

**Notice of Annual Meeting of the Shareholders  
and  
Management Proxy Circular  
of  
IVANHOE MINES LTD.**

**DATED: March 30, 2006**

# **IVANHOE MINES LTD.**

## **Notice of Annual General Meeting of Shareholders**

**May 12, 2006**

**NOTICE IS HEREBY GIVEN** that an Annual General Meeting of shareholders of Ivanhoe Mines Ltd. (the "Corporation") will be held on Friday, May 12, 2006, at 9:00 AM local time, in the Ceperly/Walker Room of the Terminal City Club, 837 West Hastings Street, Vancouver, British Columbia for the following purposes:

1. to receive the annual report of the directors to the shareholders;
2. to receive the audited consolidated financial statements of the Corporation for the year ended December 31, 2005 and the auditors' report thereon;
3. to elect directors for the ensuing year;
4. to appoint auditors for the ensuing year and to authorize the directors to fix the auditors' remuneration;
5. to consider, and if thought advisable, to pass an ordinary resolution authorizing the Corporation to amend and restate the Employees' and Directors' Equity Incentive Plan (the "Incentive Plan") to increase the maximum number of Common Shares of the Corporation which may be allocated for issuance pursuant to the terms and conditions of the Incentive Plan from 29,000,000 to 32,000,000 Common Shares; and
6. to transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed March 24, 2006 as the Record Date for the determination of shareholders entitled to notice of, and to vote at, this Annual General Meeting and at any adjournment thereof.

A Management Proxy Circular, Form of Proxy, the Audited Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2005 and return envelope accompany this Notice of Meeting.

**A shareholder, who is unable to attend the Meeting in person and who wishes to ensure that such shareholder's shares will be voted at the Meeting, is requested to complete, date and execute the enclosed form of proxy and deliver it by facsimile, by hand or by mail in accordance with the instructions set out in the form of proxy and in the Management Proxy Circular.**

Dated at Vancouver, British Columbia, this 30<sup>th</sup> day of March, 2006.

**BY ORDER OF THE BOARD**

"Beverly A. Bartlett"

Corporate Secretary

**IVANHOE MINES LTD.**  
World Trade Centre  
Suite 654 – 999 Canada Place  
Vancouver, British Columbia, V6C 3E1

**MANAGEMENT PROXY CIRCULAR**

**SOLICITATION OF PROXIES**

**This Management Proxy Circular is furnished to the holders of common shares ("shareholders") of IVANHOE MINES LTD. (the "Corporation") by management of the Corporation in connection with the solicitation of proxies to be voted at the Annual General Meeting (the "Meeting") of the shareholders to be held at 9:00 AM , local time, on May 12, 2006 in the Ceperly/Walker Room of the Terminal City Club, 837 West Hastings Street, Vancouver, British Columbia, and at any adjournment thereof, for the purposes set forth in the Notice of Meeting.**

The solicitation of proxies by management will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Corporation. All costs of this solicitation will be borne by the Corporation.

The Board of Directors of the Corporation has fixed the close of business on March 24, 2006 as the record date, being the date for the determination of the registered shareholders entitled to receive notice of, and to vote at, the Meeting (the "Record Date").

Unless otherwise stated, the information contained in this Management Proxy Circular is as of March 30, 2006. All dollar amounts are expressed in Canadian dollars ("Cdn.\$") or United States dollars ("U.S.\$") as indicated.

**APPOINTMENT OF PROXYHOLDERS**

A shareholder entitled to vote at the Meeting may, by means of a proxy, appoint a proxyholder or one or more alternate proxyholders, who need not be shareholders, to attend and act at the Meeting for the shareholder and on the shareholder's behalf.

The individuals named in the enclosed form of proxy are directors and/or officers of the Corporation. **A shareholder may appoint, as proxyholder or alternate proxyholder, a person or persons other than any of the persons designated in the enclosed form of proxy, and may do so either by inserting the name or names of such persons in the blank space provided in the enclosed form of proxy or by completing another proper form of proxy.**

A shareholder forwarding the enclosed proxy may indicate the manner in which the appointee is to vote with respect to any specific item by checking the appropriate space. If the shareholder giving the proxy wishes to confer a discretionary authority with respect to any item of business, then the space opposite the item is to be left blank. The shares represented by the proxy submitted by a shareholder will be voted in accordance with the directions, if any, given in the proxy.

An appointment of a proxyholder or alternate proxyholders will not be valid unless a form of proxy making the appointment, signed by the shareholder or by an attorney of the shareholder authorized in writing, (a "Proxy") is deposited with CIBC Mellon Trust Company, by facsimile (604) 688-4301 or (416) 368-2502, by mail to P.O. Box 1900,

Vancouver, British Columbia, V6E 3X1, or 200 Queen's Quay East, Unit 6, Toronto, Ontario, M5A 4K9, or by hand, to Suite 1600, The Oceanic Plaza, 1066 Hastings Street, Vancouver, British Columbia, V6E 3K9 or 200 Queen's Quay East, Unit 6, Toronto, Ontario, M5A 4K9 not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or the adjournment thereof at which the Proxy is to be used.

## REVOCATION OF PROXIES

A shareholder who has given a Proxy may revoke the Proxy

- (a) by depositing an instrument in writing executed by the shareholder or by the shareholder's attorney authorized in writing
  - (i) with CIBC Mellon Trust Company, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the Meeting or the adjournment thereof at which the Proxy is to be used,
  - (ii) at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or an adjournment thereof, at which the Proxy is to be used,
  - (iii) with the chairman of the Meeting on the day of the Meeting or an adjournment thereof, or
- (b) in any other manner provided by law.

A revocation of a Proxy will not affect a matter on which a vote is taken before the revocation.

## EXERCISE OF DISCRETION

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. **In the absence of such direction in respect of a particular matter, such shares will be voted in favour of such matter. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting.** As of the date of this Management Proxy Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. However, if any other matters which are not now known to management should properly come before the Meeting, the proxy will be voted on such matters in accordance with the best judgment of the named proxies.

## VOTES NECESSARY TO PASS RESOLUTIONS

The Corporation's by-laws provide that the quorum for the transaction of business at the Meeting is at least one individual present at the commencement of the Meeting holding, or representing by form of proxy the holder or holders of, common shares carrying, in the aggregate, not less than thirty-three and one-third percent (33-1/3%) of the votes eligible to be cast at the Meeting.

Under the *Yukon Business Corporations Act* (the “YBCA”) a majority of the votes cast by shareholders at the Meeting is required to pass an ordinary resolution and a majority of two-thirds of the votes cast at the Meeting is required to pass a special resolution.

Shareholders will also be asked to elect directors and appoint auditors for the ensuing year. If there are more nominees for election as directors or appointment as the Corporation’s auditors than there are vacancies to fill, those nominees receiving the greatest number of votes will be elected or appointed, as the case may be, until all such vacancies have been filled. If the number of nominees for election or appointment is equal to the number of vacancies to be filled, all such nominees will be declared elected or appointed by acclamation.

At the Meeting, shareholders will be asked to consider and, if deemed warranted, to pass an ordinary resolution, the full text of which is set out under “Particulars of Matters to be Acted Upon – Equity Incentive Plan Resolution” in this Management Proxy Circular (the “Equity Incentive Plan Resolution”), authorizing the Corporation to amend and restate the Employee’s and Directors’ Equity Incentive Plan to increase the maximum number of Common Shares of the Corporation which may be allocated for issuance pursuant to the terms and conditions of such plan from 29,000,000 to 32,000,000 Common Shares. The Equity Incentive Plan Resolution is an ordinary resolution and, as such, requires approval by a majority of the votes cast by shareholders at the Meeting.

## **VOTING BY NON-REGISTERED SHAREHOLDERS**

Only registered shareholders of the Corporation or the persons they appoint as their proxies are permitted to vote at the Meeting. Most shareholders of the Corporation are “non-registered” shareholders (“Non-Registered Shareholders”) because the shares they own are not registered in their names but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased the shares. Shares beneficially owned by a Non-Registered Shareholder are registered either: (i) in the name of an intermediary (an “Intermediary”) that the Non-Registered Shareholder deals with in respect of the shares of the Corporation (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with applicable securities law requirements, the Corporation will have distributed copies of the Notice of Meeting, this Management Proxy Circular, the form of proxy and the request form (collectively, the “Meeting Materials”) to the clearing agencies and Intermediaries for distribution to Non-Registered Shareholders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Shareholders unless a Non-Registered Shareholder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Non-Registered Shareholders. Generally, Non-Registered Shareholders who have not waived the right to receive Meeting Materials will either be given:

- (a) a voting instruction form **which is not signed by the Intermediary** and which, when properly completed and signed by the Non-Registered Shareholder and **returned to the Intermediary or its service company**, will constitute voting instructions (often called a “voting instruction form”) which the Intermediary must follow. Typically, the voting instruction form will consist of a one page pre-printed form. Sometimes, instead of the one page pre-printed form, the voting instruction form will consist of a regular printed proxy form accompanied by a page of instructions which contains

a removable label with a bar-code and other information. In order for the form of proxy to validly constitute a voting instruction form, the Non-Registered Shareholder must remove the label from the instructions and affix it to the form of proxy, properly complete and sign the form of proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or its service company; or

- (b) a form of proxy **which has already been signed by the Intermediary** (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Shareholder but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the Non-Registered Shareholder when submitting the proxy. In this case, the Non-Registered Shareholder who wishes to submit a proxy should properly complete the form of proxy and **deposit it with the Corporation, c/o CIBC Mellon Trust Company, Suite 1600, The Oceanic Plaza, 1066 Hastings Street, Vancouver, British Columbia, V6E 3K9 or 200 Queens Quay East, Unit 6, Toronto, Ontario, M5A 4K9.**

In either case, the purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the shares of the Corporation they beneficially own. Should a Non-Registered Shareholder who receives one of the above forms wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should strike out the persons named in the form of proxy and insert the Non-Registered Shareholder or such other person's name in the blank space provided. **In either case, Non-Registered Shareholders should carefully follow the instructions of their Intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered.**

A Non-Registered Shareholder may revoke a form of proxy or voting instruction form given to an Intermediary by contacting the Intermediary through which the Non-Registered Shareholder's common shares of the Corporation are held and following the instructions of the intermediary respecting the revocation of proxies. In order to ensure that an Intermediary acts upon a revocation of a proxy form or voting instruction form, the written notice should be received by the Intermediary well in advance of the Meeting.

## **VOTING SHARES AND PRINCIPAL HOLDERS**

The Corporation's authorized capital consists of an unlimited number of Common Shares without par value and an unlimited number of Preferred Shares without par value.

As of March 30, 2006, the Corporation had issued 316,624,073 fully paid and non-assessable Common Shares without par value, each carrying the right to one vote. As of such date, no Preferred Shares were issued or outstanding.

A holder of record of one or more Common Shares on the securities register of the Corporation on the Record Date who either attends the Meeting personally or deposits a Proxy in the manner and subject to the provisions described above will be entitled to vote or to have such share or shares voted at the Meeting, except to the extent that

- (a) the shareholder has transferred the ownership of any such share after the Record Date, and

- (b) the transferee produces a properly endorsed share certificate for, or otherwise establishes ownership of, any of the transferred shares and makes a demand to CIBC Mellon Trust Company no later than 10 days before the Meeting that the transferee's name be included in the list of shareholders in respect thereof.

To the knowledge of the directors and senior officers of the Corporation, the only persons who beneficially own, directly or indirectly, or exercise control or direction over shares carrying more than 10% of the voting rights attached to the outstanding Common Shares of the Corporation, the approximate number of Common Shares so owned, controlled or directed and the percentage of voting shares of the Corporation represented by such shares and the share ownership by the current directors and senior officers of the Corporation as a group are:

Name and Address	Number of Shares Owned, Controlled or Directed	Percentage of Shares Outstanding
Robert M. Friedland Hong Kong	100,834,334 <sup>(1)</sup>	31.85%
Directors and Officers as a group <sup>(2)</sup>	101,741,248 <sup>(3)</sup>	32.13%

- (1) Common Shares are held directly (as to 19,810,801 shares) and indirectly through Newstar Securities SRL (as to 30,701,000 shares), a company beneficially owned and controlled by Mr. Friedland, and Goldamere Holdings SRL (as to 50,322,533 shares), a company beneficially owned and controlled as to 91.91% by Mr. Friedland. Common Shares held directly and indirectly by Mr. Friedland do not include 2,000,000 unissued Common Shares issuable upon the exercise of incentive stock options.
- (2) Common Shares held by the directors and senior officers as a group do not include 8,095,000 unissued Common Shares issuable upon the exercise of incentive stock options.
- (3) Includes 100,834,334 Common Shares held directly and indirectly by Robert M. Friedland.

## INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person who has been a director or officer of the Corporation at any time since the beginning of its last completed financial year, any proposed nominee for director of the Corporation or any associate or affiliate of the foregoing has any material interest, direct or indirect, in any matter to be acted upon at the Meeting, except as disclosed in this Information Circular.

## ELECTION OF DIRECTORS

### Term of Office

The Corporation's articles provide that the number of directors of the Corporation will be a minimum of three and a maximum of 12. The term of office of each of the current directors will end at the conclusion of the Meeting. Unless a director's office is earlier vacated in accordance with the provisions of the YBCA, each director elected will hold office until the conclusion of the next annual meeting of the Corporation or, if no director is then elected, until a successor is elected.

## Management Nominees

Management's nominees for election as directors are as follows:



### **Robert M. Friedland**

Chairman, Chief Executive Officer and Director since 1994;  
Member of Executive Committee since 2005.



### **R. Edward Flood**

Director since 1995; Deputy Chairman since 1999;  
formerly President of the Corporation from 1995 to 1999.



### **John Macken**

President and Director since 2004;  
Member of Executive Committee since 2005.





**Peter G. Meredith**

Director since 2005; Chief Financial Officer since 2004, formerly Chief Financial Officer from 1999 to 2001; Member of Executive Committee since 2005.



**David Huberman**

Lead Director and Chair of Compensation and Benefits Committee and Corporate Governance and Nominating Committee since 2003; Member of Executive Committee since 2005.



**John Weatherall**

Director since 1996, Chair of Audit Committee since 1997 and member of Corporate Governance and Nominating Committee since 2003.



**Kjeld Thygesen**

Director since 2001;  
Member of Audit Committee since 2001,  
Compensation and Benefits Committee since 2002 and  
Corporate Governance and Nominating Committee  
since 2003.



**Hon. Robert Hanson**

Director since 2001;  
Member of Compensation and Benefits Committee  
since 2002 and Corporate Governance and Nominating  
Committee since 2003.



**Dr. Markus Faber**

Director since 2002;  
Member of Audit Committee since 2002 and Corporate  
Governance and Nominating Committee since 2004.



**Howard R. Balloch**

Director since 2005.

The following table sets out the names of management's nominees for election as directors, their ages, all major offices and positions with the Corporation and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment, the period of time during which each has been a director of the Corporation, the number of Common Shares of the Corporation beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at March 30, 2006, and the number of options to purchase Common Shares of the Corporation held by each as at March 30, 2006.

Name and Position	Principal Occupation, Business or Employment <sup>(1)</sup>	Period as a Director of the Corporation	Shares Beneficially Owned, Controlled or Directed <sup>(1)(2)</sup>	Stock Options Held
ROBERT M. FRIEDLAND <sup>(6)</sup> Hong Kong Chairman, Chief Executive Officer and Director	Chairman and Chief Executive Officer of the Corporation (March 1994 – present); Chairman and President, Ivanhoe Capital Corporation, a Singapore based venture capital company principally involved in establishing and financing international mining and exploration companies	since March 1994	100,834,334	2,000,000
R. EDWARD FLOOD Idaho, United States Deputy Chairman and Director	Deputy Chairman of the Corporation (May 1999 – present); Senior Mining Analyst, Haywood Securities Inc. (May 1999 – November 2001), President of the Corporation (1995 – 1999)	since March 1994	218,585	685,000
JOHN MACKEN <sup>(6)</sup> Co. Louth, Ireland President and Director	President of the Corporation (January 2004 – present); Consultant (2000 – January, 2004); Senior Vice President of Freeport McMoran Copper & Gold (1996 – 2000)	since January 2004	NIL	4,000,000
PETER G. MEREDITH <sup>(6)</sup> B.C., Canada Chief Financial Officer and Director	Chief Financial Officer of the Corporation (June 1999 – November 2001; May 2004 – present); Chief Financial Officer, Ivanhoe Capital Corporation (1996 – present); Senior Partner, Deloitte & Touche, chartered accountants (1966 – 1996)	since March 2005	87,452	750,000
DAVID HUBERMAN <sup>(4) (5) (6)</sup> B.C., Canada Lead Director	President, Coda Consulting Corp. (1993 – present); Senior Partner, Freeman & Company, barristers & solicitors	since September 2003	20,000	300,000

Name and Position	Principal Occupation, Business or Employment <sup>(1)</sup>	Period as a Director of the Corporation	Shares Beneficially Owned, Controlled or Directed <sup>(1)(2)</sup>	Stock Options Held
JOHN WEATHERALL <sup>(3) (4)</sup> Ontario, Canada Director	President, Scarthingmoor Assets Management Inc. (1996 – present)	since June 1996	74,500	100,000
KJELD THYGESEN <sup>(3) (4) (5)</sup> England Director	Managing Director of Lion Resource Management (1989 – present)	since February 2001	150,000	50,000
HON. ROBERT HANSON <sup>(4) (5)</sup> England Director	Chairman of Hanson Capital Limited (1998 – present); Chairman of Hanson Transport Group (1990 – present)	since February 2001	85,000	50,000
DR. MARKUS FABER <sup>(3) (4)</sup> Hong Kong Director	Managing Director, Marc Faber Ltd. (investment advisory firm and fund manager) (1990 – present)	since February 2002	20,000	130,000
HOWARD R. BALLOCH China Director	President, The Balloch Group (July 2001 – present); President, Canada China Business Council (July 2001 – present); Canadian Ambassador to China, Mongolia and Democratic Republic of Korea (April 1996 – July 2001)	since March 2005	20,000	90,000

- (1) The information as to principal occupation, business or employment and shares beneficially owned, controlled or directed by a nominee is not within the knowledge of the management of the Corporation and has been furnished by the nominee.
- (2) Does not include unissued common shares issuable upon the exercise of incentive stock options. See “Voting Shares”.
- (3) Member of the Audit Committee.
- (4) Member of the Corporate Governance and Nominating Committee.
- (5) Member of the Compensation and Benefits Committee.
- (6) Member of Executive Committee.

### Directors’ Minimum Shareholding Requirements

All independent Directors are required to beneficially own and hold a minimum of 20,000 Common Shares for as long as they are a director of the Corporation. These Common Shares may be held either directly in the name of the Director or indirectly in the name of a company controlled by the Director. All current independent Director nominees have met the minimum share purchase requirement. Mr. Howard Balloch, a non-management Director, also holds 20,000 Common Shares. Any new directors will have one year from their date of election or appointment to meet the requirement.

Additional information with respect to stock under options held by management's nominees for directors is as follows:

Name	Securities Under Options Vested/ Unvested	<u>Vested</u>	<u>Unvested</u>
ROBERT FRIEDLAND	500,000/1,500,000	500,000 granted March 27, 2006 at Cdn.\$9.73, expire March 27, 2013.	1,500,000 granted March 27, 2006 at Cdn.\$9.73, expire March 27, 2013; 400,000 to vest on the earlier of December 31, 2006 or achievement of each of four defined development criteria for Oyu Tolgoi currently planned for 2006, 300,000 to vest on the earlier of December 31, 2007 or achievement of each of four additional defined development criteria for Oyu Tolgoi currently planned for 2007, 300,000 to vest on the earlier of December 31, 2008 or achievement of one of two additional defined development criteria currently planned for Oyu Tolgoi for 2008 and the remaining 500,000 to vest on the earlier of December 31, 2009 and achievement of each of two additional defined development criteria planned for Oyu Tolgoi for 2009.
R. EDWARD FLOOD	385,000/NIL  75,000/225,000	385,000 granted September 24, 2001, at Cdn.\$1.60, expire September 24, 2006.  75,000 granted March 27, 2006 at Cdn.\$9.73, expire March 27, 2013.	N/A  225,000 granted March 27, 2006 at Cdn.\$9.73, expire March 27, 2013; 60,000 to vest on the earlier of December 31, 2006 or achievement of each of four defined development criteria for Oyu Tolgoi currently planned for 2006, 45,000 to vest on the earlier of December 31, 2007 or achievement of each of four additional defined development criteria for Oyu Tolgoi currently planned for 2007, 45,000 to vest on the earlier of December 31, 2008 or achievement of one of two additional defined development criteria currently planned for Oyu Tolgoi for 2008 and the remaining 75,000 to vest on the earlier of December 31, 2009 and achievement of each of two additional defined development criteria planned for Oyu Tolgoi for 2009.
JOHN MACKEN	750,000/250,000  700,000/300,000	750,000 granted November 1, 2003 at Cdn.\$12.70, expire November 1, 2013.  700,000 granted March 30, 2004 at Cdn.\$7.78, expire	250,000 granted November 1, 2003 at Cdn.\$12.70, expire November 1, 2013. 250,000 to vest on November 1, 2006.  300,000 granted March 30, 2004 at Cdn.\$7.78, expire March 30, 2014;

Name	Securities Under Options Vested/ Unvested	<u>Vested</u>	<u>Unvested</u>
	500,000/1,500,000	<p>March 30, 2014.</p> <p>500,000 granted March 27, 2006 at Cdn.\$9.73, expire March 27, 2013.</p>	<p>to vest on March 10, 2007 or upon commencement of commercial production at Oyu Tolgoi.</p> <p>1,500,000 granted March 27, 2006 at Cdn.\$9.73, expire March 27, 2013; 400,000 to vest on the earlier of December 31, 2006 or achievement of each of four defined development criteria for Oyu Tolgoi currently planned for 2006, 300,000 to vest on the earlier of December 31, 2007 or achievement of each of four additional defined development criteria for Oyu Tolgoi currently planned for 2007, 300,000 to vest on the earlier of December 31, 2008 or achievement of one of two additional defined development criteria currently planned for Oyu Tolgoi for 2008 and the remaining 500,000 to vest on the earlier of December 31, 2009 and achievement of each of two additional defined development criteria planned for Oyu Tolgoi for 2009.</p>
PETER G. MEREDITH	<p>30,000/20,000</p> <p>80,000/120,000</p>	<p>30,000 granted February 4, 2004, at Cdn.\$7.69, expire February 4, 2009.</p> <p>80,000 granted on May 14, 2004, at Cdn.\$8.20, expire on May 14, 2009.</p> <p>100,000 granted March 27, 2006 at Cdn.\$9.73, expire March 27, 2013.</p>	<p>20,000 granted February 4, 2004, at Cdn.\$7.69, expire February 4, 2009. 10,000 to vest on February 4, 2007; 10,000 to vest on February 4, 2008.</p> <p>120,000 granted on May 14, 2004, at Cdn.\$8.20, expire on May 14, 2009. 40,000 to vest on May 14, 2006; 40,000 to vest on May 14, 2007; 40,000 to vest on May 14, 2008.</p> <p>300,000 granted March 27, 2006 at Cdn.\$9.73, expire March 27, 2013; 80,000 to vest on the earlier of December 31, 2006 or achievement of each of four defined development criteria for Oyu Tolgoi currently planned for 2006, 60,000 to vest on the earlier of December 31, 2007 or achievement of each of four additional defined development criteria for Oyu Tolgoi currently planned for 2007, 60,000 to vest on the earlier of December 31, 2008 or achievement of one of two additional defined development criteria currently planned for Oyu Tolgoi for 2008 and the remaining 100,000 to vest on the earlier of December 31, 2009 and achievement of each of two additional defined development criteria planned for Oyu Tolgoi for 2009.</p>

<b>Name</b>	<b>Securities Under Options Vested/ Unvested</b>	<b><u>Vested</u></b>	<b><u>Unvested</u></b>
DAVID HUBERMAN	150,000/100,000  25,000/NIL  NIL/25,000	150,000 granted September 16, 2003, at Cdn.\$6.75, expire September 16, 2008.  25,000 granted September 3, 2004, at Cdn.\$7.00, expire September 3, 2009.  N/A	100,000 granted September 16, 2003, at Cdn.\$6.75, expire September 16, 2008. 50,000 to vest on September 16, 2006; 50,000 to vest on September 16, 2007.  N/A  25,000 granted May 10, 2005, at Cdn.\$9.37, expire May 10, 2010. Vests May 10, 2006.
JOHN WEATHERALL	30,000/20,000  25,000/NIL  NIL/25,000	30,000 granted June 12, 2003, at Cdn.\$3.25, expire June 12, 2008.  25,000 granted September 3, 2004, at Cdn.\$7.00, expire September 3, 2009.  N/A	20,000 granted June 12, 2003, at Cdn.\$3.25, expire June 12, 2008. 10,000 to vest on June 12, 2006; 10,000 to vest on June 12, 2007.  N/A  25,000 granted May 10, 2005, at Cdn.\$9.37, expire May 10, 2010. Vests May 10, 2006.
KJELD THYGESEN	25,000/NIL  NIL/25,000	25,000 granted September 3, 2004, at Cdn.\$7.00, expire September 3, 2009.  N/A	N/A  25,000 granted May 10, 2005, at Cdn.\$9.37, expire May 10, 2010. Vests May 10, 2006.
HON. ROBERT HANSON	25,000/NIL  NIL/25,000	25,000 granted September 3, 2004, at Cdn.\$7.00, expire September 3, 2009.  N/A	N/A  25,000 granted May 10, 2005, at Cdn.\$9.37, expire May 10, 2010. Vests May 10, 2006.
DR. MARKUS FABER	80,000/NIL  25,000/NIL  NIL/25,000	80,000 granted February 5, 2002, at Cdn.\$3.05, expire February 5, 2007.  25,000 granted September 3, 2004, at Cdn.\$7.00, expire September 3, 2009.  N/A	N/A  N/A  25,000 granted May 10, 2005, at Cdn.\$9.37, expire May 10, 2010. Vests May 10, 2006.

Name	Securities Under Options Vested/ Unvested	<u>Vested</u>	<u>Unvested</u>
HOWARD BALLOCH	60,000/20,000	60,000 granted September 6, 2002, at Cdn.\$3.25, expires September 6, 2007.	20,000 granted September 6, 2002, at Cdn.\$3.25, expires September 6, 2007. Vests on September 6, 2006.
	25,000/NIL	25,000 granted March 11, 2005, at Cdn.\$10.51, expire March 11, 2010.	N/A
	NIL/25,000	N/A	25,000 granted May 10, 2005, at Cdn.\$9.37, expire May 10, 2010. Vests May 10, 2006.

Management's nominees for director also serve as directors of the following public companies:

ROBERT M. FRIEDLAND	Ivanhoe Energy Inc. (TSX; NASDAQ)
R. EDWARD FLOOD	Ivanhoe Energy Inc. (TSX; NASDAQ); Jinshan Gold Mines Inc. (TSX-V); Asia Gold Corp. (TSX-V); American Gold Capital Corp. (TSX-V).
PETER G. MEREDITH	Entrée Gold Inc. (TSX-V; AMEX); Jinshan Gold Mines Inc. (TSX-V); Olympus Pacific Minerals Inc. (TSX-V); Asia Gold Corp. (TSX-V); Great Canadian Gaming Corporation (TSX)
JOHN WEATHERALL	Stratic Energy Corporation (TSX)
KJELD THYGESEN	Resources Investment Trust PLC (LSE); Superior Mining Corporation (TSX-V)
HOWARD R. BALLOCH	Ivanhoe Energy Inc. (TSX; NASDAQ); Methanex Corporation (TSX; NASDAQ); Zi Corporation (TSX; NASDAQ); Tiens Biotech Group (USA) Ltd. (OTCBB); Gobi Gold Inc. (TSX-V)

### **Independence of the Board**

The following table sets forth the "independent" or "non-independent" status of the Directors of the Corporation pursuant to the corporate governance guidelines of the



Canadian Securities Administrators, as more fully discussed under “Corporate Governance – Board Composition” below.

**Independent Directors**

David Huberman<sup>(1)</sup>  
 John Weatherall  
 Markus Faber  
 Robert Hanson  
 Kjeld Thygesen

**Non-Independent Directors**

Robert M. Friedland<sup>(2)</sup>  
 R. Edward Flood<sup>(3)</sup>  
 John Macken<sup>(4)</sup>  
 Peter Meredith<sup>(5)</sup>  
 Howard Balloch<sup>(6)</sup>

- (1) Mr. Huberman is Lead Director of the Corporation.
- (2) Mr. Friedland is Chairman and Chief Executive Officer of the Corporation.
- (3) Mr. Flood is Deputy Chairman and a management director of the Corporation.
- (4) Mr. Macken is President of the Corporation.
- (5) Mr. Meredith is Chief Financial Officer of the Corporation.
- (6) Mr. Balloch does not presently qualify as an “independent” director under the applicable per se standards of the CSA Corporate Governance Guidelines, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules, by virtue of a previous consulting relationship with the Corporation. However, Mr. Balloch is not a member of management and the Board considers him to be sufficiently independent of management to permit his exercise of independent judgment in carrying out his responsibilities. See “Corporate Governance – Board Composition”.

**Board Committees**

The committees of the Board of Directors of the Corporation consist of an Audit Committee, a Compensation and Benefits Committee, and a Corporate Governance and Nominating Committee. In addition, the Board has appointed an Executive Committee. The members of the Audit Committee are John Weatherall (Chair), Kjeld Thygesen, and Markus Faber. The members of the Compensation and Benefits Committee are David Huberman (Chair), Kjeld Thygesen and Robert Hanson. The members of the Corporate Governance and Nominating Committee are David Huberman (Chair), John Weatherall, Kjeld Thygesen, Robert Hanson and Markus Faber. The members of the Executive Committee are Robert Friedland, John Macken, Peter Meredith and David Huberman.

**Summary of Board and Committee Meetings Held**

The following table summarizes Board and Committee meetings held during the year ended December 31, 2005:

Board of Directors	5
Audit Committee	4
Compensation and Benefits Committee	4
Corporate Governance and Nominating Committee	4
Executive Committee	1

During 2005, two meetings of the Board, two meetings of the Audit Committee, one meeting of the Compensation and Benefits Committee and one meeting of the Corporate Governance and Nominating Committee were held by teleconference. In addition, there were 18 resolutions in writing of the Board, and no resolutions in writing were passed by the Audit Committee in 2005. Resolutions in writing must be executed by all of the directors entitled to vote on a matter.

## Attendance of Board and Committee Members

The following table summarizes the attendance of Board and Committee members during the year ended December 31, 2005:

<u>Name</u>	<u>Board Meetings Attended</u>	<u>% of Board Meetings Attended</u>	<u>Audit Committee Meetings Attended</u>	<u>% of Audit Committee Meetings Attended</u>	<u>Compensation &amp; Benefits Committee Meetings Attended</u>	<u>% of Compensation &amp; Benefits Committee Meetings Attended</u>	<u>Corporate Governance &amp; Nominating Committee Meetings Attended</u>	<u>% of Corporate Governance &amp; Nominating Committee Meetings Attended</u>	<u>Executive Meetings Attended<sup>(4)</sup></u>	<u>% of Executive Meetings Attended</u>
Robert M. Friedland	4 of 5	80%	n/a	n/a	n/a	n/a	n/a	n/a	1 of 1	100%
R. Edward Flood <sup>(1)</sup>	5 of 5	100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
John Macken	4 of 5	80%	n/a	n/a	n/a	n/a	n/a	n/a	1 of 1	100%
Peter Meredith <sup>(2)</sup>	4 of 4	100%	n/a	n/a	n/a	n/a	n/a	n/a	1 of 1	100%
David Huberman	5 of 5	100%	n/a	n/a	4 of 4	100%	4 of 4	100%	1 of 1	100%
John Weatherall	5 of 5	100%	4 of 4	100%	n/a	n/a	4 of 4	100%	n/a	n/a
Kjeld Thygesen	5 of 5	100%	4 of 4	100%	3 of 4	75%	3 of 4	75%	n/a	n/a
Robert Hanson	5 of 5	100%	n/a	n/a	4 of 4	100%	4 of 4	100%	n/a	n/a
Markus Faber	4 of 5	80%	4 of 4	100%	n/a	n/a	3 of 4	75%	n/a	n/a
Howard Balloch <sup>(2)</sup>	4 of 4	100%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(1) Mr. Flood is not a member of any Committee of the Board.

(2) Messrs. Meredith and Balloch joined the Board of Directors on March 11, 2005.

(3) The Executive Committee was formed on March 11, 2005.

## APPOINTMENT OF AUDITORS

Deloitte & Touche LLP, Chartered Accountants, will be nominated at the Meeting for re-appointment as auditors of the Corporation at a remuneration to be fixed by the Board of Directors. Deloitte & Touche LLP have been the Corporation's auditors since January 1995.

Fees billed by Deloitte & Touche LLP and its affiliates during fiscal 2005 and fiscal 2004 were approximately Canadian \$1,220,000 and Canadian \$1,336,000, respectively. The aggregate fees billed by the auditors in fiscal 2005 and fiscal 2004 are detailed below.

<i>(Canadian \$ in 000's)</i>	<u>2005</u>	<u>2004</u>
Audit Fees (a)	\$ 824	\$ 957
Audit Related Fees (b)	196	10
Tax Fees (c)	200	369
All Other Fees	-	-
Total	<u>\$1,220</u>	<u>\$1,336</u>

- (a) Fees for audit services billed or expected to be billed relating to fiscal 2005 and 2004 consisted of:
- audit of the Corporation's annual statutory financial statements
  - audit of the financial statements of one of the Corporation's subsidiaries
  - reviews of the Corporation's quarterly financial statements
  - comfort letters, consents, and other services related to SEC and Canadian securities regulatory authorities' matters
- (b) Fees for audit-related services provided during fiscal 2005 and 2004 consisted of financial accounting and reporting consultations.
- (c) Fees for tax services provided during fiscal 2005 and 2004 consisted of tax compliance, and tax planning and advice.

### *Pre-Approval Policies and Procedures*

All services to be performed by the Corporation's independent auditor must be approved in advance by the Audit Committee or a designated member of the Audit Committee ("Designated Member"). The Designated Member is a member of the Audit Committee who has been given the authority to grant pre-approvals of permitted audit and non-audit services.

The Audit Committee has considered whether the provision of services other than audit services is compatible with maintaining the auditors' independence and has adopted a policy governing the provision of these services. This policy requires the pre-approval by the Audit Committee or the Designated Member of all audit and non-audit services provided by the external auditor, other than any de minimus non-audit services allowed by applicable law or regulation. The decisions of the Designated Member to pre-approve a permitted service needs to be reported to the Audit Committee at its regularly scheduled meetings.

Pre-approval from the Audit Committee or Designated Member can be sought for planned engagements based on budgeted or committed fees. No further approval is required to pay pre-approved fees. Additional pre-approval is required for any increase in scope or in final fees.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **Amended and Restated Equity Incentive Plan**

#### **Purpose**

The Corporation is seeking authorization from its shareholders at the Meeting to amend and restate the Corporation's existing Employees' and Directors' Equity Incentive Plan (the "Incentive Plan") to increase the maximum number of Common Shares of the Corporation which may be allocated for issuance from 29,000,000 to 32,000,000 Common Shares. The Toronto Stock Exchange has approved the Amended Plan, subject to approval by the shareholders at the Meeting.

Set forth below is a summary of certain aspects of the Incentive Plan relating to the proposed increase in the number of Common Shares issuable under the Incentive Plan. A more detailed description of the Incentive Plan is set forth in the section entitled "Equity Compensation Plan Information" in this Management Proxy Circular and a copy of the Incentive Plan illustrating the proposed amendments is attached as Schedule B.

#### ***Amendment Procedure***

The Board has the right to amend, modify or terminate the Incentive Plan, in whole or in part, at any time if and when deemed advisable in the absolute discretion of the Board of Directors. However, any amendment to the Incentive Plan which would materially increase the benefits under the Incentive Plan, materially modify the requirements as to eligibility for participation in the Incentive Plan or materially increase the number of Common Shares that may be issued or reserved for issuance under the Incentive Plan will be effective only upon the approval of the shareholders of the Corporation, and, if required, the approval of any regulatory body having jurisdiction over the securities of the Corporation and the approval of any stock exchange on which the Common Shares are then listed for trading.

#### ***Share Issuance Limits***

The aggregate maximum number of Common Shares which the Corporation may, from time to time, issue or reserve for issuance under the Incentive Plan is 29,000,000 Common Shares. The aggregate number of Common Shares which the Corporation may at any time reserve for issuance under the Incentive Plan to any one person may not exceed five per cent (5%), and to Insiders under the Incentive Plan may not exceed ten per cent (10%), of the issued and outstanding Common Shares at such time. The aggregate number of Common Shares that may be issued within any one-year period to Insiders under the Incentive Plan shall not exceed ten per cent (10%), and to any one Insider and his or her Associates under the Incentive Plan may not exceed five per cent (5%), of the issued and outstanding Common Shares at such time.

#### **Securities Issued and Unissued under the Incentive Plan**

As of the date of this Management Information Circular, there are 316,624,073 Common Shares of the Corporation issued and outstanding. Since the date of inception of the Incentive Plan in June of 1996 and amendment in May and August of 2005, the

29,000,000 Common Shares authorized for issuance under the Incentive Plan have been issued or reserved for issuance as follows:

	<u>Number of Common Shares</u>	<u>% of Issued and Outstanding Common Shares</u>
Common Shares previously issued upon exercise of options under Option Plan	12,755,552	4.02%
Common Shares reserved for future issuance pursuant to unexercised options under Option Plan	13,336,900	4.21%
Common Shares previously issued pursuant to Purchase Plan	572,361	0.18%
Common Shares previously issued pursuant to Bonus Plan	701,463	0.22%
Unissued Common Shares available for future awards under Bonus Plan	1,299,137	0.47%
Unissued Common Shares available for future option grants under Option Plan and purchases under Purchase Plan	335,187	0.11%
Maximum number of Common Shares available for issuance	29,000,000	9.16%

### **Proposed Amendment**

#### ***Maximum Number of Shares***

The Incentive Plan provides that the aggregate number of Common Shares that may be issued or reserved for issuance may not exceed 29,000,000 Common Shares.

The Corporation believes that incentive stock options are a valuable mechanism for incentivizing the Corporation's existing employees, attracting new employees and aligning their interests with those of the Corporation's shareholders. To provide the Corporation with the continued flexibility of granting incentive stock options under the Option Plan, the Corporation is seeking approval from the shareholders at the Meeting to increase the number of Common Shares of the Corporation issuable under the Incentive Plan to a maximum of 32,000,000 Common Shares, which would represent 10.11% of the Common Shares currently issued and outstanding.

#### **BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:**

1. an amendment to the Corporation's Employees' and Directors' Equity Incentive Plan (the "Incentive Plan") to increase, by 3,000,000 Common Shares, the maximum number of Common Shares of the Corporation issuable under the Incentive Plan from 29,000,000 Common Shares to 32,000,000 Common Shares is hereby authorized, approved and adopted; and
2. the directors of Ivanhoe be and they are hereby authorized and empowered to implement the foregoing amendments to the Incentive Plan.

## INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

Other than as disclosed below or elsewhere in this Management Proxy Circular, no insider, director nominee or associate or affiliate of any such insider or director nominee, has any material interest, direct or indirect, in any material transaction since the commencement of the Corporation's last financial year or in any proposed transaction, which, in either case, has materially affected or would materially affect the Corporation.

At the end of 2004 and 2003, subsidiaries of the Corporation holding the Savage River iron ore project owed approximately U.S.\$5.1 million to Mr. Robert M. Friedland, Chairman and Chief Executive Officer of the Corporation, which indebtedness originated as a result of the December 2000 acquisition by the Corporation of the Savage River project. Following the sale of the Savage River operations in February 2005, repayment of this balance is contingent upon the Corporation receiving proceeds in excess of approximately U.S.\$111 million from the sale of the Savage River operations.

The Corporation is a party to cost sharing agreements with other companies in which Robert M. Friedland has a material direct or indirect beneficial interest. Through these agreements, the Corporation shares, on a cost-recovery basis, office space, furnishings, equipment and communications facilities in Vancouver, Singapore, Beijing and London, and an aircraft. The Corporation also shares the costs of employing administrative and non-executive management personnel in these offices. During the year ended December 31, 2005, the Corporation's share of these costs was US\$10,486,000. The companies with which the Corporation is a party to the cost sharing agreements, and Mr. Friedland's ownership interest in each of them, are as follows:

<u>Corporation Name</u>	<u>R. Friedland Ownership Interest</u>
Ivanhoe Energy Inc.	21.11%
Ivanhoe Capital Corporation	100%
Ivanhoe Nickel & Platinum Ltd.	50.06%
Jinshan Gold Mines Inc.	(1)
Asia Gold Corp.	(1)

(1) Mr. Friedland owned 31.92% of the Common Shares of the Corporation, which owns 52.91% of the common shares of Jinshan Gold Mines Inc. and 47% of the common shares of Asia Gold Corp. as at December 31, 2005.

The shared and other expenditures for the last two years were as follows:

	U.S.\$(000)	
	Years ended December 31,	
	2005	2004
Exploration	1,122	2,198
Legal	823	468
Office and administrative	2,216	2,057
Salaries and benefits	2,904	2,239
Travel (including aircraft rental)	3,421	3,001
	10,486	9,963

## EXECUTIVE COMPENSATION

In accordance with the requirements of applicable securities legislation in Canada, the following executive compensation disclosure is provided as at December 31, 2005, in respect of the Chief Executive Officer, Chief Financial Officer and each of the Corporation's three executive officers whose annual compensation exceeded Cdn.\$150,000 in the year ended December 31, 2005 (collectively, the "Named Executive Officers"). During the year ended December 31, 2005, the aggregate compensation paid to all officers of the Corporation who received more than Cdn.\$40,000 in aggregate compensation during such period was U.S.\$2,068,000 (Cdn.\$2,505,000).

### Summary Compensation Table

The following table sets forth a summary of all compensation paid during the years ending December 31, 2003, 2004 and 2005 to each of the Named Executive Officers ("NEO").

NEO Name and Principal Position	Year	Long-Term Compensation			Awards		Payouts	All Other Compensation (U.S.\$)
		Salary (U.S.\$)	Bonus (U.S.\$)	Other Annual Compensation <sup>(1)</sup> (U.S.\$)	Securities Under Options/ SARs Granted	Shares or Units Subject to Resale Restrictions	LTIP Payouts	
Robert Friedland (CEO)	2005	-	-	-	-	-	-	-
	2004	-	-	-	-	-	-	549 <sup>(2)</sup>
	2003	-	-	-	-	-	-	877 <sup>(2)</sup>
Peter Meredith <sup>(4)</sup> (CFO)	2005	216,402	-	-	-	-	-	11,315 <sup>(3)</sup>
	2004	243,053	-	-	250,000	-	-	10,602 <sup>(3)</sup>
	2003	N/A	N/A	N/A	N/A	N/A	N/A	N/A
John Macken (President)	2005	457,400	-	-	-	-	-	8,200 <sup>(2)</sup>
	2004	370,022	-	-	1,000,000	-	-	8,200 <sup>(2)</sup>
	2003	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Edward Flood (Deputy Chairman)	2005	226,000	-	-	-	-	-	3,690 <sup>(2)</sup>
	2004	179,100	-	-	-	-	-	3,690 <sup>(2)</sup>
	2003	120,792	-	-	-	-	-	3,210 <sup>(2)</sup>
Doug Kirwin (VP Exploration)	2005	185,770	-	36,000 <sup>(5)</sup>	-	-	-	7,837 <sup>(3)</sup>
	2004	180,136	-	36,000 <sup>(5)</sup>	50,000	-	-	7,765 <sup>(3)</sup>
	2003	177,443	46,429	36,000 <sup>(5)</sup>	-	-	-	6,176 <sup>(3)</sup>

(1) Perquisites and benefits do not exceed the lesser of Cdn.\$50,000 and 10% of the total of the annual salary and bonus for any of the Named Executive Officers except where numbers are disclosed in this column.

(2) Includes life insurance premiums.

(3) Includes life insurance premiums and share purchase plan.

(4) Mr. Meredith became the Corporation's Chief Financial Officer on May 20, 2004.

(5) Represents housing allowance.

## Long Term Incentive Plan

The Corporation does not presently have a long-term incentive plan for its executive officers.

## Options/SAR Grants During The Most Recently Completed Financial Year

There were no options or SAR grants made to the Named Executive Officers during the most recently completed financial year.

## Aggregated Option Exercises

Other than as described below, no options or stock appreciation rights were exercised during the year ended December 31, 2005 by the Named Executive Officers.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (Cdn.\$)	Unexercised Options at December 31, 2005 (Exercisable/Unexercisable) (#)	Value of Unexercised in the Money Options at December 31, 2005 (Exercisable/Unexercisable) (Cdn.\$)
Robert Friedland	1,500,000	\$10,875,000	NIL	NIL
Peter Meredith	60,000	\$434,825	20,000/30,000 80,000/120,000	\$13,200/\$19,800 \$12,000/\$18,000
John Macken	NIL	NIL	1,150,000/850,000	\$223,00/\$342,000
Edward Flood	156,111 <sup>(1)</sup>	1,167,366 <sup>(2)</sup>	535,000/NIL	\$3,611,250/NIL
Douglas Kirwin	26,500	\$241,680	20,000/30,000	\$13,200/\$19,800

- (1) Includes 41,111 common shares issued through exercise of a stock appreciation right (SAR) on June 9, 2005 in respect of options for 50,000 shares.
- (2) Includes the closing market value on June 8, 2005 for 41,111 common shares issued through exercise of a SAR in respect of options for 50,000 shares.

## Option and SAR Repricings

No options or stock appreciation rights were re-priced during the year ended December 31, 2005.

## Defined Benefit and Pension Plans

The Corporation does not presently provide any defined benefit or pension plan to its directors, executive officers or employees.

## Employment Contracts

The Corporation has an employment contract with John Macken respecting his employment as President of the Corporation. The term of the agreement commenced on January 1, 2004 and provides for an initial base salary, a housing benefit and the same benefit entitlements available to the Corporation's other executive officers. The Corporation may terminate Mr. Macken's employment for cause, or, on payment of 12 month's base salary, without cause. In the event of a change of control of the Corporation and if the contract is terminated by the Corporation within twelve months thereafter, Mr. Macken would be entitled to receive payment of 12 month's base salary and a vesting of all unexercised stock options which will thereafter remain exercisable for six months. Under the terms of the contract, Mr. Macken was granted an initial



incentive stock option effective January 1, 2004 to acquire 1,000,000 common shares which vest over three years and expire on November 1, 2013. Mr. Macken was granted a further option on March 30, 2004 to acquire an additional 1,000,000 common shares, which options vest as to 20% in March, 2004 and, as to the balance, 20% in March, 2005, 30% in March 2006 and 30% in March 2007, subject in each case to earlier vesting upon specified corporate goals identified by the Board of Directors being met. Mr. Macken was also granted a further option on March 27, 2006 which options expire on March 27, 2013 and which vest as to 25% on grant, as to 20% on December 31, 2006, as to 15% on December 31, 2007, as to 15% on December 31, 2008, and as to the balance on December 31, 2009, subject to earlier vesting upon specific corporate goals being met by the Corporation. The Corporation also has had employment contracts with Douglas Kirwin respecting his employment with the Corporation since 1995. His current contract for services as the Corporation's Executive Vice President, Exploration was originally entered into in November 1998 and was renewed in May 2003. Under the contract, the Corporation may terminate Mr. Kirwin's employment for death, disability or cause, or, on payment of one month's salary multiplied by the number of whole years Mr. Kirwin has been employed by the Corporation, without cause. In the event of a change of control of the Corporation which has not been approved by the then existing Board, Mr. Kirwin is entitled to terminate his employment within three months of the date of such change of control and to receive a payment equal to three times his annual salary. The Corporation does not have employment contracts with any other of its Named Executive Officers.

### **Composition of the Compensation and Benefits Committee**

During the year ended December 31, 2005, the Compensation and Benefits Committee was comprised of Messrs. David Huberman (Chair), Kjeld Thygesen, Robert Hanson and John Bruk.

Since the beginning of the most recently completed financial year, which ended on December 31, 2005, none of Messrs. Huberman, Thygesen, Hanson or Bruk was indebted to the Corporation or any of its subsidiaries or had any material interest in any transaction or proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries. None of the Corporation's executive officers serve as a member of the Compensation and Benefits Committee or Board of Directors of any entity that has an executive officer serving as a member of the Compensation and Benefits Committee or Board of Directors of the Corporation.

### **Report on Executive Compensation**

The Corporation's executive compensation program is administered by the Compensation and Benefits Committee. The members of the Compensation and Benefits Committee are all independent directors. Following review and approval by the Committee, decisions relating to executive compensation are reported to, and approved by, the full Board of Directors. The Compensation and Benefits Committee has directed the preparation of this report and has approved its contents and its submission to shareholders.

The basic philosophy underlying the Corporation's executive compensation program is that the interests of the Corporation's executive officers should be aligned as closely as possible with the interests of the Corporation and its shareholders as a whole. We believe that the Corporation's approach to executive compensation should broadly reflect both the stage of development of the Corporation's business and its entrepreneurial culture. At the same time, we recognize that, because competition in the mining industry for highly skilled employees is intense, the levels of compensation we

offer must be comparable to those offered by our competitors in order to attract, retain and motivate executive personnel of the highest calibre.

Compensation for the Corporation's senior executive officers has been traditionally determined with regard to the following considerations:

- (i) the desirability of providing a strong incentive to management to work as a team to achieve the Corporation's corporate long term and short term business development goals;
- (ii) the principle that the economic interests of management and those of the Corporation's shareholders should be aligned as closely as reasonably possible;
- (iii) the competitive environment that exists in the mining industry for the recruitment and retention of qualified personnel and the resulting need to offer levels of executive compensation that are comparable to those offered by our competitors; and
- (iv) the present stage of development of the Corporation's business and the corresponding lack of meaningful quantitative factors, other than changes in share price, by which to measure corporate performance in relation to executive compensation.

The compensation that the Corporation's executive officers receive generally consists of cash, equity and equity incentives. Typically, base salary comprises the entire cash component of each executive officer's compensation. The Corporation does not maintain a pension plan or other long term compensation plan for its executive officers and, generally, does not pay cash bonuses. Compensation over and above base salary usually takes the form of incentive stock options but can also include bonus awards of fully paid Common Shares of the Corporation.

Although the relative emphasis on the various compensation components has tended to be variable year over year, the cash component of each executive's overall compensation tends to remain relatively consistent. We believe that the cash compensation we pay to our executive officers is competitive and, although the Compensation and Benefits Committee reviews levels of cash compensation at least annually, we do not generally make recommendations to the Board of Directors to adjust cash compensation unless we become aware that the level at which our executive officers are compensated in cash may no longer be competitive.

We have tended to place a relatively higher emphasis on equity compensation generally and on incentive stock options in particular. This is consistent with our objective of preserving cash and also reflects our belief that incentive stock options offer an effective mechanism for incentivizing management and aligning the interests of our executive officers with those of our shareholders. In the earlier stages of the Corporation's growth the absence of the kind of objective, quantitative economic measurement criteria by which the corporate performance of major mining companies with significant production and earnings are measured, has made it difficult to meaningfully correlate levels of equity compensation to corporate performance except with reference to changes in the market price of the Corporation's Common Shares. Since we do not grant incentive stock options at a discount to the prevailing market price of the Corporation's Common Shares, the incentive stock options we grant to our executive officers accrete value only if, and to the extent that, the market price of the Corporation's Common Shares increases, thereby linking equity-based executive compensation to shareholder returns. Where appropriate, the Corporation increasingly strives to include performance-based

criteria as a key component of stock option grants and during 2005 a number of stock option grants to key employees included vesting schedules that were based on the achievement of key milestones for the Corporation's development on which such key employee had the potential to positively impact.

The Compensation and Benefits Committee regularly assesses the individual performance of the Corporation's executive officers and makes recommendations to the Board of Directors. Based on these recommendations, the Board of Directors makes decisions concerning the nature and scope of the equity-based compensation to be paid to the Corporation's executive officers. The criteria upon which these recommendations are based has, in the earlier stages of the Corporation's development, tended to be subjective and has reflected our views as to the nature and value of the contributions made by our executive officers to the achievement of our corporate plans and objectives. As part of our periodic review of executive compensation, we may recommend, from time to time, that the Board of Directors make discretionary bonus awards of Common Shares to the Corporation's employees, including the Corporation's executive officers. Such awards are intended to recognize extraordinary contributions to the achievement of corporate objectives or the fulfillment of defined business development goals and milestones tied to pre-determined equity incentives.

During 2005, the Corporation granted incentive stock options to employees, officers and directors exercisable to purchase a total of 1,125,000 Common Shares, representing less than 0.36 per cent of the total number of Common Shares currently issued and outstanding. No incentive stock options were granted to the Named Executive Officers in 2005. Details of the grants made to the Named Executive Officers are provided under the heading "Options/SAR Grants During The Most Recently Completed Financial Year" above. During 2005, the Corporation did not make any discretionary bonus awards of Common Shares.

The Corporation's Chief Executive Officer, Robert M. Friedland, who is also the Corporation's largest shareholder, does not currently receive a salary or any other cash compensation for acting as such. Mr. Friedland is, however, eligible, on the same basis as the Corporation's other executive officers, to receive a salary and equity compensation and equity incentives from time to time at the discretion of the Board of Directors based on recommendations by the Compensation and Benefits Committee. Mr. Friedland did not receive any incentive stock option grants or discretionary bonus awards of Common Shares during 2005. Insofar as Mr. Friedland did not receive any cash or equity compensation during 2005 in his capacity as the Corporation's Chief Executive Officer, no comparison to the compensation received by the chief executive officers of the Corporation's peer companies is possible or relevant. During 2005, the Corporation's President, John Macken, received a salary of US\$457,400. Mr. Macken did not receive any additional incentive stock option grants or discretionary bonus awards of cash or Common Shares during 2005.

During 2005 we conducted a review of our compensation policies and practices and we engaged outside consultants to develop a justifiable compensation strategy for the Corporation's key employees, including the Corporation's executive and senior management, that supports business objectives and rewards experience and impact on organizational success. The Corporation recognizes that its success is increasingly dependent on the attraction, motivation, and retention of a top-flight executive and engineering team, and, as the Corporation grows, there is likely a need for more structure in its approach to compensation.

The Compensation and Benefits Committee is continuing its review and analyzing the findings of outside consultants with a view to implementing certain changes to its compensation programs for executives, management and key employees during 2006.

At this stage, these changes are expected to include some or all of the following: (i) salaries for executives, management and other key employees would be benchmarked at appropriate levels in the compensation marketplace of other similar sized mining companies, and, where appropriate, larger operating mining companies; (ii) additional cash and/or stock-based awards would be provided to the Corporation's executives, management and certain key employees for the achievement of pre-determined approved objectives, with a view to having the aggregate of annual salary and bonuses benchmarked against appropriate levels in the compensation marketplace; (iii) longer term equity incentive stock options with appropriate retention, vesting and performance provisions would be granted increasingly with reference to specific performance criteria, such as vesting schedules based on the achievement of key milestones in the Corporation's development, and/or with reference to the competitive marketplace for executives, management and key employees, including when determining the appropriate multiples of annual salary to use in determining the size of any initial or ongoing option grants; and (iv) where appropriate, establishing targeted stock ownership levels for our executives and other key personnel.

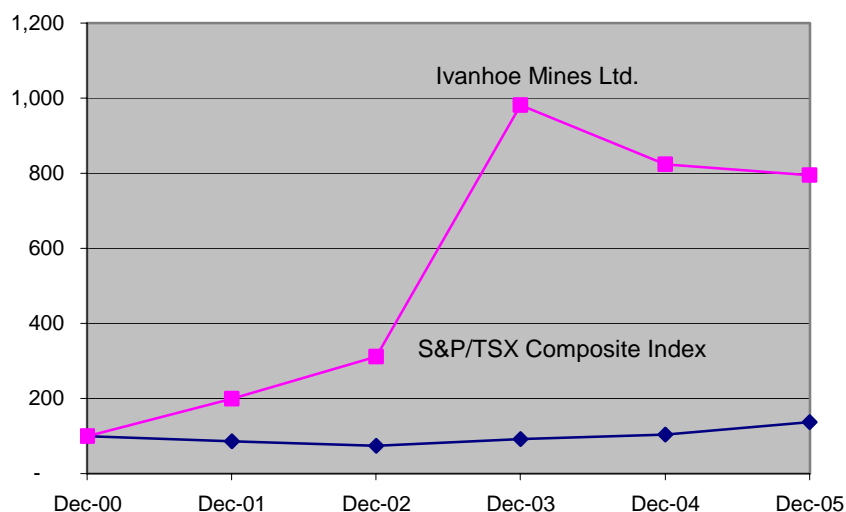
On March 27, 2006 the Corporation granted incentive stock options to management and employees of the Corporation to purchase a total of 6,685,000 Common Shares. Included in these grants were incentive stock options expiring on March 27, 2013 granted to John Macken in respect of 2,000,000 Common Shares, Robert M. Friedland in respect of 2,000,000 Common Shares, Peter Meredith in respect of 400,000 Common Shares and Edward Flood in respect of 300,000 Common Shares. The stock options issued to Messrs. Macken, Friedland, Meredith and Flood each vest as to 25% on grant, 20% on December 31, 2006, 15% on December 31, 2007, 15% on December 31, 2008 and the balance on December 31, 2009, subject to earlier vesting upon specific corporate goals being met by the Corporation.

Submitted on behalf of the Compensation and Benefits Committee:

David Huberman (Chair)  
Kjeld Thygesen  
Robert Hanson

## Performance Graph

The following graph and table compares the cumulative shareholder return on a Cdn.\$100 investment in common shares of the Corporation to a similar investment in companies comprising the S&P/TSX Composite Index, including dividend reinvestment, for the period from December 31, 2000 to December 31, 2005.



	Dec-00	Dec-01	Dec-02	Dec-03	Dec-04	Dec-05
◆ S&P/TSX Composite Index	100	86	74	92	104	137
■ Ivanhoe Mines Ltd.	100	199	311	981	824	795

## COMPENSATION OF DIRECTORS

Each independent director (from and after January 1, 2006, each non-management director) receives Cdn.\$15,000 per annum. Mr. David Huberman receives an additional payment of Cdn.\$60,000 per annum for acting as the Lead Director of the Board of Directors. Mr. John Weatherall receives an additional payment of Cdn.\$25,000 for acting as the Chairman of the Audit Committee. Commencing in 2006, each Chair of the Compensation and Benefits Committee and the Corporate Governance and Nominating Committee will receive an additional payment of Cdn.\$15,000 per annum for acting as such. Each non-management director receives a fee of Cdn.\$1,200 for each Board of Directors meeting and each Committee meeting attended in person and, from and after November 8, 2005, US\$600 for each Director and Committee conference call in which they participate. Each non-management director also receives an annual grant of incentive stock options exercisable to purchase up to 25,000 common shares of the Corporation, such options having a five year term, and fully vesting on the first anniversary of the date of the grant. Each executive director and non-management director is also entitled to be reimbursed for actual expenses reasonably incurred in the performance of his duties as a director.

The following table reflects compensation earned by directors in respect of fiscal 2005 under the compensation arrangements described above.

### Directors' Compensation for Fiscal 2005

NAME	INDEPENDENT DIRECTOR RETAINER (Cdn.\$)	NON- MANAGEMENT DIRECTOR'S FEES (Cdn.\$)	LEAD DIRECTOR RETAINER (Cdn.\$)	AUDIT COMMITTEE CHAIRMAN RETAINER (Cdn.\$)	BOARD AND COMMITTEE ATTENDANCE (in person) (Cdn.\$)	BOARD AND COMMITTEE ATTENDANCE (conference call) (US\$)	TOTAL CASH FEES PAID		STOCK OPTIONS GRANTED
							(Cdn.\$)	(US\$)	
Robert M. Friedland <sup>(1)</sup>	-	-	-	-	-	-	-	-	-
R. Edward Flood <sup>(1)</sup>	-	-	-	-	-	-	-	-	-
John Macken <sup>(1)</sup>	-	-	-	-	-	-	-	-	-
Peter G. Meredith <sup>(1)</sup>	-	-	-	-	-	-	-	-	-
David Huberman	15,000	-	60,000	-	7,200	600	85,800	600	25,000
John Weatherall	15,000	-	-	25,000	9,600	-	49,600	-	25,000
Kjeld Thygesen	15,000	-	-	-	13,200	600	28,200	600	25,000
Robert Hanson	15,000	-	-	-	10,800	600	25,800	600	25,000
Markus Faber	15,000	-	-	-	8,400	-	23,400	-	25,000
John Bruk <sup>(3)</sup>	15,000	-	-	-	12,000	600	27,000	600	25,000
Howard R. Balloch <sup>(2)</sup>	-	11,250	-	-	2,400	-	13,650	-	25,000
<b>TOTAL</b>	<b>90,000</b>	<b>11,250</b>	<b>60,000</b>	<b>25,000</b>	<b>63,600</b>	<b>2,400</b>	<b>253,450</b>	<b>2,400</b>	<b>175,000</b>

- (1) Messrs. Friedland, Flood, Macken and Meredith are members of management and as such do not receive compensation as directors of the Corporation.
- (2) Mr. Balloch joined the Board of Directors on March 11, 2005. In recognition of Mr. Balloch's contributions as a non-management director during fiscal 2005, the Board, on the recommendation of the Compensation and Benefits Committee, approved the payment to Mr. Balloch of a director's fee and stock options equivalent to the annual retainer and stock options paid to the Corporation's independent directors. From and after January 1, 2006, such fee will be payable annually to all non-management directors.
- (3) Mr. Bruk joined the Audit Committee on May 10, 2005. He retired from the Board on March 10, 2006.

## EQUITY COMPENSATION PLAN INFORMATION

The following information respecting the Incentive Plan is presented as at December 31, 2005:

Plan Category	Number of Securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights (Cdn.\$)	Number of Securities remaining available for future issuance under equity compensation plans (excluding securities reflecting in column (a))
Equity compensation plans approved by securityholders	7,416,700	\$7.27	8,303,936
Equity compensation plans not approved by shareholders	Nil	Nil	Nil
<b>Total</b>	7,416,700	\$7.27	8,303,936

On the date of this Management Proxy Circular, there are 13,336,900 Common Shares issuable upon the exercise of outstanding options, representing approximately 4.21% of the Corporation's issued and outstanding share capital.

### Employees' and Directors' Equity Incentive Plan

The Incentive Plan, as amended, has three components: an Option Plan, which provides for the grant to eligible participants of incentive stock options exercisable to purchase common shares of the Corporation ("Common Shares"), a Bonus Plan, which provides for awards of fully paid Common Shares to eligible participants as and when determined to be warranted on the basis of past performance and a Purchase Plan, under which eligible participants have the opportunity to purchase Common Shares through payroll deductions which are supplemented by Corporation contributions. Participation in the Incentive Plan is limited to directors, officers, employees and service providers of the Corporation and its affiliates ("participants").

The Incentive Plan is administered by the Compensation and Benefits Committee although all incentive stock options and other awards are subject to the approval of the Corporation's Board.

#### *Option Plan*

The Option Plan authorizes the Board to grant options to purchase Common Shares. The number of Common Shares, the exercise price per Common Share, the vesting period and any other terms and conditions of options granted pursuant to the Option Plan, from time to time are determined by the Board at the time of the grant, subject to the defined parameters of the Option Plan.

The exercise price of any option granted under the Plan cannot be less than the weighted average price of the Common Shares on the Toronto Stock Exchange for the five days on which Common Shares were traded immediately preceding the date of grant. Options are exercisable for a period of five years from date of grant unless

otherwise determined by the Board on the recommendation of the Compensation and Benefits Committee. Options may be earlier terminated in the event of death or termination of employment or appointment. Unless otherwise determined by the Board on the recommendation of the Compensation and Benefits Committee, stock options will vest at a rate of 20% per year, commencing on the date of grant. The right to exercise an option may be accelerated in the event a takeover bid in respect of the common shares is made.

Share appreciation rights may also be granted, at the discretion of the Board, to an optionee in conjunction with, or at any time following the grant of, an option. Share appreciation rights under the Plan effectively allow an optionee to exercise an option on a "cashless" basis by electing to relinquish the right to exercise the option and receive, in lieu thereof, a number of fully paid Common Shares. The number of Common Shares issuable on the exercise of share appreciation rights is equal to the quotient obtained by dividing the difference between the aggregate fair market value and the aggregate option price of all Common Shares subject to the option by the fair market value of one Common Share.

The Board may, in its discretion but subject to applicable law, authorize the Corporation to make loans to employees, other than directors or executive officers, to assist them in exercising options. The terms of any such loans include security, in favour of the Corporation, in the Common Shares issued upon exercise of the options, which security may be granted on a non-recourse basis. No such loans are currently outstanding.

### ***Bonus Plan***

The Bonus Plan permits the Board to authorize the issuance, from time to time, of Common Shares to employees and directors of the Corporation and its affiliates. The criteria for determining if and when such awards should be made and the quantum of such awards is within the discretion of the Board. The Bonus Plan provides for the issuance of a maximum of 2,000,000 Common Shares in respect of bonus awards. Common Shares allocated to the Bonus Plan may be reallocated for issuance under the Option Plan or Purchase Plan and are then no longer available for issuance under the Bonus Plan.

### ***Purchase Plan***

Participants in the Purchase Plan are full-time employees of the Corporation who have completed at least one year (or less, at the discretion of the Board) of continuous service and who elect to participate.

Eligible employees are entitled to contribute up to seven per cent (7%) of their annual basic salary to the Share Purchase Plan in semi-monthly instalments. The Corporation makes a contribution of up to one hundred per cent (100%) of the employee's contribution on a quarterly basis.

Each participant receives, at the end of each calendar quarter during which he or she participates in the Purchase Plan, a number of Common Shares equal to the quotient obtained by dividing the aggregate amount of all contributions to the Purchase Plan by the participant, and by the Corporation on the participant's behalf, during the preceding quarter by the weighted average trading price of the Common Shares on the Toronto Stock Exchange during the quarter. If the participant's employment with the Corporation is terminated for any reason, any portion of the participant's contribution then held in trust for a participant pending a quarterly purchase of Common Shares is returned to him or her or to his or her estate.



## **General**

The aggregate maximum number of Common Shares which the Corporation may, from time to time, issue or reserve for issuance under the Plan is 29,000,000 Common Shares. The aggregate number of Common Shares which the Corporation may at any time reserve for issuance under the Plan to any one person may not exceed five per cent (5%), and to insiders under the Plan may not exceed ten per cent (10%), of the issued and outstanding Common Shares at such time. The aggregate number of Common Shares that may be issued within any one-year period to insiders under the Plan shall not exceed ten per cent (10%), and to any one insider and his or her associates under the Plan may not exceed five per cent (5%), of the issued and outstanding Common Shares at such time.

## **CORPORATE GOVERNANCE**

The Board of Directors considers good corporate governance practices as an important factor in the continued and long term success of the Corporation by helping to maximize shareholder value over time.

Until June 30, 2005, the rules and policies of the TSX required corporations listed on the TSX to disclose their corporate governance practices with reference to a series of guidelines adopted by the TSX for effective corporate governance (the "TSX Guidelines").

Following the enactment in the United States of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the TSX initiated a review of its proposed standards in light of new U.S. legislation and published for public comment proposed amendments to the TSX Guidelines. However, in September 2003 the TSX announced that it would be relinquishing responsibility for setting corporate governance standards to Canadian securities regulators.

In January 2004, the Canadian Securities Administrators (the "CSA") announced new rules governing (among other things) the independence, competence and responsibility of audit committees, which rules are substantially similar to those adopted in the United States. These rules are set out in Multilateral Instrument 52-110 (the "CSA Audit Committee Rules") and came into force on March 30, 2004. In April 2005, the CSA announced amendments to the CSA Audit Committee Rules designed to ensure the consistency of the definition of "independence" with that of the New York Stock Exchange's listing standards. These amendments took effect as of June 30, 2005.

The CSA Audit Committee Rules (with which the Corporation is in compliance) require:

- a minimum three-member audit committee comprised solely of independent directors;
- an audit committee charter that specifies certain specific audit committee responsibilities and authority, including, among other things:
  - the pre-approval of all audit services and permissible non-audit services; and
  - the sole authority to appoint, determine funding for and oversee the outside auditors.

The CSA also announced, in April 2005, the adoption of Multilateral Policy 58-201 and Multilateral Instrument 58-101 (collectively, the "CSA Corporate Governance Disclosure

Requirements”), which took effect as of June 30, 2005. The CSA Corporate Governance Disclosure Requirements replaced the TSX Guidelines and apply to the Corporation’s disclosure of its corporate governance practices for the year ended December 31, 2005. These requirements are substantially consistent with the revised corporate governance listing standards of the New York Stock Exchange. The CSA Corporate Governance Disclosure Requirements require the Corporation to make certain prescribed disclosures respecting its particular corporate governance practices and recommend a series of non-prescriptive corporate governance guidelines (the “CSA Corporate Governance Guidelines”) that Canadian public companies are encouraged to consider in developing their own corporate governance practices.

During 2003 and 2004, the Board of Directors implemented several changes in its corporate governance procedures to comply with the TSX Guidelines, the proposed amendments to those guidelines published by the TSX in 2002 and U.S. corporate governance standards. As part of those changes the Board:

- i. approved and adopted a new mandate for the Board;
- ii. appointed an independent director as “lead director”, with specific responsibility for maintaining the independence of the Board and ensuring the Board carries out its responsibilities contemplated by applicable statutory and regulatory requirements and stock exchange listing standards;
- iii. appointed a Corporate Governance and Nominating Committee consisting solely of independent directors;
- iv. changed the membership of the Compensation and Benefits Committee to consist solely of independent directors instead of a majority of independent directors;
- v. approved charters for each of the Corporation’s Board committees, being the Audit Committee, the Compensation and Benefits Committee and the Corporate Governance and Nominating Committee, formalizing the mandates of those committees;
- vi. established a management Disclosure Committee for the Corporation, with the mandate to oversee the Corporation’s disclosure practices;
- vii. formalized the Corporation’s Corporate Disclosure, Confidentiality and Securities Trading Policy; and
- viii. adopted a formal Code of Business Conduct and Ethics for the Corporation that governs the behaviour of directors, officers and employees.

The Corporation is engaged in an ongoing review of its corporate governance practices against the CSA Corporate Governance Guidelines. The Board intends to consider additional changes to its corporate governance practices during the remainder of 2006 with a view to furthering its adherence to the CSA Corporate Governance Guidelines.

The Corporation’s Common Shares are listed on the New York Stock Exchange (“NYSE”) and quoted on the NASDAQ Stock Market (“NASDAQ”) and the Corporation is subject to applicable provisions of U.S. securities laws and regulations relating to corporate governance, which have been the subject of sweeping changes in recent years. Both as part of the Sarbanes-Oxley Act and independently, the SEC has

enacted a number of new regulations relating to corporate governance standards for U.S. listed companies. In addition, the NYSE and NASDAQ have implemented numerous rule changes (the “NYSE Corporate Governance Rules” and the “NASDAQ Corporate Governance Rules”, respectively) that revise the corporate governance standards for NYSE and NASDAQ-listed companies.

THE CSA Audit Committee Rules, the CSA Corporate Governance Guidelines, the NYSE Corporate Governance Rules, and the NASDAQ Corporate Governance Rules address, among other things, the composition and independence of Boards of directors and Board committees. The CSA Corporate Governance Guidelines are recommendations only and reflect a “best practice” standard to which Canadian public companies are encouraged to adhere. For example, the CSA Corporate Governance Guidelines recommend that a Board should be comprised of a majority of independent directors. On the other hand, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules are prescriptive and require that the Board of a NYSE or NASDAQ-listed company be comprised of a majority of independent directors.

Each of the Sarbanes-Oxley Act, the NYSE Corporate Governance Rules, the NASDAQ Corporate Governance Rules and the CSA Corporate Governance Guidelines define “independence” in a slightly different way. Although a finding of independence remains a matter of judgment and perception based on a particular director’s circumstances, the Sarbanes-Oxley Act, the NYSE Corporate Governance Rules, the NASDAQ Corporate Governance Rules and the CSA Corporate Governance Guidelines prescribe certain *per se* bars to a finding of independence. In addition, there is a heightened independence requirement for members of audit committees under the Sarbanes-Oxley Act, the NYSE Corporate Governance Rules, the NASDAQ Corporate Governance Rules and the CSA Audit Committee Rules. Unlike the CSA Corporate Governance Guidelines, compliance with the requirements of the CSA Audit Committee Rules relating to the composition of audit committees and the heightened standard of independence for audit committee members is mandatory.

Subject to certain exceptions, including the requirement pertaining to the composition and independence of audit committees, foreign private issuers, like the Corporation, are exempt from any requirement of the NASDAQ Corporate Governance Rules and the NYSE Corporate Governance Rules which is contrary to a law, rule or regulation of any public authority exercising jurisdiction over such issuer or contrary to generally accepted business practices in the issuer’s country of domicile. The Corporation believes that it is in full compliance with all of the applicable requirements of the CSA Audit Committee Rules and all requirements of the Sarbanes-Oxley Act, the NASDAQ Corporate Governance Rules and the NYSE Corporate Governance Rules applicable to foreign private issuers for which no exemption is available. The Corporation also believes that most, but not all, of its corporate governance practices are consistent with the CSA Corporate Governance Guidelines. The Corporation intends to continue its efforts to improve its corporate governance practices in order to make them wholly consistent with the CSA Corporate Governance Guidelines.

### **Board Composition**

The CSA Corporate Governance Guidelines recommend that a majority of the directors of a corporation be independent directors. Under the CSA Corporate Governance Guidelines, the applicable provisions of the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules, an “independent director” is a director who has no direct or indirect material relationship with the Corporation, even including as a partner, shareholder or officer of an organization that has a relationship with the Corporation. A “material relationship” is one that would, or in the view of the Board of

Directors could, be reasonably expected to interfere with the exercise of a Director's independent judgment.

A total of ten persons have been nominated for election as directors at the Meeting. The Board has determined that if all such nominees are elected, the Board will consist of five "independent directors" (as defined in the CSA Corporate Governance Guidelines, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules) in David Huberman, John Weatherall, Markus Faber, Robert Hanson and Kjeld Thygesen and five "non-independent" directors in Robert Friedland, Edward Flood, John Macken, Peter Meredith and Howard Balloch. Each of Messrs. Friedland, Flood, Macken and Meredith are "non-independent" directors in their capacities as senior officers of the Corporation and/or one or more of its subsidiaries and members of management. By virtue of an agreement for consulting services between the Corporation and a company beneficially owned by Mr. Balloch and his spouse, pursuant to which the Corporation paid compensation in excess of Cdn.\$75,000 in 2004, Mr. Balloch does not qualify as an "independent director" under the applicable per se standards of the CSA Corporate Governance Guidelines, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules. Payments pursuant to such agreement terminated in October 2004. Mr. Balloch is not a member of management and the Board considers him to be sufficiently independent of management to permit his exercise of independent judgment in carrying out his responsibilities.

The Chairman and Chief Executive Officer of the Corporation holds approximately 31.85% of the Corporation's voting securities as of the date of this Management Proxy Circular. The Board has determined that the Corporation currently has five of ten directors in David Huberman, John Weatherall, Markus Faber, Robert Hanson and Kjeld Thygesen who are "independent" as defined in the CSA Corporate Governance Guidelines, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules) of both the Corporation and its Chairman and Chief Executive Officer. For the reasons set forth above, the Board believes that it includes a majority of directors (inclusive of Mr. Balloch) who do not have an interest in or relationships with either the Corporation or its principal shareholder and which fairly reflects the investment in the Corporation by shareholders other than the principal shareholder.

The directors of the Corporation are satisfied with the size and composition of the Board and believe that the current Board composition results in a balanced representation on the Board of Directors among management, non-management directors, and the Corporation's major shareholder. While the Board functions effectively given the Corporation's stage of development and the size and complexity of its business, the Board, through its Corporate Governance and Nominating Committee, will continue to seek qualified candidates to augment its experience and expertise and to enhance the Corporation's ability to effectively develop its business interests.

### ***Mandate of the Board***

Under the YBCA, the directors of the Corporation are required to manage the Corporation's business and affairs, and in doing so to act honestly and in good faith with a view to the best interests of the Corporation. In addition, each director must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The Board of Directors is responsible for supervising the conduct of the Corporation's affairs and the management of its business. The Board's mandate includes setting long term goals and objectives for the Corporation, formulating the plans and strategies necessary to achieve those objectives and supervising senior management in their

implementation. Although the Board delegates the responsibility for managing the day to day affairs of the Corporation to senior management personnel, the Board retains a supervisory role in respect of, and ultimate responsibility for, all matters relating to the Corporation and its business.

The Board's mandate requires that the Board be satisfied that the Corporation's senior management will manage the affairs of the Corporation in the best interest of the shareholders, in accordance with the Corporation's principles, and that the arrangements made for the management of the Corporation's business and affairs are consistent with their duties described above. The Board is responsible for protecting shareholder interests and ensuring that the incentives of the shareholders and of management are aligned. The obligation of the Board must be performed continuously, and not merely from time to time, and in times of crisis or emergency the Board may have to assume a more direct role in managing the affairs of the Corporation.

In discharging this responsibility, the Board's mandate provides that the Board oversees and monitors significant corporate plans and strategic initiatives. The Board's strategic planning process includes annual budget reviews and approvals, and discussions with management relating to strategic and budgetary issues. At least one Board meeting per year is to be devoted to a comprehensive review of strategic corporate plans proposed by management.

As part of its ongoing review of business operations, at each Board meeting the Board reviews the principal risks inherent in the Corporation's business, including financial risks, through periodic reports from management of such risks, and assesses the systems established to manage those risks. Directly and through the Audit Committee, the Board also assesses the integrity of internal control over financial reporting and management information systems.

In addition to those matters that must, by law, be approved by the Board, the Board is required under its mandate to approve annual operating and capital budgets, any material dispositions, acquisitions and investments outside of the ordinary course of business or not provided for in the approved budgets, long-term strategy, organizational development plans and the appointment of senior executive officers. Management is authorized to act, without Board approval, on all ordinary course matters relating to the Corporation's business.

The mandate provides that the Board also expects management to provide the directors, on a timely basis, with information concerning the business and affairs of the Corporation, including financial and operating information and information concerning industry developments as they occur, all with a view to enabling the Board to discharge its stewardship obligations effectively. The Board expects management to efficiently implement its strategic plans for the Corporation, to keep the Board fully apprised of its progress in doing so and to be fully accountable to the Board in respect to all matters for which it has been assigned responsibility.

The Board has instructed management to maintain procedures to monitor and promptly address shareholder concerns and has directed and will continue to direct management to apprise the Board of any major concerns expressed by shareholders.

Each Committee of the Board is empowered to engage external advisors as it sees fit. Any individual director is entitled to engage an outside advisor at the expense of the Corporation provided such director has obtained the approval of the Corporate Governance and Nominating Committee to do so.

In April 2003, the Board adopted a strategic planning process which involves, among other things, the following:

- (a) at least one meeting per year will be devoted substantially to review of strategic plans that are proposed by management;
- (b) meetings of the Board, at least quarterly, to discuss strategic planning issues, with and without members of management;
- (c) the Board reviews and assists management in forming short and long term objectives of the Corporation on an ongoing basis;
- (d) the Board also maintains oversight of management's strategic planning initiatives through annual and quarterly budget reviews and approvals. The strategic planning process adopted by the Board takes into account, among other things, the opportunities and risks of the business.

In order to ensure that the principal business risks borne by the Corporation are identified and appropriately managed, the Board receives periodic reports from management of the Corporation's assessment and management of such risks. In conjunction with its review of operations which takes place at each Board meeting, the Board considers risk issues and approves corporate policies addressing the management of the risk of the Corporation's business.

The Board takes ultimate responsibility for the appointment and monitoring of the Corporation's senior management. The Board approves the appointment of senior management and reviews their performance on an ongoing basis.

The Corporation has a disclosure policy addressing, among other things, how the Corporation interacts with analysts and the public, and contains measures for the Corporation to avoid selective disclosure. The Corporation has a Disclosure Committee responsible for overseeing the Corporation's disclosure practices. This committee consists of the Chief Executive Officer, the Chief Financial Officer, the Corporate Secretary and senior Corporate Communications and Investor Relations Department personnel, and receives advice from the Corporation's outside legal counsel. The Disclosure Committee assesses materiality and determines when developments justify public disclosure. The committee will review the disclosure policy annually and as otherwise needed to ensure compliance with regulatory requirements. The Board reviews and approves the Corporation's material disclosure documents, including its annual report, annual information form and management proxy circular. The Corporation's annual and quarterly financial statements, Management's Discussion and Analysis and other financial disclosure is reviewed by the Audit Committee and recommended to the Board prior to its release.

### ***Meetings of the Board***

The Board holds regular annual and quarterly meetings. Between the quarterly meetings, the Board meets as required, generally by means of telephone conferencing facilities. As part of the annual and quarterly meetings, the independent directors also have the opportunity to meet separate from management. Between each regularly scheduled Board meeting, a meeting of non-management Directors, chaired by the Lead Director, is held by teleconference to update the Directors on corporate developments since the last Board meeting. Management also communicates informally with members of the Board on a regular basis, and solicits the advice of the Board members on matters falling within their special knowledge or experience.

## **Board Committees**

The Corporation has an Audit Committee, Compensation and Benefits Committee and a Corporate Governance and Nominating Committee. In addition, the Board has appointed an Executive Committee.

### **Audit Committee**

The mandate of the Audit Committee is to oversee the Corporation's financial reporting obligations, systems and disclosure, including monitoring the integrity of the Corporation's financial statements, monitoring the independence and performance of the Corporation's external auditors and acting as a liaison between the Board and the Corporation's auditors. The activities of the Audit Committee typically include reviewing interim financial statements and annual financial statements, management discussion and analysis and earnings press releases before they are publicly disclosed, ensuring that internal controls over accounting and financial systems are maintained and that accurate financial information is disseminated to shareholders. Other responsibilities include reviewing the results of internal and external audits and any change in accounting procedures or policies, and evaluating the performance of the Corporation's auditors. The Audit Committee communicates directly with the Corporation's external auditors in order to discuss audit and related matters whenever appropriate.

The Audit Committee currently consists of Messrs. Weatherall (Chair), Thygesen and Faber. The CSA Audit Committee Rules provide for audit committees to consist solely of independent directors. All of Messrs. Weatherall, Thygesen and Faber are "independent directors" for the purposes of the CSA Audit Committee Rules, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules, having regard to the heightened independence requirements applicable to audit committees.

The Board has determined that all members of the Audit Committee are financially literate since each member has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Mr. Weatherall has been determined by the Board of Directors to be an Audit Committee financial expert. The Company believes that Mr. Weatherall, a Chartered Financial Analyst, with over 40 years experience as an investment analyst, who also has experience as a portfolio manager, is qualified to be an Audit Committee financial expert.

The Corporation has adopted an Audit Committee charter which codifies the mandate of the Audit Committee to, and specifically defines its relationship with, and expectations of, the external auditors, including the establishment of the independence of the external auditor and the approval of any non-audit mandates of the external auditor; the engagement, evaluation, remuneration and termination of the external auditor; its relationship with, and expectations of, the internal auditor function and its oversight of internal control; and the disclosure of financial and related information. The Board will review and reassess the adequacy of the Audit Committee charter on an annual basis.

The Audit Committee has regular access to the Chief Financial Officer of the Corporation. The external auditors regularly attend all meetings of the Audit Committee. At each meeting of the Audit Committee, a portion of the meeting is set aside to discuss matters with the external auditors without management being present. In addition, the Audit Committee has the authority to call a meeting with the external auditors without management being present, at the Committee's discretion.

### ***Compensation and Benefits Committee***

The role of the Compensation and Benefits Committee is primarily to review the adequacy and form of compensation of senior management and the directors with such compensation realistically reflecting the responsibilities and risks of such positions, to administer the Corporation's Employees' and Directors' Equity Incentive Plan, to determine the recipients of, and the nature and size of share compensation awards granted from time to time, to determine the remuneration of executive officers and to determine any bonuses to be awarded.

The Compensation and Benefits Committee currently consists of Messrs. Huberman (Chair), Thygesen and Hanson. Each member of the committee qualifies as an "independent director" for the purposes of the CSA Corporate Governance Guidelines, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules.

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

The Corporate Governance and Nominating Committee is responsible for making recommendations to the Board with respect to developments in the area of corporate governance and the practices of the Board. The Corporate Governance and Nominating Committee has expressly assumed responsibility for developing the Corporation's approach to governance issues. The Committee is also responsible for reporting to the Board with respect to appropriate candidates for nominations to the Board, for overseeing the execution of an assessment process appropriate for the Board and its committees and for evaluating the performance and effectiveness of the Board and its committees.

The Corporate Governance and Nominating Committee of the Board currently consists of Messrs. Huberman, Weatherall, Hanson, Thygesen and Faber, of which Mr. Huberman is Chair of the Committee, in addition to being the Corporation's lead director. Each member of the Committee qualifies as an "independent director" for the purposes of the CSA Corporate Governance Guidelines, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules.

### ***Executive Committee***

The Executive Committee was appointed by the Board on March 11, 2005 to meet when necessary between meetings of the full Board, with authority to approve expenditures of up to U.S.\$10,000,000.

The Executive Committee currently consists of Messrs. Friedland, Meredith, Macken and Huberman.

### ***Code of Business Conduct and Ethics***

The Corporation has adopted a Code of Business Conduct and Ethics applicable to all employees, consultants, officers and directors regardless of their position in the organization, at all times and everywhere the Corporation does business. The Code of Business Conduct and Ethics provides that the Corporation's employees, consultants, officers and directors will uphold its commitment to a culture of honesty, integrity and accountability and the Corporation requires the highest standards of professional and ethical conduct from its employees, consultants, officers and directors. A copy of the Corporation's Code of Business Conduct and Ethics has been filed on SEDAR and is available on the Corporation's website ([www.ivanhoemines.com](http://www.ivanhoemines.com)). A copy may also be



obtained, without charge, by request to the Corporate Secretary, 654 – 999 Canada Place, Vancouver, British Columbia, Canada V6C 3E1, telephone to (604) 688-5755.

### **CSA Corporate Governance Guidelines**

The Corporation's statement of corporate governance practices with reference to each of the CSA Corporate Governance Guidelines is set out in Schedule "A" to this Management Proxy Circular.

### **OTHER BUSINESS**

Management of the Corporation is not aware of any matter to come before the Meeting other than the matters referred to in the Notice of the Meeting.

### **DIRECTORS' APPROVAL**

The contents of this Management Proxy Circular and its distribution to shareholders have been approved by the Board of Directors of the Corporation.

### **ADDITIONAL INFORMATION**

Copies of the Corporation's Annual Information Form, annual financial statements, a Management Discussion and Analysis for its most recently completed financial year filed pursuant to applicable Canadian provincial securities laws are available free of charge on or through the Corporation's website at [www.ivanhoemines.com](http://www.ivanhoemines.com) or through the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com). Finally, securityholders may contact the Corporation directly to receive copies of, such filings, without charge, upon written or oral request to Beverly A. Bartlett, Corporate Secretary, Suite 654-999 Canada Place, Vancouver, British Columbia, V6C 3E1, or by telephone at (604) 688-5755.

**DATED** at Vancouver, British Columbia, as of the 30<sup>th</sup> day of March, 2006.

### **BY ORDER OF THE BOARD**

"BEVERLY A. BARTLETT"  
CORPORATE SECRETARY

## SCHEDULE "A"

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Effective June 30, 2005, the Canadian Securities Administrators adopted National Instrument 58-101 ("NI 58-101") and the associated National Policy 58-201 ("NP 58-201") which require the Corporation to disclose its corporate governance practices. These new rules replace the former corporate governance guidelines of the TSX.

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT <sup>(1)</sup>	COMMENTS
<p>1. Board of Directors –</p> <p>(a) Disclose the identity of directors who are independent.</p>	<p>The Board of Directors has reviewed the independence of each Director on the basis of the definitions in section 1.4 of MI 52-110, as amended, and the applicable provisions of the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules. A Director is "independent" if he or she has no direct or indirect material relationship with the Corporation, including as a partner, shareholder or officer of an organization that has a relationship with the Corporation. A "material relationship" is one that would, or in the view of the Board of Directors could, be reasonably expected to interfere with the exercise of a Director's independent judgment. The Board has determined, after reviewing the roles and relationships of each of the Directors, that one-half (5 out of 10) of the nominees proposed by management for election to the Board are independent from the Corporation. The following nominees have been affirmatively determined to be independent by the Board:</p> <p>David Huberman            John Weatherall            Markus Faber            Robert Hanson            Kjeld Thygesen</p> <p>This determination was made on the basis that:</p> <p>(a) they (and their immediate family members) are not and have not been within the last three years an employee or executive officer of the Corporation;</p> <p>(b) they (and their spouse, minor child or step child) are not and have not been within the last three years a partner or employee of the Corporation's external auditors firm;</p> <p>(c) they (and their immediate family members) are not and have not been within the last three years an executive officer of an entity of which the Corporation's executives served on that entity's compensation committee;</p> <p>(d) they (and their immediate family members) did not receive more than U.S.\$60,000 in direct compensation from the Corporation (exclusive of any remuneration received for acting as a Board or Committee member) during any 12 month period during the last three years;</p> <p>(e) they and their immediate family members are not a current executive officer of a company that has</p>

<sup>(1)</sup> Reference is made to the items in Form 58-101F.

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT <sup>(1)</sup>	COMMENTS
	<p>made payments to, or received payments from, the Corporation for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of U.S.\$1 million or 2% of such other company's consolidated gross revenues;</p> <p>(f) they are not a partner in, or a continuing shareholder or executive officer of any for-profit business organization to which the Corporation made, or from which the Corporation received payments (other than those arising solely from investments in the Corporation's securities) that exceed 5% of the Corporation's or business organization's consolidated gross revenues for that year, or U.S.\$200,000, whichever is more, in any of the past three years.</p>
<p>(b) Disclose the identity of directors who are not independent, and describe the basis for that determination.</p>	<p>The Board of Directors and Corporate Governance and Nominating Committee have determined, after reviewing the roles and relationships of each of the Directors, that the following 5 out of 10 nominees proposed by management for election to the Board are not "independent" from the Corporation as defined in the CSA Corporate Governance Guidelines, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules:</p> <p>Robert M. Friedland: Chairman and CEO  R. Edward Flood: Deputy Chairman  Peter G. Meredith: CFO  John Macken: President  Howard Balloch</p> <p>Messrs. Friedland, Flood, Meredith and Macken, as senior officers of the Corporation and/or one or more of its subsidiaries and members of management, are considered to be non-independent directors.</p> <p>By virtue of an agreement for consulting services between the Corporation and a company beneficially owned by Mr. Balloch and his spouse, pursuant to which the Corporation paid compensation in excess of Cdn.\$75,000 in 2004, Mr. Balloch does not qualify as an "independent director" under the applicable per se standards of the CSA Corporate Governance Guidelines, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules. Payments pursuant to such agreement terminated in October 2004. Mr. Balloch is not a member of management, however, and the Board considers him to be sufficiently independent of management to permit his exercise of independent judgment in carrying out his responsibilities.</p>

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT <sup>(1)</sup>	COMMENTS
<p>(c) Disclose whether or not a majority of the directors are independent. If a majority of directors are not independent, describe what the Board of Directors (the Board) does to facilitate its exercise of independent judgment in carrying out its responsibilities.</p>	<p>One-half or five of the 10 nominees proposed by Management for election to the Board are “independent directors” as defined in the CSA Corporate Governance Guidelines, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules. In addition, although Mr. Balloch does not qualify as an “independent director” for the reasons set forth in Item 1(b) above, he is not a member of management and the Board considers him to be sufficiently independent of management to permit his exercise of independent judgment in carrying out his responsibilities.</p> <p>The directors of the Corporation have reviewed the size of the Board and believe that the current Board size and composition results in a balanced representation on the Board of Directors among management, non-management directors and the Corporation’s major shareholder. While the Board functions effectively, given the Corporation’s stage of development and the size and complexity of its business, the Board, through its Corporate Governance and Nominating Committee, will continue to seek additional qualified candidates to augment its experience and expertise and to enhance the Corporation’s ability to effectively develop its business interests. In so doing, the Corporate Governance and Nominating Committee will seek candidates that meet all Canadian, U.S. and other standards of independence applicable to the Corporation. The Corporate Governance and Nominating Committee will continue to examine the size and composition of the Board and recommend adjustments from time to time to ensure that the Board continues to be of a size that facilitates effective decision-making. There are currently 10 Directors on the Board. The maximum number permitted under the Corporation’s articles of incorporation is 12. This will facilitate adding an additional qualified candidate to the Board as the opportunity to do so arises.</p>
<p>(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.</p>	<p>All directorships with other public entities for each of the nominees are set out in the table under “Election of Directors”.</p>
<p>(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer’s most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.</p>	<p>The Board sets aside a portion of each regularly scheduled meeting to discuss any issues without management Directors being present. In addition, all committees meet without management being present unless the committee specifically requests.</p> <p>The Corporate Governance and Nominating Committee, in particular, provides a forum without management being present to receive any expression of concern from a director, including a concern regarding the independence of the Board from management.</p> <p>There were five such Board meetings and four such meetings of each committee held in 2005.</p> <p>In addition, between each regularly scheduled Board meeting, a meeting of non-management Directors, chaired by the Lead Director, is held by teleconference to update the Directors on developments since the last</p>

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT <sup>(1)</sup>	COMMENTS
	Board meeting.
<p>(f) Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither a chair that is independent nor a lead director that is independent, describe what the Board does to provide leadership for its independent directors.</p>	<p>Mr. Friedland, the Corporation's Chief Executive Officer, currently serves as Chairman of the Board of Directors. The Board of Directors is of the view that appropriate structures and procedures are in place to allow the Board to function independently of management while continuing to provide the Corporation with the benefit of having a Chairman of the Board with extensive experience and knowledge of the Corporation's business.</p> <p>The Board has created the position of lead director, with specific responsibility for maintaining the independence of the Board and ensuring that the Board carries out its responsibilities. Mr. Huberman, who also serves as chair of the Corporate Governance and Nominating Committee, serves as the Corporation's lead director.</p>
<p>(g) Disclose the attendance record of each director for all Board meetings held since the beginning of the issuer's most recently completed financial year.</p>	<p>The Board held five meetings in the 2005 financial year and the Nominating and Corporate Governance, the Compensation and Benefits Committee and the Audit Committee each met four times during the year. A record of attendance by Director(s) at meetings of the Board and its Committees as well as the number of Board and Board Committee meetings held during the financial year ended December 31, 2005, is set out under the heading "Attendance of Board and Committee Members" in this Circular.</p>
<p>2. Board Mandate – Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.</p>	<p>The Board of Directors has assumed responsibility for the stewardship of the Corporation and has adopted a formal mandate as described in this Circular under the heading "Corporate Governance – Mandate of the Board", setting out its stewardship responsibilities.</p> <p>The mandate of the Board is available on the Corporation's website (<a href="http://www.ivanhoemines.com">www.ivanhoemines.com</a>). A copy may also be obtained upon request to the Corporate Secretary of the Corporation, Suite 654, 999 Canada Place, Vancouver, British Columbia V6C 3E1, telephone (604) 688-5755.</p>
<p>3. Position Descriptions –</p> <p>(a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each Board committee. If the Board has not developed written position descriptions for the chair and/or the chair of each Board committee, briefly describe how the Board delineates the role and responsibilities of each such position.</p> <p>(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO. If the Board and CEO have not developed such a position description, briefly describe how the Board delineates the role and responsibilities of the CEO.</p>	<p>The Board of Directors has not yet developed written position descriptions for the Chair, the chair of each Board committee, or the CEO. The Corporate Governance and Nominating Committee is responsible for and is continuing to develop recommendations for structures and procedures to clearly define the role and responsibilities of the Chair, the chair of each Board committee and the CEO.</p>

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT <sup>(1)</sup>	COMMENTS
<p>4. Orientation and Continuing Education</p> <p>(a) Briefly describe what measures the Board takes to orient new members regarding:</p> <p>(i) the role of the Board, its committees and its directors, and</p> <p>(ii) the nature and operation of the issuer's business</p>	<p>The Corporation takes steps to ensure that prospective directors fully understand the role of the Board and its committees and the contribution individual directors are expected to make, including in particular the commitment of time and energy that the Corporation expects of its directors. New directors are provided with a comprehensive information package, including pertinent corporate documents and a director's manual containing information on the duties, responsibilities and liabilities of directors. New directors are also briefed by management as to the status of the Corporation's business. Directors are provided with the opportunity to make site visits to the Corporation's properties.</p>
<p>(b) Briefly describe what measures, if any, the Board takes to provide continuing education for its directors. If the Board does not provide continuing education, describe how the Board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.</p>	<p>Management and outside advisors provide information and education sessions to the Board and its committees on a continuing basis as necessary to keep the directors up-to-date with the Corporation, its business and the environment in which it operates as well as with developments in the responsibilities of directors.</p> <p>Presentations are made to the Board from time to time to educate and keep them informed of changes within the Corporation and of regulatory and industry requirements and standards.</p> <p>In addition, Directors are encouraged to take courses relevant to the Corporation and its business, particularly with respect to corporate governance and the mining industry. Directors are also encouraged to make site visits to the Corporation's properties.</p>
<p>5. Ethical Business Conduct –</p> <p>(a) Disclose whether or not the Board has adopted a written code for its directors, officers and employees. If the Board has adopted a written code:</p> <p>(i) disclose how a person or company may obtain a copy of the code;</p> <p>(ii) describe how the Board monitors compliance with its code, or if the Board does not monitor compliance, explain whether and how the Board satisfies itself regarding compliance with its code; and disclose how a person or company may obtain a copy of the code;</p> <p>(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.</p>	<p>The Corporation has adopted a Code of Business Conduct and Ethics applicable to all employees, consultants, officers and directors regardless of their position in the organization, at all times and everywhere the Corporation does business. The Code of Business Conduct and Ethics provides that the Corporation's employees, consultants, officers and directors will uphold its commitment to a culture of honesty, integrity and accountability and the Corporation requires the highest standards of professional and ethical conduct from its employees, consultants, officers and directors. The Corporation's Code of Business Conduct and Ethics has been filed on SEDAR and is available on the Corporation's website (<a href="http://www.ivanhoemines.com">www.ivanhoemines.com</a>). A copy may also be obtained, without charge, by request to the Corporate Secretary, 654 – 999 Canada Place, Vancouver, British Columbia, Canada V6C 3E1, telephone to (604) 688-5755.</p> <p>The Corporate Governance and Nominating Committee monitors compliance with the Code of Business Conduct and Ethics and also ensures that management encourages and promotes a culture of ethical business conduct.</p> <p>The Board has not granted any waiver of the Code of Business Conduct and Ethics in favor of a Director or executive officer. Accordingly, no material change report has been required or filed.</p>

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT <sup>(1)</sup>	COMMENTS
(b) Describe any steps the Board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.	The Corporate Governance and Nominating Committee monitors the disclosure of conflicts of interest by Directors and ensures that no Director will vote nor participate in a discussion on a matter in respect of which such Director has a material interest.
(c) Describe any other steps the Board takes to encourage and promote a culture of ethical business conduct.	The Corporation has published a Statement of Values and Responsibilities. It has also developed various corporate policies including Corporate Disclosure, Confidentiality and Securities Trading policies, and a Whistleblower Policy, administered by an independent third party.
<p>6. Nomination of Directors –</p> <p>(a) Describe the process by which the Board identifies new candidates for Board nomination.</p>	<p>The Board has a Corporate Governance and Nominating Committee consisting of Messrs. Huberman, Hanson, Weatherall, Thygesen and Faber all of whom are “independent directors” under the CSA Corporate Governance Guidelines, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules. Mr. Huberman has been appointed as Chairman of the committee, in addition to being the Corporation’s lead director. The full Board determines, in light of the opportunities and risks facing the Corporation, what competencies, skills and personal qualities it should seek in new Board members in order to add value to the Corporation. Based on this framework, the Corporate Governance and Nominating Committee has responsibility for approaching and proposing to the full Board new nominees to the Board, and for assessing directors on an ongoing basis.</p> <p>The Corporation does not have a shareholder with the ability to exercise a majority of the votes for the election of the Board of Directors. However, the Chairman and the Chief Executive Officer of the Corporation holds approximately 31.85% of the Corporation’s voting securities as at the date of this Circular. The Corporation has a majority of directors who do not have an interest in or relationship with either the Corporation or its principal shareholder and, which fairly reflects the investment in the Corporation by shareholders other than the principal shareholder.</p> <p>The full Board determines, in light of the opportunities and risks facing the Corporation and the recommendations of the Corporate Governance and Nominating Committee, what competencies, skills and personal qualities it should seek in new Board members in order to add value to the Corporation. Based on this framework, the Corporate Governance and Nominating Committee has responsibility for identifying, interviewing and assessing nominees to the Board and proposing to the full Board new nominees, and for assessing directors on an ongoing basis.</p> <p>The Board seeks to achieve a greater representation of independent directors and has determined to continue to seek, through its Corporate Governance and Nominating Committee, additional qualified candidates to augment its experience and expertise and to enhance the Corporation’s ability to effectively develop its business interests. In so doing, the Corporate Governance and Nominating Committee will seek candidates that meet all Canadian, U.S. and other standards of independence applicable to the</p>

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT <sup>(1)</sup>	COMMENTS
	<p>Corporation.</p> <p>The charter of the Corporate Governance and Nominating Committee is available on the Company's website (<a href="http://www.ivanhoemines.com">www.ivanhoemines.com</a>). A copy may also be obtained upon request to the Corporate Secretary, 654 – 999 Canada Place, Vancouver, British Columbia, V6C 3E1, telephone (604) 688-5755.</p>
<p>7. Compensation –</p> <p>(a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.</p>	<p>The Compensation and Benefits Committee has responsibility for recommending compensation for the Company's officers to the Board. CEO compensation is approved by the Compensation and Benefits Committee. "Report on Executive Compensation".</p> <p>The Compensation and Benefits Committee reviews and makes recommendations to the Board regarding the adequacy and form of the compensation for non-management Directors to ensure that such compensation realistically reflects the responsibilities and risks involved in being an effective director, without compromising a Director's independence. Directors who are executives of the Company receive no additional remuneration for their services as Directors.</p> <p>"Independent directors", as defined in the CSA Corporate Governance Guidelines, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules (and, from and after January 1, 2006, all non-management directors), receive Cdn.\$15,000 per annum for acting as such. Mr. David Huberman receives an additional Cdn.\$60,000 per annum for acting as the Lead Director of the Board of Directors. Mr. John Weatherall, as Chair of the Audit Committee, receives an additional Cdn.\$25,000 per annum, for acting in such capacity. Commencing in 2006 each Chair of the Compensation and Benefits Committee and the Corporate Governance Committee will receive an additional payment of Cdn.\$15,000 per annum for acting as such. Independent directors also receive Cdn.\$1,200 per in-person Board or Committee meeting attended and US\$600 per Board or Committee conference call in which they participate.</p> <p>In addition to their cash compensation, non-executive directors also receive a grant of 25,000 stock options per annum, such options having a five year term and fully vesting on the first anniversary of the date of the grant.</p>
<p>(b) Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.</p>	<p>The Compensation and Benefits Committee comprises three Directors, all of whom have been affirmatively determined by the Board to be "independent directors" as defined by the CSA Corporate Governance Guidelines, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules.</p>
<p>(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</p>	<p>The duties and responsibilities of the Compensation and Benefits Committee include the development of a compensation philosophy and policy; evaluating the performance of the Corporation's senior executive officers, reviewing their compensation, and monitoring equity incentive arrangements.</p> <p>The role of the Compensation and Benefits Committee is primarily to review the adequacy and form of compensation of senior management and the directors</p>



CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT <sup>(1)</sup>	COMMENTS
	<p>with such compensation realistically reflecting the responsibilities and risks of such positions, to administer the Corporation's Equity Incentive Plan, to determine the recipients of, and the nature and size of share compensation awards granted from time to time and to determine the remuneration of executive officers and to determine any bonuses to be awarded.</p> <p>The members of the Compensation and Benefits Committee are Messrs. Huberman (Chair), Thygesen and Hanson. Each member of the committee is an independent director for the purposes of the CSA Corporate Governance Guidelines, the NYSE Corporate Governance Rules and the NASDAQ Corporate Governance Rules.</p> <p>The charter of the Compensation and Benefits Committee is available on the Company's website (<a href="http://www.ivanhoemines.com">www.ivanhoemines.com</a>). A copy may also be obtained upon request to the Corporate Secretary, Suite 654, 999 Canada Place, Vancouver, British Columbia V6C 3E1, telephone (604) 688-5755.</p>
<p>(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>	<p>Towers Perrin were retained in 2004 by the Compensation Committee to prepare a director compensation report to assist the Committee in the determination of independent director compensation. They were mandated to provide the review based on compensation levels provided to similarly sized Canadian mining companies. Towers Perrin's fee for its 2004 report was Cdn\$19,821.</p> <p>Gurr Lane &amp; Associates were retained in 2005 by the Compensation Committee to prepare reports to assist the Committee in developing a compensation strategy for the position of President and for the other executive and senior management positions. They were mandated to develop a justifiable compensation strategy which benchmarks such positions in terms of the competitive marketplace of similar-sized international mining companies and, where appropriate, larger operating mining companies. The proposals were intended to address salary, bonus and stock options. Gurr Lane &amp; Associates' fee for the reports was Cdn\$39,697.</p>
<p>8. Other Board Committees – If the Board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>In addition to the Audit Committee, the Compensation and Benefits Committee and the Corporate Governance and Nominating Committee, effective March 11, 2005, the Board has also approved establishment of an Executive Committee consisting of the Chief Executive Officer, Chief Financial Officer, President and one independent director (currently the Lead Director) to meet between formal meetings of the Board as necessary, with authority to approve expenditures of up to U.S.\$10,000,000.</p>
<p>9. Assessments – Disclose whether or not the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.</p>	<p>The Corporate Governance and Nominating Committee has the responsibility for developing and recommending to the Board, and overseeing the execution of, a process for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, on a regular basis. The Corporate Governance and Nominating Committee has developed and is continuing to refine an assessment process for the Board and each of its committees. In addition, the Committee is refining a</p>

CORPORATE GOVERNANCE DISCLOSURE REQUIREMENT <sup>(1)</sup>	COMMENTS
	<p>process to assess the contribution of individual directors.</p> <p>The Corporate Governance and Nominating Committee reviews and approves a performance evaluation questionnaire that is forwarded annually to the members of the Board of Directors. This questionnaire covers a wide range of issues and allows for comments and suggestions. In 2004, all Directors assessed the performance of the Board as a whole, its Committees, the Chair of each Committee, and the Lead Director. In 2005, each Director assessed his own performance. In 2006, a process of peer review will be initiated for all Directors. The Lead Director compiles responses to the questionnaire and contacts each Director to discuss the evaluations. The Lead Director then reports the results to the Board of Directors. This evaluation process takes place on an annual basis prior to recommendation of nominees to the Board of Directors.</p> <p>The most recent annual evaluation showed that the Board, its Committees, the Committee Chairs, the Lead Director and individual Directors were effectively fulfilling their responsibilities.</p>

**SCHEDULE "B"**

**EMPLOYEES' AND DIRECTORS' EQUITY INCENTIVE PLAN**

(Attached)

## IVANHOE MINES LTD.

### EMPLOYEES' AND DIRECTORS' EQUITY INCENTIVE PLAN

AMENDED AND RESTATED MAY ~~12, 2006~~, ~~2005~~ and ~~August 10, 2005~~

#### PART 1 INTRODUCTION

##### 1.1 Purpose

The purpose of the Plan is to secure for the Company and its shareholders the benefits of incentive inherent in share ownership by the directors and employees of the Company and its affiliates who, in the judgment of the Board, will be largely responsible for its future growth and success. It is generally recognized that share plans of the nature provided for herein aid in retaining and encouraging employees and directors of exceptional ability because of the opportunity offered them to acquire a proprietary interest in the Company.

##### 1.2 Definitions

- (a) "**Affiliate**" has the meaning set forth in Section 1(2) of the *Ontario Securities Act*, as amended.
- (b) "**Associate**" has the meaning assigned to it in the *Ontario Securities Act*, as amended.
- (c) "**Board**" means the board of directors of the Company.
- (d) "**Company**" means Ivanhoe Mines Ltd., a company continued under the laws of the Yukon Territory.
- (e) "**Committee**" has the meaning attributed thereto in Section 6.1;
- (f) "**Eligible Directors**" means the directors of the Company or any Affiliate thereof who are, as such, eligible for participation in the Plan.
- (g) "**Eligible Employees**" means employees (including employees who are officers and directors) of the Company or any Affiliate thereof, whether or not they have a written employment contract with Company, determined by the Board, upon recommendation of the Committee, as employees eligible for participation in the Plan. "Eligible Employees" shall include Service Providers eligible for participation in the Plan as determined by the Board.
- (h) "**Fair Market Value**" means, with respect to a Share subject to Option, the weighted average price of the Shares on The Toronto Stock Exchange for the five days on which Shares were traded immediately preceding the date in respect of which Fair Market Value is to be determined or, if the Shares are not, as at that date listed on The Toronto Stock Exchange, on such other exchange or exchanges on which the Shares are listed on that date. If the Shares are not listed and posted for trading on an exchange on such day, the Fair Market Value shall be such price per Share as the Board, acting in good faith, may determine.
- (i) "**Insider**" has the meaning assigned to it in the *Ontario Securities Act*, as amended.
- (j) "**Option**" means an option granted under the terms of the Share Option Plan.

- (k) **"Option Period"** means the period during which an Option is outstanding.
- (l) **"Optionee"** means an Eligible Employee or Eligible Director to whom an Option has been granted under the terms of the Share Option Plan.
- (m) **"Participant"** means, in respect of any Plan, an Eligible Employee or Eligible Director who participates in such Plan.
- (n) **"Plan"** means, collectively the Share Option Plan, the Share Bonus Plan and the Share Purchase Plan and "Plan" means any such plan as the context requires.
- (o) **"Service Provider"** means any person or company engaged by the Company or an Affiliate to provide services for an initial, renewable or extended period of 12 months or more.
- (p) **"Share Bonus Plan"** means the plan established and operated pursuant to Part 3 and Part 5 hereof.
- (q) **"Share Option Plan"** means the plan established and operated pursuant to Part 2 and Part 5 hereof.
- (r) **"Share Purchase Plan"** means the plan established and operated pursuant to Part 4 and Part 5 hereof.
- (s) **"Shares"** means the common shares of the Company.

## **PART 2 SHARE OPTION PLAN**

### **2.1 Participation**

Options shall be granted only to Eligible Employees and Eligible Directors.

### **2.2 Administration of Share Option Plan.**

The Share Option Plan shall be administered by the Committee.

### **2.3 Price**

The exercise price per Share of any Option shall be not less than one hundred per cent (100%) of the Fair Market Value on the date of grant.

### **2.4 Grant of Options**

The Board, on the recommendation of the Committee, may at any time authorize the granting of Options to such Eligible Employees and Eligible Directors as it may select for the number of Shares that it shall designate, subject to the provisions of the Share Option Plan. When the grant is authorized, the Board, on the recommendation of the Committee, shall specify the date of grant.

Each Option granted to an Eligible Employee or to an Eligible Director shall be evidenced by a stock option agreement with terms and conditions consistent with the Share Option Plan and as approved by the Board on the recommendation of the Committee (which terms and conditions need not be the same in each case and may be changed from time to time, subject to the

approval of any material changes by The Toronto Stock Exchange or such other exchange or exchanges on which the Shares are then traded).

## **2.5 Terms of Options**

The Option Period shall be five years from the date such Option is granted or such greater or lesser duration as the Board, on the recommendation of the Committee, may determine at the date of grant, and may thereafter be reduced with respect to any such Option as provided in Section 2.8 hereof covering termination of employment or death of the Optionee.

Unless otherwise determined from time to time by the Board, on the recommendation of the Committee, Options may be exercised (in each case to the nearest full Share) during the Option Period as follows:

- (a) at any time during the first year of the Option Period, the Optionee may purchase up to 20% of the total number of Shares reserved for issuance pursuant to his or her Option; and
- (b) at any time during each additional year of the Option Period the Optionee may purchase an additional 20% of the total number of Shares reserved for issuance pursuant to his or her Option plus any Shares not purchased in accordance with the preceding subsection (a) until, in the fifth year of the Option Period, 100% of the Option will be exercisable.

Except as set forth in Section 2.8, no Option may be exercised unless the Optionee is at the time of such exercise:

- (a) in the case of an Eligible Employee, in the employ of the Company or an Affiliate and shall have been continuously so employed since the grant of his Option, but absence on leave, having the approval of the Company or such Affiliate, shall not be considered an interruption of employment for any purpose of the Share Option Plan; or
- (b) in the case of an Eligible Director, a director of the Company or an Affiliate and shall have been such a director continuously since the grant of his Option.

Subject to Section 2.6, the exercise of any Option will be contingent upon the Optionee having entered into an Option agreement with the Company on such terms and conditions as have been approved by the Board, on the recommendation of the Committee, and which incorporates by reference the terms of the Plan. The exercise of any Option will also be contingent upon receipt by the Company of cash payment of the full purchase price of the Shares being purchased. No Optionee or his legal representatives or legatees will be, or will be deemed to be, a holder of any Shares subject to an Option, unless and until certificates for such Shares are issued to him or them under the terms of the Share Option Plan.

## **2.6 Share Appreciation Right**

A Participant may, if at any time determined by the Board, on the recommendation of the Committee, have the right (the "Right"), when entitled to exercise an Option, to terminate such Option in whole or in part (the "Terminated Option") by notice in writing to the Company and, in lieu of receiving the Shares (the "Option Shares") to which the Terminated Option relates, to receive the number of Shares, disregarding fractions, which is equal to the quotient obtained by:

- (a) subtracting the Option exercise price per Share from the Fair Market Value per Share on the day immediately prior to the exercise of the Right and multiplying the remainder by the number of Option Shares; and
- (b) dividing the product obtained under subsection 2.6(a) by the Fair Market Value per Share on the day immediately prior to the exercise of the Right.

If a Right is granted in connection with an Option, it is exercisable only to the extent and on the same conditions that the related Option is exercisable.

## **2.7 Lapsed Options**

If Options are surrendered, terminated or expire without being exercised in whole or in part, new Options may be granted covering the Shares not purchased under such lapsed Options, subject in the case of the cancellation of an Option in connection with the grant of a new Option to the same person on different terms, to the consent of The Toronto Stock Exchange.

## **2.8 Effect of Termination of Employment or Death**

If an Optionee:

- (a) dies while employed by or while a director of the Company or its Affiliate, any Option held by him at the date of death shall become exercisable in whole or in part, but only by the person or persons to whom the Optionee's rights under the Option shall pass by the Optionee's will or applicable laws of descent and distribution. Unless otherwise determined by the Board, on the recommendation of the Committee, all such Options shall be exercisable only to the extent that the Optionee was entitled to exercise the Option at the date of his death and only for 12 months after the date of death or prior to the expiration of the Option Period in respect thereof, whichever is sooner; or
- (b) ceases to be employed by or act as a director of the Company or its Affiliate for cause, no Option held by such Optionee will, unless otherwise determined by the Board, on the recommendation of the Committee, be exercisable following the date on which such Optionee ceases to be so employed or ceases to be a director, as the case may be. If an Optionee ceases to be employed by or act as a director of the Company or its Affiliate for any reason other than cause then, unless otherwise determined by the Board, on the recommendation of the Committee, any Option held by such Optionee at the effective date thereof shall become exercisable for a period of up to 12 months thereafter or prior to the expiration of the Option Period in respect thereof, whichever is sooner.

## **2.9 Effect of Takeover Bid**

If a bona fide offer (the "Offer") for Shares is made to the Optionee or to shareholders generally or to a class of shareholders which includes the Optionee, which Offer, if accepted in whole or in

part, would result in the offeror exercising control over the Company within the meaning of subsection 1(3) of the Ontario Securities Act (as amended from time to time), then the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee currently holding an Option of the Offer, with full particulars thereof, whereupon, notwithstanding Section 2.5 hereof, such Option may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender the Shares received upon such exercise (the "Optioned Shares") pursuant to the Offer.

## **2.10 Effect of Amalgamation or Merger**

If the Company amalgamates or merges with or into another corporation, any Shares receivable on the exercise of an Option shall be converted into the securities, property or cash which the Participant would have received upon such amalgamation or merger if the Participant had exercised his Option immediately prior to the record date applicable to such amalgamation or merger, and the option price shall be adjusted appropriately by the Board and such adjustment shall be binding for all purposes of the Share Option Plan.

## **2.11 Adjustment in Shares Subject to the Plan**

If there is any change in the Shares through the declaration of stock dividends of Shares or consolidations, subdivisions or reclassification of Shares, or otherwise, the number of Shares available under the Share Option Plan, the Shares subject to any Option, and the option price thereof shall be adjusted appropriately by the Board and such adjustment shall be effective and binding for all purposes of the Share Option Plan.

## **2.12 Loans to Employees**

Subject to applicable law, the Board may at any time authorize the Company to loan money to an Eligible Employee (which for purposes of this Section 2.12 excludes any director or executive officer (or equivalent thereof) of the Company), on such terms and conditions as the Board may reasonably determine, to assist such Eligible Employee to exercise an Option held by him or her. Such terms and conditions shall include, in any event, interest at prevailing market rates, a term not in excess of one year, and security in favour of the Company represented by that number of Shares issued pursuant to the exercise of an Option in respect of which such loan was made or equivalent security which equals the loaned amount divided by the Fair Market Value of the Shares on the date of exercise of the Option, which security may be granted on a non-recourse basis.

## **PART 3 SHARE BONUS PLAN**

### **3.1 Participants**

The Board, on the recommendation of the Committee, shall have the right, subject to Section 3.2, to issue or reserve for issuance, for no cash consideration, to any Eligible Employee or any Eligible Director any number of Shares as a discretionary bonus subject to such provisos and restrictions as the Board may determine.

### **3.2 Number of Shares**

The aggregate maximum number of shares that may be issued pursuant to Section 3.1 will be limited to 2,000,000 Shares. Shares reserved for issuance and issued under the Share Bonus Plan shall be subject to the limitations set out in Section 5.1.



The Board, on the recommendation of the Committee, in its absolute discretion, shall have the right to reallocate any of the Shares reserved for issuance under the Share Bonus Plan for future issuance under the Share Option Plan or the Share Purchase Plan and, in the event that any Shares specifically reserved under the Share Bonus Plan are reallocated to the Share Option Plan or the Share Purchase Plan, as the case may be, the aggregate maximum number of Shares reserved under the Share Bonus Plan will be reduced to that extent. In no event will the number of Shares allocated for issuance under the Share Bonus Plan exceed 2,000,000 Shares.

### **3.3 Necessary Approvals**

The obligation of the Company to issue and deliver any Shares pursuant to an award made under the Share Bonus Plan will be subject to all necessary approvals of any exchange or securities regulatory authority having jurisdiction over the Shares.

## **PART 4 SHARE PURCHASE PLAN**

### **4.1 Participants**

Participants in the Share Purchase Plan will be Eligible Employees who have been continuously employed by the Company or any of its Affiliates on a full-time basis for at least 12 consecutive months and who have been designated by the Board, on the recommendation of the Committee, as participants in the Share Purchase Plan ("Share Purchase Plan Participants"). The Board, on the recommendation of the Committee, shall have the right, in its absolute discretion, to waive such 12-month period or to refuse any Eligible Employee or group of Eligible Employees the right of participation or continued participation in the Share Purchase Plan.

### **4.2 Election to Participate in the Share Purchase Plan and Participant's Contribution**

Any Share Purchase Plan Participant may elect to contribute money (the "Participant's Contribution") to the Share Purchase Plan in any calendar year if the Share Purchase Plan Participant delivers to the Company a written direction in form and substance satisfactory to the Company authorizing the Company to deduct from the Share Purchase Plan Participant's salary, in equal instalments, the Participant's Contribution. Such direction will remain effective until revoked in writing by the Share Purchase Plan Participant or until the Board terminates or suspends the Share Purchase Plan, whichever is earlier.

The Share Purchase Plan Participant's Contribution as determined by the Board, on the recommendation of the Committee, shall not exceed 10% of the Share Purchase Plan Participant's basic annual salary from the Company and its Affiliates at the time of delivery of the direction, before deductions, exclusive of any overtime pay, bonuses or allowances of any kind whatsoever (the "Basic Annual Salary"). In the case of a Share Purchase Plan Participant for whom the Board, on the recommendation of the Committee, has waived the 12-month employment requirement, the Share Purchase Plan Participant's Contribution shall not exceed 10% of his Basic Annual Salary from the Company and its Affiliates at the time of delivery of the direction, prorated over the remainder of the calendar year, before deductions and exclusive of any overtime pay, bonuses or allowances of any kind whatsoever.

### **4.3 Company's Contribution**

Immediately prior to the date any Shares are issued to a Share Purchase Plan Participant in accordance with Section 4.4, the Company will credit the Share Purchase Plan Participant with,

and thereafter hold in trust for the Share Purchase Plan Participant, an amount determined by the Board (the "Company's Contribution") not to exceed the Participant's Contribution then held in trust by the Company.

#### **4.4 Issue of Shares**

On March 31, June 30, September 30 and December 31 in each calendar year the Company will issue to each Share Purchase Plan Participant fully paid and non-assessable Shares, disregarding fractions, which is equal to the aggregate amount of the Participant's Contribution and the Company's Contribution divided by the Issue Price. For the purposes of this Section 4.4, "Issue Price" means the weighted average price of the Shares on The Toronto Stock Exchange, or such exchange or exchanges on which the Shares may be traded at such time for the 90-day period immediately preceding the date of issuance. If the Shares are not traded on an exchange on the date of issuance, the Issue Price shall be such price per Share as the Board, acting in good faith, may determine.

The Company shall hold any unused balance of the Participant's Contribution for a Share Purchase Plan Participant until used in accordance with the Share Purchase Plan.

#### **4.5 Delivery of Shares**

As soon as reasonably practicable following each issuance of Shares to a Share Purchase Plan Participant pursuant to Section 4.4, the Company will cause to be delivered to the Share Purchase Plan Participant a certificate in respect of such Shares provided that, if required by applicable law or the rules and policies of The Toronto Stock Exchange or such other exchange or exchanges on which the Shares are traded, a restrictive legend shall be inscribed on the certificate, which legend shall state that the Shares shall not be transferable for such period as may be prescribed by law or by any regulatory authority or stock exchange on which the Shares are listed.

#### **4.6 Effect of Termination of Employment or Death**

If a Participant dies or otherwise ceases to be employed by the Company or any of its Affiliates for any reason or receives notice from the Company of the termination of his or her employment, the Share Purchase Plan Participant's participation in the Share Purchase Plan will be deemed to be terminated and any portion of the Participant's Contribution then held in trust shall be paid to the Share Purchase Plan Participant or his estate or successor as the case may be.

#### **4.7 Effect of Amalgamation or Merger**

If the Company amalgamates or merges with or into another corporation, each Share Purchase Plan Participant to whom Shares are to be issued will receive, on the date on which any Shares would otherwise have been delivered to the Share Purchase Plan Participant in accordance with Section 4.5, the securities, property or cash to which the Share Purchase Plan Participant would have been entitled on such amalgamation, consolidation or merger had the Shares been issued immediately prior to the record date of such amalgamation or merger.

## **PART 5        GENERAL**

### **5.1        Number of Shares**

The aggregate number of Shares that may be reserved for issuance under the Plan shall not exceed ~~3229~~3,000,000 Shares inclusive of those Shares reserved under the Share Bonus Plan pursuant to Section 3.2. In addition, the aggregate number of Shares:

- (a) that may be reserved for issuance to Insiders under the Plan shall not exceed 10% of the Company's outstanding issue from time to time;
- (b) that may be issued to Insiders under the Plan within any one-year period shall not exceed 10% of the Company's outstanding issue from time to time; and
- (c) that may be issued to any one Insider and his or her Associates under the Plan within any one-year period shall not exceed 5% of the Company's outstanding issue from time to time.

In no event will the number of Shares at any time reserved for issuance to any Participant exceed 5% of the Company's outstanding issue from time to time.

For the purposes of this Section 5.1, "outstanding issue" means the total number of Shares, on a non-diluted basis, that are issued and outstanding as of the date that any Shares are issued or reserved for issuance pursuant to an award under the Plan to an Insider or such Insider's Associates, excluding any Shares issued under the Plan during the immediately preceding 12 month period.

### **5.2        Transferability**

Any benefits, rights and options accruing to any Participant in accordance with the terms and conditions of the Plan shall not be transferable unless specifically provided herein. During the lifetime of a Participant all benefits, rights and options may only be exercised by the Participant. Options are non-transferable except by will or by the laws of descent and distribution.

### **5.3        Employment**

Nothing contained in any Plan shall confer upon any Participant any right with respect to employment or continuance of employment with the Company or any, Affiliate, or interfere in any way with the right of the Company or any Affiliate to terminate the Participant's employment at any time. Participation in any Plan by a Participant is voluntary.

### **5.4        Record Keeping**

The Company shall maintain a register in which shall be recorded:

- (a) the name and address of each Participant;
- (b) the Plan or Plans in which the Participant participates;
- (c) any Participant's Contributions;

- (d) the number of unissued Shares reserved for issuance pursuant to an Option or pursuant to an award made under the Share Bonus Plan in favour of a Participant; and
- (e) such other information as the Board may determine.

## **5.5 Necessary Approvals**

The Plan shall be effective only upon formal adoption by the Board following the approval of the shareholders of the Company in accordance with the rules and policies of The Toronto Stock Exchange.

The obligation of the Company to sell and deliver Shares in accordance with the Plan is subject to the approval of any governmental authority having jurisdiction in respect of the Shares or any exchanges on which the Shares are then listed which may be required in connection with the authorization, issuance or sale of such Shares by the Company. If any Shares cannot be issued to any Participant for any reason including, without limitation, the failure to obtain such approval, the obligation of the Company to issue such Share shall terminate and any Participant's Contribution or option price paid to the Company shall be returned to the Participant.

## **5.6 Income Taxes**

The Company may withhold from any remuneration or consideration whatsoever payable to such Participant hereunder, any amounts required by any taxing authority to be withheld for taxes of any kind as a consequence of such participation in the Plan.

## **5.7 Amendments to Plan**

The Board may amend, modify or terminate the Plan at any time if and when it is advisable in the absolute discretion of the Board, subject to the approval of any material changes by The Toronto Stock Exchange or such other exchange or exchanges on which the Shares are traded. However, any amendment of such Plan which would:

- (a) materially increase the benefits under the Plan;
- (b) materially increase the number of Shares issuable under the Plan; or
- (c) materially modify the requirements as to eligibility for participation in the Plan;

shall be effective only upon the approval of the shareholders of the Company and, if required, the approval of any regulatory body having jurisdiction over the Shares and any stock exchanges on which the Shares are then listed for trading. Except as expressly otherwise provided herein, however, no change in an award already granted under the Plan shall be made without the written consent of the recipient of such award.

## **5.8 No Representation or Warranty**

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

## **5.9 Compliance with Applicable Law, etc**

If any provision of the Plan or any agreement entered into pursuant to the Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or stock exchange having authority over the Company or the Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

## **PART 6 ADMINISTRATION OF THE PLAN**

### **6.1 Administration by the Committee**

- (a) Unless otherwise determined by the Board, the Plan shall be administered by the Compensation and Benefits Committee (the "Committee") appointed by the Board and constituted in accordance with such Committee's charter. The members of the Committee serve at the pleasure of the Board and vacancies occurring in the Committee shall be filled by the Board.
- (b) The Committee shall have the power, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan, to:
  - (i) adopt and amend rules and regulations relating to the administration of the Plan and make all other determinations necessary or desirable for the administration of the Plan. The interpretation and construction of the provisions of the Plan and related agreements by the Committee shall be final and conclusive. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any related agreement in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency; and
  - (ii) otherwise exercise the powers delegated to the Committee by the Board and under the Plan as set forth herein.

### **6.2 Board Role**

- (a) The Board, on the recommendation of the Committee, shall determine and designate from time to time the individuals to whom awards shall be made, the amounts of the awards and the other terms and conditions of the awards.
- (b) The Board may delegate any of its responsibilities or powers under the Plan to the Committee, provided that the grant of all Shares, Options or other awards under the Plan shall be subject to the approval of the Board. No Option shall be exercisable in whole or in part unless and until such approval is obtained.
- (c) In the event the Committee is unable or unwilling to act in respect of a matter involving the Plan, the Board shall fulfill the role of the Committee provided for herein.