the assistance of the corporate governance and nominating committee, assesses:

- direct or indirect material relationships with Inmet which could interfere with the exercise of his or her independent judgment
- employment by, or other relationships with Inmet or with its external auditor
- the relationships of its immediate family members with Inmet or its external auditor
- any payment of fees by Inmet to the member's immediate family
- direct or indirect relationships of its members with other members of the board.

The table below shows the results of the committee's assessment of the nominated directors.

Independent status of nominated directors			
Name	Management	Independent	Not Independent
Yilmaz Argüden, Ph.D.		•	
David R. Beatty, O.B.E. (Chairman)		•	
John H. Clappison			
John C. Eby		•	
Paul E. Gagné		•	
Oyvind Hushovd		•	
Thomas E. Mara		•	
Jochen Tilk	•		•
Douglas Whitehead		•	

Notes to above table:

Mr. Tilk is not independent as he is Inmet's President and CEO.

### *Independent chairman*

The board has appointed a non-executive, independent director as its Chairman. One of Mr. Beatty's roles as Chairman is to ensure that the board operates independently of management. A description of the Chairman's role is posted on our website at [www.inmetmining.com](http://www.inmetmining.com).

### *Meeting in camera*

Independent directors meet *in camera* without management present at the beginning and end of every in person board meeting, and the Chairman leads these sessions.

Board committees consist of independent directors, and they meet *in camera* at the beginning and end of every in person committee meeting. The chair of each committee presides over these sessions.

The Chairman and committee chairs update management on the substance of the *in camera* meetings if action is required.

The table below shows the number of *in camera* sessions and board meetings held in 2010:

Meetings held in 2010	In camera sessions/Total meetings		
	Regular	Special	Total
Board	5/5	6/7	11/12
Audit committee	5/5	1/1	6/6
Human Resources and compensation committee	3/3	4/4	7/7
Corporate governance and nominating committee	3/3		3/3
Safety, environmental and community affairs committee	4/4		4/4

An in camera session was not held for one special conference call board meeting as a result of static interference on the line.

See *About the nominated directors – Meeting attendance* on page 15 for the attendance record of each director.

Some of our directors are also directors of other public companies. See *About the nominated directors* starting on page 8 and *Serving together on other boards* on page 14 for more information.

### **Mandate and responsibilities**

The board operates under a written mandate that sets out the key responsibilities for fulfilling its role. The corporate governance and nominating committee reviews the mandate every year and then recommends it to the board for approval.

The board carries out its affairs according to:

- the Canada Business Corporations Act
- Inmet's articles of amalgamation and by-laws
- Inmet's code of business conduct and ethics
- Inmet's statement of expectations for directors
- the board mandate and committee charters
- Inmet's leadership charter, policies and other laws that apply.

See Appendix A at page 72 of this management proxy circular for a copy of the board's mandate (a copy is also posted on our website at [www.inmetmining.com](http://www.inmetmining.com)).

### **Authorization and decision making**

According to our authorization policy, the board must approve certain significant decisions that affect Inmet before management implements them. These 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, and also approves changes in senior management.

### **Strategic planning**

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

### **Risk management**

The board, with the assistance of its committees, is responsible for overseeing our processes for identifying, assessing and managing our principal risks and for ensuring that management implements appropriate risk management systems. Management updates the board on our key risks at each of its regularly scheduled board meetings. The reports cover our strategic risks as well as those relating to our financial strategy, growth strategy, operations and marketing. See *About the board of directors – Board committees* starting on page 28 for more information about the committees' activities in 2010.

### **Management**

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

### **Communications**

The board, or the audit committee on behalf of the board, reviews and approves our 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 once a year and delegates oversight of the policy to management. The President and CEO, Vice-President and CFO, Vice-President, Legal and Corporate Affairs, Vice-President, Finance, Director of Finance, Financial Controller and the Director, Investor Relations are members of the disclosure committee, which manages Inmet's disclosure to shareholders and others.

### **Shareholder Engagement**

We communicate with our shareholders in a number of ways, including:

- our corporate website
- our disclosure documents
- management's quarterly conference calls with analysts, which shareholders and the public can access
- specific shareholder inquiries, which are handled by the:
  - President and CEO
  - Vice-President and CFO
  - Vice-President, Legal and Corporate Affairs
  - Director, Investor Relations
  - Corporate Secretary.

Shareholders or other stakeholders of the Corporation may communicate with the board of directors by writing to:

Chairman of the Board  
c/o Corporate Secretary  
Inmet Mining Corporation  
Suite 1000, 330 Bay Street  
Toronto, ON M5H 2S8

Communications by email should be sent to [ir@inmetmining.com](mailto:ir@inmetmining.com).

### **Internal controls**

Through the audit committee, the board also examines the effectiveness of our internal control processes and management information systems. The audit committee consults with the external auditors and management to ensure that we maintain the quality and integrity of our internal control systems. The external auditors and management report on the quality of our internal control systems to the audit committee every year.

### **Independent advice**

The board and its committees have the discretion to consult with or retain independent legal, financial or other advisors at Inmet's expense.

### **Position descriptions**

The President and CEO, the Chairman and each of the committee chairs have formal position descriptions, which the corporate governance and nominating committee reviews annually and recommends to the board for approval. These documents are posted on our website at [www.inmetmining.com](http://www.inmetmining.com).

### **Compensation**

The board, through the HRCC, determines the compensation of our executive officers. See *How we compensate our executives – Compensation discussion and analysis*, starting on page 38.

The HRCC regularly reviews our director compensation and compares it to the programs of other Canadian publicly traded companies in similar industries and the fees they paid their directors.

The committee also reviews and approves the corporate objectives for the President and CEO and those for his direct reports. It assesses the CEO's performance against these objectives, and reports its results to the board.

### **Succession planning**

The HRCC reviews management's succession plan every year, including the appropriateness of our current and future organizational structure, and recommends it to the board for approval. The corporate governance and nominating committee is responsible for maintaining the board's succession plan, which is reviewed every year.

You can find more information about the roles and responsibilities of the board committees starting on page 28.

## What we expect of our directors

The board has approved a statement of expectations for directors that sets out the following attributes it expects each director to exhibit while carrying out his duties on our board:

Director attributes	
Representation of shareholders	<ul style="list-style-type: none"> <li>Clearly recognize that your role, above all else, is to represent the interests of our shareholders.</li> <li>Understand and fulfill your legal and fiduciary responsibilities.</li> <li>Have no conflict of interest and support the independent functioning of the board.</li> </ul>
Vision and leadership	<ul style="list-style-type: none"> <li>Understand our strategy.</li> <li>Act in a manner that supports our values and our leadership charter.</li> <li>Be transparent, demonstrate integrity and act in accordance with the highest ethical standards.</li> <li>Treat others fairly and respectfully.</li> </ul>
Judgment and knowledge	<ul style="list-style-type: none"> <li>Demonstrate judgment and knowledge when assessing strategic and business plans and management recommendations.</li> <li>Be informed and knowledgeable enough to be able to contribute effectively to the board's oversight responsibilities.</li> <li>Continuously update your knowledge of Inmet, the mining industry and the regulatory environment.</li> </ul>
Meaningful participation	<ul style="list-style-type: none"> <li>Participate in a meaningful and inquiring way by expressing your ideas and engaging in constructive discussion.</li> <li>Be accountable for your actions.</li> <li>Make decisions in a disciplined and timely manner.</li> <li>Hold management accountable for performance and results.</li> </ul>
Communications	<ul style="list-style-type: none"> <li>Clearly communicate in a way that promotes informed decision-making.</li> <li>Consult and listen to directors and management.</li> </ul>
Expertise	<ul style="list-style-type: none"> <li>Make your specific expertise available to the board.</li> <li>Be willing to provide advice and support outside of board and committee meetings.</li> </ul>

The *Statement of expectations for our directors* applies to each member of our board. A copy is posted on our website at [www.inmetmining.com](http://www.inmetmining.com).

## Orientation and continuing education

The corporate governance and nominating committee is responsible for establishing and overseeing our director orientation and education programs.

### Orientation program

Our orientation program ensures that new directors have a clear understanding of board responsibilities, develop a good working relationship with the current board members, and become familiar with our operations and management team so they can actively participate in the meetings when they join the board.

We expect new directors to attend all board meetings and all committee meetings when he or she is a member of that committee. When a new director joins a committee, the director has an initial

meeting with the committee chair and relevant members of management to receive an overview of the committee's work to date.

<b>Orientation program</b>	
Face-to-face meetings	<ul style="list-style-type: none"> <li>• During the recruitment stage, candidates will have met with the Chairman, Chair of the corporate governance and nominating committee and President and CEO for an overview of Inmet's history, strategy and other background information, and an understanding of expectations of the time commitment and effort required as a member of our board</li> </ul>
Director manual	<p>Includes:</p> <ul style="list-style-type: none"> <li>• a handbook containing relevant corporate and business information (Inmet's articles, bylaws, organization and corporate charts, board mandates, committee charters, position descriptions and compensation plans and policies)</li> <li>• current disclosure documents (annual report, annual information form, management information circular and sustainability report)</li> <li>• strategy document (includes our strategy and objectives, budget and financial review for the current year)</li> <li>• board presentations for the current year</li> </ul>
Meetings with the Chairman and senior management	<ul style="list-style-type: none"> <li>• Meetings prior to the first board meeting to familiarize the new director with our operations, structure and processes, strategic plans, significant financial, accounting and risk management issues and any specific issues facing the board</li> </ul>
Site visit	<ul style="list-style-type: none"> <li>• Opportunity to attend a site visit to our major operations within two years of membership</li> </ul>
Feedback process	<ul style="list-style-type: none"> <li>• New director provides feedback to the Corporate Secretary at the end of his first quarter of serving on the board. Feedback on the content and delivery of the program helps enhance the program for future directors</li> </ul>

### **Continuing education**

Continuing education is important for helping directors keep abreast of developments in the mining industry, various aspects of corporate governance as it continues to evolve and other matters relevant to serving on our board.

<b>Continuing education program</b>	
Presentations by senior management	<ul style="list-style-type: none"> <li>• Presentations at each meeting on issues relevant to our business plan, risk profile and other topics to keep directors up to date on business activities, industry practices, corporate governance and other developments</li> </ul>
Presentations by outside experts	<ul style="list-style-type: none"> <li>• Presentations by recognized experts from time to time on subjects pertinent to our business or of particular interest to the board</li> </ul>
Annual strategy session	<ul style="list-style-type: none"> <li>• With a specific focus on topical issues</li> </ul>
Site visit	<ul style="list-style-type: none"> <li>• Opportunity to visit at least one operation or development project each year. In 2010, the board visited our Las Cruces operation in Spain and our Cobre Panama development project in Panama.</li> </ul>
Professional development opportunities	<ul style="list-style-type: none"> <li>• Conferences, seminars or courses designed for directors of public companies or that are relevant to serving on our board</li> <li>• We pay a share of the expense when a director sits on the boards of other companies that would also benefit from the director attending these sessions</li> </ul>

The table below lists the presentation topics held for directors at board and committee meetings in 2010:

Meeting	Presentation topic
Board	<ul style="list-style-type: none"> <li>• Updates on the mining industry and mergers and acquisitions</li> <li>• community, environmental and political affairs issues facing mining operations</li> <li>• presentations relating to strategic planning and key business decisions under discussion</li> <li>• international financial reporting standards (IFRS)</li> <li>• lessons learned from large scale mining projects</li> </ul>
Audit committee	<ul style="list-style-type: none"> <li>• IFRS</li> <li>• corporate governance relating to the audit committee and its responsibilities</li> </ul>
Human resources and compensation committee	<ul style="list-style-type: none"> <li>• executive compensation trends, issues and the competitive landscape</li> <li>• advisory vote on executive compensation</li> </ul>
Corporate governance and nominating committee	<ul style="list-style-type: none"> <li>• best practices in shareholder communication and compensation disclosure</li> <li>• corporate governance and disclosure regulatory initiatives</li> </ul>
Safety, environmental and community affairs committee	<ul style="list-style-type: none"> <li>• External relations at Minera Panama, S.A.</li> <li>• SECA management system architecture enhancements</li> <li>• Progress against commitments</li> <li>• United Nations Global Compact</li> <li>• Operational Excellence</li> </ul>

### Serving on other boards

We do not limit the number of other boards our directors may serve on, however, we advise potential candidates that they need to devote sufficient time to our affairs and to fulfilling their role on our board.

Directors who are considering a directorship with another public company need to advise the Chairman, the Chair of the Corporate Governance and Nominating Committee and the CEO before accepting the invitation to make sure there would not be a real or perceived conflict of interest.

### Assessing the board

Our board annually assesses itself to ensure its size and composition represents the quality and mix of skills needed to oversee management and our business affairs. We use a skills matrix, a quantitative survey and one-on-one interviews as part of the board assessment.

#### Skills matrix

The corporate governance and nominating committee maintains a skills matrix of the directors. It updates it regularly as part of its ongoing assessment of board composition, and is used in the nomination process so that any gaps in skill set and diversity are considered as potential candidates are assessed.

The matrix is also used as a tool to detail the skills and experience each director contributes to the board and to track their areas of expertise (see page 25). Each director rates his level of expertise vis-à-vis the competency needs of the board according to the following legend:

- |                           |  |
|---------------------------|--|
| 0 – No knowledge or skill | 2 – Skilled                                    |
| 1 – Some understanding    | 3 – Comprehensive knowledge and highly skilled |

The board adopted a more comprehensive skills matrix in 2009 to put more emphasis on specific attributes and experience that we believe are key for a global mining company like Inmet.

The table below lists the competencies and the number of our nominated directors who are skilled or highly skilled in these areas.

<b>Board competency needs</b>	<b>Number of directors who are skilled or highly skilled in this area</b>	<b>Number of directors who have some understanding in this area</b>	<b>Number of directors who have no knowledge or skill in this area</b>
<b>Strategic leadership and management</b> Experience driving strategic direction and growth of an organization	9	1	0
<b>International</b> Experience working in a major organization that has business in one or more international jurisdictions	10	0	0
<b>Corporate finance</b> Experience in corporate lending/borrowing and public market transactions	7	3	0
<b>Operations</b> Production or exploration experience with a leading mining or resource company (should have formal education in geology, geophysics or engineering)	2	4	4
<b>Industry knowledge</b> Operating, management or marketing expertise in the mining industry	5	5	0
<b>Legal</b> Significant private practice or in-house experience advising within the public company environment	0	4	6
<b>Human resources</b> Strong understanding of compensation, benefit and pension programs, with specific expertise in executive compensation	5	5	0
<b>Investment banking/Mergers &amp; acquisitions</b> Experience in investment banking or in mergers and acquisitions	6	4	0
<b>Financial literacy</b> Experience in financial accounting and reporting and corporate finance (familiarity with internal financial controls, Canadian or U.S. GAAP, and/or IFRS)	8	2	0
<b>Information technology</b> Experience in information technology with major implementations of management systems	1	7	2
<b>Safety, health, environment</b> Strong understanding of the requirements and leading practices of workplace safety, health and the environment, including the requirements needed for a strong safety culture and the effective working relationship with mining regulators	6	3	1
<b>Sustainable development</b> Understanding the constituents of sound sustainable development practices and their relevance to corporate success	7	2	1
<b>Government relations</b> Experience in or strong understanding of, the workings of government and public policy in Canada and internationally	6	4	0
<b>Governance/board</b> Experience as a board member of a major organization	9	0	1

## Board survey

The committee conducts an annual corporate governance survey to evaluate the overall effectiveness of:

- the Chairman
- the committee chairs
- the board committees
- the board as a whole.

The detailed questionnaire asks directors to provide ratings and subjective comments on:

- the board and committee structure and processes
- the discharge of duties by the Chairman of the board and each committee chair
- Inmet's strategic direction
- the board's operational oversight
- the board's relationship with management.

Directors also use the questionnaire to provide input on the board's objectives to help establish the top priorities for the coming year.

Our President and CEO, Vice-President and CFO and Vice-President, Legal and Corporate Affairs also complete the survey so the committee can see if the board and management have any differing perspectives.

The directors and management send their completed questionnaires to the Corporate Secretary, who tabulates the results and prepares a confidential report summarizing the collective feedback from the directors and management.

The Chairman and the Chair of the corporate governance and nominating committee review the report and analyse the individual responses, and then present the collective results to the corporate governance and nominating committee and then the board. The committee assesses the report and recommends any changes to enhance the performance of the board and its committees. The committee oversees the implementation of any changes, reviews the progress and provides the board with a follow-up report.

In consultation with the Chairman and President and CEO, the Chair of the corporate governance and nominating committee also recommends the board's annual objectives, which are based on the survey results. The board monitors its progress throughout the year, and evaluates management's success in achieving its corporate objectives and sets new objectives for the coming year.

## Director interviews

The Chairman and Chair of the corporate governance and nominating committee conduct confidential, one-on-one interviews with each board member on an annual basis consisting of an annual assessment of the performance of:

- each individual director
- the CEO
- the Chairman

## 2010 Board objectives

The 2010 board objectives were as follows:

- ensure the board makes an informed decision about Cobre Panamá
- monitor the development of Las Cruces
- encourage the identification of future growth opportunities (in a disciplined manner)
- ensure the effective allocation of capital (in light of growing cash)
- ensure succession planning and that the right resources are in place for growth.
- Review and oversee the implementation of Inmet's corporate responsibility strategy and monitor corporate responsibility performance

See page 56 for a discussion of our 2010 corporate objectives and results.

- the committee chairs
- the board as a whole.

The director interview assessment package includes evaluation forms based on the position descriptions for each of the CEO, Chairman and the committee chairs, the Corporation’s leadership charter and the statement of expectations of directors.

This approach is designed to maximize the contribution each director makes to the board and the committees he sits on. The Chairman and committee chair share all relevant peer feedback with each director, and provide follow-up by reviewing their progress and the actions taken. The Chairman and committee chair present the collective results to the corporate governance and nominating committee and then to the board in the form of a report.

The Chairman and the committee chair oversee the implementation of any recommendations and provide the Committee and the board with a follow-up report.

### Board tenure and renewal

Our shareholders elect directors to the board every year at our annual meeting. The board may appoint additional directors from time to time who will serve until the next annual meeting of shareholders.

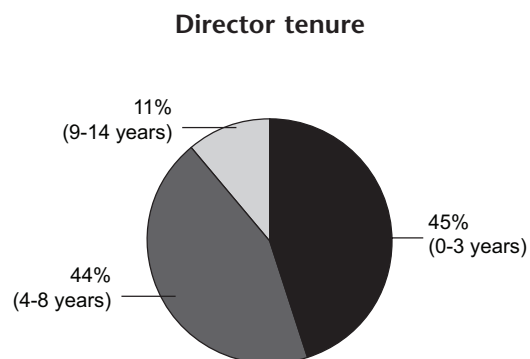
### Term limits

The board’s policy is not to establish term limits. Instituting term limits could result in us losing directors who have developed unique insight into our business and operations over a period of time, and an institutional memory that the entire board and management can benefit from. The corporate governance and nominating committee reviews each director’s tenure on an ongoing basis and considers the changing needs and skills of the board. This gives directors an opportunity to confirm whether they want to continue serving on our board, and each committee an opportunity to replace directors who are no longer interested or effective.

The graph to the right shows the tenure of our current directors.

### Retirement policy

There is no set retirement age for our directors. The corporate governance and nominating committee reviews retirement on a case-by-case basis.



## Nominating directors

The corporate governance and nominating committee consists only of independent directors and is responsible for identifying and recommending appropriate candidates to serve on our board. The committee may engage consultants or third-party search firms to assist in identifying and evaluating potential candidates. When we approach candidates to sit on our board, we give them clear information about the workload and time commitment required before they consider accepting the nomination as director.

The committee has developed a set of criteria and procedures for selecting candidates based on the attributes in our *Statement of expectations for our directors*. It also considers certain skills and experiences to ensure board diversity.

## Maintaining an evergreen list

The committee also maintains an “evergreen” list of potential director candidates. It may receive recommendations from other directors and management from time to time to consider as potential candidates, and it reviews the list annually.

You can find more information about the role and responsibilities of the corporate governance and nominating committee on page 32.

## Board committees

The board has four standing committees, and all of them consist entirely of independent directors:

- audit committee
- human resources and compensation committee (HRCC)
- corporate governance and nominating committee
- safety, environmental and community affairs committee.

The board may also appoint ad hoc committees from time to time. Directors have a standing invitation to attend the meetings of all committees even if they are not members.

Each committee has a charter that outlines its responsibilities (posted on our website at [www.inmetmining.com](http://www.inmetmining.com)). Each committee also has its own work plan that sets out the strategy and timeline for fulfilling its annual and ongoing responsibilities. Each committee can engage outside advisors at Inmet’s expense when it decides this is necessary to carry out its responsibilities.

## Audit committee

The audit 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.

To fulfill its mandate, the audit committee receives regular reports on:

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

### Committee members:

- John Clappison (chair)
- Dr. Yilmaz Argüden
- John Eby
- Paul Gagné
- Thomas Mara
- James M. Tory

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

### *Financial reporting*

The committee is also responsible for reviewing:

- our financial reporting procedures, internal controls and risk management practices as they relate to financial reporting
- the terms of engagement and performance of the external auditors
- our interim 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, and has direct access to management to review specific issues.

### *External auditors*

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

These professional services break down into different types of fees:

- *audit fees* for reading the annual and interim 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 2010 and 2009 relate to due diligence
- *tax fees* for services relating to tax compliance, tax advice and tax planning.

The table below shows the fees that were paid to KPMG for the fiscal years ended December 31, 2010 and 2009.

<b>Fee (\$ thousands)</b>	<b>2010</b>	<b>2009</b>
Audit fees	\$989	\$1,168
Audit-related fees	227	329
Tax fees	824	1,105
<b>Total</b>	<b>\$2,040</b>	<b>\$2,602</b>

## **Auditor**

### *Auditor independence*

The audit committee has reviewed this list of services and determined that they 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 can ask to retain accounting, legal or other consultants or experts as necessary to enable the member to perform his duties. Consultant or expert fees will 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 items for the audit committee to pre-approve:

- audit and non-audit services by the external auditors and the range of fees for specific services carried out each year
- services that are not part of the annual process
- services that were previously pre-approved but result in fees that are greater than the estimated 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 authority to the committee chair to pre-approve audit, audit-related and non-audit services and fees but any services and fees that the committee chair 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 the implementation of financial information systems.

#### *2010 highlights*

##### Work plan

- reviewed Inmet's interim and annual management's discussion and analysis (MD&A), financial statements and notes and recommended them to the board for approval
- reviewed management's report on the effectiveness of internal control systems and determined that the design and operation of internal controls are adequate
- reviewed our risk management relating to financial, tax and insurance matters
- reviewed reports on accounting policies and practices to be used and the treatment of financial information within generally accepted accounting principles
- pre-approved the auditors' audit and non-audit services and fees
- recommended amendments to Inmet's authorization policy
- monitored our cash investment policies
- assessed the independence and financial literacy of our audit committee members under National Instrument 52-110
- recommended the annual audited financial statements for Inmet's retirement plan
- reviewed and approved the 2010 audit plan, risk assessment, terms of engagement and audit fees
- selected and recommended, for shareholder approval, the appointment of external auditors
- assessed external auditor independence
- reviewed executive expenses
- received quarterly reports on compliance with our code of business conduct and ethics
- received organizational staffing and resourcing plans for 2011
- reviewed the committee charter

##### Other

- reviewed our progress on our transition to International Financial Reporting Standards (IFRS) and recommended accounting policy choices to the board for approval

The following also regularly attend portions of the audit committee meetings:

- |   |  |
|---|--|
| • President and CEO                           | • Director of Finance, Operations Controller |
| • CFO   | • Director of Finance, Financial Controller  |
| • Vice-President, Legal and Corporate Affairs | • Director, Global Taxation and Compliance   |
| • Vice-President, Finance                     | • Corporate Secretary                        |

The audit committee and the corporate governance and nominating committee review the audit committee charter once a year to make sure it meets regulatory requirements and reflects best practices. See Appendix B at page 75 of this management proxy circular for a copy of the charter, or visit our website at [www.inmetmining.com](http://www.inmetmining.com). The audit committee met six times in 2010.

See *About the nominated directors* on page 8 for more information about the audit committee. You can also find more information under *About the audit committee* in our Annual information form, which is available on our website at [www.inmetmining.com](http://www.inmetmining.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Human resources and compensation committee (HRCC)**

The HRCC assists the board by overseeing our efforts to recruit, retain and motivate our senior executives.

It is responsible for making recommendations to the board about the compensation of our senior executives and incentive plans for them and other employees, among other things.

#### **Members:**

- Douglas Whitehead (chair)
- David R. Beatty
- Paul E. Gagné
- Oyvind Hushovd
- James M. Tory

From time to time, the committee seeks advice from compensation consultants and legal advisors to assess the appropriateness of our compensation practices. Any decision to retain a compensation consultant must be approved by the committee chair.

The committee members have diverse professional backgrounds and gained executive compensation experience while serving on the boards of other public companies and their compensation committees. All five members have served as Chairman of the board of public companies or have held positions as President or CEO of other issuers. The HRCC has a policy that only one-third of its members shall be sitting chief executive officers. See *About the nominated directors* on page 8 for a more complete description of the members' work experience.

#### *2010 highlights*

##### Work plan

- reviewed our executive compensation program to assess its competitiveness against companies in our peer group
- evaluated our 2010 objectives and corporate performance and recommended a corporate performance factor to the board for approval, and proposed executive salary increases for 2010
- reviewed our share ownership guidelines for executives and their current holdings
- recommended to the board the appointment of a senior officer
- approved the compensation disclosure and analysis (CD&A) in the management proxy circular

##### Other

- changed its name and mandate to the human resources and compensation committee (formerly compensation committee) and updated its committee charter in this context
- retained an external advisor to conduct a review of our long term equity compensation
- initiated a review of management's succession planning processes

The following also regularly attend HRCC meetings:

- President and CEO
- Vice-President, Human Resources
- Vice-President, Legal and Corporate Affairs
- Director, Human Resources and People Development
- Corporate Secretary

The HRCC and the corporate governance and nominating committee review the HRCC's charter once a year. The HRCC met seven times in 2010.

## Corporate governance and nominating committee

The committee is responsible for:

- reviewing corporate governance practices generally
- monitoring board composition
- assessing the effectiveness of the board and individual directors
- overseeing compliance with the code of business conduct and ethics
- reviewing and making recommendations about directors
- seeking appropriate candidates to serve as director

### Members:

- John Eby (chair)
- Dr. Yilmaz Argüden
- James M. Tory

### 2010 highlights

#### Work plan

- recommended the management information circular and proxy to the board for approval
- assessed director independence using the definition under National Instrument 52-110
- recommended candidates to be nominated for election as directors at the annual shareholders meeting
- determined the composition of our board committees
- discussed the results of our 2010 individual director assessments and reported the findings to the board
- received quarterly reports on ethical conduct and annual acknowledgements and confirmations of ethical conduct by senior management, general managers and financial employees in “at-risk” positions
- carried out succession planning for the Chairman and committee chairs
- recommended a board site visit to the Cobre Panama project and the Las Cruces operation in 2010
- recommended updates to governance documents including the committee charters and work plans, position descriptions for the CEO, Chairman and committee chairs
- received updates on governance practices
- reviewed and recommended changes to the board assessment process for 2011
- received an update on professional development courses attended by directors for continuing education purposes

#### Other

- engaged a search firm to assist with identifying and evaluating potential director candidates as part of our ongoing succession planning for the board and board committees
- recommended the appointment of a new director
- supervised the orientation program for the new director
- committed to adopting “say on pay” in 2012

The following also regularly attend corporate governance and nominating committee meetings:

- President and CEO
- Vice-President, Legal and Corporate Affairs
- Corporate Secretary

The committee reviews its charter once a year. It met three times in 2010.

## Safety, environmental and community affairs (SECA) committee

The committee is responsible for:

- monitoring and reviewing our safety, health, environmental and community affairs (SECA) performance, policies, objectives, strategy and associated management programs
- receiving regular reports from management on our SECA performance and compliance with applicable laws and regulations
- reviewing our SECA policies, objectives and strategies and recommending any appropriate changes to the board for approval

### Members:

- Paul E. Gagné (chair)
- Dr. Yilmaz Argüden
- John Eby
- Oyvind Hushovd
- Wolf K. Seidler
- Douglas Whitehead

- reviewing the findings and recommendations from any investigation or audit by regulators, external auditors or consultants on SECA matters
- reviewing our disclosure of SECA matters in our continuous disclosure documents and in our annual sustainability report

The committee receives regular reports from management on SECA matters and may request additional information from time to time. The committee members also have direct access to our Vice-President, Corporate Responsibility and other senior officers.

#### *2010 highlights*

##### Work plan

- received reports and updated statistics at each meeting on the health, safety and environmental performance at our operations and development property
- received updates on activities relating to the implementation of high consequence protocols guidelines at our operations
- reviewed the five-year strategic and 2010 SECA objectives
- reviewed and recommended changes to the SECA committee charter and work plan
- reviewed SECA policies
- received reports on community affairs activities
- reviewed risk management and audit activities including compliance with applicable laws and regulations
- reviewed SECA organizational resource chart

##### Other

- received presentations on relevant SECA-related topics
- received reports and updates relating to the investigation into the fatality at Las Cruces and the review of safety practices and operating procedures at Las Cruces

The following also regularly attend safety, environmental and community affairs committee meetings:

- |   |   |
|---|---|
| • President and CEO                           | • Senior Manager, Environmental and Community Affairs |
| • Vice-President, Legal and Corporate Affairs | • Director, Safety and Health                         |
| • Vice-President, Corporate Responsibility    | • Corporate Secretary                                 |
| • Vice-President, Mining                      |   |

The committee reviews its charter once a year. It met four times in 2010.

## A. How we compensate our directors

### Compensation discussion and analysis

#### Our key principles on director compensation

##### Fees and retainers

Our director compensation program includes four components:

- an annual retainer for directors
- an annual retainer for the Chairman of the board and committee chairs
- an attendance fee
- a travel fee.

We review our program every few years to ensure we stay competitive and can attract quality directors to our board. We last reviewed it in 2009.

Our director compensation is aligned just below the median of our peer group which in 2010 consisted of 10 Canadian-based, international mining companies and is the same peer group we used for 2010 executive compensation benchmarking. Turn to page 40 for information about the 2010 peer group.

The table below lists the fee schedule for directors:

	Fees (\$)
<b>Annual retainer</b>	
Directors	115,000
Chairman of the board	325,000
Audit committee chair	25,000
Committee chairs	10,000
<b>Attendance fees</b>	
In person	1,500
By telephone or videoconference	750
Travel fee per meeting	1,500 / 3,000

##### *Annual retainer*

We pay our directors an annual retainer of \$115,000 to compensate them for their time and commitment to serving on our board. This includes their time for preparing for board and committee meetings, reviewing board materials, continuing education and other duties as a member of our board.

The non-executive Chairman of the board receives an annual retainer of \$325,000 for the additional responsibilities in undertaking this role.

Directors who serve as committee chairs receive an additional retainer for the added responsibilities with these roles. This is paid in cash, and the amount varies by committee and level of responsibility. The Audit committee chair receives an additional retainer of \$25,000 and all other committee chairs receive an additional retainer of \$10,000.

##### *Deferred share unit plan*

All outside directors are required to receive at least \$65,000 of their \$115,000 annual retainer in DSUs instead of cash. The Chairman is required to receive at least \$170,000 of his \$325,000 annual

retainer in DSUs instead of cash. Directors have the option of increasing the amount received in DSUs to 100 percent.

The value of the DSUs fluctuates with variations in the market price of our common shares. Under the plan, DSUs are credited to a director's account as of the last day of a fiscal quarter, by dividing the amount of their retainer they elected to receive as DSUs that quarter by the average of the high and low prices of our common shares on the TSX over the 10 business days preceding the last day of the quarter. Directors also receive dividend equivalents when dividends are paid on our common shares, using the high and low average price of our common shares on the dividend record date.

#### Redeeming DSUs

DSUs vest immediately. Directors can redeem their DSUs for cash or for Inmet common shares issued from treasury on or before December 15<sup>th</sup> of the first calendar year after the calendar year in which they retire or step down from the board.

#### Transferring DSUs

DSUs can only be transferred or assigned to someone else by will or the laws of descent and distribution.

If a director dies while serving on our board, we will issue a share certificate to the director's legal representative or beneficiary (if the director has assigned his rights under the plan to a beneficiary) within 90 days of death. The share certificate will be for the number of Inmet common shares equal to the number of DSUs credited to the director's account on the date of issue. Under the plan, a *beneficiary* is a relative or dependent of the director.

#### Amending the plan

The board can amend the DSU plan from time to time without shareholder approval to make the following changes:

- administrative or "housekeeping" changes
- changes to comply with laws that apply to the plan
- changes that will allow the plan to qualify for favourable tax treatment
- changes to the early termination provisions of the plan
- changes that allow the plan to be suspended or terminated

The following changes can be made only if we receive shareholder approval:

- changes to the number of common shares that may be issued under the plan
- changes to the category of participants eligible to participate in the plan
- changes to the method of calculating the number of DSUs awarded to directors, thereby increasing their entitlement under the plan
- changes to the method of calculating the number of common shares issued from treasury, thereby increasing the directors' entitlement under the plan
- any other changes for which the law requires shareholder approval.

#### *Attendance fees*

We also pay our directors a cash fee of \$1,500 for each board and committee meeting they attend in person and of \$750 for those attended by conference call. The Chairman of the board does not receive attendance fees.

#### *Travel fees*

We pay two levels of travel fees:

- \$1,500 for travel within North America – when a director travels outside of his home province or state, or travels more than a total of three hours, round trip, to attend a board or committee meeting

- \$3,000 for travel outside North America – when a director travels from outside North America to attend a board or committee meeting.

#### *Reimbursement of expenses*

We also reimburse directors for reasonable and necessary out-of-pocket expenses related to any board or committee meeting they attended.

#### **Share ownership guidelines**

We expect each director to accumulate at least three times the annual retainer, or \$345,000 for directors, \$975,000 for the Chairman, in Inmet common shares or deferred share units (DSUs) within five years of becoming a director. All of our directors, including our Chairman, currently meet the guideline except for Mr. Clappison who has until June 14, 2015 to meet the guideline. As long as a director's total cost base for the Inmet shares or DSUs he has acquired exceeds \$345,000, or \$975,000 in the case of the Chairman, he will not be required to make up any shortfall in the value of his existing holdings.

#### **2010 results**

In 2010, we paid total director fees of \$1,753,792, including \$843,188 in cash and the balance in DSUs. The table below shows a breakdown of the total fees paid to each director.

Name	Fees earned (\$)	Deferred share units (\$)	All other compensation (\$)	Total (\$)
Yilmaz Argüden, Ph.D.	37,500	115,000	24,000	176,500
David R. Beatty, O.B.E.	155,000	170,000	6,000	331,000
John H. Clappison	37,688	43,604	3,000	84,292
John C. Eby	94,500	65,000	6,000	165,500
Paul E. Gagné	118,500	65,000	15,000	198,500
Oyvind Hushovd	84,500	65,000	24,000	173,500
Thomas E. Mara	24,000	115,000	15,000	154,000
Wolf K. Seidler	47,750	92,000	15,000	154,750
Jochen Tilk	–	–	–	–
James M. Tory, Q.C.	27,750	115,000	–	142,750
Douglas Whitehead	93,000	65,000	15,000	173,000
<b>Total</b>	<b>720,188</b>	<b>910,604</b>	<b>123,000</b>	<b>1,753,792</b>

Notes to the above table:

*Fees earned* represents the amount of the annual retainer paid to directors in cash. For Messrs. Clappison, Eby, Gagné and Whitehead, this also represents the additional annual retainer they each receive as a committee chair.

*All other compensation* represents the travel fees paid to directors in 2010 and excludes any amounts relating to the reimbursement of out-of-pocket expenses.

#### *Deferred share units*

In 2010, 16,098 DSUs were granted and no DSUs were redeemed.

Of the 732,741 Inmet common shares that were initially reserved for issuance under the DSU plan:

- 424,601 have been issued
- 308,140 are reserved for issuance when DSUs granted under the plan are redeemed.

The table below gives details about the common shares authorized for issuance under our DSU plan as at December 31, 2010.

Number of shares to be issued upon redemption of outstanding DSUs	Weighted-average issue price of outstanding DSUs	Number of shares available for future issue
107,948	\$25.43	308,140

As of May 18, 2011, a total of 112,285 DSUs outstanding may be redeemed for the same number of Inmet common shares.

## B. How we compensate our executives

### Compensation discussion and analysis

This section was prepared by management and has been reviewed and approved by the HRCC and the board of directors.

It discusses our compensation program and the key decisions we made about compensating our most senior people in 2010. We refer to these officers as our *named executives*:

- Jochen Tilk                      President and CEO
- D. James Slattery              Vice-President, Finance and Chief Financial Officer
- Steve Astritis                  Vice-President, Legal and Corporate Affairs
- Frank Balint                    Vice-President, Corporate Development
- R. Scott Herr                    Vice-President, Mining

### Our key principles on compensation

We have developed an executive compensation program based on three key principles:

1. rewarding management for achieving outcomes that generate long-term shareholder value
2. attracting and retaining the right people for the right jobs
3. compensating fairly.

We apply these core principles to all of our compensation decision-making, regardless of the level of executive or compensation element.

#### 1. Pay for performance

We believe in a philosophy of pay for performance. Our program includes short and long-term incentives to reward performance over different timeframes and to drive shareholder value over time.

We link a substantial portion of our short-term executive compensation to how well we achieved our annual corporate objectives. These are set by the board each year, and focus on advancing Inmet's long-term strategy to "grow responsibly as a base metal mining company providing superior returns to shareholders".

We link our long-term executive compensation to specific growth projects. Participants are awarded notional performance share units (LTIP units) that can be redeemed for Inmet common shares issued from treasury if the projects are completed successfully. Before LTIP units can vest, the board assesses each project against the expectations underlying the board's original decision to develop or move forward with development of the project.

#### 2. Attracting and keeping the right talent

The board is responsible for overseeing recruiting, retaining and compensating management and believes that its most important task is making sure we have the right management team in place, led by the right CEO.

We focus on hiring and retaining people who have an innate drive to achieve their best and who understand how to create long-term shareholder value. The HRCC continually assesses leadership skills, integrity, work ethic, intelligence and self-motivation, because these attributes are a condition of employment at Inmet.

#### 3. Compensating fairly

We research the market, seek independent advice and benchmark our compensation to maintain a competitive compensation program and ensure we are compensating our executives fairly.

### *Research*

We consult third party research in our review and analysis. In 2010, the HRCC reviewed the PricewaterhouseCoopers study *2010 Mining Industry Salary Surveys, Corporate Report – Canada*, which contains data on 81 Canadian mining companies, including all 10 companies in our 2010 peer group. The study provides information on industry trends and salaries for all executive and corporate level positions, and while it does not factor significantly in the compensation determination, it gives the HRCC important context for their compensation decisions.

### *Independent advice*

The committee engages independent compensation consultants for advice and counsel as necessary to carry out its responsibilities, and these fees are paid by Inmet. Independent compensation consultants are instructed by and report directly to the HRCC. The HRCC pre-approved any services the compensation consultants provide to management and the related fees. The HRCC is responsible for its decisions, which may reflect factors and considerations other than the information and recommendations provided by the independent consultants.

## **2011 executive compensation review**

The HRCC conducted a comprehensive review of our executive compensation programs. The HRCC asked Hugessen Consulting Inc. (Hugessen) as its independent compensation consultant to provide advice on the competitiveness and effectiveness of compensation programs for our executive officers including our named executives. Hugessen's services included:

- Reviewing Inmet's long-term compensation practices (including the group of comparator companies, pay and performance positioning, performance metrics, etc.), plan designs and pay levels, compared to market and advising as to changes for consideration
- Reviewing long-term incentives, analyzing the performance factors used to determine incentive awards and payouts, and carrying out an analysis of pay for performance.
- Advising on design and implementation of a long-term incentive program and transition from the existing compensation program

We paid Hugessen \$129,819.08 in 2010 for these services. Hugessen did not provide any compensation consulting services to management in 2010.

Hugessen's review found that our long-term equity compensation program for executive officers, being the long-term incentive plan (LTIP), while competitive in aggregate value, was overly complex with extended equity vesting periods that were longer than those of our peers. Based on the review, the HRCC concluded that these factors undermined the effectiveness of our executive compensation program. Recognizing that short-term and long-term compensation are interconnected, and taking into consideration that Inmet's objective is to grow significantly in the coming years, particularly in connection with the Cobre Panama project, the HRCC worked with management to make revisions to our executive compensation programs in 2011 to address the concerns highlighted from the 2010 review.

### *Changes to executive compensation programs*

Specifically, the HRCC and board approved two new equity incentive programmes in April 2011: the share option plan (SOP) and the performance share unit plan (PSUP). In conjunction with the approval of these plans, steps were made to transition out of the existing LTIP and to make complementary changes to the short-term incentive plan to maintain integrity among the elements of our executive compensation program.

The HRCC's decisions regarding changes to 2011 executive compensation arrangements included:

- Establishing a new peer comparator group for benchmarking executive compensation
- Establishing changes to the short-term incentive program and termination of the SAP
- Transitioning from the LTIP

- Approving two new equity incentive programmes: the SOP and the PSUP
- Establishing performance criteria and a peer comparator group for benchmarking performance vesting under the PSUP
- Setting reserves and initial allocations under the SOP and PSUP

*Executive compensation benchmarking*

Our HRCC targets total executive compensation at the median of our peer group.

We benchmark our compensation program against those of our peer group. We access the companies' most recent management proxy circulars to review their compensation disclosure and compare it to the different compensation components for our named executives. The HRCC regularly reviews and validates the peer group with the assistance of an external consultant to ensure all peer companies remain an appropriate basis for comparison and approves any changes to the composition of the peer group.

*Peer group – executive compensation benchmarking*

In 2010, our peer group was made up of the 10 mining companies listed below. We regard these companies as peers because they are Canadian-based, conduct business internationally and we compete with them for executive talent.

2010 Peer group – executive compensation benchmarking		
Agnico-Eagle Mines Limited Barrick Gold Corporation Cameco Corporation First Quantum Minerals Ltd.	Goldcorp Inc. Kinross Gold Corporation Lundin Mining Corporation	Teck Resources Limited Uranium One Inc. Yamana Gold Inc.

**2011 changes to peer group – executive compensation benchmarking**

As part of Hugessen's 2010 review described above under *2011 Executive compensation review*, the HRCC asked Hugessen to complete a pay benchmarking analysis for the named executives. As a first step, Hugessen reviewed the composition of our peer group based on screening criteria consisting of headquarters base, company type, industry classification and financial criteria (market capitalization and total revenues) to identify 22 companies. Hugessen then eliminated 11 companies for various reasons, including companies in early stages of development, with a difference in revenue models or with no operations related to base metals. As a result of the peer group review, the HRCC decided to remove 5 companies from our peer group and add 7 companies based on the selection criteria described above. In addition, one company was retained as an interest comparator group for reviewing the structure and overall quantum of compensation and not for direct benchmarking given the significant difference in its size of operations relative to ours.

2011 Peer group – executive compensation benchmarking		
Agnico-Eagle Mines Limited Centerra Gold Inc. Eldorado Gold Corp. First Quantum Minerals Ltd.	HudBay Minerals, Inc. IAMGOLD Corp. Lundin Mining Corporation New Gold, Inc.	Quadra FNX Mining Inc. Sherritt International Corporation Yamana Gold Inc.
<b>Interest Comparator</b>		
Teck Resources Limited		

As the second step of the pay benchmarking analysis, Hugessen benchmarked our named executives relative to appropriate position and/or position rank matches for the peer comparator companies.

## Components of our compensation program

Total compensation for our executives includes a combination of base salary, performance-based incentives, and other compensation such as pension and other benefits.

Six components made up our 2010 compensation for executives, including the named executives.

Compensation components	Eligibility	Program objectives	2011 changes
<b>1. Base salary</b>			
cash	executive officers, director level employees, general managers and managing directors	<ul style="list-style-type: none"> <li>to align with the executives' scope of responsibility and individual performance</li> <li>to attract and retain key talent</li> </ul>	
<b>Performance-based incentives</b>			
<b>2. Performance bonus plan (PBP)</b>			
Cash (50% of the PBP bonus)	executive officers, director level employees, general managers and managing directors	<ul style="list-style-type: none"> <li>to reward executives for success in achieving our annual corporate objectives</li> </ul>	<ul style="list-style-type: none"> <li>100 percent of the PBP paid in cash for 2010 and onwards</li> </ul>
Share award plan (SAP) common shares that vest over 4 years (purchased with the other 50% of the PBP bonus)	executive officers, director level employees, general managers and managing directors	<ul style="list-style-type: none"> <li>to motivate and reward executives for creating long-term shareholder value</li> <li>to retain key talent</li> </ul>	<ul style="list-style-type: none"> <li>SAP awards terminated for 2010 and onwards</li> <li>Currently granted SAP common shares will vest according to original vesting period but no additional shares will be awarded</li> </ul>
<b>3. Long term incentive plan (LTIP)</b>			
LTIP units that can be redeemed for common shares when they vest	Canadian-based executive officers	<ul style="list-style-type: none"> <li>to provide a direct link between executive compensation, our longer-term corporate performance and the creation of long-term shareholder value.</li> </ul>	<ul style="list-style-type: none"> <li>Las Cruces associated LTIP units redeemed in cash at a 60% performance percentage</li> <li>Cobre Panama associated LTIP units remain and will be redeemed in accordance with the LTIP terms</li> <li>No further LTIP awards</li> <li>New medium-term incentive consisting of the PSUP</li> <li>New long-term incentive consisting of the SOP</li> </ul>
<b>Other compensation</b>			
<b>4. Defined contribution pension plan</b>			
Contributions made by Inmet	Canadian-based employees	<ul style="list-style-type: none"> <li>to provide a competitive retirement program and to retain executive talent</li> </ul>	No change

Compensation components	Eligibility	Program objectives	2011 changes
<b>5. Annual payment in lieu of supplemental pension plan</b>			
Cash	Canadian-based employees who are subject to Canada Revenue Agency pension plan contribution limits	<ul style="list-style-type: none"> <li>to provide a competitive retirement program and to retain executive talent</li> </ul>	No change
<b>6. Other benefits (fitness membership, life insurance and a leased car or car allowance)</b>			
Non-direct compensation	Canadian-based executive officers and director level employees	<ul style="list-style-type: none"> <li>to provide competitive benefits to protect the well-being of executives</li> <li>to attract and retain executives</li> </ul>	No change

### Base salary

We consider the seniority, level of experience and ability of each executive to perform his or her responsibilities when we establish base salary levels. We generally target our salaries at the *median* of our peer group.

Paying salaries at the median is necessary to attract and retain high quality executives, and it allows us to maintain overall annual compensation at an appropriate level. We will, however, target base salaries above the median for individuals we believe are critical to our long-term success or who are earmarked for increasing responsibility.

We did not benchmark any individuals above the median of our peer group in 2010.

### Performance-based incentives

We offer performance-based incentives to motivate executives to perform well and deliver strong business results. The HRCC uses the corporate performance factor to recommend annual performance-based compensation decisions for the named executives, which are submitted to the board for review and approval.

### *Performance bonus plan*

The performance bonus plan (PBP) is our annual incentive, designed to reward management for achieving our annual corporate objectives.

### *Setting objectives*

The board holds an annual strategy session every December to set and approve the annual objectives for the following year. It considers the challenges and opportunities we face in carrying out our corporate strategy over the short term, and then determines the annual objectives it believes are most critical to helping us achieve our strategy during the year. Some of these objectives, like production or cost targets, are metrics based while others, like those linked to the growth element of our strategy, are subjective in nature.

By setting annual objectives, we can identify and align our actions, create a framework and a disciplined environment so employees can prioritize their efforts, and establish a basis to reward management for achieving results that generate long-term shareholder value.

### *Rating our performance*

The HRCC and the board are responsible for:

- approving annual corporate objectives they believe will lead to long-term shareholder value
- using their discretion to assess annually the degree to which these objectives have been met and, on that basis, to establish the corporate performance factor for the year.

The board looks beyond a basic scorecard to assess our overall performance and determine whether we have succeeded in building long-term value for shareholders. The HRCC monitors our performance throughout the year, and conducts a final evaluation in December of how well we met each corporate objective. Then it recommends a *corporate performance factor* to the board for approval.

The HRCC uses this factor to calculate annual bonuses under the performance bonus plan. While the HRCC does not typically use a mathematical weighting formula, it considers all the elements it believes are relevant to assessing our performance against each objective.

We recognize that the HRCC and the board, use their discretion in this process and therefore there can be some subjectivity.

For years prior to 2010, the PBP included both a short and long-term component:

- 50 percent was paid in cash
- the balance was awarded in Inmet common shares under the Share award plan (SAP) that vest over four years. For 2010, the PBP was paid 100 percent in cash. See *2010 and 2011 Changes to PBP* below.

### *Target bonus*

We target the PBP bonus as a percentage of an executive's annual base salary:

Executive	Target PBP bonus, as a percentage of base salary	Corporate performance factor
CEO	150%	0-100%
Other NEOs	100%	0-100%
Other participants	100%	0-100%

For all executive officers at the vice-president level and above, including the named executives, the award is calculated by multiplying the target PBP bonus for the year by the corporate performance factor.

Bonuses for other employees are calculated using the corporate performance factor and a personal performance factor.

An employee is not eligible to receive the PBP bonus if he or she voluntarily resigns from Inmet before the date the bonus is actually paid.

The table below shows the corporate performance factor determined by the board for each of 2010, 2009 and 2008. It reflects that targets are generally very difficult to meet and are designed to confer value which, based on good performance, places Inmet bonus compensation at a similar quantum when compared to the short-term incentives provided by its peer comparator group companies.

Year	Corporate performance factor
2010	60%
2009	80%
2008	80%

### ***2010 and 2011 Changes to PBP***

The PBP has been retained as our short term incentive program with some changes. For 2011, the PBP bonus will be paid 100 percent in cash and calculated by multiplying a named executive's target bonus for the year by the corporate performance factor established by the HRCC and the board. The SAP component of the PBP was not awarded for 2010. At the time the PBP was determined (December 2010), Inmet was in a transactional trading blackout and the board used its discretion to pay the entire 2010 PBP in cash. The SAP component has been terminated for the 2011 year and onwards in conjunction with the establishment of the SOP and PSUP. Shares already awarded under the SAP will continue to vest according to the original vesting period but no additional shares will be awarded under the SAP.

A review of the current target and payout schedule under the PBP was also completed in 2011 and a new short term incentive plan approach will be introduced in 2012. For the following reasons, the current target and payout schedule will be maintained for 2011:

- Inmet is one-third of the way through its performance year and it would be difficult to adjust our performance objectives at this juncture to be in alignment with a new approach
- Historically, Inmet has treated our target as a maximum payout which restricts the bonus payout similar to a plan with a separate target and maximum. As a result, our current plan is consistent with other plans when quantum is considered
- We will conduct an analysis in connection with a revised short term incentive plan in order to determine the appropriate objectives and metrics

### ***Share award plan (SAP)***

Since 2006, the SAP has provided a formal way for management, including our named executives, to accumulate Inmet common shares over time by indirectly buying shares in the open market. Prior to 2010, executives received half of their performance bonus as Inmet common shares.

The plan is open to:

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

### ***Administration***

A third party custodian administers the plan on our behalf. We calculate the number of shares it will buy for an employee by taking half of the employee's PBP award (less income taxes and other source deductions), divided by the average price of our common shares for November of that year. Then the plan administrator buys the shares in the market through a broker. The final value of the award is adjusted based on what it actually cost the administrator to buy the shares in the market.

### *Vesting*

Employees are beneficial owners of these shares. They vest in equal amounts over four years, on December 1<sup>st</sup> of the first, second, third and fourth anniversary of the award. If a participant is no longer an employee for any reason other than death or disability, he or she must cancel his or her participation in the plan by selling any unvested shares to us for one cent (1¢).

An employee who owns less than the *target ownership value* cannot sell any vested or unvested shares under the plan. If an employee owns more than the target ownership value, he or she can sell any vested shares under the plan that exceed this amount. See *Share ownership* on page 70 for more information.

### **2010 and 2011 changes to the SAP**

The SAP component of the PBP was not awarded for 2010. At the time the PBP was determined (December 2010), Inmet was in a transactional trading blackout and the board used its discretion to pay the entire 2010 PBP in cash. The SAP component has been terminated for the 2011 year and onwards in conjunction with the establishment of the SOP and PSUP. Shares already awarded under the SAP will continue to vest according to the original vesting period but no additional shares will be awarded under the SAP. See *2010 and 2011 changes to PBP* on page 44 for information on changes to the PBP.

### **Long-term incentive plan**

There is a maximum reserve of 312,000 Inmet common shares for the LTIP, and full vesting of the reserve would result in share dilution of approximately 0.5 percent.

### *Awarding performance share units*

Participants are awarded notional performance share units (LTIP units) that are tied to specific growth projects. LTIP units can be redeemed for Inmet common shares issued from treasury if the projects are completed successfully. Each LTIP unit can be redeemed for one Inmet common share. The last grants under the LTIP were made in 2009. In light of the proposed share option plan and implementation of a performance share unit plan, no further grants under the LTIP will be made.

### *Vesting*

Before LTIP units can vest, the board, or the HRCC on its behalf, must determine whether a project has been completed and how successful it was. It assesses each project against the expectations underlying the board's original decision to develop or move forward with it (the *development decision*).

The HRCC considers everything it believes is relevant to this assessment, including but not limited to:

- the net present value of the project, based on actual capital expenditures and operating parameters for the project as at the *completion date* (see below)
- any difference between the actual capital costs incurred for the project and the estimated capital costs that the development decision was based on, and the factors contributing to the difference in costs
- the length of time between when the LTIP units were awarded and the *completion date* of the project (the *performance period*). If the performance period is longer than what was forecast as part of the development decision, the committee will also consider factors that contributed to the delay (the performance periods for the Las Cruces and Cobre Panama projects each began on December 4, 2007).
- any difference between the actual operating parameters of the project as at the completion date and the operating parameters forecast as part of the development decision
- any economic, financial and other conditions, events and developments generally affecting the mining industry after the date of the development decision, the impact of these on the completion

of the project, and the extent to which these could reasonably be considered to be within or beyond management's control

- any economic, financial and other conditions, events and local developments that affected the project after the date of the development decision, the impact of these on completion of the project, and the extent to which these could reasonably be considered to be within or beyond the control of management.

The committee determines a *performance percentage* that can range from 0 to 100 percent for each project that it believes reflects management's success in completing the project. The number of LTIP units issued for that project is multiplied by the performance percentage to calculate the number of LTIP units that will vest.

The HRCC can retain any experts or advisors it needs to help it to determine the performance percentage, or to assess any of the above factors or other factors it considers relevant to its decision.

The board determines the performance percentage within 60 days of the first anniversary of the day production begins (a project's *completion date*). When a participant is granted LTIP units, he or she receives a confirmation and acknowledgement agreement that includes the completion dates for the specific growth projects. The committee reviews these dates periodically and can adjust them if it deems appropriate.

#### *Change of control*

If there is a change in ownership of more than 50 percent of Inmet's common shares because of a corporate transaction or acquisition of securities or assets, it is a *change of control* under the LTIP.

If the acquirer under a change of control does not assume all of Inmet's obligations under the plan, or decides to continue the plan but with different objectives that our board believes are inconsistent with the plan, then all LTIP units granted under the plan will vest using a performance percentage of 100 percent.

If the acquirer assumes Inmet's obligations under the plan in a manner that our board believes is consistent with the plan's objectives, then the plan and all outstanding LTIP units will continue on the same terms and conditions. The LTIP units may be adjusted, however, to become a right to receive shares of the acquirer.

A participant in the LTIP whose employment is terminated without cause or who resigns for a *good reason* (as defined under the plan) following a *change of control* will have LTIP units vest pro rata based on the day employment is terminated or the day the employee's severance period ends (if a severance period has been agreed to in an employment or change of control agreement with us), whichever is later. We call this the *end date*.

- When the expected completion date of the project is within 24 months of the end date (36 months in the case of the CEO), the employee is entitled to all of the LTIP units granted relating to that project, and the LTIP units vest as of the day employment is terminated.
- When the expected completion date of a project is more than 24 months from the end date (36 months in the case of the CEO), a pro rata portion of the LTIP units granted to the employee relating to that project will vest, calculated as follows:
  - the number of days from the date the LTIP units were granted to the end date, *divided by*
  - the number of days from the date of the grant to the expected completion date.

The HRCC has the right to terminate all or part of the LTIP if it decides it is appropriate to do so. It can also determine the terms and conditions of the termination.

### *Transferring LTIP units*

LTIP units can only be transferred or assigned to someone else by will or the laws of descent and distribution.

### *Amending or terminating the plan*

The board can amend, suspend or terminate the LTIP without shareholder approval except that shareholder approval is required to:

- change the number of common shares that may be issued under the plan, whether a change in the fixed maximum number or to a fixed maximum percentage
- increase the categories of eligible participants
- allow an LTIP unit to be transferred or assigned, except by will or the laws of descent and distribution
- where required to by law, including the rules, regulations and policies of the TSX.

### **2011 Changes to LTIP**

On April 28, 2011, the board decided to redeem, and also determined the vesting percentage for 86,000 issued LTIP units that are associated with the Las Cruces project. The vesting percentage was determined to be 60 percent. Such determination was based on the recommendation of the HRCC. In making such recommendation, the HRCC considered all factors it deemed relevant to its assessment of the vesting percentages for the LTIP units in question, including but not limited to, net present value of the project, actual capital expenditures versus budget, actual schedule versus original schedule, the start-up curve and cultural, economic and other factors that affected the project. Participants in the LTIP had their vested Las Cruces associated LTIP units redeemed as of May 10, 2011, and received cash for such units, based on the volume weighted average price of Inmet common shares on the Toronto Stock Exchange for the five preceding trading days, being \$65.11. The 312,000 LTIP units associated with Cobre Panama will remain in place and will be redeemed in accordance with the LTIP provisions. However, no additional LTIP units will be awarded as a result of the replacement of the LTIP with the SOP and PSUP described below. Given that there are a total of 312,000 LTIP units outstanding and no further LTIP units will be awarded, the board has reduced the number of common shares reserved for issuance under the LTIP from 500,000 to 312,000 common shares.

### **2011 Equity-based compensation plans**

The HRCC and board approved two new equity-based compensation plans in April 2011: a medium-term incentive plan consisting of the performance share unit plan (PSUP) and a long-term incentive plan consisting of the SOP.

The purpose of the equity-based compensation plans is to:

- support the achievement of the Corporation's performance objectives
- ensure the interests of key employees are aligned with the success of the Corporation
- provide compensation opportunities to attract, retain and motivate key employees critical to the long-term success of the Corporation and its affiliates

The value of awards under the equity-based compensation plans will generally consist of 50 percent stock options under the SOP and 50 percent performance share units (PSUs) under the PSUP. Both the HRCC and the board believe the equity-based compensation plans are more effective at aligning the interests of management and shareholders than the current LTIP. The current LTIP has proven difficult to administer, is a minority practice (in both the mining and other industries), is not well understood by participants and has little ability to attract new talent.

### ***Share option plan (SOP)***

You can vote on approving the adoption by the Corporation of the SOP. A copy of the SOP is attached as Appendix D on page 79 of this circular. The following description of the SOP is qualified, in its entirety, by the terms of the attached SOP document.

The HRCC considered the following things in developing the new equity-based compensation plans:

- simplicity
- consistency and competitiveness with market practice
- retention/attribution value
- aligning management rewards with shareholder value

### ***Shareholder approval***

The SOP has been conditionally approved by the Toronto Stock Exchange, subject to shareholder approval. It will go into effect only if a majority of the votes are cast *in favour* of approving it. If the SOP is approved, it will go into effect as of May 10, 2011.

### ***Board recommendation***

The board has approved the SOP and unanimously recommends that you vote *in favour* of the SOP. See Appendix C for a copy of the resolution.

### ***More about the SOP***

The following is a summary of the key features of the SOP.

### ***Eligible participants***

Any officer or senior management employee of Inmet or its affiliates as designated by the board from time to time is eligible to participate in the SOP. Non-executive directors are not eligible to participate in the SOP.

### ***Shares reserved for issuance***

If the SOP is approved by shareholders, a total of 2,846,000 common shares (approximately 4 percent of our issued and outstanding common shares (as at May 18, 2011)) will be reserved for issuance under the SOP. Any options that are cancelled or terminated, and that have not been exercised, will again be available for issuance under the SOP. The proposed share reserve for the SOP is subject to approval by shareholders of the Corporation as part of the requested approval of the SOP.

### ***Maximum limits***

The total number of Inmet common shares reserved for issuance from treasury under all of our share compensation arrangements combined represents approximately 5 percent of our issued and outstanding common shares or 3,466,140 common shares (as at May 18, 2011). This includes all share compensation arrangements for our directors, executive officers and senior management. With the changes made to 2011 compensation arrangements, the reserves for our share compensation arrangements consist of 2,846,000 common shares for issuance under the SOP (subject to shareholder approval), 312,000 common shares for issuance under the LTIP, and 308,140 common shares for issuance under our deferred share unit (DSU) plan for directors. See *How we compensation our directors – Deferred share unit plan* on page 34 for a description of the DSU plan.

The total number of Inmet common shares issuable to any one person under all of our share-based compensation arrangements may not exceed 5 percent of our issued and outstanding common shares or 3,466,140 common shares (as at May 18, 2011). Any increase above this threshold would require further shareholder approval.

The total number of Inmet common shares that may be issued to insiders (as defined in Part 1 of the Toronto Stock Exchange Company Manual) under the SOP and/or under any of our share compensation arrangements may not, within a 12 month period, exceed 10 percent of our issued and outstanding common shares of 6,932,886 common shares (as at May 18, 2011).

The total number of Inmet common shares issuable to insiders (as defined in Part 1 of the Toronto Stock Exchange Company Manual), at any time, under all of our share compensation arrangements combined may not exceed 10 percent of our issued and outstanding common shares or 6,932,886 common shares (as at May 18, 2011).

#### *Granting options*

The board may grant options to participants in its sole discretion. To determine the appropriate allotment of options under the SOP, the HRCC and board considered the following:

- stock options have not been granted since 2001
- LTIP units have not been granted since 2009
- the ability of Inmet to secure and retain top talent for the development of Cobre Panama
- the attractiveness and competitiveness of our stock options for new executives joining Inmet, who do not have eligibility under the current LTIP

#### *2011 option grants*

An initial grant of 380,000 options, representing approximately 0.5 percent of our issued and outstanding common shares (as at May 18, 2011), was made to SOP participants on May 10, 2011 in three tranches as follows:

- a 2010 grant of 58,246 options
- a 2011 grant of 61,916 options
- a retention grant of 259,838 options

The retention component was introduced in response to current market conditions in which competitors have approached members of our executive team and attempted to attract them to their organizations. At a time when Inmet is developing a significant project, Cobre Panama, the board believes that it is critical that we retain our top talent. The retention component is expected to be a one-time allotment. For 2012 and going forward, option grants will be based on base salary.

Such initial grants are subject to ratification by shareholders of the Corporation as part of the requested approval of the SOP.

The table below sets out the number of options granted to the named executives and other SOP participants on May 10, 2011.

<b>Name</b>	<b>2011 Option Grants (#)</b>	<b>Option exercise price (\$)</b>	<b>Option expiration date</b>
Jochen Tilk	100,000	65.11	May 10, 2018
D. James Slattery	35,000	65.11	May 10, 2018
Steve Astritis	35,000	65.11	May 10, 2018
Frank Balint	35,000	65.11	May 10, 2018
R. Scott Herr	35,000	65.11	May 10, 2018
Other SOP participants	140,000	65.11	May 10, 2018

Notes to above table:

The option exercise price is based on the Fair Market Value (as defined below under *Exercise price*).

The table below gives details about the common shares authorized for issuance under our SOP as at May 18, 2011.

Number of common shares reserved for issuance under the SOP	Total number of options granted	Number of common shares available for future grant under the SOP
2,846,000 or approximately 4% of our issued and outstanding common shares as at May 18, 2011	380,000 or approximately 0.5% of our issued and outstanding common shares as at May 18, 2011	2,466,000 or approximately 3.6% of our issued and outstanding common shares as at May 18, 2011

#### Vesting

The options granted as set out above will vest 25 percent on each anniversary of the initial grant date over a four year period.

The HRCC has discretion to set other vesting terms and may determine that options vest in installments or that vesting of options be conditional on the achievement of performance targets.

#### *Exercise price*

The board may determine the exercise price of options provided that it shall not be less than fair market value as of the grant date. Fair market value means the volume weighted average trading price of Inmet common shares on the principal Canadian stock exchange on which the common shares are traded for the five trading days (Fair Market Value) immediately before the grant date.

#### *Term of options*

Options granted must be exercised no later than 7 years after the date of grant. The HRCC can shorten this period.

#### *Cessation of employment*

If a participant dies, all vested options as at the date of a participant's death will be exercisable by the participant's legal representatives until the first anniversary of the participant's death. All unvested options as at the participant's termination date or which are not exercised by the first anniversary of the participant's death will expire.

If a participant retires or develops a disability, all unvested options will continue to vest and all vested options will be exercisable until the second anniversary of the termination date. All options which are not exercised by the second anniversary of the termination date will expire.

If a participant resigns (other than for constructive dismissal) or termination for cause, all options, whether or not vested, will expire on the participant's termination date.

If a participant ceases to be an eligible person (as defined in the SOP) for any reason other than as set out above, all options which have vested at the termination date will be exercisable by the participant for a period of 90 days after the termination date. All options which are not vested at the termination date or which are not exercised by the 90<sup>th</sup> day after the termination date will expire.

#### *Change of control*

If there is a change in ownership of more than 50 percent of Inmet's common shares because of a corporate transaction or acquisition of securities or assets, we consider it a change of control under the SOP.

If the acquirer assumes Inmet's obligations under the SOP in a manner that our board believes is consistent with the objectives of the SOP, then the SOP and all outstanding options will continue on

the same terms and conditions. The options may be adjusted, however, to become a right to receive shares of the acquirer.

If the acquirer under a change of control does not assume all of Inmet's obligations under the SOP, or continues the plan but with different objectives that our board believes are inconsistent with the SOP, then all options outstanding under the SOP will vest in full, and options shall terminate if not exercised at or prior to such event.

For participants who are no longer employees after the change of control because their employment was terminated without cause or they resigned based on constructive dismissal within 24 months of the change of control, the options or substituted options shall become fully vested and shall be exercisable until the 90<sup>th</sup> day following the date of the participant's termination.

In the event of a change of control or other substitution event (as defined in the SOP), the board has discretion to make changes to the terms of the options that it considers fair and appropriate in the circumstances, including to: (i) accelerate the date on which the options can be exercised; (ii) modify terms of options to assist option holders to tender to a takeover bid or other arrangement leading to a change of control; and (iii) terminate, with conditions or not, the options not exercised following successful completion of a change of control. If a substitution event does not take place within its specified time options which vested shall be returned by the participant to us and shares issued shall be reinstated as authorized but unissued and the original terms to such options reinstated

#### *Transferability of Options*

Rights respecting options shall not be transferred or assigned other than by will or the laws of descent and distribution.

#### *Amending or terminating the SOP*

The HRCC can amend, suspend, or terminate the SOP without shareholder approval unless shareholder approval is required by law or by the rules, regulations and policies of the Toronto Stock Exchange.

Shareholder approval is needed for the following changes:

- Changing the number of common shares that may be issued under the SOP, or changing to a fixed percentage
- Increasing the length of the period after the blackout period during which options or any rights pursuant thereto may be exercised
- Reducing the exercise price of an option or changing the exercise price for any option or any rights granted under the SOP to be lower than fair market value of the common shares on the date of grant, permit the cancellation of options and re-issuance of such options with a reduced exercise price, except a reduction for a stock dividend, stock split, merger, consolidation or other change in capital affecting our common shares
- Increasing the categories of eligible participants
- Extending the term of any option or any rights granted under the SOP beyond its original expiry date
- The addition of any other provision which results in participants receiving common shares while no cash consideration is received by the Corporation
- The addition of a cashless exercise feature if there is no full deduction of the underlying securities
- Allowing an option to be transferred or assigned other than by will or the laws of descent and distribution

- Changing the provisions under which the HRCC may amend, suspend or terminate the plan
- When required by law, including the rules, regulations and policies of the Toronto Stock Exchange

Shareholder approval would not be required for the following changes to the SOP, among others:

- Housekeeping or administrative changes
- Changes required to comply with the law
- Changes to qualify for favourable tax treatment
- Changes related to early termination
- Changes necessary to suspend or terminate the SOP

See *2011 Executive compensation review* on page 39 of this circular for more information on changes to our executive compensation program in 2011.

#### ***Performance share unit plan (PSUP)***

The PSUP is an equity-based compensation plan that does not involve any issuance of securities from Inmet's treasury.

#### *Board approval*

The board approved the PSUP in April 2011.

#### *Shareholder approval*

The PSUP does not require shareholder or Toronto Stock Exchange approval because it is not a treasury issuance plan. The PSUP went effect as of May 10, 2011.

#### *More about the PSUP*

The following is a summary of the key features of the PSUP.

#### *Eligible participants*

The PSUP is available to any officer or senior management employee of Inmet or its affiliates as designated by the board from time to time.

#### *Granting performance share units (PSUs)*

The board may grant PSUs to participants in its sole discretion. PSU grants will be equal in value to:

- 75 percent of the CEO's annual base salary (based on his target level of 150 percent)
- 50 percent of the other named executives' annual base salaries (based on their target level of 100 percent)

The number of grants will then be determined by dividing the above value by the Fair Market Value. PSUs are credited to a participant's PSU account on the grant date.

#### *Dividends*

When dividends are paid on Inmet common shares, additional PSUs equal to the value of such dividends and subject to the same performance vesting requirements, will be credited to a participant's PSU account.

#### *Performance period*

The performance period is the three-year period commencing on January 1<sup>st</sup> of the year in which a PSU grant is made and ending on November 25<sup>th</sup> of the second year following the year in which the grant is made.

#### *Performance vesting*

The number of PSUs that vest is the number of PSUs credited to a participant's account during the performance period multiplied by the performance target percentage assigned to the performance targets achieved, determined as at the end of the performance period.

#### *Performance criteria*

The HRCC will establish time and performance conditions to the vesting of PSUs and have discretion to set, waive and amend performance targets and the performance target factor under the PSUP.

#### *Vesting*

The PSUs will vest on November 25th of the third year after the grant date based on the achievement of performance vesting targets established by the HRCC.

#### *Redemption*

Vested PSUs, including additional PSUs credited when dividends are paid, are redeemed for cash five business days following the vesting date. The cash amount is calculated by multiplying the number of vested PSUs by the Fair Market Value (as of the vesting date).

#### *Transferability of PSUs*

Rights respecting PSUs may not be transferred or assigned other than by will or the laws of descent and distribution.

#### *Change of control*

If there is a change in ownership of more than 50 percent of Inmet's common shares because of a corporate transaction or acquisition of securities or assets, we consider it a change of control under the PSU.

If the acquirer assumes Inmet's obligations under the PSUP in a manner that our board believes is consistent with the objectives of the PSUP, then the PSUP and all outstanding PSUs will continue on the same terms and conditions. The PSUs may be adjusted, however, to become a right to receive PSUs of the acquirer.

If the acquirer under a change of control does not assume all of Inmet's obligations under the PSUP, or continues the plan but with different objectives that our board believes are inconsistent with the PSUP, then all PSUs outstanding under the PSUP will vest in full as of the termination date and will be paid immediately, based on the performance targets and the Fair Market Value prior to the date of termination of the PSUP and payment shall be made within 30 days after such termination date.

For participants who are no longer employees after the change of control because their employment was terminated without cause or they resigned based on constructive dismissal within 24 months of the change of control, the PSUs or substituted PSUs shall become fully vested and immediately payable within 30 days from the date of the participant's termination based on the performance targets as of the participant's termination dates.

#### *Amending or terminating the PSUP*

The HRCC can amend, suspend, or terminate the PSUP at any time in accordance with applicable legislation, and subject to any required shareholder or regulatory approval, provided that such amendment, suspension or termination does not materially adversely affect any PSUs granted to a participant, without the consent of the participant.

### 2011 PSU grants

An initial grant of 29,488 PSUs was made to PSUP participants on May 10, 2011.

The table below sets out the number of PSUs granted to the named executives and other PSUP participants on May 10, 2011.

Name	2011 PSU grants (#)	PSU performance period
Jochen Tilk	9,215	January 1, 2011 to November 25, 2013
D. James Slattery	3,340	January 1, 2011 to November 25, 2013
Steve Astritis	3,187	January 1, 2011 to November 25, 2013
Frank Balint	2,611	January 1, 2011 to November 25, 2013
R. Scott Herr	2,611	January 1, 2011 to November 25, 2013
Other PSUP participants	8,524	January 1, 2011 to November 25, 2013

### Performance criteria

The HRCC has determined the performance criteria for our 2011 PSU grants to be a comparison of our three-year relative total shareholder return (TSR) performance with that of the 11 mining companies that we have selected as our peer group for benchmarking our TSR performance.

### Performance vesting

The 2011 PSUs vest on the achievement of relative TSR as set out on the table below.

Relative Total Shareholder Return Percentile Rank	Performance Adjustment Factor
Less than 25 <sup>th</sup> percentile	.00 (subject to board discretion)
25 <sup>th</sup> percentile	.50
50 <sup>th</sup> percentile	1.00
75 <sup>th</sup> percentile	1.50
Above 75 <sup>th</sup> percentile	2.00

### 2011 Peer group – performance benchmarking for PSUP

Hugessen advised the HRCC regarding the design of our PSUP for implementation in 2011. This advice included a review of appropriate performance metrics for the 2011 PSU grants and recommendations regarding the members of the performance peer group. To arrive at the group, Hugessen started with the 2011 pay benchmarking group and eliminated certain companies and added others to establish an international group of copper peer group companies for benchmarking our TSR performance.

The HRCC approved the following peer performance group for benchmarking our TSR performance for the 2011 PSU grants:

2011 Peer group – performance benchmarking for 2011 PSU grants		
Antofagasta PLC Equinox Minerals Limited First Quantum Minerals Ltd. Freeport McMoran Copper & Gold, Inc.	Hudbay Minerals Inc. Kazakhmys PLC Lundin Mining Corporation Oz Minerals Ltd.	PanAust Limited Quadra FNX Mining Inc. Teck Resources Limited

Adjustments may be made to the above 2011 peer performance group at the HRCC's discretion and may be necessary as a result of mergers, takeovers or consolidations in the market.

## **Other compensation**

### ***Defined contribution pension plan***

The named executives and other executive officers participate in the defined contribution (DC) component of our registered retirement plan. Inmet contributes the maximum annual contribution the Canada Revenue Agency allows for registered plans.

Contributions made under the DC plan are invested in various investment options available under the plan according to the employee's instructions, and investment earnings accumulate in the employee's DC plan account. When the employee retires, the value in his or her plan account is used to purchase a monthly pension from an insurance company or transferred to a locked-in retirement account or life income plan.

Participating employees (other than specified employees as defined under the plan) can make voluntary contributions to the plan of up to 13 percent of base salary and annual bonus. We match 50 percent of the voluntary contributions up to 4 percent (subject to limits set by the Canada Revenue Agency). Executive officers are not allowed to make voluntary contributions to the plan.

### ***Annual payment in lieu of supplemental pension plan***

We do not have a supplemental pension plan that provides a pension benefit in excess of the maximum benefits the Canada Revenue Agency allows under registered pension plans. Instead, we make an annual payment to each of the named executives (and other specified employees as defined under the plan) of up to 12 percent of his or her combined base salary and a specified portion of the performance bonus according to his or her position, less the amount we pay to the DC pension plan. We do this to avoid maintaining and funding a non-registered supplementary pension plan or arrangement for benefits in excess of the permitted maximums.

### ***Other benefits***

We provide a limited number of benefits to executive officers and certain other employees including a fitness club membership, life insurance and a leased car. We believe the value of these benefits is consistent with those offered by companies in our peer group.

## **“Say on Pay” in 2012**

As part of Inmet's commitment to strong corporate governance practices, the corporate governance and nominating committee and board have voluntarily committed to adopting an advisory vote on the board's approach to executive compensation in 2012. The 2012 “say on pay” vote will give shareholders an opportunity to express views on our 2011 compensation arrangements.

## Our 2010 corporate objectives and results

The table below lists our corporate objectives for 2010 and the key performance indicators:

2010 Corporate objectives	Key indicators
<b>1. Superior returns</b> Continue to improve Inmet's share price relative to our peers	<ul style="list-style-type: none"> <li>• Outperform the S&amp;P/TSX Global Mining Index (our peer group) over the long term</li> </ul>
<b>2. Growth</b> Grow through the acquisition of production, development of a property or successful exploration	<ul style="list-style-type: none"> <li>• Achieve full production at Las Cruces in the third quarter of 2010.</li> <li>• Publish the Front End Engineering and Design Study by March 31, 2010 and submit the Environmental and Social Impact Assessment to Panamanian authorities shortly thereafter. Select engineering, procurement and contract management contractor and begin basic engineering by July 2010. Complete final arrangements for financing with a goal of starting construction by February 2011.</li> <li>• Continue to monitor the market for opportunities to acquire assets that are consistent with our strategy. These could include development projects or current production.</li> </ul>
<b>3. Maximize the value of our existing assets</b> Meet production targets and continuously improve productivity Control costs through continuous improvement programs and cost monitoring	<ul style="list-style-type: none"> <li>• Meet production and productivity targets.</li> </ul>
<b>3. Continue to make our operations safe places to work</b> Improve the corporate responsibility safety and health, environment and community affairs (SECA) performance of our operations and construction projects	<ul style="list-style-type: none"> <li>• Continue to implement our SECA standards, high consequence protocols, plans for water management, plans to reduce energy and greenhouse gases and strategies for community development.</li> <li>• Implement higher standards for safety and environmental performance:               <ul style="list-style-type: none"> <li>- Deliver a 10 percent reduction in lost-time injury frequency, total injury frequency, severity and environmental incident intensity.</li> </ul> </li> <li>• Establish a Minera Panama community foundation.</li> <li>• Forge a corporate biodiversity partnership with an international ecological organization to deliver benefit to our operations.</li> <li>• Implement a functional and practical operational risk management system that includes:               <ul style="list-style-type: none"> <li>- Informal risk assessment and risk management systems</li> <li>- Coaching processes</li> <li>- Stop and talk interactive discussions.</li> </ul> </li> <li>• Establish a formal, documented system for self-audit of our management systems, maintaining an operations focus. This will make sure we actually achieve what we commit to doing.</li> <li>• Develop a corporate Human Rights Policy and evaluate the benefits of signing the Voluntary Principles on Security and Human Rights.</li> </ul>

### Objective 1 – Superior returns

#### Continue to improve Inmet's share price relative to our peers

One of our longer-term goals is to provide returns that are better than our peers. Because long-term share performance is a key part of our overall strategy, we assess our results over a five-year period.

#### 2010 results

- Our share price has underperformed compared to our peers on the S&P/TSX Capped Diversified Metals and Mining Total Return Index by approximately 30 percent.
- We underperformed our peer group by a cumulative 29 percent over the five years ending December 31, 2010, but outperformed the market by a cumulative 95 percent over the same period.
- The underperformance can be attributed to several factors, including that Las Cruces ramp-up progressed more slowly than anticipated and a delay in completing the private placement with a

wholly-owned subsidiary of Temasek Private (Holdings) Limited, which is viewed as a significant step toward financing Cobre Panama. We believe this year's underperformance is a short-term phenomena as our near term growth with Las Cruces and our significant leverage to copper with Cobre Panama should drive a stronger growth profile than many of our peers.

*An annual rating is not typically assigned to this objective because improving Inmet's share price relative to our peers is a longer-term goal. However, the creation of long-term value for shares was evaluated and factored into the overall assessment of corporate performance. The ultimate measure of this goal is growth in Inmet's share price, both in absolute terms and in relation to its peers over the long term.*

## **Objective 2 – Growth**

### **Grow through the acquisition of production, development of a property or successful exploration**

Growth in base metal mining is a core element of our corporate strategy. We have achieved our growth objectives over the past several years and continue to strive for growth to enhance our ability to deliver superior returns over the longer term.

#### *2010 results*

- We acquired the 30 percent interest in Las Cruces that was held by Leucadia, enabling us to increase our ownership position in Las Cruces to 100 percent.
- We finalized an agreement with Ok Tedi Mining Limited (OTML) for OTML to repurchase the five percent net smelter royalty for USD\$335 million, which transaction closed in January 2011.
- We sold our interest in Premier Gold Mines Limited for \$61.4 million.
- We made significant advancements in the Cobre Panama project and achieved several milestones including:
  - the finalization of the front-end engineering and design (FEED) study which resulted in a significant increase in mineral reserves and resources for the project;
  - the filing of the project environmental and social impact assessment (ESIA) with the Autoridad Nacional del Ambiente, the Panamanian environmental regulatory authority; and
  - the awarding of a contract for engineering, procurement and construction management (EP+CM) procurement process to Joint Venture Panama Inc., a joint venture led by to SNC-Lavalin Group Inc. (70 percent) with partners GyM S.A. (a member of Grana y Montero Group) (15 percent) and Techint International Construction Corp. (15 percent).
- Although there has been significant progress on the side of project execution and financing at Cobre Panama as outlined above, we failed to realize some of our goals in relation to Cobre Panama including:
  - We were unable to exchange the subscription receipts issued to Ellington Investments Pte. Ltd., an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited (Temasek), because legislation had not yet come into effect by the end of the year to amend the Panamanian Mineral Resources Code to permit entities in which foreign governmental bodies or authorities have an interest to hold direct or indirect interests in mining concessions in Panama; and
  - We did not secure a third partner for the Cobre Panama project as we had originally expected.

**2010 Growth Rating: 30 percent out of a possible 30 percent**

## **Objective 3 – Maximize the value of our existing assets**

### **Meet production targets and continuously improve productivity**

The focus of this objective is on maximizing the value of our existing operations by improving productivity, reducing costs and mitigating risk. A consistent focus on making sure our operations are strong and stable has proven to be the right strategy: it means we can continue to rely on our operating cash flow even when metal prices are low. It also gives us the strength to pursue our growth objectives.

## 2010 results

Production	2010 target	2010 results
Copper	126,400 tonnes	94,300 tonnes
Zinc	83,000 tonnes	81,400 tonnes
Gold	145,700 tonnes	125,400 ounces

Productivity	2010 target	2010 results
Çayeli	3,300	3,150
Pyhäsalmi	3,750	3,800
Troilus	16,700	15,500
Ok Tedi (100%)	65,000	61,000

Copper production was below target mainly because of delays in the ramp-up at Las Cruces and because of lower grades and mill throughput at Çayeli. Zinc production was on target. Gold production was below target because we mined lower grades at Ok Tedi. We produced more pyrite than our target because of the increase in demand.

## Control costs through continuous improvement programs and cost monitoring

### 2010 results

Cost per tonne of ore milled (C \$)	2010 target	2010 results
Çayeli	72	79
Pyhäsalmi	43	39
Troilus	9	9
Ok Tedi	23	23
Las Cruces	–	–
Cash cost per pound of copper (US \$)	0.44	0.49

Cash cost per pound of copper includes direct production costs, plus smelter processing charges and freight, less revenue from the sale of by-product metals. These are non-GAAP measures. There is no standard method for calculating these numbers and they are not a reliable way to compare us to other companies. They can, however, help you understand how our production costs have changed from year to year compared to our targets, and the impact this has on our profitability and cash flows. You can find a reconciliation of the 2010 and 2009 non-GAAP measures to our GAAP measures in our *Annual Management's Discussion and Analysis of Results of Operations and Financial Condition for the year ended December 31, 2010 – Supplementary information, Cash costs* on pages 52 and 53.

### 2010 Maximizing Inmet's Asset Value Rating: 30 percent out of a possible 50 percent

#### Objective 4 – Continue to make our operations safe places to work

#### Improve the corporate responsibility safety and health, environment and community affairs (SECA) performance of our operations and construction projects

Our safety, environmental and community affairs strategic objectives incorporate priorities for the safety and health of employees, contractors and communities, responsible environmental stewardship and contributing to establishment of sustainable communities. The objectives are founded on the principles of good governance and risk management to ensure that we earn our social licence and enhance our reputation. We are committed to continually improving our performance as a responsible corporate citizen while creating shareholder value.

#### *2010 results*

- Our lost time injury frequency went down 10 percent and total injury frequency went down by 16 percent.
- Our injury severity was significantly higher due to the Las Cruces fatality.
- Our disabling injury frequency went up 22 percent.
- We addressed workplace hazards by continuing to implement our SECA Standards and high consequence protocols.
- We established a formal, company-wide incident severity classification system for safety and health, environmental and community affairs incidents.
- We completed operational excellence internal training and process implementation commenced at all operating sites.
- We developed a human rights policy.
- We developed and implemented United Nations Global Compact training and completed our first communication on progress.
- We completed and submitted the environmental and social impact assessment (ESIA) for the Cobre Panama project for review by Autoridad Nacional del Ambiente (ANAM), the Panamanian environmental regulatory authority.
- We held a public forum in November to present the ESIA to the local community, as required by legislation.
- We significantly advanced community interaction at Cobre Panama.
- Despite the many activities and enhancements in the area of safety, health, environment and community affairs, we experienced a fatality at Las Cruces in May. Protecting and advancing the health and safety of our employees and contractors continues to be one of the most fundamental components of our corporate objectives and of our business culture. The fatality was a tragic event that resulted in a complete review of our safety practices and operating procedures at Las Cruces. We continue to take every possible step to further improve our working conditions and safety practices in pursuit of a “zero-harm” target at all of our operations.

***2010 Safety, Health, Environment and Community Affairs Performance Rating: 0 percent out of a possible 20 percent (No bonus was attributed because of the fatality at Las Cruces)***

#### **2010 corporate performance factor**

The board held its annual strategy session in late November and considered all of the above, with a specific focus on the following factors relating to our 2010 performance:

- the status of Las Cruces and our progress in meeting the other objectives
- the successes relating to Cobre Panama
- the performance of our operations
- our safety record in 2010.

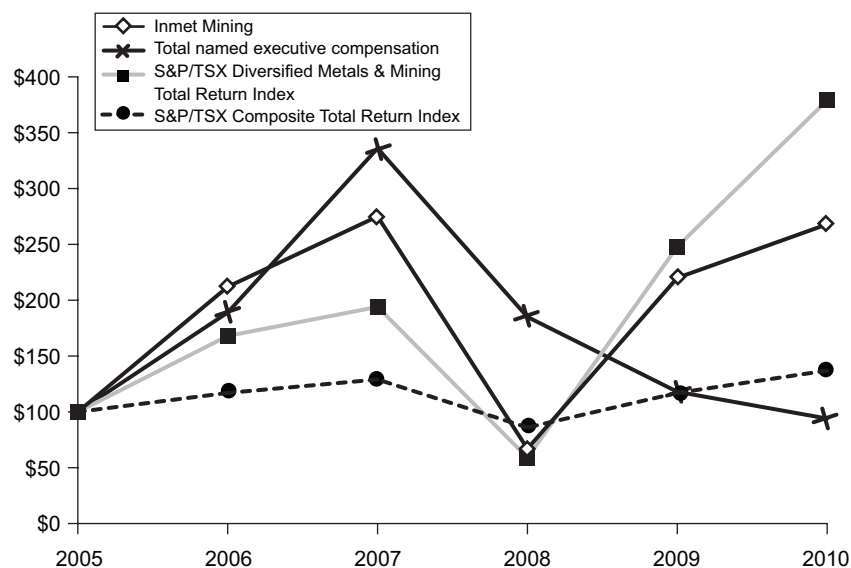
After completing its assessment, the board determined an overall *corporate performance rating* of 60 percent for 2010. It used this factor to make its compensation decisions for our named executives.

Turn to *2010 results* on page 62 for the summary compensation table and other information about what we paid our named executives in 2010. See *2011 executive compensation review* on page 39 for information on changes to our executive compensation program commencing in 2011.

## How our shares have performed

The graph below compares the performance of Inmet common shares to the S&P/TSX Composite Total Return Index, the S&P/TSX Diversified Metals & Mining Total Return Index and the total compensation for our named executives for the five most recently completed financial years.

It shows our total cumulative shareholder return for \$100 invested in Inmet common shares on December 31, 2005 with reinvestment of dividends, compared to \$100 invested in the S&P/TSX Composite Total Return Index and the S&P/TSX Diversified Metals & Mining Total Return Index over the same five-year period, and total compensation paid to our named executives indexed at \$100 as of December 31, 2005.



At December 31	2005	2006	2007	2008	2009	2010
Inmet Mining	\$100	\$212	\$275	\$67	\$220	\$268
S&P/TSX Composite Total Return Index	\$100	\$117	\$129	\$86	\$117	\$137
S&P/TSX Diversified Metals & Mining Total Return Index	\$100	\$168	\$194	\$59	\$248	\$379
Total named executive compensation	\$100	\$186	\$336	\$185	\$118	\$94

Notes to above table:

Total named executive compensation for 2009 excludes the lump sum payment made to our former CEO as part of his retirement agreement.

With the exception of 2009 and 2010, total compensation paid to our named executives over the last five years tracks a similar pattern as our share price performance and the referenced indices over the same period. Total compensation paid to the named executives decreased in 2009 and 2010 for the following reasons:

- total compensation paid to the named executives for 2008 included an assumed value for the LTIP units associated with Las Cruces whereas 2009 and 2010 did not.
- the corporate performance factor determined for the PBP in 2009 and 2010 was lower than target.
- share price performance was affected by the economic downturn in 2008 and recovery in 2009.
- named executives as a group received lower total compensation than the total compensation of the named executives of previous years as a result of the former CEO's retirement.

### Total compensation of our named executives as a percentage of pre-tax profit

The table below shows the total compensation paid to our named executives in each of the past five years, and as a percentage of pre-tax profit for that year.

	2006	2007	2008	2009	2010
Total compensation for our named executives	\$8,492,253	\$15,378,336	\$8,479,342	\$5,402,188	\$4,277,640
Pre-tax profit	\$551,120,000	\$558,303,000	\$324,290,000	\$390,948,000	\$493,953,000
Total compensation of our named executives (as a % of pre-tax profit)	1.5%	2.8%	2.6%	1.4%	0.9%

#### *Total compensation of our named executives in 2008*

The corporate performance factor for 2008 was originally set at 40 percent on the basis that the government permits to allow the commencement of production at Las Cruces had not been obtained. When the permits were issued in June 2009, the performance factor for 2008 was retroactively increased by 40 percent and the total compensation of our named executives in 2008 was adjusted to reflect this increase.

*Total compensation of our named executives* for 2010, 2009 and 2008 is the total amount of the compensation items listed for each named executive in the *Summary compensation table* in our management proxy circular for each of those years.

*Pre-tax profit* is in Canadian dollars before capital tax and income tax expense.

## 2010 results

### Summary compensation table

The table below shows the annual and long-term compensation we paid to our President and CEO, our CFO and our other three most highly compensated officers (our *named executives*) for the years ended December 31, 2010, 2009 and 2008.

Name and principal position	Year	Salary (\$)	Annual (cash) compensation			Share-based awards		Total compensation (\$)
			PBP cash bonus (\$)	Pension value (\$)	Other compensation (\$)	SAP (\$)	LTIP (\$)	
Jochen Tilk President and Chief Executive Officer (formerly President and Chief Operating Officer)	2010	755,000	680,000	22,450	169,912	–	–	1,627,362
	2009	605,000	316,000	22,000	112,652	297,758	–	1,353,410
	2008	550,000	275,000	21,000	95,013	444,923	883,000	2,268,936
D. James Slattery Vice-President and Chief Financial Officer	2010	420,000	252,000	22,450	70,511	–	–	764,961
	2009	390,000	156,000	22,000	70,169	146,995	–	785,164
	2008	375,000	150,000	21,000	57,142	242,685	353,200	1,199,027
Steve Astritis Vice-President, General Counsel and Secretary	2010	405,000	243,000	22,450	70,775	–	–	741,225
	2009	375,000	150,000	22,000	70,434	141,341	–	758,775
	2008	360,000	144,000	21,000	58,186	232,978	353,200	1,169,363
Frank Balint Vice-President, Corporate Development	2010	325,000	195,000	22,450	64,200	–	–	606,650
	2009	300,000	120,000	22,000	59,883	113,073	–	614,956
	2008	287,000	116,000	21,000	50,156	187,676	264,900	926,732
R. Scott Herr Vice-President, Mining	2010	290,000	174,000	22,450	50,992	–	–	537,442
	2009	270,000	108,000	22,000	48,480	101,765	–	550,246
	2008	250,000	100,000	21,000	36,260	161,790	264,900	833,950

Notes to the above table:

Mr. Tilk was appointed Inmet's President and Chief Executive Officer on November 2, 2009. He was previously President and Chief Operating Officer. His 2009 salary reflects the amount he received up to that date as President and Chief Operating Officer, and the prorated amount for the increase he received as President and CEO.

#### *Performance bonus plan cash bonus*

In 2010, no SAP awards were granted in connection with the payment of the PBP. At the time the PBP was determined (December 2010), Inmet was in a transactional trading blackout and the board used its discretion to pay the entire 2010 PBP in cash.

#### *Other compensation*

This represents the value of perquisites and benefits, including but not limited to:

- premiums we paid for standard benefits including life insurance
- automobile benefits
- tax assistance
- annual contributions we made in lieu of a supplemental pension arrangement
- retiring allowance.

The named executives received the following amounts in 2010 for automobile benefits and the annual payment in lieu of a supplemental pension arrangement:

Name	Payment in lieu of supplemental pension (\$)	Automobile benefit (\$)
Jochen Tilk	149,750	9,580
James Slattery	46,094	12,720
Steve Astritis	43,646	13,069
Frank Balint	30,590	17,302
R. Scott Herr	24,878	12,028

#### *Share award plan*

The SAP is a market purchase plan. The amounts in this column reflect the actual cost to buy shares in the market under the plan, without deducting income tax and other source deductions, and therefore vary from the amounts indicated in the table for the *cash bonus* under the performance bonus plan.

For accounting purposes, the value of the SAP is based on the cost incurred to acquire the shares, which is amortized evenly over the four-year vesting period. For accounting purposes, the value of share awards that have not vested is as follows:

Name	Value (\$)
Jochen Tilk	424,820
James Slattery	223,222
Steve Astritis	218,365
Frank Balint	158,557
R. Scott Herr	129,190

In 2010, no SAP awards were granted in connection with the payment of the PBP. At the time the PBP was determined (December 2010), Inmet was in a transactional trading blackout and the board used its discretion to pay the entire 2010 PBP in cash.

#### *Long-term incentive plan*

The amounts shown in the summary compensation table for 2008 assume a performance percentage of 50 percent for LTIP units linked to the successful completion of Las Cruces, and a zero performance percentage for LTIP units linked to successful completion of the Cobre Panama project.

The 2008 values were calculated using the performance percentages times the number of LTIP units, multiplied by the closing price of our common shares on the TSX on the date of each grant:

- April 29, 2008 for Las Cruces and Cobre Panama, the date shareholders approved the LTIP and initial grant of LTIP units linked to these projects
- December 2, 2008, the date of an additional grant of LTIP units linked to the Cobre Panama project.

The closing price of our common shares was \$88.30 on April 29, 2008 and \$15.25 on December 2, 2008. See *Long-term incentive plan* starting on page 45 for more information about the LTIP.

For accounting purposes, we are required to amortize the fair value of LTIP units granted under the LTIP that are linked to Las Cruces evenly over the term of the estimated incentive period. This is a period of 23 months from April 29, 2008 (the effective date of the grant) to March 31, 2010 (the expected completion date for purposes of the plan).

Notes to the above table:

LTIP unit awards

The HRCC established an initial award of 215,000 LTIP units in December 2007. This was conditional on shareholders approving the LTIP (and the LTIP award), which happened in April 2008.

The LTIP units were divided into three tranches, according to the amount we expected three different projects to contribute to shareholder value: 86,000 for Las Cruces, 43,000 for Cerattepe and 86,000 for Cobre Panama.

The HRCC set expected *completion dates* for the initial award of LTIP units and then revised those dates in December 2008. It also granted an additional award of 129,000 LTIP units linked to the Cobre Panama project at that time.

In February 2009, the HRCC cancelled the LTIP units linked to Cerattepe after we decided not to proceed with the project. The shares allocated to the cancelled LTIP units were returned to the share reserve for the LTIP.

In December 2009, the HRCC established an additional award of 147,000 LTIP units for our growth project, Cobre Panama, and set an expected *completion date* for the project of December 31, 2014 for vesting.

## Incentive plan awards

A total of 808,140 common shares, or approximately 1 percent of our issued and outstanding common shares, were reserved for issuance under our share compensation arrangements in 2010 as shown in the table below. We will need shareholder approval if we want to increase the reserve.

Number of common shares reserved for issuance under the LTIP as at December 31, 2010	Total number of LTIP units outstanding as at December 31, 2010	Number of common shares reserved for issuance under our DSU plan for directors as at December 31, 2010	Total number of DSUs outstanding as at December 31, 2010
500,000	398,000	308,140	107,948

We did not grant any stock options in 2010. You are being asked to vote on adopting the SOP at the 2011 annual and special meeting of shareholders. If the SOP is approved, a total of 3,466,443 common shares, or approximately 5 percent of our issued and outstanding common shares, will be reserved for issuance under our share compensation arrangements in 2011. The table below sets out the current number of common shares reserved for issuance under our share compensation arrangements as of May 18, 2011. The SOP is subject to shareholder approval.

Number of common shares reserved for issuance under the LTIP as at May 18, 2011	Total number of LTIP units outstanding as at May 18, 2011	Number of common shares reserved for issuance under our DSU plan for directors as at May 18, 2011	Total number of DSUs outstanding as at May 18, 2011	Number of common shares reserved for issuance under the SOP as at May 18, 2011	Total number of options outstanding as at May 18, 2011
312,000	312,000	308,140	112,285	2,846,000	380,000

See *Adopting a Share Option Plan* page 3 and *2011 Executive compensation review* on page 39 for information on changes to our executive compensation program commencing in 2011.

## Share based awards

The table below shows the number and the value of unvested shares earned under the SAP and the number and value of unvested LTIP units earned under the LTIP by the named executives for the year ended December 31, 2010.

Name	Share award plan		Long term incentive plan	
	Number of shares awarded that have not vested (#)	Value of shares awarded that have not vested (\$)	Number of LTIP units awarded that have not vested (#)	Value of LTIP units awarded that have not vested (\$)
Jochen Tilk	7,904	610,663	103,000	927,120
D. James Slattery	4,179	322,870	46,000	370,848
Steve Astritis	4,064	313,985	46,000	370,848
Frank Balint	3,051	235,720	34,000	278,136
R. Scott Herr	2,541	196,318	34,000	278,136

Notes to the above table:

The *value of shares awarded that have not vested* is determined by multiplying the number of shares by \$77.26, the closing price of our common shares on the TSX on December 31, 2010.

As of December 31, 2010, none of the LTIP units awarded under the LTIP had vested. When an LTIP unit vests, it may be redeemed for one Inmet common share issued from treasury. The amounts indicated assume a performance percentage of 50 percent for LTIP units linked to the successful completion of Las Cruces, and a zero performance percentage for LTIP units linked to successful completion of the Cobre Panama project.

We calculated the value using the relevant performance percentages times the number of LTIP units, multiplied by \$77.26, the closing price of our common shares on the TSX on December 31, 2010. See *Long term incentive plan* starting on page 45 for more information about the LTIP.

#### Incentive plan awards – value vested or earned during 2010

The table below shows the value of compensation under our three incentive plans (cash bonus under the performance bonus plan, the share award plan and long term incentive plan) earned or vested by the named executives for the year ended December 31, 2010.

Name	Market value of shares under the SAP vested during the year	Value of LTIP units vested during the year (\$)	Cash bonus under the Performance bonus plan
Jochen Tilk	6,312 / \$487,665	nil	\$680,000
D. James Slattery	3,354 / \$259,130	nil	\$252,000
Steve Astritis	3,303 / \$255,190	nil	\$243,000
Frank Balint	2,346 / \$181,252	nil	\$195,000
R. Scott Herr	1,594 / \$123,152	nil	\$174,000

Notes to the above table:

The *market value of shares under the SAP vested during the year* is determined by multiplying the number of vested shares by \$77.26, the closing price of Inmet common shares on the TSX on December 1, 2010, the vesting date.

None of the units awarded under the LTIP had vested at the end of 2010.

In 2010, no SAP awards were granted in connection with the payment of the PBP. At the time the PBP was determined (December 2010), Inmet was in a transactional trading blackout and the board used its discretion to pay the entire 2010 PBP in cash.

#### Participation in the LTIP

The table below shows the total number of units awarded under the LTIP to the named executives as at December 31, 2010.

Name	LTIP units (#)	Growth project	Performance period until maturity or payout	Number/value of LTIP units vested during the year (#/\$)
Jochen Tilk	20,000 83,000	Las Cruces Cobre Panama	March 31, 2010 December 31, 2014	nil nil
D. James Slattery	8,000 38,000	Las Cruces Cobre Panama	March 31, 2010 December 31, 2014	nil nil
Steve Astritis	8,000 38,000	Las Cruces Cobre Panama	March 31, 2010 December 31, 2014	nil nil
Frank Balint	6,000 28,000	Las Cruces Cobre Panama	March 31, 2010 December 31, 2014	nil nil
R. Scott Herr	6,000 28,000	Las Cruces Cobre Panama	March 31, 2010 December 31, 2014	nil nil

Notes to the above table:

The LTIP units awarded under the plan will vest, based on the successful completion of our growth projects. The performance period for each project began on December 14, 2007.

The LTIP units associated with Las Cruces vested in 2011. For more information, see *2011 changes to LTIP* on page 47 of this circular.

## Retirement benefits

### Defined contribution pension plan

Our employee retirement plan has a defined contribution element (*DC plan*) that the named executives and other executive officers participate in. Inmet contributes to the DC plan on behalf of participating employees as follows:

Period of service	Percentage of base salary and annual bonus contributed each year
< 5 years	3.0%
5 to 10 years	4.5%
> 10 years	6.0%

If a participant's employment is terminated before retirement, the value of the DC plan account can be transferred to another registered pension plan or a locked-in retirement account, or it can be used by the employee to purchase a deferred pension benefit under an annuity contract with a life insurance company.

The table below shows the accumulated value of the benefits for the named executives under our defined contribution pension plan as at January 1, 2010 and December 31, 2010, as well as the compensatory and non-compensatory amounts credited to each of them as at December 31, 2010.

Name	Accumulated value at start of year (\$)	Compensatory (\$)	Non-compensatory (\$)	Accumulated value at year end (\$)
Jochen Tilk	248,470	22,450	23,975	294,895
D. James Slattery	100,848	22,450	10,477	133,775
Steve Astritis	200,956	22,450	20,744	244,150
Frank Balint	309,376	22,450	36,448	368,274
R. Scott Herr	85,088	22,450	11,467	119,004

Note to the above table:

*Non-compensatory* includes gains incurred because of investment performance in 2010.

### Annual payment in lieu of supplemental pension plan

As we do not have a supplemental pension benefit that provides a pension benefit in excess of the maximum benefits the Canada Revenue Agency allows under registered pension plans, we make an annual payment to each of the named executives. These payments totaled \$294,958 in 2010. As a result, we have no obligation to pay or fund a supplemental pension benefit to the named executives when they retire.

See *Annual payment in lieu of supplemental pension plan* on page 55 for more information.

## Employment, termination and change of control

We believe that *change of control agreements* are critical to protecting the interests of our shareholders. These agreements are designed to make sure our executive team stays intact before, during and after a change of control.

Our named executives and other executive officers are therefore covered under change of control agreements that provide benefits if the executive's employment is terminated *without just cause* (as defined in the agreement), or if the executive resigns for a *good reason* (as defined in the agreement) within 24 months of the change of control (36 months for the CEO). We review the agreements from time to time to make sure they continue to meet reasonable market standards.

See *Long term incentive plan* starting on page 45 for information on other change of control provisions relating to unvested performance share units granted under the plan.

If the executive's employment is terminated *without just cause* (as defined in the agreement) or if the executive resigns for a *good reason* (as defined in the agreement), he or she is entitled to the following compensation within 24 months (36 months for the CEO) following the change of control:

Type of compensation	Entitlement
Annual Salary	Cash amount that is two times the annual salary, less any required statutory deductions, on termination (the cash amount is three times for the CEO).
Management bonus arrangements	Cash amount that is two times the average of the amounts awarded during the three most recently completed financial years under the performance bonus plan (the cash amount is three times for the CEO) and therefore includes the amounts awarded for as a cash bonus and under the SAP.
Pension plan, health, dental, life insurance and disability benefits	Continuation for two years after the date of termination or receipt of benefits from a new employer, or a cash amount equal to our cost for coverage for this period of time (the period is three years for the CEO).
Perquisites	Continuation for two years after the date of termination or a cash amount equal to the cost of the perquisites for this period of time (the period is three years for the CEO).
Executive relocation counseling services	Maximum of \$30,000
Unvested shares held under the SAP	Immediate vesting
Unvested share performance units under the LTIP	According to the terms of LTIP (see page 45 for more information)
<b>2011 Changes to change of control provisions</b>	
PSUP	According to the terms of PSUP (see page 52 for more information)
SOP	According to the terms of the SOP (see plan text at page 79 for more information)

The table below shows the amount of potential payments to the named executives if their change of control agreements had been triggered. This assumes a termination date of December 31, 2010.

Name	Total (\$)	Severance (\$)	Performance bonus (\$)	Pension (\$)	LTIP (\$)	SAP (\$)
Jochen Tilk	13,375,117/12,274,643	2,449,589	1,862,000	495,240	7,957,780/6,857,306	610,509
D. James Slattery	5,565,705/4,539,543	970,681	576,000	142,272	3,553,960/2,527,798	322,792
Steve Astritis	5,510,461/4,484,298	951,428	554,000	137,088	3,553,960/2,527,798	313,985
Frank Balint	4,215,459/3,461,023	798,216	444,667	110,016	2,626,840/1,872,404	235,720
R. Scott Herr	4,016,540/3,262,104	702,206	393,333	97,920	2,626,840/1,872,404	196,240

Notes to the above table:

*Total*

The first amount assumes all LTIP units have vested on a *change of control*.

The second amount assumes partial vesting of the LTIP units on a *change of control* according to the terms of the plan, based on the expected completion dates for growth projects linked to the LTIP units awarded (see *LTIP* below).

*Severance*

These amounts are based on 2010 salary and include amounts for continuing benefits after termination.

*Pension*

This includes future pension contributions by Inmet and the amounts payable in lieu of a supplemental pension benefit, and excludes accumulated pension value in the registered defined contribution pension plan. See the second table under *Defined contribution pension plan* on page 67 for the accumulated pension values.

*LTIP*

LTIP units have accelerated vesting upon a change of control:

- the first amount in the column assumes accelerated vesting of all unvested LTIP units because the acquirer of Inmet has not assumed our obligations under the plan in a manner our board believes is consistent with the objectives of the plan
- the second amount represents the amount payable under the terms of the plan where the acquirer has assumed Inmet's obligations under the plan in a manner that our board believes is consistent with the terms of the plan.

See *Long-term incentive plan* on page 45 for more information.

*Share award plan (SAP)*

- all unvested shares held under the plan will vest on a change of control
- the value of Inmet common shares is calculated by multiplying the number of unvested shares held in the plan by \$77.26, the closing price of our common shares on the TSX on December 31, 2010.

See *Adopting a Share Option Plan* on page 3 and *2011 Executive compensation review* on page 39 for information on other change of control provisions relating to unvested options under the SOP and unvested performance units under the PSUP commencing in 2011 that will impact the quantum of potential payments to the named executives if their change of control agreements had been triggered.

## Share ownership

We expect each executive to accumulate a specific number of Inmet common shares. Any newly appointed executive has five years from the time of appointment to meet his or her share ownership requirements. Each management level has a share ownership requirement (the participant's *target ownership value*):

Target ownership value – as a % of base salary	CEO	Vice-President, Legal and Corporate Affairs and Vice-President, CFO	Vice-Presidents
	300%	200%	100%

We expect each of our executives to build share ownership in Inmet that equals at least his or her *target ownership value*, divided by the higher of:

- the average closing price of our common shares for November of the immediately preceding year, and
- his or her *target ownership value*, divided by the average closing price of our common shares on the TSX for the 20 trading days immediately preceding the date for determining required shares.

Each executive can meet the *target ownership value* by owning our common shares inside or outside the SAP. Performance share units awarded under the LTIP do not count towards meeting the share ownership requirement.

The table below shows the total number of shares our President and CEO, our CFO and our three most highly compensated officers (named executives) owned as at December 31, 2010.

Name	Number of common shares held outside of SAP	Number of common shares held under SAP	Total number of common shares held	Total market value of common shares held at Dec 31, 2010 (\$)	Total ownership of common shares as a percentage of salary	Target ownership value (\$)	Meets target ownership requirements
Jochen Tilk	7,000	29,040	36,040	2,784,450	369%	2,265,000	yes
D. James Slattery	–	14,570	14,570	1,125,678	268%	840,000	yes
Steve Astritis	3,508	15,492	19,000	1,407,940	362%	810,000	yes
Frank Balint	1,009	11,258	12,267	947,748	292%	325,000	yes
R. Scott Herr	–	6,375	6,375	492,533	170%	290,000	yes

Notes to the above table:

*Total market value of common shares* is calculated by multiplying the total number of Inmet common shares held by the named executive by \$77.26, the closing price of our common shares on the TSX on December 31, 2010.

*Total common share ownership as a percentage of salary* is based on \$77.26, the closing price of our common shares on the TSX on December 31, 2010, and the named executive's 2011 base salary, to calculate the percentage as at December 31, 2010.

An executive cannot sell any of their Inmet shares unless he or she meets their *target ownership value*. If they sell any Inmet shares, they must still meet the *target ownership value* after the sale. An executive is not, however, required to acquire shares to address a shortfall if a change in market conditions decreases the value of their holdings to fall below the *target ownership value*.

All of the named executives had met their *target ownership value* as at December 31, 2010.

## **Other information**

### **Loans to directors and executive officers**

Other than routine indebtedness, there is no money owing to Inmet or its subsidiaries by any current or former director, executive officer or employee.

### **Liability insurance for directors and officers**

We review our liability insurance coverage every year and compare it to the level of directors' and officers' liability coverage at other mining companies to ensure it is typical for a mining company of our size and risk profile.

We have liability insurance coverage for our directors and officers to protect them against liabilities they may incur in their capacity as directors and officers. In 2010, we maintained coverage of \$50 million with a paid premium of \$237,000 and a deductible of \$100,000 for all claims, except for securities claims which have a \$250,000 deductible. At the end of 2010 we reviewed our coverage and increased it to \$80 million. As a result, our premium increased to \$252,000. The deductibles did not change.

### **For more information**

Our financial information is provided in our consolidated annual financial statements and management's discussion and analysis (MD&A) for the year ended December 31, 2010. You can access any of the following documents on our website at [www.inmetmining.com](http://www.inmetmining.com) or on SEDAR at [www.sedar.com](http://www.sedar.com), or request a copy from us at no charge:

- our 2010 consolidated annual financial statements, auditors' report and MD&A
- our most recent annual information form
- interim consolidated financial statements and MD&A
- our most recent management proxy circular.

Please write to the Corporate 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.

## Appendix A

### INMET MINING CORPORATION BOARD OF DIRECTORS

#### Mandate

The directors are responsible for the stewardship of the business and affairs of the Corporation. The Board seeks to discharge this responsibility by reviewing, discussing and approving the Corporation's strategic plans, annual budgets and significant decisions and transactions as well as by overseeing the senior officers of the Corporation in their management of its day-to-day business and affairs. The Board's primary role is to oversee corporate performance and assure itself of the quality, integrity, depth and continuity of management so that the Corporation is able to successfully execute its strategic plans and complete its corporate objectives.

It is the Board's expectation that it will, as part of its oversight function, annually visit at least one of the mining operations in which the Corporation holds an interest and meet with its management and employees.

The Board delegates to the senior officers the responsibility for managing the day-to-day business of the Corporation. The Board discharges its responsibilities to oversee management directly and through the Audit Committee, the Corporate Governance and Nominating Committee, the Human Resources and Compensation Committee and the Safety, Health and Environmental Committee. In addition to these regular committees, the Board may appoint ad hoc committees periodically to address issues of a more short-term nature. At all times, the Board will retain its oversight function and ultimate responsibility for matters that the Board may delegate to Board committees.

The mandate of the Board also includes but is not limited to:

#### Management

1. Approving the appointment of the Chief Executive Officer and the other senior officers of the Corporation. The Board, through the Human Resources and Compensation Committee, is also responsible for approving the annual compensation of the Chief Executive Officer and the other officers of the Corporation.
2. Reviewing and approving transactions that are in excess of specified limits set out in the Corporation's Authorization Policy. Notwithstanding the foregoing, the Board from time to time may delegate to senior management the authority to enter into transactions, such as financial transactions, subject to the specified limits set out in the Corporation's Authorization Policy.
3. Through the Human Resources and Compensation Committee, ensuring that management succession planning programs are in place, including programs to recruit management with the highest standards of integrity and competence and train, develop and retain them. The Board is also responsible for reviewing and approving such succession plans including those concerning the current and future organizational structure of the Corporation, in each case, as recommended by the Human Resources and Compensation Committee.
4. Through the Human Resources and Compensation Committee, establishing and updating the Corporation's executive compensation policy and ensuring that such policy aligns management's interests with those of the shareholders.

## **Corporate Governance**

5. Approving the Board's composition and size, the selection of the Chair of the Board, the candidates nominated for election to the Board, committee and committee chair appointments, committee charters and director compensation as well as managing succession planning issues concerning the Board to ensure that it has an appropriate balance in terms of skills and experience. In doing so, the Board will respond to recommendations received from the Corporate Governance and Nominating Committee but will always retain responsibility for giving its approval.
6. Directly, and through the Corporate Governance and Nominating Committee, developing the Corporation's approach to governance issues.
7. Putting in place appropriate structures and procedures to ensure that the Board can function independently of management.
8. Developing a position description for the Board Chair and, together with the Chief Executive Officer, a position description for the Chief Executive Officer.
9. Reviewing annually the performance of the Board and its committees against their respective charters and mandates and disclosing the process in all appropriate public documents. The Board will also annually evaluate the performance of individual directors against the Corporation's Statement of Expectations for Directors and the performance and independence of the Chair against the position description developed under 7 above.
10. Through the Corporate Governance and Nominating Committee, overseeing the processes and procedures implemented regarding compliance with the Corporation's Code of Business Conduct and Ethics.

## **Strategic Planning**

11. Participating directly, and through its committees, in the review, discussion and approval of the Corporation's strategic plan. The Board is also responsible for discussing and considering the strategic plan and whether it remains appropriate taking into account the risks and opportunities inherent in the Corporation's business.
12. Reviewing and considering the business, operating, financial and other plans proposed by management by which the Corporation will execute its strategic plan.
13. Reviewing and approving the Corporation's annual and short-term corporate objectives developed by management.
14. Providing input to management on emerging trends and issues that may affect the business of the Corporation, its strategic plan or its annual and short-term corporate objectives.
15. Monitoring the Corporation's progress in executing its strategic plan and achieving its annual and short-term corporate objectives and overseeing management in changing such strategic plan or objectives in light of changing circumstances affecting the Corporation or its businesses.
16. Taking action as the Board deems appropriate if the Corporation does not successfully execute its strategic plan or achieve its annual or short-term corporate objectives or when other special circumstances warrant.

## **Monitoring of Financial Performance/Reporting and Other Financial Matters**

17. Reviewing and approving the Corporation's annual budget presented by management.
18. Reviewing and approving the Corporation's annual audited financial statements and unaudited interim financial statements and the notes for each, as well as the annual and interim Management's Discussion and Analysis, the Annual Information Form, Management Proxy Circular, other public offering documents and the Annual Report.
19. Overseeing, directly and through the Audit Committee, the processes implemented to ensure that the financial performance and results of the Corporation are reported fairly, accurately and in a timely manner in accordance with generally accepted accounting standards and in compliance with legal and regulatory requirements.

20. Overseeing, directly and through the Audit Committee, the process implemented to ensure integrity of the Corporation's internal control and management information systems.

### **Risk Management**

21. Overseeing the processes by which the principal risks of the Corporation are identified, assessed and managed and for ensuring that appropriate risk management systems are implemented and maintained with a view to achieving a proper balance between risks incurred and the creation of long-term sustainable value to shareholders.

### **Environmental Oversight**

22. Overseeing, directly and through the Safety, Health and Environmental Committee, the processes for the implementation and maintenance of environmental stewardship and health and safety management systems that are consistent with accepted industry practices and comply with applicable laws and regulatory requirements.

### **Corporate Policies and Procedures**

23. Directly and through its Board committees, reviewing and approving, and monitoring compliance with, all significant policies and procedures by which the Corporation and its wholly-owned subsidiaries conduct their business and operations. In discharging such responsibility, the Board shall ensure that such policies and procedures are consistent with the principle that the Corporation and its wholly-owned subsidiaries must operate at all times in compliance with applicable laws and regulatory requirements and under the highest ethical standards.

### **Communications and Reporting**

24. Approving and reviewing annually the Corporation's Corporate Disclosure Policy and other communications policies and procedures that address communications with shareholders, employees, financial analysts, governments and regulatory authorities, the media and the communities in which the business of the Corporation and its wholly-owned subsidiaries is conducted.

## Appendix B

### INMET MINING CORPORATION AUDIT COMMITTEE CHARTER

#### I. PURPOSE

The function of the Audit Committee is to assist the Board of Directors in its oversight of the quality of the Corporation's financial reporting and public disclosure of financial information, the performance and integrity of the related systems of internal and disclosure controls, compliance with legal and regulatory reporting requirements applicable to financial reporting and public disclosure of financial information and the performance and independence of the external auditors.

The Audit Committee may conduct any investigation appropriate to fulfilling its function and have direct access to the independent auditors, any officer or employee of the Corporation and all books and records of the Corporation. At the request of any Audit Committee member, the Audit Committee may retain, at the Corporation's expense, accounting, legal or other advisors or experts it deems necessary to perform its duties.

#### II. COMPOSITION

The Audit Committee shall have a minimum of three members. All of its members shall be "independent" as determined under the Board's annual assessment of the independence of its members and "financially literate", in each case as defined under any requirements of the Canadian Securities Administrators or other securities regulatory authorities to which the Corporation is subject. Unless a Chair is elected by the Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

#### III. MEETINGS

The Committee shall meet at least five times annually, or more frequently as circumstances dictate.

The Audit Committee Chair will approve an agenda in advance of each meeting and will cause minutes of meetings to be maintained. The Chair will regularly report to the Board of Directors on the results of the Committee's deliberations.

#### IV. RESPONSIBILITIES AND DUTIES

To fulfil its responsibilities and duties, the Audit Committee shall:

##### Financial reporting

1. Review the principal risks affecting the Corporation's financial reporting and oversee appropriate systems to identify, evaluate and manage such risks.
2. Review the Corporation's public disclosure of financial information, including annual and interim financial statements, management's discussion and analysis (MD&A) and annual and interim earnings releases, prior to filing with regulatory authorities or public dissemination and make recommendations to the Board for approval of same.

Such review shall address:

- (a) Appropriate application of GAAP as well as the underlying estimates, judgments and consideration of alternative treatment and presentation.
- (b) Clarity, accuracy and completeness of public disclosure.
- (c) Application of the Disclosure Committee process.

3. Verify that the Corporation has appropriate procedures and policies in the areas of financial reporting, disclosure and internal controls, including for the review of the Corporation's public disclosure of financial information derived from the Corporation's financial statements and periodically assess the adequacy of such procedures and policies.
4. Review the annual audited financial statements of the Corporation's employee pension plans prior to filing with regulatory authorities and make recommendations to the Board for approval of same.

#### **Independent auditors**

5. The Audit Committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting.
6. The Audit Committee shall review the independence and performance of the auditors and annually recommend to the Board of Directors the appointment of the independent auditors and their compensation or approve any discharge of auditors where circumstances warrant.
7. Review and approve the independent auditors' audit plan and engagement letter. Discuss and approve audit scope, staffing, locations, reliance upon management and general audit approach. Ensure the auditor's assessment of risks associated with financial reporting is consistent with that prepared by management.
8. Review the results of the audit with the auditors.
9. Review quarterly earnings reports with the auditor prior to public release.
10. Approve the audit fees and other significant compensation to be paid to the independent auditors.
11. At each Audit Committee meeting, consult with the independent auditors in the absence of management on internal controls and the fullness, appropriateness and accuracy of the Corporation's annual financial statements including any disagreements.
12. The Audit Committee shall pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the external auditors. In this regard, the Chairman is authorized to pre-approve non-audit services provided such pre-approval is presented to the Audit Committee at its first scheduled meeting thereafter.

#### **Internal controls and compliance**

13. Review and assess reports prepared or caused to be prepared by management regarding internal controls, financial risk management and insurance programs.
14. On at least a quarterly basis, review with the Corporation's counsel any legal matters, the Corporation's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies that could have a significant impact on the Corporation's annual financial statements.
15. Establish procedures for:
  - (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting or auditing matters; and
  - (b) the confidential, anonymous submission by employees of the Corporation or its subsidiaries of concerns regarding questionable accounting or auditing matters.
16. Review management's reports on related party transactions.

17. Review annually the framework of internal controls, how these align with the objective of preventing and detecting fraud as well as management's assessment of the continued effectiveness and application of those internal controls.
18. Review at least annually management's report on executive travel and other expenses.
19. Review at least annually management's report on the Corporation's source deductions and other remittances required under applicable tax legislation.

**Other responsibilities**

20. Periodically review and discuss with management and the independent auditors the significance of emerging regulatory and accounting standards and initiatives for the financial reporting of the Corporation.
21. Review and reassess the adequacy of this Charter at least annually and make recommendations to the Corporate Governance and Nominating Committee as well as to the Board of Directors for approval.
22. Annually assess the effectiveness of the Committee against its Charter and report the results of the assessment to the Corporate Governance and Nominating Committee as well as to the Board.
23. Review disclosure of a summary of this Charter to shareholders.
24. Perform any other activities consistent with this Charter, the Corporation's by-laws, and governing law, as the Committee or the Board deems necessary or appropriate.
25. At each Audit Committee meeting, meet with management in the absence of the independent auditors.
26. Periodically review financial and accounting personnel succession planning within the Corporation and its major subsidiaries.
27. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and any former external auditors of the Corporation.

The Committee's role, as described in this Charter, is an important part of monitoring the quality and integrity of the Corporation's financial reporting. This role does not replace the responsibility of the Corporation's management for the preparation and presentation of financial statements in accordance with generally accepted accounting principles, for significant accounting estimates and judgements, or for ensuring compliance by the Corporation with applicable laws relating to financial reporting. Nor does the role of the Committee detract from the responsibility of the auditors to plan and conduct an audit in accordance with Canadian generally accepted auditing standards or from the fact that the independent auditors are ultimately accountable to the Board of Directors and the Committee, as representatives of the shareholders of the Corporation.

This Charter establishes guidelines, rather than inflexible rules, and the Committee will adopt such additional procedures and standards from time to time as it deems appropriate to help fulfil its responsibilities. Nothing in this Charter is intended to expand applicable standards of liability under statutory or regulatory requirements for directors of the Corporation.

This Charter has been adopted by the Audit Committee of the Corporation, and approved by the Board, with effect as of December 1, 2010.

## Appendix C

### RESOLUTION TO APPROVE ADOPTION OF SHARE OPTION PLAN

#### BE IT RESOLVED THAT:

1. The adoption by the Corporation of a share option plan (the SOP), the text of which is attached as Appendix D to the Corporation's management proxy circular dated May 18, 2011, is hereby approved by the shareholders of the Corporation.
2. In connection with the adoption of the SOP, a reserve for issuance of 2,846,000 common shares is hereby ratified, confirmed and approved by the shareholders of the Corporation.
3. In connection with the adoption of the SOP, an initial grant of 380,000 options made to participants of the SOP on May 10, 2011 at an exercise price of \$65.11 and for a term of 7 years, is hereby ratified, confirmed and approved by the shareholders of the Corporation.
4. Any director or officer of the Corporation is hereby authorized to execute and deliver such other documents and instruments and take such other action as he or she may determine necessary or advisable to implement the SOP and this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents or instruments and the taking of any such actions by such director or officer.

## Appendix D

### INMET MINING CORPORATION SHARE OPTION PLAN

#### Section 1. Interpretation and Administrative Provisions

##### 1.1 Purpose

The purposes of this Plan are to: (i) support the achievement of the Corporation's performance objectives; (ii) ensure that interests of key employees are aligned with the success of the Corporation; and (iii) provide compensation opportunities to attract, retain and motivate key employees critical to the long-term success of the Corporation and its affiliates.

##### 1.2 Definitions

For the purposes of the Plan, the following terms have the following meanings:

**"Affiliate"** means any entity that is an "affiliate" for the purposes of Ontario Securities Commission National Instrument 45-106 Prospectus and Registration exemptions, as amended from time to time.

**"Blackout Period"** means the period imposed by the Corporation, during which a Participant may not trade in the Corporation's securities and includes any period during which a Participant has material non-public information, but does not include any period during which a regulator has halted trading in the Corporation's securities.

**"Board"** means the board of directors of the Corporation.

**"Business Day"** means any day on which the Toronto Stock Exchange is open for business.

**"Cause"** means (a) "cause", "just cause" or a similar term as defined in the Participant's employment agreement, if any; or (b) if there is no such definition, means:

- (a) the failure by a Participant to perform his or her duties with a Participating Company;
- (b) theft, fraud, dishonesty or misconduct by the Participant involving the property, business or affairs of a Participating Company or the carrying out of the Participant's duties with a Participating Company;
- (c) a conviction of, or a plea of guilty or no contest to, any indictable offence or any summary conviction offence having as its predicate element fraud, dishonesty or misappropriation;
- (d) the breach by a Participant who has an employment agreement, in any material respect, of the Participant's employment agreement; or
- (e) any other conduct that would be determined by the courts of the jurisdiction in which the Participant is employed to constitute cause for termination of employment.

**"Change of Control"** means:

- (a) a reorganization, amalgamation, merger or a plan of arrangement, other than solely involving the Company and one or more of its Affiliates, with respect to which all or substantially all of the Persons who were the beneficial owners of the voting securities of the Company immediately prior to such reorganization, amalgamation, merger or plan of arrangement do not, following such reorganization, amalgamation, merger or plan of arrangement, beneficially own, directly or indirectly, more than 50 percent of the voting securities of the resulting entity on a fully-diluted basis;
- (b) a formal takeover bid or tender offer for the voting securities of the Company being completed (other than by Company or one or more of its Affiliates) as a result of which the

- offeror and its Affiliates beneficially own, directly or indirectly, more than 50 per cent of the voting securities of the Company then outstanding; or
- (c) the direct or indirect sale or other disposition (including through a reorganization, amalgamation, merger or plan of arrangement) to a Person other than an Affiliate of the Company of (x) more than 50 per cent of the voting securities of the Company or (y) all or substantially all of the Company's consolidated assets;

**"Code"** means the U.S. Internal Revenue Code of 1986, as amended from time to time and the Treasury Regulations promulgated thereunder.

**"Committee"** means the Compensation Committee of the Board, or if there is no such committee, the committee of the Board designated by the Board to have responsibility for administering the Plan and if there is no such committee, the Board.

**"Common Share"** means a common share of the Corporation.

**"Corporation"** means Inmet Mining Corporation.

**"Eligible Person"** means any officer or senior management employee of a Participating Company (and includes any such person who is on a leave of absence authorized by a Participating Company).

**"Exercise Price"** means such amount as the Board may determine, provided that in no event shall the Exercise Price be less than Fair Market Value as at the Grant Date.

**"Fair Market Value"** means the volume weighted average trading price of the Common Shares on the principal Canadian stock exchange on which the Common Shares are traded for the five trading days immediately preceding the applicable day.

**"Grant Date"** means the date an Option is granted to a Participant.

**"Notice of Exercise"** means a notice substantially in the form set out as Schedule B, as amended by the Committee from time to time.

**"Option"** means a right granted to an Eligible Person to purchase Shares pursuant to the terms of this Plan.

**"Option Agreement"** means an agreement substantially in the form set out as Schedule A, as amended by the Committee from time to time.

**"Participant"** means any Eligible Person to whom an Option is granted.

**"Participating Company"** means the Corporation and such of its Affiliates as are designated by the Board from time to time.

**"Plan"** means the Inmet Mining Corporation Share Option Plan, as amended from time to time.

**"Retirement"** means the resignation of a Participant which the Committee determines, in its discretion, should be treated as Retirement.

**"Substitution Event"** has the meaning set out in Section 2.5.

**"Termination Date"** means the date a Participant ceases to be an Eligible Person and means a Participant's last day of active employment, and does not include any period of statutory, contractual

or reasonable notice of termination of employment or any period of salary continuance or deemed employment.

“**U.S. Participant**” means any Participant who is a United States citizen or United States resident alien as defined for purposes of Code Section 7701(b)(1)(A).

Where the context so requires, words importing the singular number include the plural and vice versa, and words importing the masculine gender also include the feminine and neuter genders.

### 1.3 Administration

Subject to the Committee reporting to the Board on all matters relating to this Plan and obtaining approval of the Board for those matters required by the Committee’s mandate, this Plan will be administered by the Committee which has the sole and absolute discretion to: (i) grant Options to Eligible Persons; (ii) determine the Exercise Price, vesting, terms, limitations, restrictions and conditions upon such grants; (iii) interpret and administer the Plan; (iv) establish, amend and rescind any rules and regulations relating to the Plan (subject to obtaining any required regulatory approval); and (iv) make any other determinations that the Committee deems necessary or desirable for the administration of the Plan. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan, in the manner and to the extent the Committee deems, in its sole and absolute discretion, necessary or desirable (subject to obtaining any required regulatory approval). Any decision of the Committee with respect to the administration and interpretation of the Plan shall be conclusive and binding on the Participants.

Each Option is intended to be exempt from Code Section 409A. Notwithstanding the foregoing, to the extent that any Option granted to a U.S. Participant, is determined to constitute “**nonqualified deferred compensation**” within the meaning of Code Section 409A, such Option shall be subject to such additional rules and requirements as specified by the Committee from time to time in order to comply with Code Section 409A. If any provision of the Plan contravenes Code Section 409A or could cause the U.S. Participant to incur any tax, interest or penalties under Code Section 409A, the Committee may, in its sole discretion and without the U.S. Participant’s consent, modify such provision to (i) comply with, or avoid being subject to, Code Section 409A, or to avoid the incurrence of taxes, interest and penalties under Code Section 409A, and/or (ii) maintain, to the maximum extent practicable, the original intent and economic benefit to the U.S. Participant of the applicable provision without materially increasing the cost to the Corporation or contravening Code Section 409A. However, the Corporation shall have no obligation to modify the Plan or any Option and does not guarantee that Options will not be subject to taxes, interest and penalties under Code Section 409A.

### 1.4 Governing Law

This Plan is to be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

### 1.5 Shares Reserved for Issuance

- (a) A maximum of 2,846,000 Shares are available for issuance under this Plan, provided that Shares reserved for issuance pursuant to Options which are cancelled or terminated without having been redeemed will again be available for issuance under this Plan.
- (b) Under no circumstances may the Plan, together with all of the Corporation’s other previously established or proposed share compensation arrangements result, at any time, in the number of Shares issued to or reserved for issuance to any one person exceeding 5 percent of the outstanding issue.

- (c) Insiders may not, within a 12 month period, be issued a number of Shares under the Plan and/or under any other share compensation arrangement of the Corporation exceeding 10 percent of the outstanding issue.
- (d) Under no circumstances may the Plan, together with all of the Corporation's other previously established or proposed share compensation arrangements result, at any time, in the number of Shares issuable to insiders exceeding 10 percent of the outstanding issue.
- (e) The terms "**share compensation arrangement**", "**outstanding issue**" and "**insider**" have the meanings attributed thereto in Part 1 of the Toronto Stock Exchange Company Manual.

## Section 2. Options

### 2.1 Grant of Options

- (a) The Board may grant Options to Eligible Persons in its sole discretion. The award of an Option to an Eligible Person at any time shall neither entitle such Eligible Person to receive nor preclude such Eligible Person from receiving a subsequent grant of an Option and shall not restrict in any way the right of any Participating Company to terminate the Eligible Person's employment.
- (b) The Committee may determine when any Option will become vested and may determine that the Option will become vested in installments and may make vesting of options conditional on the achievement of performance targets. In the absence of any other determination (including, without limitation, in a Participant's employment agreement), Options will become vested as follows:
  - (i) as to 25 percent on the first anniversary of the Grant Date;
  - (ii) as to an additional 25 percent, on the second anniversary of the Grant Date;
  - (iii) as to an additional 25 percent, on the third anniversary of the Grant Date; and
  - (iv) as the remaining 25, on the fourth anniversary of the Grant Date;

provided that subject to the terms of any employment or other agreement between the Participant and subject to the Corporation or the Committee expressly providing to the contrary, Options which are not vested prior to a Participant's Termination Date shall not become vested thereafter.

- (c) With respect to Options granted to U.S. Participants, Shares shall constitute "**stock of the service recipient**" within the meaning of Code Section 409A, if such Participant performs services for the Corporation, or any affiliate that is at least fifty percent owned by the Corporation.

### 2.2 Exercise of Options

Options granted must be exercised no later than 7 years after the Grant Date or such shorter period as the Committee may require. Notwithstanding any other provision of this Plan, each Option that would expire during or within ten (10) Business Days immediately following a Blackout Period, shall expire on the later of its expiration date and ten (10) Business Days immediately following the expiration of the Blackout Period.

### 2.3 Cessation of Employment

- (a) Subject to Section 2.2, if a Participant ceases to be an Eligible Person by reason of death, all Options which have vested at the Participant's date of death will be exercisable by the Participant's legal representatives until the first anniversary of the Participant's death and all Options which are not vested as at the Participant's Termination Date or which are not exercised by the first anniversary of the Participant's death will expire.
- (b) Subject to Section 2.2, if a Participant ceases to be an Eligible Person by reason of Retirement or disability, all unvested Options will continue to vest and all vested Options will be exercisable until the second anniversary of the Termination Date and all Options which are not exercised by the second anniversary of the Termination Date will expire.

- (c) If a Participant ceases to be an Eligible Person by reason of resignation (other than for constructive dismissal) or termination for Cause, all Options, whether or not vested, expire on the Participant's Termination Date.
- (d) Subject to Section 2.2, if a Participant ceases to be an Eligible Person for any reason, other than as set out in Section 2.3(a), (b) or (c), all Options which have vested at the Termination Date will be exercisable by the Participant for a period of 90 days after the Termination Date and all Options which are not vested at the Termination Date or which are not exercised by the 90th day after the Termination Date will expire.
- (e) Notwithstanding the foregoing, no Option may be exercised after its stated expiration.
- (f) The Committee may, in its sole discretion, accelerate the vesting of any Option.

## 2.4 End of Participation

At the time a Participant ceases to hold Options which are or may become exercisable, the Participant ceases to be a Participant.

## 2.5 Assumption or Substitution

- (a) In the event of: (i) a Change of Control; or (ii) a merger, amalgamation, or other transaction pursuant to which the Shares are converted into other property, whether in the form of securities of another corporation, cash or otherwise (each a "**Substitution Event**"), then any surviving or acquiring corporation shall assume any Option outstanding under the Plan or shall substitute similar Options (including an award to acquire the same consideration paid to the security holders in the transaction effecting the Substitution Event) for those Options outstanding under the Plan. In the event any surviving corporation or acquiring corporation refuses to assume such Options or to substitute similar stock options for those Options outstanding under the Plan, or then with respect to such Options, the vesting of such Options (and, if applicable, the time during which such Options may be exercised) shall be accelerated in full, and the Options shall terminate if not exercised (if applicable) at or prior to such event.
- (b) No fractional Shares or other security shall be issued upon the exercise of any Option and accordingly, if as a result of a Substitution Event, a Participant would become entitled to a fractional Share or other security, such Participant shall have the right to acquire only the next lowest whole number of Shares or other security and no payment or other adjustment will be made with respect to the fractional interest so disregarded.
- (c) Notwithstanding any other provision of this Plan, in the event of a potential Change of Control or other Substitution Event, the Board shall have the power to make such changes to the terms of the Options as it considers fair and appropriate in the circumstances, including but not limited to: (i) accelerating the date at which Options become exercisable; (ii) otherwise modifying the terms of the Options to assist the Participants to tender into a take-over bid or other arrangement leading to a Change of Control; and thereafter (iii) terminating, conditionally or otherwise, the Options not exercised following successful completion of such. If the Substitution Event referred to in this Section 2.5 is not completed within the time specified therein (as the same may be extended), the Options which vested pursuant to this Section 2.5 shall be returned by the Participant to the Corporation and Shares issued in connection therewith shall be reinstated as authorized but unissued Shares and the original terms applicable to such Options shall be reinstated.
- (d) If a Participant's employment with the surviving, successor or acquiring entity is terminated without Cause or the Participant resigns based on constructive dismissal, within twenty four months following a Change of Control, then all Options or substituted similar options then held by such Participant shall become fully vested and shall be exercisable until the 90th day after the Termination Date. With respect to a U.S. Eligible Person, a resignation based on constructive dismissal shall be treated as a termination without Cause, only if such

resignation satisfies the conditions of the safe harbor for “separations from service for good reason,” pursuant to Treasury Regulations Section 1.409A-1(n)(2)(ii).

- (e) Notwithstanding anything in this Plan to the contrary, with respect to U.S. Participants, all assumptions, substitutions or adjustments made pursuant to this Section 2.5 shall be made in compliance with Code Section 409A.

## **2.6 Agreements**

Each Option must be confirmed by an agreement (an “**Option Agreement**”) substantially in the form attached as Schedule A signed by the Corporation and by the Participant acknowledging that the Participant agrees to be bound by the terms of this Plan.

## **2.7 Exercise of Option**

In order to exercise an Option, the Participant must file with the Secretary of the Corporation a completed Notice of Exercise. The exercise price of each Share purchased under an Option must be paid in full by bank draft or certified cheque at the time of exercise. Upon receipt of payment in full and subject to the terms of this Plan, the number of Shares in respect of which the Option is exercised, less the number of Shares required to satisfy applicable withholdings, will be duly issued as fully paid and non-assessable.

## **Section 3. General**

### **3.1 Capital Adjustments**

In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation’s assets to shareholders, or any other change in the capital of the Corporation affecting Shares, the Committee will make such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change (for the purpose of preserving the value of the Options), with respect to (i) the number or kind of shares or other securities reserved for issuance pursuant to this Plan; and (ii) the number or kind of shares or other securities subject to unexercised Options previously granted and the Exercise Price of those Options; provided, however, that no substitution or adjustment will obligate the Corporation to issue or sell fractional shares.

### **3.2 Non-Exclusivity**

Nothing contained herein will prevent the Board from adopting other or additional compensation arrangements for the benefit of any Participant, subject to any required regulatory or shareholder approval.

### **3.3 Unfunded Plan**

To the extent any individual holds any rights under the Plan, such rights (unless otherwise determined by the Committee) shall be no greater than the rights of a general unsecured creditor of the Corporation.

### **3.4 Successors and Assigns**

The Plan shall be binding on all successors and assigns of the Corporation and each Participant, including without limitation, the legal representative of a Participant, or any receiver or trustee in bankruptcy or representative of the creditors of a Participating Company or a Participant.

### **3.5 Transferability of Options**

Rights respecting Options shall not be transferred or assigned other than by will or the laws of descent and distribution.

### **3.6 Amendment and Termination**

The Committee may amend, suspend or terminate the Plan, or any portion thereof, at any time, subject to those provisions of applicable law (including, without limitation, the rules, regulations and policies of the Toronto Stock Exchange), if any, that require the approval of shareholders or any governmental or regulatory body. However, except as expressly set forth herein, no action of the Committee, Board or shareholders shall materially adversely alter or impair the rights of a Participant without the consent of the affected Participant, under any Option, or any rights pursuant thereto, previously granted to the Participant. The Board or the Committee may make any amendments to the Plan without seeking shareholder approval except the following amendments for which Shareholder approval will be required:

- (a) amendments to the number of Shares issuable under the Plan, including an increase to a fixed maximum number of Shares or a change from a fixed maximum number of Shares to a fixed maximum percentage;
- (b) amendments to the Plan that increase the length of the period after a Blackout Period during which Options or any rights pursuant thereto may be exercised;
- (c) amendments which would reduce the Exercise Price of an Option; result in the Exercise Price for any Option or any rights pursuant thereto granted under the Plan being lower than the Fair Market Value of the Shares at the Date of Grant; permit the cancellation of Options and re-issuance of such Options with a reduced Exercise Price, except a reduction in connection with any stock dividend, stock split, combination or exchange of shares, merger, consolidation, spin off or other distribution or other change in the capital of the Corporation affecting Shares;
- (d) any amendment expanding the categories of Eligible Person which would have the potential of broadening or increasing insider participation or which would allow non-executive directors to participate in the Plan;
- (e) any amendment extending the term of an Option or any rights pursuant thereto beyond its original expiry date except an extension of an Option or any rights pursuant thereto that would otherwise expire during a Blackout Period, to (10) Business Days following the end of the Blackout Period;
- (f) the addition of any other provision which results in Participants receiving Shares while no cash consideration is received by the Corporation;
- (g) an amendment to add cashless exercise feature if there is no full deduction of the underlying securities;
- (h) amendments to Section 3.5 or 3.6; and
- (i) amendments required to be approved by shareholders under applicable law (including, without limitation, the rules, regulations and policies of the Toronto Stock Exchange).

### **3.7 No Special Rights**

Nothing contained in the Plan or in any Option will confer upon any Participant any right to the continuation of the Participant's employment by a Participating Company or interfere in any way with the right of any Participating Company at any time to terminate that employment or to increase or decrease the compensation of the Participant. Options shall not be considered Shares nor shall they entitle any Participant to exercise voting rights or any other rights attaching to the ownership of Shares, nor shall any Participant be considered the owner of Shares.

### **3.8 Other Employee Benefits**

The amount of any compensation deemed to be received by a Participant as a result of the exercise of an Option or the sale of Shares received upon an exercise of an Option will not constitute compensation with respect to which any other employee benefits of that Participant are determined, including, without limitation, benefits under any bonus, pension, profit-sharing, insurance or salary continuation plan, except as otherwise specifically determined by the Committee.

### **3.9 Compliance with Legislation**

The Committee may postpone any exercise of any Option or the issue of any Shares pursuant to this Plan for as long as the Committee in its discretion may deem necessary in order to permit the Corporation to effect or maintain qualification of the Shares issuable pursuant thereto under the securities laws of any applicable jurisdiction, or to determine that the Shares are exempt from that qualification. The Corporation is not obligated by any provision of this Plan or grant hereunder to sell or issue Shares in violation of the law of any government having jurisdiction therein. In addition, if the Shares are listed on a stock exchange, the Corporation will have no obligation to issue any Shares pursuant to this Plan until such Shares have been duly listed. The Corporation shall make all reasonable commercial efforts to maintain and effect the qualification of Shares.

### **3.10 Tax Consequences**

It is the responsibility of the Participant to complete and file any tax returns which may be required under Canadian, U.S., and other applicable jurisdiction's tax laws within the periods specified in those laws as a result of the Participant's participation in the Plan. No Participating Employer shall be held responsible for any tax consequences to the Participant as a result of the Participant's participation in the Plan.

### **3.11 No Liability**

The Corporation shall not be liable to any Participant for any loss resulting from a decline in the market value of any Shares.

### **3.12 Effective Date**

The Plan became effective May 10, 2011.

**INMET MINING CORPORATION SHARE OPTION PLAN**

**SCHEDULE A**

**OPTION AGREEMENT AND CONFIRMATION**

[Name of Employee] (the "Participant")

Pursuant to the Inmet Mining Corporation Share Option Plan (the "Plan") effective May 10, 2011 and in consideration of services provided to any Participating Company by the Participant, Inmet Mining Corporation hereby grants to the Participant an Option to acquire \_\_\_\_\_ Shares of Inmet Mining Corporation at an exercise price of \$ \_\_\_\_\_ per Share.

All capitalized terms not defined in this agreement have the meaning set out in the Plan.

Subject to earlier expiry in accordance with the Plan, the Option shall cease to be exercisable and shall expire on \_\_\_\_\_, \_\_\_\_\_. The Option vest as follows:

- (a) as to 25 percent, at any time during the term of such Option from and after the first anniversary of the Grant Date of the Option;
- (b) as to an additional 25 percent, at any time during the term of such Option from and after the second anniversary of the Grant Date of the Option;
- (c) as to an additional 25 percent, at any time during the term of such Option from and after the third anniversary of the Grant Date of the Option; and
- (d) as to the remaining 25 percent, at any time during the term of such Option from and after the fourth anniversary of the Grant Date.

Inmet Mining Corporation and the Participant understand and agree that the granting and exercise of this Option and the issue of Shares are subject to the terms and conditions of the Plan, all of which are incorporated into and form a part of this agreement.

In addition, the Participant is, at all times prohibited from hedging or monetization transactions involving the Option, including trading in publicly-traded options, puts, calls, short sales, or other derivative instruments related to the Option.

DATED \_\_\_\_\_, \_\_\_\_\_.

**INMET MINING CORPORATION**

Per \_\_\_\_\_ c/s

I agree to the terms and conditions set out herein and confirm and acknowledge that I have not been induced to enter into this agreement or acquire any Option by expectation of employment or continued employment with any Participating Company.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (please print)

**INMET MINING CORPORATION SHARE OPTION PLAN**

**SCHEDULE B**

**ELECTION**

TO: Inmet Mining Corporation (the “**Company**”)  
Attention: Corporate Secretary

Pursuant to the Inmet Mining Corporation Share Option Plan (the “**Plan**”), the undersigned elects to exercise the Options set out in the table below.

Grant Year	Number of Exercisable Options Available	Number of Options Being Exercised	Exercise Price per Share
<u>Total</u>			

DATED \_\_\_\_\_ .

\_\_\_\_\_  
Name of Employee

THIS CONFIRMS THAT THE NUMBER OF EXERCISABLE OPTIONS AVAILABLE INDICATED IN THE ABOVE TABLE IS CORRECT.

**INMET MINING CORPORATION**

By: \_\_\_\_\_  
[Title]



Inmet Mining Corporation  
330 Bay Street, Suite 1000,  
Toronto, Ontario, Canada M5H 2S8  
[www.inmetmining.com](http://www.inmetmining.com)