

DIRECTOR DEFERRED SHARE UNIT PLAN
OF
FNX MINING COMPANY INC.

April 7, 2005

Goodman and Carr LLP
200 King Street West, Suite 2300
Toronto, ON M5H 3W5

DIRECTOR DEFERRED SHARE UNIT PLAN
OF
FNX MINING COMPANY INC.

April 7, 2005

ARTICLE ONE
DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions

For purposes of this Director DSU Plan, unless the context in which such word or term is used herein otherwise requires, the following words and terms with the initial letter or letters thereof capitalized shall have the following meanings:

- (a) “**Act**” means the *Business Corporations Act* (Ontario) or its successor, as amended from time to time;
- (b) “**Annual Fee**” means any fees payable by the Corporation to an Eligible Director in his or her capacity as a Director;
- (c) “**Board**” means the board of directors of the Corporation;
- (d) “**Committee**” means the Compensation Committee of the Board;
- (e) “**Common Share**” means a common share in the capital of the Corporation;
- (f) “**Corporation**” means FNX MINING COMPANY INC., a corporation incorporated under the Act;
- (g) “**Deferred Share Unit**” means the right to receive a DSU Payment evidenced by way of a book-keeping entry in the books of the Corporation and administrated pursuant to this Director DSU Plan, the value of which, on a particular date, shall be equal to the Market Value at that date;
- (h) “**Director DSU Plan**” means this director deferred share unit plan;
- (i) “**Director**” means a member of the Board from time to time;
- (j) “**DSU Grant Letter**” means a letter in the form attached hereto as Schedule A;
- (k) “**DSU Payment**” means a cash payment by the Corporation to a Participant equal to the Market Value of a Common Share on the Separation Date multiplied by the

number of Deferred Share Units held by the Participant on the Separation Date, net of any applicable withholdings as required by law;

- (l) “**Election Period**” means:
 - (i) where an Eligible Director was not a Director at the beginning of the Year, within 30 days after the date on which the Eligible Director became a Director; and
 - (ii) where an Eligible Director was a Director prior to the beginning of the Year, within 30 days prior to the date on which that Year commenced.
- (m) “**Eligible Director**” means any Director from time to time;
- (n) “**Market Value**” means the volume-weighted average trading price of the Common Shares on the TSX for the five (5) consecutive trading days immediately prior to the date as of which Market Value is determined. If the Common Shares are not trading on the TSX, then the Market Value shall be determined based on the trading price on such stock exchange or over-the-counter market on which the Common Shares are listed and posted for trading as may be selected for such purpose by the Committee. In the event that the Common Shares are not listed and posted for trading on any stock exchange or over-the-counter market, the Market Value shall be the fair market value of such Common Shares as determined by the Committee in its sole discretion;
- (o) “**Participant**” means each Eligible Director to whom Deferred Share Units are issued;
- (p) “**Purchase Date**” means the date in each quarter of a Year that the Annual Fee or a portion thereof has become payable to an Eligible Director who has elected to receive Deferred Share Units, on which date such Deferred Share Units shall be credited to the account of such Participant;
- (q) “**Separation Date**” means the date that a Participant ceases to be an Eligible Director by reason of his or her death, resignation or retirement from, or loss of office as a Director;
- (r) “**TSX**” means the Toronto Stock Exchange; and
- (s) “**Year**” means a financial year of the Corporation.

Section 1.02 Headings

The headings of all articles, Sections and paragraphs in this Director DSU Plan are inserted for convenience of reference only and shall not affect the construction or interpretation of this Director DSU Plan.

Section 1.03 References to this Director DSU Plan

The words “hereto”, “herein”, “hereby”, “hereunder”, “hereof” and similar expressions mean or refer to this Director DSU Plan as a whole and not to any particular article, Section, paragraph or other part hereof.

Section 1.04 Canadian Funds

Unless otherwise specifically provided, all references to dollar amounts in this Director DSU Plan are references to lawful money of Canada.

ARTICLE TWO PURPOSE AND ADMINISTRATION OF THE DIRECTOR DSU PLAN

Section 2.01 Purpose of this Director DSU Plan

The purpose of this Director DSU Plan is to enhance the Corporation’s ability to attract and retain talented individuals to serve as Directors and to promote a greater alignment of interests between the Eligible Directors and the shareholders of the Corporation by linking a portion of annual director compensation to the future value of the Common Shares.

Section 2.02 Administration of this Director DSU Plan

This Director DSU Plan shall be administered by the Committee and the Committee shall have full discretionary authority to administer this Director DSU Plan, including the authority to interpret and construe any provision of this Director DSU Plan and to adopt, amend and rescind such rules and regulations for administering this Director DSU Plan as the Committee may deem necessary in order to comply with the requirements of this Director DSU Plan. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and conclusive and shall be binding on the Participants and the Corporation. No member of the Committee shall be personally liable for any action taken or determination or interpretation made in good faith in connection with this Director DSU Plan and all members of the Committee shall, in addition to their rights as Directors, be fully protected, indemnified and held harmless by the Corporation with respect to any such action taken or determination or interpretation made. The appropriate officers of the Corporation are hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary for the implementation of this Director DSU Plan and of any rules and regulations established for administering this Director DSU Plan. All costs incurred in connection with this Director DSU Plan shall be for the account of the Corporation.

Section 2.03 Record Keeping

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

- (a) the name and address of each Participant in this Director DSU Plan;
- (b) the number of Deferred Share Units granted to each Participant under this Director DSU Plan; and

- (c) the date and Market Value at which Deferred Share Units were granted.

Section 2.04 Amendment of this Director DSU Plan

This Director DSU Plan may be amended at any time and from time to time in the absolute discretion of the Committee, provided that any such amendment does not in any way infringe upon any rights of Participants in respect of Deferred Share Units previously credited to the account of Participants. Any amendment shall be such that this Director DSU Plan continuously meets the requirements of paragraph 6801(d) of the Regulations to the *Income Tax Act* (Canada) or any successor provision thereto.

ARTICLE THREE DIRECTOR DSU PLAN

Section 3.01 Establishment of Director DSU Plan

A Director DSU Plan is hereby established for Eligible Directors.

Section 3.02 Deferral of Annual Fee

- (a) **Amount of Election.** An Eligible Director may elect to receive 0%, 25%, 50%, 75% or 100% of his or her Annual Fee in Deferred Share Units.
- (b) **Method of Electing.** Each Eligible Director shall complete and deliver to the Chief Financial Officer of the Corporation within the Election Period an annual written election in the form attached hereto as Schedule B designating the portion of his or her Annual Fee that is to be paid in Deferred Share Units, cash and/or Common Shares. If an Eligible Director does not make an election for all or part of a Year, the Eligible Director's Annual Fee for such Year shall be paid in cash.
- (c) **Duration of Election.** An election made in accordance with the foregoing shall be effective for the Year or balance thereof in respect of which it is made. An election may be revoked or changed only with respect to the portion of a Year for which Deferred Share Units have not yet been credited.

Section 3.03 Credit of Deferred Share Units.

An Eligible Director who validly elects to receive all or a portion of his or her Annual Fee in Deferred Share Units shall have Deferred Share Units credited to an account maintained for the Eligible Director on the books of the Corporation as of the Purchase Date in each quarter of a Year. The number of Deferred Share Units to be credited shall be determined by dividing the amount of the Annual Fee which is payable on the Purchase Date and which is to be received in Deferred Share Units by the Market Value of a Common Share on the Purchase Date.

Section 3.04 Notification of Deferred Share Units Granted

Each grant of Deferred Share Units under this Director DSU Plan shall be evidenced by a DSU Grant Letter issued as of the Purchase Date in each quarter. In addition, the Corporation shall

issue to each Eligible Director who has been granted Deferred Share Units in a particular Year an annual statement showing the number of Deferred Share Units granted on each Purchase Date in such Year and the Market Value of a Common Share on each such Purchase Date.

Section 3.05 Dividends

In the event that a dividend (other than a stock dividend) is declared and paid by the Corporation on Common Shares, a Participant will be credited with additional Deferred Share Units. The number of such additional Deferred Share Units will be calculated by dividing (x) the total amount of the dividends that would have been paid to the Participant if the Deferred Share Units in the Participant's account on the dividend record date had been outstanding Common Shares (and the Participant held no other Common Shares) by (y) the closing price of a Common Share on the TSX on the date on which the dividends were paid on the Common Shares, rounded up to the next whole Deferred Share Unit.

Section 3.06 Term of the Director DSU Plan

This Director DSU Plan shall be deemed to become effective as April 7, 2005. This Director DSU Plan shall remain in effect until it is terminated by the Board. Upon termination of the Director DSU Plan, the Corporation shall redeem all remaining Deferred Share Units under Section 3.07 hereof, applied as if the Separation Date of all remaining Participants was the date the Board terminated this Director DSU Plan.

Section 3.07 Redemption

Each Deferred Share Unit held by a Participant who ceases to be an Eligible Director shall be redeemed by the Corporation on the relevant Separation Date for a DSU Payment to be made to the Participant on such date as the Corporation determines which is no later than the end of the first calendar year commencing thereafter.

ARTICLE FOUR WITHHOLDING TAXES

Section 4.01 Withholding Taxes

The Corporation may take such steps as are considered necessary or appropriate for the withholding of any taxes which the Corporation is required by any law or regulation of any governmental authority whatsoever to withhold.

ARTICLE FIVE GENERAL

Section 5.01 Non-Assignable

Deferred Share Units and any right or interest of a Participant under this DSU Plan shall not be assignable or transferable other than by will or other testamentary disposition or according to the applicable laws respecting the devolution of estates and any such assignment or transfer in violation of this Director DSU Plan shall be null and void.

Section 5.02 Rights as a Shareholder and Director

No holder of any Deferred Share Units shall have any rights as a shareholder of the Corporation at any time. Nothing in this Director DSU Plan shall confer on any Eligible Director the right to continue as a director of the Corporation or interfere with right to remove such Eligible Director as a director of the Corporation.

Section 5.03 Adjustment in Number of Payments Subject to this Director DSU Plan

In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, amalgamation, spin-off or other distribution (other than normal cash dividends) of assets of the Corporation to shareholders, or any other change affecting shares, such proportionate adjustments, if any, as the Committee in its discretion may deem appropriate to reflect such change shall be made with respect to the number of Deferred Share Units then outstanding under this Director DSU Plan. In the event the Corporation is not the surviving corporation of a merger, consolidation or amalgamation with another corporation or in the event of a liquidation or reorganization and in the absence of any surviving corporation's assumption of outstanding awards made under this Director DSU Plan, the Committee may provide for appropriate settlements of Deferred Share Units.

All such adjustments, as determined by the Committee, shall be conclusive, final and binding for all purposes of this Director DSU Plan.

Section 5.04 No Representation or Warranty

The Corporation makes no representation or warranty as to the future value of any rights under Deferred Share Units issued in accordance with the provisions of this Director DSU Plan. No amount will be paid to, or in respect of, an Eligible Director under this Director DSU Plan or pursuant to any other arrangement, and no additional Deferred Share Units will be granted to such Eligible Director, to compensate for a downward fluctuation in the price of the Common Shares, nor will any other form of benefit be conferred upon, or in respect of, an Eligible Director for such purpose.

Section 5.05 Compliance with Applicable Law

If any provision of this Director DSU Plan or any Deferred Share Unit contravenes any law or any order, ruling, policy, by-law or regulation of any regulatory body having jurisdiction, then such provision shall be deemed to be amended to the extent necessary to bring such provision into compliance therewith.

Section 5.06 Interpretation

This Director DSU Plan shall be governed by and construed in accordance with the laws of the Province of Ontario.

Section 5.07 Unfunded Benefit

All DSU Payments to be made constitute unfunded obligations of the Corporation payable solely from its general assets and subject to the claims of its creditors. The Corporation has not established any trust or separate fund to provide for the payment of benefits hereunder.

SCHEDULE A

DSU GRANT NOTIFICATION

FNX MINING COMPANY INC.

TO: _____

Pursuant to the Director Deferred Share Unit Plan (the “**Plan**”) of FNX Mining Company Inc., it has been determined that you are eligible to participate in the Plan and that on **[date]** \$● of your Annual Fee in respect of the quarter ended **[date]** has been paid in ● Deferred Share Units based on a Market Value of \$● per Common Share.

Capitalized terms used herein have the meanings ascribed to them in the Plan.

DATED the _____ day of _____, 20__.

FNX MINING COMPANY INC.

Per: _____
Name:
Title:

SCHEDULE B

ELECTION TO RECEIVE COMPENSATION

TO: The Compensation Committee of FNX Mining Company Inc.

FROM: _____ [DIRECTOR]

Pursuant to the terms of the Director Deferred Share Unit Plan (the “**Plan**”), I hereby elect to receive:

- (i) _____% of my Annual Fee in respect of the _____ Year in the form of Deferred Share Units;
- (ii) _____% of my Annual Fee in respect of the _____ Year in the form of cash; and
- (iii) _____% of any Annual Fee in respect of the _____ Year in the form of Common Shares.

This constitutes my election as required pursuant to Section 3.02 of the Plan. Capitalized terms used herein have the meanings ascribed to them in the Plan.

DATED the _____ day of _____, 20__.

[DIRECTOR]