



DUNDEE
PRECIOUS METALS INC.

MANAGEMENT INFORMATION CIRCULAR

2010 ANNUAL AND SPECIAL
SHAREHOLDERS' MEETING
MAY 5, 2010 AT 3:30 P.M. (Toronto time)

TMX Broadcast Centre
Gallery
The Exchange Tower
130 King Street West
Toronto, Ontario M5X 1J2



Royal Bank Plaza, South Tower
P.O. Box 30, Suite 3060
200 Bay Street, Toronto, Ontario
Canada M5J 2J1
Tel: (416) 365-5191 Fax: (416) 365-9080

April 1, 2010

Dear Shareholder:

You are invited to attend our Annual and Special Shareholders' Meeting which will be held at:

TMX Broadcast Centre
Gallery
The Exchange Tower
130 King Street West
Toronto, Ontario M5X 1J2

on **Wednesday, May 5, 2010 at 3:30 p.m.** (Toronto time).

The items of business to be acted upon are included in the attached Notice of 2010 Annual and Special Meeting of Shareholders and accompanying Management Information Circular. At the meeting, in addition to the normal business of election of directors and approval of the appointment of PricewaterhouseCoopers LLP as our independent auditors, you will be asked to approve two special items of business. The first is an amendment to the Articles of the Corporation which will allow the directors of the Corporation to fix the number of directors outside a shareholders' meeting, as required. The second is to amend the stock option plan of the Corporation to increase the number of common shares available for issue under the plan. This is an important component of the Company's compensation program and ensures that we are in a position to attract and retain valuable employees and directors. We would ask that you consider carefully and approve these special resolutions as recommended by management and the board of directors of the Corporation. As is the custom of past annual meetings, we will also review our operations and answer questions following the formal part of the meeting.

Your participation in Dundee Precious Metals' business is important. You may vote by using the telephone, internet, mail or by coming to the meeting in person.

Please consult the accompanying Management Information Circular which contains all of the information you need about the meeting and how to exercise your right to vote. Your vote does count.

Sincerely,

William G. Wilson
Chairman

Jonathan C. Goodman
President and Chief Executive Officer

The accompanying Management Information Circular, as well as our 2009 Annual Report and quarterly financial information, is posted on our website at www.dundeeprecious.com along with other information regarding Dundee Precious Metals Inc.



NOTICE OF 2010 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT the annual and special meeting (the "Meeting") of shareholders ("Shareholders") of Dundee Precious Metals Inc. (the "Corporation") will be held at the TMX Broadcast Centre, Gallery, The Exchange Tower, 130 King Street West, Toronto, Ontario M5X 1J2 on Wednesday, May 5, 2010 at 3:30 p.m. (Toronto time) for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2009, together with the report of the auditor thereon;
2. to elect the directors of the Corporation for the ensuing year;
3. to appoint the auditor of the Corporation for the ensuing year;
4. to consider, and if deemed appropriate, adopt a special resolution (the "Amendment Resolution") in the form set out in Appendix "A" to the accompanying Management Proxy Circular approving an amendment to the Articles of the Corporation to authorize the directors to appoint a limited number of directors between annual meetings of shareholders;
5. to consider, and if deemed appropriate, adopt a resolution (the "Option Plan Resolution") in the form set out in Appendix "B" to the accompanying Management Proxy Circular approving an amendment to the stock option plan of the Corporation; and
6. to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

DATED at Toronto, Ontario this 1st day of April, 2010.

By Order of the Board

Lori E. Beak
Vice President, Investor Relations
& Corporate Secretary

We ask that you promptly sign, date and return the enclosed proxy in the enclosed return envelope if it is not your intention to be present at the Meeting. All instruments appointing proxies to be used at the Meeting must be deposited with Computershare Investor Services Inc.: (i) by hand, courier or by mail at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1; (ii) by telephone at 1-866-732-8683 (toll free); or (iii) via the internet at www.investorvote.com, prior to 5:00 p.m. (Toronto time) on Monday, May 3, 2010 or, in the case of any adjournment of the Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjourned Meeting. Refer to "Appointment and Revocation of Proxies" on page 4 of the Management Information Circular and "Voting by Registered Shareholders" and "Voting by Non-Registered Shareholders" on pages 4 and 5 of the Management Information Circular for voting instructions). Instruments appointing proxies not so deposited may not be voted at the Meeting.

MANAGEMENT INFORMATION CIRCULAR

GENERAL PROXY INFORMATION

SOLICITATION OF PROXIES

This Management Information Circular (the “Circular”) is furnished in connection with the solicitation by the management of DUNDEE PRECIOUS METALS INC. (the “Corporation”) of proxies to be used at the annual and special meeting of Shareholders of the Corporation (the “Meeting”) to be held at the TMX Broadcast Centre, Gallery, The Exchange Tower, 130 King Street West, Toronto, Ontario M5X 1J2 at 3:30 p.m. (Toronto time) on Wednesday, May 5, 2010 and at any adjournment thereof. References in this Circular to the Meeting include any adjournment or adjournments thereof.

The Corporation will bear the cost of soliciting proxies. The solicitation of proxies for the Meeting will be primarily by mail but proxies may also be solicited personally or by telephone by employees of the Corporation or by agents retained by the Corporation. Employees of the Corporation will not receive any extra compensation for such activities. The Corporation will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for the reasonable expenses incurred in sending proxy material to beneficial owners of the common shares in the capital of the Corporation (“Common Shares”) and obtaining proxies therefrom.

APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Corporation. **A shareholder desiring to appoint some other person, who need not be a shareholder, to represent him or her at the Meeting may do so either by inserting such person’s name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case, delivering the completed proxy to Computershare Investor Services Inc. (“Computershare”) in time for use at the Meeting as specified in the notice of Meeting.**

Securities represented by proxy will be voted or withheld from voting in accordance with the instructions of the securityholder on any ballot that may be called for, and if the securityholder specifies a choice with respect to any matter to be acted upon, the securities will be voted accordingly.

A proxy is revocable. The giving of a proxy will not affect the right of a shareholder of the Corporation (“Shareholder”) to attend and vote in person at the Meeting. A Shareholder who has given a proxy, or his attorney so authorized in writing, may revoke the proxy by an instrument in writing deposited at Computershare at any time up to and including the last business day preceding the day of the Meeting at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting or in any manner prescribed by law.

VOTING BY REGISTERED SHAREHOLDERS

Voting by Proxy

Registered Shareholders can vote their Common Shares by proxy in one of the following three ways:

- by calling the telephone number set out in the form of proxy included with this Circular from a touch-tone phone and following the instructions set out on the proxy form (the required access codes being the holder account number and proxy access number found on the enclosed proxy form);
- on the Internet at www.investorvote.com by following the instructions set out on the proxy form (the required access codes being the holder account number and proxy access number found on the enclosed proxy form); or
- by mail by completing, dating and signing the enclosed proxy form and returning it to Computershare in the envelope provided.

Proxies must be received by no later than 5:00 p.m. (Toronto time) on Monday, May 3, 2010 or, in the case of any adjournment of the Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjourned Meeting.

Voting by Attending the Meeting in Person

Registered Shareholders who wish to vote their Common Shares in person at the Meeting should not complete or return their proxy form and should present themselves to a representative of Computershare at the Meeting.

VOTING BY NON-REGISTERED SHAREHOLDERS

Non-registered Shareholders are Shareholders who hold Common Shares in the name of an intermediary (such as a securities broker, trust company or other financial institution).

Voting by Providing Instructions to the Intermediary

Non-registered Shareholders should follow the directions of their intermediaries with respect to the procedures to be followed for voting their Common Shares.

Non-registered Shareholders must not use the mailing address of Computershare provided in this Circular as these are reserved for registered Shareholders but rather should use the information provided by the intermediary. If a non-registered Shareholder who has voted his or her Common Shares by following the directions of the intermediary wishes to revoke his or her vote, such Shareholder must contact his or her intermediary to determine the procedure to be followed.

Proxies must be received by no later than 5:00 p.m. (Toronto time) on Monday, May 3, 2010 or, in the case of any adjournment of the Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjourned Meeting.

Voting by Attending the Meeting in Person

The Corporation does not have access to the names and shareholdings of its non-registered Shareholders. Therefore, if a non-registered Shareholder wishes to attend the Meeting and vote in person at the Meeting, he or she should insert his or her own name in the space provided on the form of proxy or request for voting instructions sent to the non-registered Shareholder by the intermediary and then follow the instructions provided by the intermediary to appoint himself or herself as a proxyholder. As the non-registered Shareholder will be attending the Meeting in person, he or she should not otherwise complete the form of proxy or request for voting instructions sent by the intermediary. Non-registered Shareholders who instruct their intermediary to appoint them as proxyholders should, at the Meeting, present themselves to a representative of Computershare.

EXERCISE OF DISCRETION BY PROXIES

All properly executed forms of proxy, not previously revoked, will be voted or withheld from voting on any ballot taken at the Meeting in accordance with the instructions contained therein. **Forms of proxy containing no instructions regarding the matters specified therein will be voted in favour of such matters. In the event, not presently anticipated, that any other matter is properly brought before the Meeting and is submitted to a vote, the form of proxy may be voted in accordance with the judgment of the persons named therein. The form of proxy also confers discretionary authority in respect of amendments to, or variations in, all matters which may properly come before the Meeting.**

RECORD DATE AND SHAREHOLDERS ENTITLED TO VOTE

The Board of Directors of the Corporation (the "Board") has fixed March 31, 2010 (the "Record Date") as the record date for the determination of Shareholders entitled to receive notice of and vote at the Meeting. Only Shareholders of record at the close of business on the Record Date will be entitled to vote at the Meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

As of the date hereof, the Corporation has 121,986,958 Common Shares outstanding. Each Common Share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting.

To the knowledge of the directors and executive officers of the Corporation, no person or company beneficially owns or exercises control or direction over Common Shares carrying more than 10% of the voting rights attached to all of the Common Shares, except as set out below:

Name	Common Shares Owned or Controlled	% of Outstanding Common Shares
Dundee Corporation, Toronto	28,323,755	23.2%
Mason Hill Advisors LLC, New York	12,884,085	10.6%

The information provided is to the best knowledge of the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed in this Circular, the notes to the Corporation's financial statements for the year ended December 31, 2009 or the Corporation's annual information form dated March 30, 2010, which can be found on the SEDAR website located at www.sedar.com, there has been no transaction since January 1, 2009 or a proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries in respect of which any 10% holder of voting securities, (a "Principal Shareholder"), any director or executive officer of the Corporation, any director or executive officer of any of its subsidiaries, any director or executive officer of a Principal Shareholder, any proposed nominee for director of the Corporation, or any associate or affiliate of any of the foregoing had a direct or indirect material interest.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No (a) director or executive officer of the Corporation who has held such position at any time since January 1, 2007; (b) proposed nominee for election as a director of the Corporation; or (c) associate or affiliate of a person in (a) or (b) has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting with the exception of the amendment to the stock option plan of the Corporation. Refer to "Business of the Meeting - Amendment to the Stock Option Plan" for further information.

BUSINESS OF THE MEETING

PRESENTATION OF FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation for the financial year ended December 31, 2009 and the auditors' report thereon will be placed before the Meeting. The financial statements are included in the Corporation's Annual Report for the year ended December 31, 2009, which is included with this Circular.

ELECTION OF DIRECTORS

The following table provides the name of each person proposed to be nominated by management for election as a director, all other positions and offices with the Corporation now held by such nominee, his principal occupation or employment for the last five years, the year in which he first became a director of the Corporation, the committees of the directors of the Corporation of which he is a member and the approximate number of Common Shares, share purchase warrants, deferred share units and options to purchase Common Shares which he beneficially owns or over which he exercises control or direction as of the date hereof.

Nominee - Principal Occupation and Five Year Employment History	Year Became Director	Holdings ¹	
Derek Buntain , Cayman Islands, B.W.I. ⁶ Mr. Buntain is President and a director of The Dundee Merchant Bank, a private bank and trust company. He also holds directorships with Assisted Living Concepts Inc., CencoTech Inc., Eurogas Corporation, Eurogas International Inc., High Liner Foods Inc. and Natunola Health Biosciences Inc. (formerly Sentex Systems Ltd.).	1993	Common Shares:	25,029
		Share Purchase Warrants:	0
		Deferred Share Units:	12,703
		Options:	50,000
R. Peter Gillin , Corporate Director Toronto, Ontario ⁴ Prior to December 2008, Mr. Gillin was Chairman and CEO of Tahera Diamond Corporation, a diamond mining and exploration company. He also holds directorships with Sherritt International Inc. and Silver Wheaton Corp.	2009	Common Shares:	15,000
		Share Purchase Warrants:	0
		Deferred Share Units:	3,645
		Options:	50,000

Nominee - Principal Occupation and Five Year Employment History	Year Became Director	Holdings ¹	
<p>Jonathan Goodman, President and Chief Executive Officer, Toronto, Ontario, Canada</p> <p>Mr. Goodman also holds directorships with Breakwater Resources Ltd., Cogitore Resources Inc., Dundee Corporation, Dundee Resources Limited, Eurogas Corporation and Sabina Gold & Silver Corporation.</p>	1993	Common Shares:	397,899
		Share Purchase Warrants:	42,650
		Deferred Share Units:	408,846
		Options:	750,000
<p>Ned Goodman, Innisfil, Ontario and Saint-Sauveur, Québec, Canada ²</p> <p>Mr. Goodman is a director, President and Chief Executive Officer of Dundee Corporation, and Ned Goodman Investment Counsel Limited (formerly Ravensden Asset Management Inc.), its wholly owned subsidiary. Dundee Corporation is an asset management company dedicated to wealth management, real estate and resources.</p> <p>Mr. Goodman is also a director of Breakwater Resources Ltd., DundeeWealth Inc., Corona Gold Corporation, Dundee REIT, Eurogas Corporation, Eurogas International Inc., The Dundee Merchant Bank and Valdez Gold Inc.</p>	1983	Common Shares:	78,614
		Share Purchase Warrants:	0
		Deferred Share Units:	15,515
		Options:	50,000
<p>Murray John, Toronto, Ontario, Canada ⁶</p> <p>Mr. John is President and Chief Executive Officer of Dundee Resources Limited, an investment company.</p> <p>Mr. John is also director, President and Chief Executive Officer of Corona Gold Corporation and a director of Iberian Minerals Corp., African Minerals Limited and Breakwater Resources Ltd.</p>	2005	Common Shares:	12,500
		Share Purchase Warrants:	5,000
		Deferred Share Units:	14,678
		Options:	100,000
<p>Jeremy Kinsman, Corporate Director ^{4,5} Victoria, British Columbia, Canada</p> <p>Mr. Kinsman was Ambassador to the European Union in Brussels from 2002 to 2006. Recently Diplomat-in-Residence at Princeton University, he is Regent's Lecturer at the University of California, Berkeley, for 2009-10.</p> <p>Mr. Kinsman also serves on a number of non-profit and public service boards, notably the Victoria Conservatory of Music, the East-West Medical Institute and the Council for a Community of Democracies, Washington, D.C.</p>	2007	Common Shares:	0
		Share Purchase Warrants:	0
		Deferred Share Units:	7,157
		Options:	100,000
<p>Garth MacRae, Corporate Director Toronto, Ontario, Canada ^{3,6}</p> <p>Mr. MacRae is also a director of Dundee Corporation, an asset management company dedicated to private wealth management, real estate and resources, and DundeeWealth Inc., a wealth management company. Between December 2004 and June 2005, he served as interim President and Chief Executive Officer of Breakwater Resources Ltd., a base metal mining company.</p> <p>Mr. MacRae is also Chairman of Breakwater Resources Ltd. and a director of Eurogas Corporation, GeneNews Limited, Torque Energy Inc., Uranium Participation Corporation and sits on the board of governors of Dynamic Mutual Funds.</p>	1988	Common Shares:	8,504
		Share Purchase Warrants:	0
		Deferred Share Units:	12,000
		Options:	50,000

Nominee - Principal Occupation and Five Year Employment History	Year Became Director	Holdings ¹	
Peter Nixon , Corporate Director Niagara-on-the-Lake, Ontario, Canada ^{4,5} Mr. Nixon is also a director of Kimber Resources Inc., Reunion Gold Corporation and Stornoway Diamond Corporation.	2002	Common Shares:	5,204
		Share Purchase Warrants:	0
		Deferred Share Units:	12,703
		Options:	50,000
Ronald Singer , Montréal, Québec, Canada ^{3,5} A Chartered Accountant and consultant, Mr. Singer is Chairman of the board of governors of Dynamic Mutual Funds and a consultant to the Cree Economic Enterprises Company of Québec.	1998	Common Shares:	18,684
		Share Purchase Warrants:	0
		Deferred Share Units:	13,757
		Options:	50,000
William G. Wilson , Corporate Director, Chairman of the Board Vancouver, B.C., Canada, ^{3,4} A Chartered Accountant, Mr. Wilson has served as Chairman of the Board since 2002.	1983	Common Shares:	200,000
		Share Purchase Warrants:	0
		Deferred Share Units:	15,515
		Options:	125,000
Donald Young , Corporate Director West Vancouver, B.C., Canada, For over 25 years, until 2005, Mr. Young was a senior audit partner with KPMG LLP, an accounting and professional services firm. A Chartered Accountant, Mr. Young is also a director of Kimber Resources Inc., and British Columbia Safety Authority.	2010	Common Shares:	0
		Share Purchase Warrants:	0
		Deferred Share Units:	0
		Options:	0

- (1) *The information as to Common Shares and share purchase warrants owned or controlled, not being within the knowledge of the Corporation, has been furnished by the nominees individually.*
- (2) *As of March 30, 2010, Mr. Ned Goodman owned class A subordinate voting shares and class B common shares of Dundee Corporation, representing approximately an 81.2% voting interest in Dundee Corporation. Refer to "Voting Shares and Principal Holders Thereof".*
- (3) *Member of the audit committee of the Board (the "Audit Committee").*
- (4) *Member of the compensation committee of the Board (the "Compensation Committee").*
- (5) *Member of the corporate governance and nominating committee of the Board (the "Corporate Governance & Nominating Committee").*
- (6) *Member of the health, safety and environment committee of the Board (the "Health, Safety & Environment Committee").*

The Corporation is required to have an Audit Committee and also has a Compensation Committee, a Corporate Governance & Nominating Committee and a Health, Safety & Environment Committee.

The persons named in the enclosed form of proxy which accompanies this Circular intend to vote FOR the election to the Board of the 11 nominees listed above, unless the Shareholder has specified in the form of proxy that the Common Shares represented by such proxy are to be withheld from voting in respect thereof. Each of the foregoing nominees, with the exception of R. Peter Gillin and Donald Young, has served as a director of the Corporation and held the office shown in the table since the Corporation's last annual meeting.

Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting of the shareholders of the Corporation or until his or her office is earlier vacated or until his or her successor is elected under the by-laws of the Corporation.

MAJORITY VOTING

On March 24, 2010, following the recommendation of the Corporate Governance & Nominating Committee and the approval of the Board, the Corporation adopted a policy which provides that any nominee for election as a director who receives a greater number of votes withheld than for his or her election shall, immediately following the shareholders' meeting, submit his or her resignation to the Board for its consideration. The Corporate Governance & Nominating Committee will review the matter, considering any relevant factors or circumstances, and will submit a recommendation to the Board. Within 90 days of certification of final voting results, the Board will make public its decision and reasons with respect to the resignation.

CEASE TRADE ORDERS OR BANKRUPTCIES

No director or proposed director of the Corporation:

1. is, or within the ten years prior to the date hereof has been, a director or executive officer of any company (including the Corporation) that:
 - (a) while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation (collectively, an "Order"), for a period of more than 30 consecutive days; or
 - (b) was subject to an Order that was issued, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of such Order, that resulted from an event that occurred while that person was acting as director or executive officer of that company;
2. has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director;
3. is, as at the date hereof, or has been within 10 years before the date hereof, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
4. has been subject to:
 - (a) any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
 - (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director;

other than Mr. Jonathan Goodman, President and Chief Executive Officer of the Corporation (the "CEO"), who was a director of Tahera Diamond Corporation ("Tahera") and Peter Gillin who was also director, Chairman and Chief Executive Officer of Tahera, a company that filed for protection under the *Companies' Creditors Arrangement Act* with the Ontario Superior Court of Justice on January 16, 2008.

APPOINTMENT OF AUDITOR

The directors of the Corporation recommend, on the advice of the Audit Committee, that PricewaterhouseCoopers LLP, Chartered Accountants, be re-appointed as the auditor of the Corporation.

The persons named in the enclosed form of proxy which accompanies this Circular intend to vote **FOR** the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as the auditor of the Corporation, to hold office until its successor is appointed, unless the Shareholder has specified in the form of proxy that the Common Shares represented by such proxy are to be withheld from voting in respect thereof. PricewaterhouseCoopers LLP was initially appointed as the auditor of the Corporation on June 5, 2002.

AMENDING ARTICLES

The Corporation is governed by the provisions of the *Canada Business Corporations Act* (the “CBCA”). Pursuant to section 106(8) of the CBCA, the directors may, if the articles of the Corporation so provide, appoint one or more directors between annual meetings, to hold office for a term expiring not later than the close of the next annual meeting of shareholders, but the total numbers so appointed may not exceed one-third of the number of directors elected at the previous annual meeting. The articles of the Corporation currently make no such provision.

From time to time, the Board identifies an individual who could make a valuable contribution to the Corporation as a director. In the past, it has not been possible to invite such an individual to join the Board between shareholders’ meetings, unless for some reason a vacancy has occurred among the directors originally elected by the Shareholders. This has restricted the Corporation’s ability to enhance the Board at the earliest opportunity.

By amending the Corporation’s articles in the manner permitted by the CBCA, it will be possible to more quickly take advantage of opportunities to augment the Board. At the same time, given the limitation on the number of directors who can be added between meetings and the expiry of the term of such directors at the next annual meeting, the Shareholders maintain their control over the composition of the Board.

For these reasons, Shareholders are being asked to pass a special resolution (the “Amendment Resolution”) to effect the above-mentioned amendment to the Corporation’s articles. To be effective, the Amendment Resolution must be passed by at least two-thirds of the votes cast by the Shareholders in person or by proxy at the Meeting.

THE BOARD RECOMMENDS TO THE SHAREHOLDERS THAT THEY APPROVE THE AMENDMENT RESOLUTION.

In the absence of a contrary instruction or if no choice is specified in the proxy with respect to the Amendment Resolution, the persons(s) designated by management of the Corporation in the enclosed form of proxy intend to vote FOR the Amendment Resolution in the form of Appendix “A” to this Circular.

AMENDMENT TO THE STOCK OPTION PLAN

The Corporation proposes to amend the Stock Option Plan (as defined herein) to increase the number of Common Shares reserved for issuance thereunder by 3,500,000 Common Shares, thereby increasing the number of Common Shares reserved for issuance under the plan to 10,000,000 Common Shares. The Board believes the Corporation’s Stock Option Plan has been beneficial and will continue to be beneficial in attracting, retaining and motivating the key officers and employees needed by the Corporation for its success at this stage of the Corporation’s activities.

The maximum number of Common Shares issuable under the Stock Option Plan is currently set at 6,500,000. As of March 31, 2010, 5,467,170 Common Shares remained available for future issuance under the plan. The proposed amendment would increase the number of Common Shares reserved for future issuance under the plan to 8,967,170. Assuming that the proposed amendment is approved in the manner requested, the number of Common Shares which may be reserved for future issuance under the plan will represent approximately 8% of the outstanding Common Shares as at March 31, 2010.

All other provisions of the Stock Option Plan will remain in full force and effect. The Board has approved the amendment to the Stock Option Plan, subject to approval of Shareholders. The TSX has conditionally approved the amendment to the Stock Option Plan. The main features of the Stock Option Plan are described under “Compensation Information”.

The text of the resolution to be submitted to Shareholders at the Meeting (the “Option Plan Resolution”), subject to such amendments, variations or additions as may be approved at the Meeting, is set forth in Appendix “B”.

The Option Plan Resolution must be approved by a majority of the votes cast by holders of Common Shares either present in person or represented by proxy at the Meeting.

THE BOARD RECOMMENDS THAT THE SHAREHOLDERS OF THE CORPORATION VOTE FOR THE ADOPTION OF THE AMENDMENT TO THE STOCK OPTION PLAN.

The persons named in the form of proxy, which accompanies this Circular, intend to vote the Common Shares represented by such proxy FOR the adoption of the Option Plan Resolution.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Compensation Committee Composition and Process

The Compensation Committee of the Board was formed on March 11, 2004 and is composed entirely of independent directors of the Corporation within the meaning of National Instrument 58-101. None of the members of the Compensation Committee is an officer, employee or former officer of the Corporation or any of its affiliates. All of the members are experienced in matters of executive compensation and the Board believes that the committee collectively has the knowledge, experience and background required to fulfill its mandate. The composition of the Compensation Committee during 2009 is set out below:

John Lydall, Chairman
Peter Nixon
William G. Wilson
Jeremy Kinsman, effective May 13, 2009
R. Peter Gillin, effective December 11, 2009

One of the key roles of the Compensation Committee is to assist the directors of the Corporation in attracting, evaluating and retaining key senior executive personnel through compensation and other appropriate performance incentives.

The Chief Executive Officer, the Corporate Secretary and the Vice President, Human Resources generally attend part of each meeting of the Compensation Committee but do not have the right to vote on any matter considered by the Compensation Committee and are required to leave the meetings when appropriate. An in camera session, without management present, is generally held during or at the end of each meeting. In addition, the CEO does not participate in discussions concerning his own compensation. The role of management is to provide the Compensation Committee with perspectives on the business context and individual performance in order to assist the Compensation Committee in making recommendations regarding compensation. The Corporate Secretary is also responsible for keeping the minutes of the committee meetings. The Chairman of the Compensation Committee provides regular reports to the Board regarding actions and discussions at committee meetings.

The Compensation Committee reviews the performance of the Corporation's Named Executive Officers (as defined below) against established performance goals and criteria and makes recommendations to the directors of the Corporation on appropriate compensation. Other than with respect to the CEO's compensation, the committee also considers the evaluations and recommendations of the CEO. In addition, external compensation experts are consulted by the Compensation Committee as deemed appropriate by the committee.

During 2008, the Compensation Committee retained Mercer Human Resource Consulting ("Mercer"), an internationally recognized human resource consulting firm, at a cost of approximately \$17,000, to conduct a review of the then currently available information on compensation of senior executives of companies similar to the Corporation within the mining industry to assist it in setting the compensation package for the Named Executive Officers of the Corporation for 2008. Mercer completed a benchmark analysis for the base salary, total cash compensation and total direct compensation of each NEO (as defined below). The Compensation Committee then reviewed the annual compensation for each of the NEOs taking into consideration the competitive compensation practices for comparable positions with similar companies in the mining industry ("Peer Group") and recommended compensation levels for 2008. DPM aligns the total compensation of the NEOs at approximately the 75% percentile of that of the Peer Group.

The companies forming the Peer Group were selected based on the nature of their business and size (i.e. revenues, market capitalization, exposure to international operations and other factors) so as to be comparable, as a group, to the Corporation. The Peer Group is comprised of Breakwater Resources Ltd., Centerra Gold Inc., Coeur d'Alene Mines Corp., Eldorado Gold Corporation, FNX Mining Company Inc., Gabriel Resources Ltd., Golden Star Resources Ltd., High River Gold Mines Ltd., IAMGOLD Corporation, North American Palladium Ltd., Northgate Minerals Corporation and Pan American Silver Corp. Although Mercer provides advice to the Compensation Committee, the decisions reached by the Compensation Committee may reflect factors and considerations other than the information and recommendations provided by Mercer.

Given the uncertain economic climate prevailing at the beginning of 2009, the Compensation Committee did not feel an external review of compensation was required.

Compensation Objectives and Components

The Corporation's goal in designing its executive compensation program is to achieve two principal objectives. First, the program is intended to be competitive compared to the Corporation's Peer Group and therefore attract, motivate and retain talented executives who will be able to fulfill the strategic objectives of the Corporation. Second, the program is designed so that a portion of the compensation of the Corporation's executives aligns their interests with those of the Corporation's shareholders in both the short and long term.

The Compensation program is designed to reward:

- (i) performance by individuals who have met their objectives and targets as approved by the Compensation Committee;
- (ii) the performance of the Corporation against corporate targets and as reflected in the Corporation's share value;
- (iii) individual performance and contributions by individuals, which the Compensation Committee believes support the Corporation's goal of building shareholder value, and/or result in enhancing the success of the Corporation; and
- (iv) extraordinary contributions.

The executive compensation program is comprised of three components: (i) base salary; (ii) short term incentive compensation (cash bonuses); and (iii) long term incentive compensation (stock options).

Attraction, Motivation and Retention of Key Talent

The compensation package meets the goal of attracting, motivating and retaining key talent in a highly competitive mining environment through the following elements:

- a competitive cash compensation program, consisting of base salary and bonus opportunity, which is generally above similar opportunities; and
- three year vesting on stock option awards.

Alignment of Interest of Management with Interest of Shareholders

The compensation package meets the goal of aligning the interest of management with the interest of the Shareholders through the following elements:

- through the grant of stock options and Employee Units, if the price of the Corporation's shares increases over time, both NEOs and Shareholders will benefit; and
- by providing a three year vesting on stock option awards, management has an interest in increasing the price of the Corporation's shares over time, rather than focusing on short term increases.

Base Salaries

Salaries, which form an essential component of the Corporation's compensation mix as they are the first base measure to compare and remain competitive relative to peer groups, are fixed and therefore not subject to uncertainty and are used as the base to determine other elements of compensation and benefits. Salaries are determined by discussion of the Compensation Committee upon recommendation of management. The main consideration in establishing base salary ranges for NEOs is the evaluation of market comparables for similar positions. Within those ranges, individual rates generally vary based upon experience, past-performance or expected performance, level of responsibility, impact on the business, tenure and retention concerns. There is no mandatory framework that determines which of these additional factors may be more or less important and the emphasis placed on any of these additional factors may vary among the executive officers.

Given the economic climate and the fiscal restraints in place throughout the Corporation during 2009, no increases to the base salaries of the NEOs were recommended by the Compensation Committee for the year ended December 31, 2009. Refer to "Summary Compensation Table" for further details.

Short Term Incentive Compensation

Short term incentive compensation, in the form of cash bonus awards, is usually paid to the NEOs. The table below sets out the corporate objectives that were established for the CEO at the beginning of 2009. Each of the other NEOs contribute to the success of certain of these overall corporate objectives in their capacities as senior executives of the Corporation or a principal subsidiary, as noted below. In addition, a series of corporate and personal objectives were established for each of the senior executives of the Corporation. These short term objectives were established as a means of measurement against corporate, functional and personal performance and are aligned with the overall strategy of the Corporation. The amount of the short term incentive compensation to be paid to each individual is determined based upon the performance of the Corporation, each individual's level of responsibility and the attainment of specified performance targets.

CEO/Corporate Objectives			
Objective	CEO Weight	Contributing NEOs	Performance Ranking
Advance the Chelopech Mine/Mill Expansion to 2 million tonnes per year for scheduled completion by third quarter of 2011 and secure long term concentrate processing capacity	35%	S. Anderson R. Howes	Above Target
Continue restructuring activities throughout the Corporation's global operations	10%	S. Anderson R. Howes	At Target
Complete 2010 Financial Plan, including arrangements for a proposed debt facility to fund the Chelopech Mine/Mill Expansion by the first quarter of 2010	10%	S. Anderson	At Target
Advance the permitting and construction of the metals processing facility ("MPF") at Chelopech for completion by December 2012	10%	S. Anderson R. Howes	n/a ¹
Achieve significant progress with (i) environmental and (ii) technical matters relating to the Krumovgrad Project by December 31, 2009	10%	A. Goldstone	(i) At Target (ii) Above Target
Develop Life of Mine plan for the underground and open pit project at Deno Gold in Armenia by December 31, 2009	10%	n/a	Below Target
Identify and complete transactions to strategically maximize value of Serbia assets	10%	S. Anderson J. Barnes	At Target
Broaden shareholder base and increase analyst coverage by December 31, 2009	5%	n/a	At Target

(1) Following the revocation of the Corporation's environmental impact assessment ("EIA") resolution by the Bulgarian Court on November 5, 2009, activities with respect to the MPF have been limited.

Following completion of the financial year, the Compensation Committee meets to review the performance of each of the NEOs and the Corporation against the objectives that were determined at the beginning of the year. The Compensation Committee then considers each objective, its weighting and the success (identified as "below target", "at target" or "above target") of each of the objectives. As the business conditions and other factors change, certain objectives may no longer be applicable given prevailing circumstances, such as in the case of the MPF (as noted above), activities relating to which were curtailed by the Corporation in late 2009 following a decision by the Bulgarian Court to revoke the Corporation's EIA resolution. Then, with the assistance of the CEO (in the case of the other NEOs), the Compensation Committee determines what percentage of the NEO's annual base salary will be paid as a cash bonus award, if any. In the case of the CEO, the Compensation Committee performs a similar evaluation against the existing objectives for the year then ended (as set out in the table above) and determines what percentage of the CEO's annual base salary will be paid as a cash bonus award, if any. The Compensation Committee also takes into account any extraordinary contributions made during the year by any of the NEOs and has the discretion to make what it considers to be a suitable recommendation with respect to a cash bonus or other award in connection therewith. An NEO may receive all or a portion of their cash bonus in Employee DSUs, as determined by the Compensation Committee. Refer to "Employee Deferred Share Unit Plan" for further information.

The amount of each NEOs short term incentive payment is calculated based on the degree to which the corporate and individual performance objectives were achieved with the target for each NEO being a percentage of his or her base salary as follows: Mr. Goodman – 60%; Ms. Anderson and Mr. Howes – 50%; and Messrs. Barnes and Goldstone – 40%.

The Compensation Committee determined that, in 2009, Mr. Goodman's performance as CEO achieved the results indicated in the above table with respect to each of the corporate objectives set for 2009. More specifically the committee recognized that, as part of the corporate restructuring activities, the CEO replaced the roles of Chief Operating Officer of the Corporation and General Manager of Chelopech Mining EAD with one candidate who has been successful in integrating the project and operations team at Chelopech, obtaining all necessary permitting to proceed with the mine/mill expansion and identifying a new ore handling strategy which will result in a significant reduction in operating costs at the mine. In addition, Mr. Goodman has established a positive relationship with the new government in place in Bulgaria since July 2009 resulting in the issuance of a key permit on the Krumovgrad project in September 2009. The CEO also negotiated the terms to acquire the Tsumeb smelter in Namibia which solidifies the Corporation's long term offtake arrangements for the fully expanded concentrate production at Chelopech. As a result, following its review, the Compensation Committee recommended to the Board and the Board approved an overall performance ranking of "above target" for Mr. Goodman for 2009 and a short term incentive payment of \$400,000, representing approximately 67% of Mr. Goodman's base salary of \$594,000. Mr. Goodman received 25% of his 2009 bonus in Employee Units. Refer to "Summary Compensation Table".

In addition to contributing to the achievement of the corporate objectives noted above, each of the remaining NEOs were also assigned further specific performance objectives to support the overall development and success of the business of the Corporation.

With respect to the Chief Financial Officer of the Corporation (the "CFO"), the Compensation Committee determined that, in 2009, Ms. Anderson's performance as CFO achieved the results indicated in the above table with respect to the relevant corporate objectives set for 2009. In addition to the results noted above, the committee also recognized that Ms. Anderson was successful in restructuring the Corporation's offshore companies resulting in enhanced tax efficiencies, cost efficiencies and better positioned for future growth and acquisitions. Ms Anderson also introduced several corporate policies to improve internal controls and reduce cash flow risks and developed a comprehensive financial plan for the Corporation and its subsidiaries, which included negotiations with a group of lenders in connection with a proposed debt financing of the Chelopech mine/mill expansion project. As a result, following its review, the Compensation Committee recommended to the Board and the Board approved an overall performance ranking of "above target" for Ms. Anderson and a short term incentive payment of \$195,000, representing 60% of Ms. Anderson's base salary of \$325,000.

With respect to Dr. Barnes, further to the cessation of exploration activities in 2009 following the financial crisis, Dr. Barnes devoted his efforts to advancing the Serbian and Armenian assets of the Corporation. The Compensation Committee determined that in addition to his performance in connection with the transactions entered into to strategically maximize the value of the Corporation's Serbian assets, noted above, Dr. Barnes also continued developing open pit optimization and drilling plans as well as identifying strategic options with respect to advancing the Deno Gold operations in Armenia. Following its review, the Compensation Committee recommended to the Board and the Board approved an overall performance ranking of "on target" and a short term incentive payment to Dr. Barnes of \$146,880, representing 40% of Dr. Barnes' base salary of \$367,200.

With respect to Mr. Goldstone, in addition to his performance in connection with the progress achieved in connection with the advancing of both the environmental and technical matters relating to the Krumovgrad Project, noted above, Mr. Goldstone also achieved "at target" performance ratings with respect to establishing formal internal corporate social responsibility, environmental and safety audit processes across the Corporation's operations as well as developing a risk management/mitigation program in connection with the Tsumeb smelter. Following its review, the Compensation Committee recommended to the Board and the Board approved an overall performance ranking of "above target" and a short term incentive payment to Mr. Goldstone of \$117,500, representing 50% of Mr. Goldstone's base salary of \$235,000.

Mr. Howes was named General Manager and Executive Director of Chelopech Mining EAD in March of 2009 and has been deemed an NEO for 2009. In addition to his performance in connection with the progress of the Chelopech mine/mill expansion, securing of long term concentrate processing facilities and continued corporate restructuring at the Chelopech operation in Bulgaria, noted above, during 2009 Mr. Howes also achieved an "at target" performance ranking with respect to the replacement of ore mined during the year and two new discoveries as part of the exploration program and "above target" on the continued succession planning development of senior staff at site. Following its review, the Compensation Committee recommended to the Board and the Board approved an overall performance ranking of "above target" and a short term incentive payment to Mr. Howes of \$174,375, representing approximately 63% of Mr. Howes' base salary of \$279,000.

Mr. Marsland left his employment with the Corporation on February 28, 2009 and, as such, was not paid a short term incentive payment for 2009.

Long Term Incentive Compensation

In 2004, upon the recommendation of the Compensation Committee and following receipt of Board and Shareholders' approval, the Corporation established the Stock Option Plan. Share ownership opportunities are provided through the Stock Option Plan in order to align the interests of senior management with the longer-term interests of Shareholders. The Stock Option Plan is designed to give individuals an interest in preserving and maximizing shareholder value in the longer term, to enable the Corporation to attract and retain individuals with experience and ability and to reward individuals for current performance and expected future performance.

In determining the number of Options to be granted under the Stock Option Plan, the Compensation Committee gives consideration to, among other things, the individual's current and potential contribution to the success of the Corporation as well as the relative position of the individual within the Corporation. Refer to "Stock Option Plan" for information on pricing and vesting of Options.

In 2009, the Corporation implemented a process to grant Options to a select group of managers based on the individuals' level within the organization and overall ability to impact the business of the Corporation. The level of grant is tied to individual and company performance and subject to approval by the Board. In addition, the Corporation introduced a process whereby eligible individuals would be considered for annual Option grants. Previously, the Corporation provided a one time grant of Options to eligible individuals with a five year term. The revised approach is consistent with more commonly used practices. By granting Options on an annual basis at then prevailing prices, employees are motivated to work towards sustained increases in the share price. For eligible employees, other than the CEO and CFO, recommendations for Option grants are made to the Compensation Committee by management for consideration and approval by the Board. Options grants for the CEO and CFO are considered and proposed by the Compensation Committee for approval by the Board.

In 2009, the following Options were granted to the NEOs:

Jonathan Goodman	600,000
Stephanie Anderson	200,000
Julian Barnes	nil
Adrian Goldstone	75,000
Rick Howes	75,000

Mr. Marsland left his employment with the Corporation on February 28, 2009 and, as such, did not receive a grant of Options during 2009.

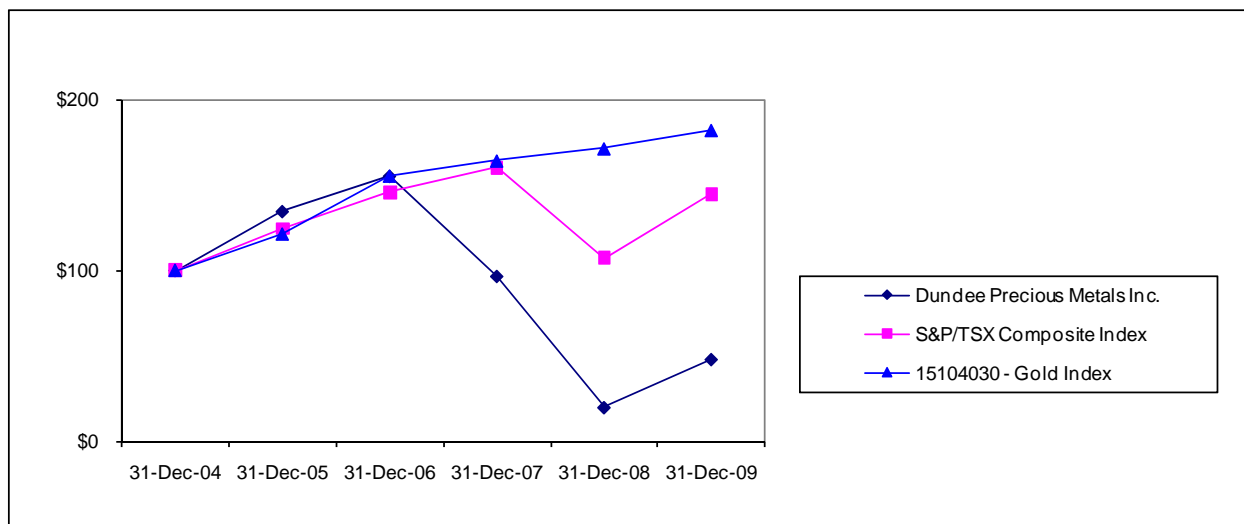
Refer to "Stock Option Plan" and "Outstanding Option-Based and Share-Based Awards at Year End" for details with respect to outstanding Options.

At the recommendation of the Compensation Committee, and with the approval of the Board, the Corporation established the Employee DSU Plan in 2004 to permit eligible participants to receive a portion of their compensation in Employee Units. No Employee Units were granted to any of the NEOs in 2009. Refer to "Employee Deferred Share Unit Plan" for further details.

PERFORMANCE GRAPH

The following table compares the yearly percentage change in the cumulative total shareholder return on the Common Shares compared with the cumulative total return of the S&P/TSX Composite Index and the 15104030-Gold Index for the five most recently completed financial years of the Corporation assuming an investment of \$100 on December 31, 2004 and assuming the reinvestment of all dividends. A graphical depiction follows the table.

	Dec. 31/04	Dec. 31/05	Dec. 31/06	Dec. 31/07	Dec. 31/08	Dec. 31/09
Dundee Precious Metals Inc.	\$100	\$134.36	\$154.95	\$96.52	\$19.92	\$47.99
S&P/TSX Composite Index	\$100	\$124.13	\$145.55	\$159.86	\$107.10	\$144.65
15104030 Gold Index	\$100	\$121.28	\$155.27	\$164.17	\$171.25	\$182.10



Trend

In 2007, the Corporation engaged Mercer to conduct a review of compensation of senior executives of the Corporation's Peer Group to assist it in setting the compensation packages for the NEOs for 2008. The Compensation Committee reviewed the annual compensation for each of the NEOs based on the Peer Group information, inflation rates and the industry market and recommended increases to annual base salaries of 8% for Messrs. Goodman, Barnes and Marsland for 2008. The Corporation and the Board considered the decrease in the market price of the Corporation's Common Shares, depicted in the graph above that took place during 2008, to be primarily due to the volatile market conditions experienced in the latter part of 2008 and that the compensation paid to the NEOs is appropriate given such circumstances and the compensation paid to the Peer Group. No short term incentives were paid to the NEO's for 2008 due to the decline in the Corporation's share price and to conserve cash in light of the environment in the capital markets that existed at that time.

Due to the economic climate and fiscal restraints that were put in place throughout the Corporation late in 2008, no increases to the base salaries of the NEOs were recommended for 2009. However, during 2009, the performance of the Company's Common Shares improved due in large part to management's success in securing long-term processing arrangements for the Chelopech concentrate and obtaining the permits necessary to proceed with the mine/mill expansion at Chelopech. Given the improvement in the share price and the success achieved with respect to the performance objectives set for the NEOs, the Corporation and the Board consider that the short term compensation payments made to the NEOs for the year ended December 31, 2009, are appropriate. Refer to "Compensation Committee Composition and Process".

EQUITY COMPENSATION PLAN INFORMATION

The following table provides details of compensation plans under which equity securities of the Corporation are authorized for issuance as of December 31, 2009.

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	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by securityholders	3,770,692	\$3.35	1,696,478
Equity compensation plans not approved by securityholders	n/a	n/a	n/a
Total	3,770,692	\$3.35	1,696,478

STOCK OPTION PLAN

On February 23, 2004, the Board approved a stock option plan (the “Stock Option Plan” or the “Plan”) which was subsequently approved by Shareholders on April 15, 2004. The Plan is designed to advance the interests of the Corporation by, among other things, encouraging stock ownership by certain eligible persons, including employees, officers, directors and consultants of the Corporation or any affiliate of the Corporation (“Eligible Persons”).

The Plan is administered by the Board or a duly appointed committee (the “Committee” and together with the Board, the “Administrator”) of the Board consisting of not less than three directors. The Board or the Committee, as the case may be, has the authority to, among other things, grant options to acquire Common Shares (“Options”) to Eligible Persons and determine the terms, including the limitations, restrictions and conditions, if any, of such grants.

The aggregate maximum number of Common Shares reserved for issuance from treasury under the Plan is 6,500,000, currently representing approximately 5% of the Corporation’s issued and outstanding Common Shares, subject to adjustment in the event of a stock dividend or split, recapitalization, consolidation, combination or exchange of shares or other fundamental corporate change.

The maximum number of shares which may be reserved for issuance under the Plan, together with any other compensation arrangement of the Corporation, to insiders shall be 10% of the Common Shares outstanding on the date of issuance thereof (on a non-diluted basis). The maximum number of shares which may be issued under the Plan, together with any other compensation arrangement of the Corporation, to insiders in any 12 month period shall be 10% of the Common Shares outstanding on the date of issuance thereof (on a non-diluted basis). The maximum number of shares which may be reserved for issuance under the Plan, together with any other compensation arrangement of the Corporation, to any one insider and any such insider’s associates in any 12 month period shall be 5% of the Shares outstanding at the date of issuance thereof (on a non-diluted basis). The maximum number of shares which may be reserved for issuance under the Plan, together with any other compensation arrangement of the Corporation, to any one person, together with any holding corporation pursuant to Options shall be 5% of the Common Shares outstanding at the date of issuance thereof.

The Options granted under the Plan must expire no later than ten years after the date of the grant or within such lesser period as the applicable grant or regulations under the Plan may require. In 2008, the Plan was amended to provide that Options expiring during a blackout period shall be automatically extended to the tenth business day after the end of a blackout period. Unless otherwise determined by the Administrator, the aggregate number of Options granted under the Plan to an Eligible Person (including his or her holding company) shall vest equally over a period of three years from the date of the grant and expire five years from the date of the grant. No fractional Common Shares may be issued and the Administrator may determine the manner in which any fractional share value will be treated.

No fewer than 100 Common Shares may be purchased at any one time except where the remainder totals less than 100. All Options granted under the Plan are non-assignable.

Upon termination of employment of an Eligible Person (the “Termination Date”), with or without cause, the Eligible Person has 60 days within which to exercise all Options that were vested as of the Termination Date, or such longer period as may be determined by the Board provided that no Option may remain outstanding for any period exceeding the lesser of (i) the expiry date of the Option; and (ii) one year following termination of a non-executive director of the Corporation or an affiliate or of a consultant, or three years following termination of all other Eligible Persons. In the event of the death of an Eligible Person, the legal representative of the Eligible Person has 180 days after the date of death within which to exercise all Options that were vested as of such date or such longer period as may be determined by the Administrator provided that no Option may remain outstanding for any period exceeding the lesser of (i) the expiry date of the Option; and (ii) one year following the death of the Eligible Person.

The Board may by resolution, in connection with a proposed sale or conveyance of all or substantially all of the property and assets of the Corporation or any proposed merger, consolidation, amalgamation or offer to acquire all of the outstanding Common Shares (collectively, the “Proposed Transaction”), give notice to all Eligible Persons advising that their Options, including those held by holding companies, vested and exercisable as of the date of the notice may be exercised only within 30 days after the date of such notice, and not thereafter, subject to the expiry of any exercise prohibition period, and provided that the Proposed Transaction is completed within 180 days after the date of the notice. If the Proposed Transaction is not completed within the 180-day period, no right under any Option will be affected by such notice except that the Option may not be exercised between the date of the expiration of the applicable 30-day period and the day after the expiration of the 180-day period.

The Board may by resolution, in connection with the occurrence or imminent occurrence of a change of control of the Corporation (as such term is defined in the Plan), give written notice to all Eligible Persons advising that their respective Options, including Options held by their holding companies, shall automatically vest if unvested, and may be exercised only within 30 days after the date of the notice, subject to a 30-day period immediately following any exercise prohibition, and not thereafter, and that all rights of the Eligible Persons and their holding companies under any Options not exercised will terminate at the expiration of the applicable 30-day period, provided that the change of control is completed within 180 days after the date of the notice. If the change of control is not completed within the

180-day period, no right under any Option will be affected by the notice, except that the Option may not be exercised between the date of expiration of the applicable 30-day period and the day after the expiration of the 180-day period.

The directors of the Corporation will establish the exercise price of an Option at the time each Option is granted on the basis of, among other things, the closing market price of the Common Shares on the market with the highest closing price on the last trading date preceding the effective date of the grant.

The Plan allows the Board, subject to the requisite regulatory and legislative requirements, to grant the holders of Options the option to terminate such Options and to receive a cash payment from the Corporation in an amount equal to the product of the number of Options terminated multiplied by the difference between the exercise price of such Options and the current market price of the Common Shares.

In 2008, the Corporation amended the Plan to specify those amendments to the Plan that can be made by the Board with/without Shareholder approval pursuant to section 613(d) of the TSX Company Manual. As a result of such amendments, Shareholder approval will be required in connection with: i) any amendment to the number of securities issuable under the Plan, including an increase to a fixed maximum number of securities or a change from a fixed maximum number of securities to a fixed maximum percentage; ii) the addition of any form of financial assistance; iii) any addition of a cashless exercise feature, payable in cash or securities whether or not it provides for a full deduction in the number of underlying securities from the Plan; (iv) the addition of any provision in the Plan which results in participants receiving securities while no cash consideration is received by the Corporation; and (v) any other amendments that may lead to significant and unreasonable dilution in the Corporation's outstanding securities or may provide additional significant benefits to participants, especially to Insiders of the Corporation, at the expense of the Corporation and its existing Shareholders.

Under the Plan, the Board will, subject to the receipt of the requisite regulatory approval, where required, in its sole discretion, be able to make all other amendments to the Plan that are not of the type contemplated in the above, including, without limitation; i) amendments of a housekeeping nature; ii) the addition of or a change to vesting provisions of a security of the Plan; and iii) a change to the termination provisions of a security or the Plan which does not entail an extension beyond the original expiry date.

During 2009, the directors granted Options to purchase an aggregate of 2,535,000 Common Shares at an average exercise price of \$1.41 per Common Share, which vest over a period of three years and expire after five years (representing less than 3% of the issued and outstanding Common Shares at December 31, 2009).

During 2009, the Corporation issued nil Common Shares of the 6,500,000 Common Shares originally reserved for issuance under the Plan in connection with the exercise of Options.

Effective March 29, 2010, the Corporation issued an aggregate of 100,000 Options to purchase Common Shares to a new director and eligible employees of the Corporation exercisable at \$3.05 per Common Share, which Options vest equally over the first three anniversaries of the grant date and have a term of five years.

Of the 6,500,000 Common Shares originally reserved for issuance under the Stock Option Plan, as of the date hereof, 1,032,830 Common Shares have been issued on the exercise of Options (representing less than 1% of the issued and outstanding Common Shares), 5,467,170 Options are outstanding under the Plan (representing approximately 4.5% of the outstanding Common Shares) and 1,616,478 Options to purchase Common Shares remain available for granting under the Plan (representing 1.3% of the issued and outstanding Common Shares).

At the Meeting, Shareholders will be asked to approve an amendment to the Plan. Refer to "Business of the Meeting – Amendment to the Stock Option Plan".

EMPLOYEE DEFERRED SHARE UNIT PLAN

On December 16, 2004, the Corporation established an employee deferred share unit plan (the "Employee DSU Plan") for the purpose of strengthening the alignment of interests between eligible senior officers and employees of the Corporation and designated affiliates thereof (the "Participants") and the Shareholders of the Corporation by linking a portion or all of a Participant's bonus or long-term incentive to the future value of the Common Shares.

The Employee DSU Plan is administered by the Compensation Committee. Under the Employee DSU Plan, a Participant may be granted, at any time and from time to time, deferred share units (the "Employee Units") in such number and effective as of such date as the Compensation Committee shall specify and based on certain criteria determined by the Compensation Committee, including services performed or to be performed by the Participant. The Employee Units are credited to an account maintained for the Participant by the Corporation or its designated affiliates, as specified by the Compensation Committee, and are subject to adjustment for dividends and normal anti-dilution events including the subdivision, consolidation or reclassification of the outstanding Common Shares.

A Participant is only entitled to payment in respect of the Employee Units granted to him or her when the Participant ceases to be employed by the Corporation or an affiliate thereof for any reason. Upon termination, the Corporation

shall, on such date as determined by the Corporation which shall not be more than 60 days after termination (the "Redemption Date"), redeem each Employee Unit credited to the Participant's account for cash (the "Redemption Value"). The Redemption Value of the Employee Units will be the product of (i) the number of Employee Units credited to the Participant's account; and (ii) the volume-weighted average trading price of a Common Share on the TSX for the five consecutive trading days immediately prior to the Redemption Date.

No Employee Units were granted or redeemed under the Employee DSU Plan during the year ended December 31, 2009 and an aggregate of 375,000 Employee Units were outstanding as of December 31, 2009. Following the grant of 31,446 Employee Units to the President and CEO of the Corporation on March 29, 2010, an aggregate of 406,446 Employee Units are outstanding as of the date hereof. Refer to "Executive Compensation – Summary Compensation Table".

DIRECTOR DEFERRED SHARE UNIT PLAN

On December 16, 2004, the Corporation established a director deferred share unit plan ("Director DSU Plan") for the purpose of strengthening the alignment of interests between eligible directors of the Corporation and designated affiliates thereof (the "Eligible Directors") and Shareholders by linking a portion of annual director compensation to the future value of the Common Shares. In addition, the Director DSU Plan has been adopted for the purpose of advancing the interests of the Corporation through the motivation, attraction and retention of directors of the Corporation and its designated affiliates, it being generally recognized that deferred share unit plans aid in attracting, retaining and encouraging director commitment and performance due to the opportunity offered to them to receive compensation in line with the value of the Common Shares.

In March 2010, the Corporation amended the Director DSU Plan to provide for the payment of a portion of directors annual compensation by way of deferred share units ("DSUs"), as determined by the Board from time to time. Under the revised terms of the Director DSU Plan, the Board can establish a policy allowing directors to elect to receive all or a portion of their compensation in DSUs, subject to compliance with the Corporation's share ownership requirements. The Board has established a policy that allows directors to elect to receive all or a portion of their annual compensation in DSUs. Refer to "Share Ownership Requirements" below.

The Director DSU Plan is administered by the Compensation Committee. Under the Director DSU Plan, DSUs granted are credited to an account maintained for the Eligible Director by the Corporation or its designated affiliates, as specified by the Compensation Committee, and are subject to adjustment for dividends and normal anti-dilution events including the subdivision, consolidation or reclassification of the outstanding Common Shares.

An Eligible Director is only entitled to payment in respect of the DSUs granted to him or her when the Eligible Director ceases to be a director of the Corporation or an affiliate thereof for any reason. Upon termination, the Corporation shall, on the Redemption Date, redeem each DSUs credited to the Eligible Director's account for the Redemption Value, being the product of: (i) the number of DSUs credited to the Eligible Director's account; and (ii) the volume-weighted average trading price of a Common Share on the TSX for the five consecutive trading days immediately prior to the Redemption Date. Effective January 1, 2006, the Compensation Committee determined that executive directors would not be eligible to receive DSUs.

During the year ended December 31, 2009, an aggregate of 23,771 DSUs were issued and 8,383 DSUs were redeemed under the Director DSU Plan. Effective March 31, 2010, an aggregate of 18,980 DSUs were issued with respect to the first quarter of 2010. As of the date hereof, there are an aggregate of 122,073 DSUs outstanding under the Director DSU Plan.

SUMMARY COMPENSATION TABLE

The following table sets forth all annual compensation for services in all capacities to the Corporation and its subsidiaries for the financial years ended December 31, 2009 and 2008 in respect of each of the individuals who were, for any portion of the year, the CEO, or the CFO, and the other three most highly compensated executive officers of the Corporation or a principal subsidiary thereof for the year ended December 31, 2009, other than the CEO and the CFO (collectively the “Named Executive Officers” or “NEOs”).

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$) ¹	Option-based awards (\$) ²	Non-Equity compensation (\$)	All other compensation (\$) ³	Total compensation (\$)
Jonathan Goodman President and Chief Executive Officer	2009	594,000	100,000	300,000	300,000	Nil	1,294,000
	2008	594,000	Nil	147,000	Nil	Nil	741,000
Stephanie Anderson Executive Vice President and Chief Financial Officer	2009	325,000	Nil	100,000	195,000	30,000	650,000
	2008	325,000	Nil	73,500	Nil	65,000	463,500
Laurence Marsland ⁴ Executive Vice President and Chief Operating Officer	2009	62,500	Nil	Nil	Nil	485,900	548,400
	2008	372,600	Nil	Nil	Nil	43,900	416,500
Dr. Julian Barnes Executive Vice President	2009	367,200	Nil	Nil	146,880	Nil	514,080
	2008	367,200	Nil	Nil	Nil	Nil	367,200
Adrian Goldstone Vice President, Environment & Sustainable Development	2009	235,000	Nil	37,500	117,500	70,600	460,600
	2008	239,000	Nil	39,200	Nil	64,900	343,100
Richard Howes ⁵ General Manager and Executive Director for Chelopech Mining EAD	2009	212,000	Nil	37,500	174,375	24,600	448,475
	2008	n/a	Nil	n/a	n/a	n/a	n/a

- (1) Share-based awards consist of Employee Units granted under the Employee DSU Plan.
- (2) The fair value of Options granted, estimated using the Black-Scholes fair value option pricing model, is in compliance with Canadian generally accepted accounting principles (“Canadian GAAP”) in accordance with Section 3870 of the Canadian Institute of Chartered Accountants handbook (the “CICA Handbook”). The key assumptions used are determined at each grant date and a life of five years is assumed.
- (3) With respect to Ms. Anderson, this amount includes cash payments of \$65,000 and \$30,000 that were made to her on December 3, 2008 and 2009, respectively, the first two anniversaries of her start date, in accordance with the terms of her employment. With respect to Messrs. Marsland, Howes and Goldstone, these amounts represent the gross up on their annual base salaries paid to employees posted outside their country of origin and travel allowance.
- (4) Laurence Marsland was no longer employed with the Corporation effective February 28, 2009. All other compensation includes his severance payment; and
- (5) Richard Howes commenced his employment with the Corporation on March 30, 2009.

Refer to “Compensation Discussion and Analysis” for a description of the components of compensation and refer to “Equity Compensation Plan Information” for a description of the material terms of the Plan and the Employee DSU Plan.

OUTSTANDING OPTION-BASED AND SHARE-BASED AWARDS AT YEAR END

The following table provides details of Options and share-based awards outstanding as of December 31, 2009 for each of the Named Executive Officers.

Name	Option-Based Awards				Share-Based Awards ¹	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Jonathan Goodman	150,000	1.75	Dec. 14, 2013	92,000	377,400 ²	562,326 ²
	600,000	1.37	Mar. 31, 2014	Nil		
Stephanie Anderson	200,000	9.50	Dec. 2, 2012	Nil	Nil	Nil
	75,000	1.75	Dec. 14, 2013	46,000		
	200,000	1.37	Mar. 31, 2014	Nil		
Laurence Marsland	n/a	n/a	n/a	n/a	n/a	n/a
Dr. Julian Barnes	Nil	Nil	Nil	Nil	Nil	Nil
Adrian Goldstone	100,000	10.50	Aug. 20, 2011	Nil	Nil	Nil
	40,000	1.75	Dec. 14, 2013	24,500		
	75,000	1.37	Mar. 31, 2014	Nil		
Richard Howes	75,000	1.37	Mar. 31, 2014	Nil	Nil	Nil

(1) Share-based awards consist of Employee Units granted under the Employee DSU Plan and DSUs granted under the Director DSU Plan. Amounts shown are based on one Unit having the value of one Common Share at the closing price of the Common Shares on the TSX on December 31, 2009 of \$3.59. This amount may not be representative of the amount that may be realized on payout due to market fluctuations.

(2) Mr. Jonathan Goodman holds 375,000 Employee Units granted under the Employee DSU Plan and 2,400 DSUs granted under the Director DSU Plan. Mr. Goodman ceased receiving Director DSUs effective January 1, 2006. These units have been deemed to be unvested as, under the terms of the Employee DSU Plan and the Directors DSU Plan, they are not redeemable until the date Mr. Goodman is no longer a director or officer of the Corporation or an affiliate thereof.

VALUE VESTED OR EARNED DURING THE YEAR

The following table provides details on the value realized or earned upon vesting of Options, share-based awards and non-equity incentive plan pay-outs by any of the NEOs during the year ended December 31, 2009.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Jonathan Goodman	89,500 ¹	-	300,000
Stephanie Anderson	44,750 ¹	-	195,000
Laurence Marsland ²	-	-	-
Dr. Julian Barnes	-	-	146,880
Adrian Goldstone	23,867 ¹	-	117,500
Richard Howes	-	-	174,375

(1) Based on the closing price of the Common Shares on the TSX on December 15, 2009 of \$3.54; and

(2) Effective February 28, 2009, Laurence Marsland was no longer employed with the Corporation.

RETIREMENT SAVINGS PLAN

In order to encourage employees to save for their retirement through long-term investment, the Corporation matches an employee's contribution to a registered retirement savings plan in an amount determined by length of service to the Corporation. As of January 1, 2010, contributions to the plan for eligible employees is based on a percentage of gross annual base salary as determined at the time of deduction and by the individual employee's length of service up to a maximum of 9% after two years of service. This retirement savings plan is available to all full-time employees of the Corporation resident in Canada.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Termination

The Corporation has not entered into termination agreements with any of the NEOs, however severance payments are due to Messrs. Goldstone and Howes under the general terms of their employment. Assuming the termination, with or without cause, retirement, death, departure or otherwise ceasing to be an employee of the Corporation or a principal subsidiary thereof, of Messrs. Goldstone or Howes occurred on December 31, 2009, the estimated incremental payments, payables and benefits that might be paid to each of them would total \$39,200 and \$139,500, respectively, representing payment of two months and six months current base annual salary, respectively.

Change of Control

The Corporation has entered into agreements (the "Agreements") with Messrs. Goodman, Barnes and Ms. Anderson. The Agreements contain provisions with respect to change of control, as defined in the Agreements, which includes, among other things, a consolidation, merger, arrangement or other acquisition as a result of which the holders of Common Shares prior to the completion of the transaction hold less than 50% of the outstanding shares, a sale of assets which have a fair value greater than 50% of the fair value of the Corporation's assets or the acquisition by any person or entity of control over 30% of the voting securities of the Corporation. Upon a change of control, provided that the officer has been continuously employed for 12 months by the Corporation, the Corporation shall pay certain amounts to each of the officers who are party to an Agreement. In the case of each of Dr. Barnes and Ms. Anderson, in the event of a change of control, the amount to be paid is the equivalent of two times such executive's annual base salary at the annual rate in effect on the effective date of the change of control plus a further amount equal to two times the average of the two most recent annual incentive bonuses paid to such executive immediately prior to the effective date of the change in control. In the case of Mr. Goodman, in the event of a change of control, the amount to be paid is the equivalent of two and one-half times his annual base salary at the annual rate in effect on the effective date of the change of control plus a further amount equal to two and one-half times the average of the two most recent annual incentive bonuses paid to him and one-half of the third most recent annual incentive bonus paid to him immediately prior to the effective date of the change in control.

Upon a change of control of the Corporation, any securities convertible into or exercisable or exchangeable for securities or shares of the Corporation and any options, rights warrants or other entitlements for the purchase or acquisition of shares in the Corporation that are held by an officer will immediately vest and become immediately and remain exercisable for a period of 90 days from the effective date of the change of control.

As of December 31, 2009, the aggregate value of the termination liability under the change in control provisions for the officers is approximately \$6.5 million based on 2009 salaries, prior years' bonuses paid and assuming lump-sum payments of salaries, accelerated vesting of Options and including the value of the continuation of rights and benefits under employee benefits plans and programs of the Corporation for 24 months after the effective date of the change in control, to which these officers are also entitled.

Unless an officer waives his change of control payment within 90 days of the effective date of change of control, the receipt of the change of control payment will result in the voluntary termination of the employment of the officer. The Corporation may terminate the above officer's employment subject to the officer's right to receive the termination payment set out above in the event such termination occurs within twelve months prior to the effective date of a change of control and whether or not (i) either party has provided the other with notice of termination of the Agreement and (ii) the Agreement has, in fact, been terminated (provided the Corporation has not already paid the officer the termination payment set out below).

The estimated incremental payments, payables and benefits that might be paid under the various plans and arrangements in the event of a change of control or in the event a change of control occurs within the twelve month period following the termination of an officer are as follows (assuming an effective date of December 31, 2009 for the change of control):

Name	Payment for Salary 2009 (\$)	Payment for Average Bonus for 2008/2009 ¹ (\$)	Accelerated Vesting of Stock Options (\$)	Value of Continued Benefit for 24 months (\$)	Total (\$)
Jonathan Goodman	1,485,000	575,000	1,608,000	34,600	3,702,600
Stephanie Anderson	650,000	195,000	582,000	33,300	1,460,300
Laurence Marsland ²	n/a	n/a	n/a	n/a	n/a
Dr. Julian Barnes	734,400	146,880	0	25,500	906,780
Adrian Goldstone	n/a	n/a	240,100	n/a	240,100
Richard Howes	n/a	n/a	166,500	n/a	166,500
Total	2,869,400	916,880	2,596,600	93,400	6,476,280

(1) In the case of Mr. Goodman, 2007 bonus is also factored in.

(2) Effective February 28, 2009, Mr. Marsland was no longer employed by the Corporation.

Stock Option Plan

Upon termination of employment of an Eligible Person, with or without cause, the Eligible Person has 60 days within which to exercise all Options that were vested as of the Termination Date, or such longer period as may be determined by the Board provided that no Option may remain outstanding for any period exceeding the lesser of (i) the expiry date of the Option; and (ii) one year following termination of a non-executive director of the Corporation or an affiliate or of a consultant, or three years following termination of all other Eligible Persons. In the event of the death of an Eligible Person, the legal representative of the Eligible Person has 180 days after the date of death within which to exercise all Options that were vested as of such date or such longer period as may be determined by the Administrator provided that no Option may remain outstanding for any period exceeding the lesser of (i) the expiry date of the Option; and (ii) one year following the death of the Eligible Person.

Employee DSU Plan

A Participant is only entitled to payment in respect of the Employee Units granted to him or her when the Participant ceases to be employed by the Corporation or an affiliate thereof for any reason. Upon termination, the Corporation shall, on such date as determined by the Corporation which shall not be more than 60 days after termination (the "Redemption Date"), redeem each Employee Unit credited to the Participant's account for cash (the "Redemption Value"). The Redemption Value of the Employee Units will be the product of (i) the number of Employee Units credited to the Participant's account; and (ii) the volume-weighted average trading price of a Common Share on the TSX for the five consecutive trading days immediately prior to the Redemption Date.

BOARD OF DIRECTOR COMPENSATION

DIRECTOR COMPENSATION TABLE

The following table shows the compensation provided to non-executive directors of the Corporation for the year ended December 31, 2009.

Name ¹	Fees earned ² (\$)	Share-based awards ³ (\$)	Option-based awards (\$) ⁴	Total Compensation (\$)
Derek Buntain	23,000	6,100	25,000	54,100
Peter Gillin ⁵	Nil	500	Nil	500
Ned Goodman	19,000	6,100	25,000	50,100
Murray John	22,000	6,100	25,000	53,100
Jeremy Kinsman	29,000	6,100	25,000	60,100
John Lydall	37,000	6,100	25,000	68,100

Name ¹	Fees earned ² (\$)	Share-based awards ³ (\$)	Option-based awards (\$) ⁴	Total Compensation (\$)
Garth MacRae	35,000	6,100	25,000	66,100
Peter Nixon	38,000	6,100	25,000	69,100
Ronald Singer	49,000	6,100	25,000	80,100
Brian J. Steck ⁶	13,500	4,700	25,000	43,200
William G. Wilson	75,000	6,100	62,500	143,600

- (1) Mr. Jonathan Goodman is also a director of the Corporation, for which he does not receive any additional compensation.
- (2) Up to December 31, 2009, each non-executive director was entitled to an annual retainer of \$10,000. The independent Chairman of the Board was paid an additional annual retainer of \$50,000, the Chairman of the Audit Committee was paid an additional annual retainer of \$15,000 and the Chairmen of each of the Corporate Governance & Nominating Committee, the Compensation Committee and the Health Safety & Environment Committee of the Board was paid an additional annual retainer of \$10,000. In addition, each director was paid a fee of \$1,000 for each Board meeting and/or committee meeting attended and for each day devoted to the business of the Corporation.
- (3) Up to December 31, 2009, each non-executive director was entitled to a grant of 600 DSUs of the Corporation granted under the Director DSU Plan for each financial quarter (refer to "Director Deferred Share Unit Plan"). Amounts shown represent DSUs valued at the date of the grant based on the market price of the Common Shares on the TSX at market close on the last trading day immediately preceding the date of the grant. The fair values are determined in accordance with Section 3870 of the CICA Handbook.
- (4) The fair value of Options granted, estimated using the Black-Scholes fair value option pricing model, is in compliance with Canadian GAAP in accordance with Section 3870 of the CICA Handbook. The key assumptions used are determined at each grant date and a life of five years is assumed.
- (5) Mr. Peter Gillin became a director on December 11, 2009.
- (6) Following a lengthy illness, Brian Steck passed away on November 6, 2009. As a result, his Estate was paid \$29,400 on the redemption of his vested share-based awards pursuant to the Director DSU Plan and \$91,500 upon the termination of his in-the-money option-based awards pursuant to the share appreciation rights contained in the Stock Option Plan.

During the financial year ended December 31, 2009, the Corporation incurred a total of \$688,100 in directors' fees, of which \$340,500 was paid in cash, \$60,100 was awarded in DSUs and \$287,500 was awarded Options. No other pension or retirement benefits have been paid to any of the directors of the Corporation. All directors of the Corporation are reimbursed for their travel and other expenses incurred in connection with fulfilling their responsibilities as directors of the Corporation.

The Corporation also compensates its non-executive directors through the grant of Options in order to align the interests of directors with those of Shareholders. Non-executive directors are granted an initial grant of 50,000 Options upon appointment and the Chairman of the Board is granted an initial grant of 125,000 Options. It has been the practice of the Compensation Committee not to grant further Options until the Options granted expire or have been fully exercised, other than in exceptional circumstances.

During 2009, the Compensation Committee undertook a review of the fees paid to non-executive directors which had remained unchanged since 2005. At the request of the Compensation Committee, management of the Corporation compiled a report on fees paid to directors by the Peer Group companies based on public disclosure documentation. As a result, the Compensation Committee recommended to the Board, and on December 11, 2009 the Board approved, the directors fees detailed in the following table, to be effective January 1, 2010:

New Director Fee Schedule

Annual Retainer for all non-executive directors, which includes attendance fees for all regularly scheduled meetings of the Board	\$45,000
Annual Retainer to each non-executive director who serves as the chair of the Board	\$50,000
Annual Retainer to each non-executive director who chairs the Audit Committee of the Board	\$15,000
Annual Retainer to each non-executive director who chairs a committee of the Board, other than the Audit Committee	\$10,000
Fee to each non-executive director for attendance at a special meeting of the Board or a committee meeting, of which such director is a member	\$1,000

The issuance of 600 Director DSUs on a quarterly basis to each non-executive director of the Corporation was discontinued as part of the new fee structure, effective January 1, 2010. Refer to “Share Ownership Requirements” and “Director Deferred Share Unit Plan” for further information.

OUTSTANDING OPTION-BASED AND SHARE-BASED AWARDS AT YEAR END

The following table provides details of Options and share-based awards outstanding as of December 31, 2009 for each of non-executive directors of the Corporation.

Option-Based Awards					Share-Based Awards ¹	
Name ¹	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of share or units of shares that have not vested (#)	Market or payout value of share awards that have not vested (\$)
Derek Buntain	50,000	1.37	Mar. 31, 2014	Nil	12,000	43,080
Peter Gillin ²	Nil	Nil	Nil	Nil	130	467
Ned Goodman	50,000	1.37	Mar. 31, 2014	Nil	12,000	43,080
Murray John	50,000	8.20	June 12, 2010	Nil	11,163	40,075
	50,000	1.37	Mar. 31, 2014	Nil		
Jeremy Kinsman	50,000	9.50	Oct. 22, 2012	Nil	5,400	19,386
	50,000	1.37	Mar. 31, 2014	Nil		
John Lydall	50,000	1.37	Mar. 31, 2014	Nil	12,000	43,080
Garth MacRae	50,000	1.37	Mar. 31, 2014	Nil	12,000	43,080
Peter Nixon	50,000	1.37	Mar. 31, 2014	Nil	12,000	43,080
Ronald Singer	50,000	1.37	Mar. 31, 2014	Nil	12,000	43,080
Brian J. Steck ³	50,000	14.35	May 5, 2010	Nil	Nil	Nil
William G. Wilson	125,000	1.37	Mar. 31, 2014	Nil	12,000	43,080

(1) Share-based awards consist of DSUs granted under the Director DSU Plan. Amounts shown are based on one Director Unit having the value of one Common Share at the closing price of the Common Shares on the TSX on December 31, 2009 of \$3.59. This amount may not be representative of the amount that may be realized on payout due to market fluctuations. These units have been deemed to be unvested as, under the terms of the Director DSU Plan, they cannot be redeemed until the date a director ceases to be a director of the Corporation or an affiliate thereof.

(2) Mr. Gillin was appointed to the Board on December 11, 2009.

(3) Option-based awards that were issued to Brian Steck and are not in-the-money, continue until 180 days following the date of his death on November 6, 2009.

(4) Mr. Jonathan Goodman is also a director of the Corporation. Option and share-based awards outstanding at December 31, 2009 for Mr. Goodman are disclosed under the heading “Executive Compensation - Outstanding Option-Based and Share-Based Awards at Year End”.

Refer to “Equity Compensation Plan Information” for a description of the material terms of the Stock Option Plan and the Director DSU Plan.

VALUE VESTED OR EARNED DURING THE YEAR

The following table provides details on the value realized upon vesting of Options, share-based awards and non-equity incentive plan pay-outs by any of the non-executive directors during the year ended December 31, 2009.

Name	Option-based awards – Value vested during the year (\$)	Share-based awards – Value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Derek Buntain	-	-	-
Peter Gillin	-	-	-
Ned Goodman	-	-	-
Murray John	-	-	-
Jeremy Kinsman	-	-	-
John Lydall	-	-	-
Garth MacRae	-	-	-
Peter Nixon	-	-	-
Ronald Singer	-	-	-
Brian Steck ²	91,500	29,400	-
William G. Wilson	-	-	-

(1) *Jonathan Goodman is President and CEO of the Corporation. See “Executive Compensation – Value Vested or Earned During the Year”.*

(2) *Following a lengthy illness, Brian J. Steck passed away on November 6, 2009. His Estate was paid his option-based awards and his in-the-money vested share-based awards.*

SHARE OWNERSHIP REQUIREMENTS

In February 2010, upon the recommendation of the Corporate Governance & Nominating Committee, the Corporation adopted a Directors' Equity Ownership Policy (the “Policy”), to be effective January 1, 2010, which requires that each director own Common Shares or DSUs of the Corporation with an aggregate acquisition cost equal to at least two times the annual retainer fee paid to each non-executive director (the “Threshold”) by December 31, 2014 or within five years of becoming a member of the Board.

This Policy provides the Corporation with a mechanism to align the interests of directors with those of Shareholders, and provides a performance incentive to directors by ensuring their vested interest in the price performance of the Common Shares. As of the date of this Circular, all of the directors, with the exception of Messrs. Gillin and Kinsman, meet or exceed the new Threshold established. Under the terms of the Policy, any director who does not meet the Threshold is required to take at least 50% of his annual retainer fee in DSUs until the Threshold is reached.

In March 2010, the Corporation amended the Director DSU Plan to provide for directors to elect to receive all or a portion of their compensation in DSUs in accordance with this Policy. Refer to “Director Deferred Share Unit Plan” for further information.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation maintains directors' and officers' liability insurance with an aggregate policy limit of \$25,000,000 insuring the Corporation and its directors and officers against liability arising from wrongful acts in their capacity as directors and officers, subject to limitations, if any, contained in the *Business Corporations Act* (Ontario). This coverage is subject to a deductible of \$250,000 on Indemnifiable and Securities Claims.

The current insurance coverage is in effect until October 15, 2010. The annual premium for this insurance is \$169,000. No portion of this insurance is directly paid by any director or officer of the Corporation.

The Corporation also maintains two local directors and officers liability insurance policies for its subsidiaries in each of Bulgaria and Armenia. Each of the policies maintained has aggregate policy limits of \$500,000, subject to deductibles of \$10,000 on each and every loss, except for claims made in Canada or the United States of America, which are subject to a deductible of \$50,000 on each and every loss. These policies are in effect until October 15, 2010. The annual premium for each of these policies is \$6,000. To date, no claims have been made against or paid by this insurance.

CORPORATE GOVERNANCE PRACTICES

The Corporation and its Board recognize the need for sound corporate governance in order that the Corporation achieve its goals of enhancing shareholder value over the long-term by conducting its business activities in an effective, ethical and transparent manner. The Board monitors the extensive and continuing changes to the regulatory environment regarding corporate governance practices. The Corporation is pleased to provide, in this Circular, an overview of its corporate governance practices, as assessed in the context of National Instrument 58-101 – Disclosure of Corporate Governance Practices (“NI 58-101”); National Policy 58-201 – Corporate Governance Guidelines (“NP 58-201”) and Multilateral Instrument 52-110 – Audit Committee and Companion Policy (“MI 52-110”).

THE BOARD OF DIRECTORS

The Board is composed of eleven directors, seven of whom, including the Board Chair, are independent within the meaning of NI 58-101. Messrs. Peter Gillin, Jeremy Kinsman, John Lydall, Garth MacRae, Peter Nixon, Ronald Singer, and William G. Wilson are independent. Mr. Jonathan Goodman is the CEO and is not independent. Also, Mr. Ned Goodman, President and Chief Executive Officer of Dundee Corporation, which owns 23.2% of the Common Shares of the Corporation, and the father of Jonathan Goodman, is not considered independent. Messrs. Derek Buntain, President of The Dundee Merchant Bank, and Murray John, President and Chief Executive Officer of Dundee Resources Limited, are not considered independent as both The Dundee Merchant Bank and Dundee Resources Limited are wholly-owned subsidiaries of Dundee Corporation.

Directorships with Other Reporting Issuers

Mr. Jonathan Goodman is presently a director of Breakwater Resources Ltd., Cogitore Resources Inc., Dundee Corporation, Eurogas Corporation and Sabina Gold & Silver Corporation. Mr. Buntain is a director of Assisted Living Concepts Inc., CencoTech Inc., Eurogas Corporation, Eurogas International Inc., High Liner Foods Inc. and Natunola Health Biosciences Inc. (formerly Sentex Systems Ltd.). Mr. Gillin is a director of Sherritt International Inc. and Silver Wheaton Corp. Mr. Ned Goodman is a director of Breakwater Resources Ltd., Corona Gold Corporation, Dundee Corporation, Dundee REIT, DundeeWealth Inc., Eurogas Corporation, Eurogas International Inc. and Valdez Gold Inc. Mr. John is a director of African Minerals Limited, Breakwater Resources Ltd., Corona Gold Corporation and Iberian Minerals Corp. Mr. Lydall is a director of Baffinland Iron Mines Corporation and FNX Mining Company Inc. Mr. MacRae is a director of Breakwater Resources Ltd., Dundee Corporation, DundeeWealth Inc., Eurogas Corporation, GeneNews Limited, Torque Energy Inc. and Uranium Participation Corporation. Mr. Nixon is a director of Kimber Resources Inc., Reunion Gold Corporation and Stornoway Diamond Corporation.

Board and Committee Meetings

During the year ended December 31, 2009, the Board met on 11 occasions. This comprised six regularly scheduled meetings as well as five special meetings which were held to discuss opportunities or activities that had arisen between regularly scheduled meetings. The table below indicates regularly scheduled and special meetings of the Board and its various committees held and attendance of directors, in person or by teleconference, for the year ended December 31, 2009.

In addition, all members of the Board have a standing invitation to attend all Board committee meetings. The Chairman of the Board and the CEO regularly attend all Board committee meetings, as non-voting participants, as, occasionally, do other directors.

	Scheduled Board Meetings (6)	Special Board Meetings (5)	Audit Committee Meetings (4)	Corporate Governance & Nominating Committee Meetings (4)	Compensation Committee Meetings (5)	Health Safety & Environment Committee Meetings (4)
Derek Buntain	6 of 6	4 of 5	-	-	-	4 of 4
Peter Gillin ¹	-	2 of 2	-	-	-	-

Directors	Scheduled Board Meetings (6)	Special Board Meetings (5)	Audit Committee Meetings (4)	Corporate Governance & Nominating Committee Meetings (4)	Compensation Committee Meetings (5)	Health Safety & Environment Committee Meetings (4)
Jonathan Goodman	6 of 6	5 of 5				
Ned Goodman	6 of 6	3 of 5	-	-	-	-
Murray John	5 of 6	5 of 5	-	-	-	4 of 4
Jeremy Kinsman ²	6 of 6	5 of 5		4 of 4	2 of 2	-
John Lydall	6 of 6	3 of 5	-	4 of 4	5 of 5 (Chair)	-
Garth MacRae	6 of 6	3 of 5	4 of 4	-	-	4 of 4. (Chair)
Peter Nixon	6 of 6	5 of 5		4 of 4 (Chair)	5 of 5	-
Ronald Singer	6 of 6	4 of 5	4 of 4 (Chair)	4 of 4	-	-
Brian J. Steck ³	1 of 6	0 of 2	2 of 4	2 of 4	-	-
William G. Wilson ⁴	6 of 6 (Chair)	5 of 5	1 of 1	-	5 of 5	-

(1) Mr. Gillin was appointed to the Board and the Compensation Committee on December 11, 2009;

(2) Mr. Kinsman was appointed to the Compensation Committee on May 13, 2009;

(3) Following a lengthy illness, Mr. Steck passed away on November 6, 2009; and

(4) Mr. Wilson was appointed to the Audit Committee on July 30, 2009.

MEETINGS OF INDEPENDENT DIRECTORS

At each regularly scheduled meeting of the Board, and otherwise as appropriate, the independent directors meet in the absence of the non-independent directors and the Corporation's management. The directors are also afforded an opportunity to hold "in camera" sessions at special meetings, if desired. The "in camera" session provides the independent directors with the opportunity to conduct discussions both openly and candidly. During 2009, the independent directors met five times. Refer to "Board and Committee Meetings" above for information on Board attendance.

BOARD MANDATE

I. General

The Board is responsible for the stewardship and the general supervision of the management of the business of Dundee Precious Metals Inc. (the "Corporation") and has final accountability for the Corporation and its employees. The Board shall act in the best interests of the Corporation and its shareholders. The Board will discharge its responsibilities directly and through its committees. In addition, the Board may, from time to time, appoint such additional committees as it deems necessary and appropriate in order to discharge its duties. Each committee shall have its own mandate. The Board shall meet regularly, but not less than once each quarter, to review the business operations, corporate governance and financial results of the Corporation. Regularly scheduled meetings of the Board will also include meetings of the independent members of the Board without management being present. The primary functions of the Board are to:

- perform its duties and responsibilities in accordance with the laws of the jurisdiction of incorporation of the Corporation;
- oversee and monitor the performance of the Corporation in the context of the long term interests of its shareholders;
- promote a culture of integrity; and
- together with management of the Corporation, develop a process for the timely and accurate disclosure of information which is material to the Corporation.

II. **Composition**

The Board shall be constituted at all times of a majority of “independent directors” within the meaning of National Policy 58-201 *Corporate Governance Guidelines*. Pursuant to the Canadian corporate governance guidelines (except in respect of British Columbia), in order to be considered “independent”, directors shall have no direct or indirect material relationship with the Corporation. In British Columbia, a director shall be considered independent unless a reasonable person with knowledge of all relevant circumstances would conclude that the director is in fact not independent of management or of any significant shareholder.

III. **Responsibilities**

The Board, directly and through its committees, fulfills these functions by, among other things and without limitation to its general mandate:

- developing and implementing an approach to corporate governance;
- reviewing, approving (at least annually) and monitoring implementation of the Corporation's strategic plan (which takes into account the risks and opportunities of the Corporation's business), annual business plan and corporate goals for which the Chief Executive Officer is responsible;
- reviewing with senior management material transactions outside the ordinary course of business and such other major corporate matters which require Board approval;
- reviewing and discussing with senior management the significant risks and issues which could affect the Corporation and the systems that are in place to manage these risks;
- selecting, evaluating and compensating the executive officers of the Corporation and planning for senior management succession;
- reviewing and discussing the integrity of the Corporation's internal control systems and disclosure control systems and procedures;
- establishing and monitoring compliance with the policies and procedures of the Corporation. These include, but are not limited to, communications policy, financial reporting, relationship with all stakeholders and the Corporation's Code of Business Conduct and Ethics;
- assessing the effectiveness of the Board, its committees and each individual director, on a regular basis, and at least annually, including considering whether the size of the Board is appropriate and reviewing the independence of its members to ensure it meets independence requirements;
- establishing an appropriate review and selection process for new nominees to the Board;
- adopting an appropriate orientation and education program for new members of the Board;
- reviewing the processes for the implementation and maintenance of environmental stewardship and health and safety management systems that are consistent with industry practices and comply with the applicable laws and regulatory requirements in the communities where the Corporation conducts its business;
- with the assistance of the Audit Committee, recommending the appointment of the auditors and reviewing the performance of the auditors;
- with the assistance of the Audit Committee, reviewing the quality and adequacy of the Company's internal controls and management information systems; and
- performing such other functions as prescribed by law or assigned to the Board in the Corporation's constating documents.

POSITION DESCRIPTIONS

The Board has developed written position descriptions for the Board Chair and for the Chair of each committee of the Board. Also, the Board, together with the CEO, has developed a written position description for the CEO. All of these position descriptions may be found on the Corporation's website at www.dundeeprecious.com.

ORIENTATION AND CONTINUING EDUCATION

The Corporation has an orientation program for new directors that assists them in becoming knowledgeable in all aspects of the Corporation's business activities. This program provides for each new director to participate in

informal discussion with the senior management of the Corporation. In addition, each new director is furnished with a Board manual which includes continuous disclosure materials over the last three years, corporate policies, mandates, scheduled trading blackouts, insider trading obligations and describes, among other things, the corporate governance practices of the Corporation. The Corporate Governance & Nominating Committee, during the interview process, makes each prospective new director aware of the amount of time required to fulfill his role as a director. In addition, a site visit to the Corporation's main operations is arranged, at the earliest convenience, for each director.

The Corporation is also committed to a continuing education program for all directors. At each regularly scheduled Board meeting, management provides the directors with a presentation on the Corporation's operations thereby updating the Board on all important activities since the last meeting. The Board also receives regular written reports from management. Through the Corporate Governance & Nominating Committee, directors are kept informed of the best practices with respect to the role of the Board, and of emerging trends that are relevant to their roles as directors. Individual directors are encouraged to visit the Corporation's main operations facilities. Also, directors are encouraged to attend and to participate in seminars and educational programs, at the expense of the Corporation, which can enhance their abilities to fulfill their roles as Board or committee members.

ETHICAL BUSINESS CONDUCT

The Board has adopted a written Code of Business Conduct and Ethics (the "Code") for its directors, officers and employees. In the case of its officers and employees in Armenia, Bulgaria and Serbia, the Code has been translated into each of these languages. All members of the Corporation are provided with a copy of the Code which they are required to confirm in writing to have read and understood. A copy of the Code can be found on the Corporation's website at www.dundeeprecious.com or may be obtained by contacting the Corporate Secretary of the Corporation. The Code is also filed on the Sedar website located at www.sedar.com. The Corporation has appointed a Compliance Officer who reports regularly to the Audit and Corporate Governance & Nominating Committees on matters regarding compliance with the Code.

The Board requires all directors to disclose any activities or relationships which could have the potential for a conflict of interest. The Board encourages and provides an overall culture of ethical conduct. The Board, and the Corporation, promote a "tone at the top" culture which intends to instill ethics, openness, honesty and accountability throughout the organization. Directors, officers and employees are fully aware that violations of the Code will be addressed and could result in disciplinary action or dismissal.

The Corporation retains an independent, third party supplier to provide a confidential and anonymous communication channel for reporting concerns with respect to the integrity of the Corporation's accounting, internal accounting controls and auditing matters as well as potential breaches under the Code (the "Ethics Hotline"). The Ethics Hotline has been made available to all employees in the local languages of each of the Corporation's global operations. Management representatives conduct education programs involving the presentation of Business Conduct and Ethics Awareness workshops on the implementation and function of the Code, Insider Trading, Disclosure and Whistleblower Policies of the Corporation at each of its sites.

NOMINATION OF DIRECTORS

The Board, through the Corporate Governance & Nominating Committee, is responsible for identifying new candidates to be nominated to the Board. The committee, which is composed entirely of independent directors, monitors and assesses, on a regular basis, the mix of skills and competencies required in order for the Board to perform and fulfill its role effectively. In addition, through its Chair, the committee discusses with each individual director his intention to continue to serve as a Board member in order to plan and prepare for succession at the Board level in a seamless manner. When the committee identifies additional skills or competencies needed at the Board level, or becomes aware that any individual director intends to retire from the Board, the committee initiates a recruitment process. Prospective new Board members, based on their relevant education and related business experience, are interviewed by the committee which will in turn propose new and suitable candidates to the full Board.

The Corporate Governance & Nominating Committee operates in accordance with a written mandate that outlines its role and responsibilities, a copy of which can be found on the Corporation's website at www.dundeeprecious.com or may be obtained by contacting the Corporate Secretary of the Corporation.

COMPENSATION COMMITTEE

The Compensation Committee, which is composed entirely of independent directors, is responsible for determining, and recommending to the full Board for approval, the compensation of the directors and executive officers of the Corporation. The process by which appropriate compensation is determined includes, among other things, a periodic review of the Peer Group and other mining industry compensation data. In the case of the CEO, the Compensation Committee and the CEO establish annual performance objectives and appropriate weighting factors, in order to

measure performance and to establish total remuneration for the CEO. The Compensation Committee reviews and discusses with the CEO his recommendations regarding the total remuneration packages of the other senior executives of the Corporation prior to recommending approval of such packages by the Board.

The Compensation Committee operates under a written mandate which outlines its role and responsibilities, a copy of which can be found on the Corporation's website at www.dundeeprecious.com or may be obtained by contacting the Corporate Secretary of the Corporation.

HEALTH, SAFETY & ENVIRONMENT COMMITTEE

The Board has a Health, Safety & Environment Committee to assist the Board in developing and implementing a corporate culture of environmental responsibility and to oversee all aspects of health and safety relating to the Corporation's operating activities. The Committee has a written mandate which defines its role and responsibilities, a copy of which can be found on the Corporation's website at www.dundeeprecious.com or may be obtained by contacting the Corporate Secretary of the Corporation.

AUDIT COMMITTEE

The Board also has an Audit Committee to assist it in fulfilling its oversight responsibilities for the integrity of the Corporation's financial statements, compliance with legal and regulatory requirements relating to financial reporting, the appointment of the external auditor with the responsibility to approve its compensation, review its independence and qualifications as well as oversight of all its audit and allowable non-audit work and such other duties as may be assigned to it from time to time by the Board. The committee has a written mandate which defines its roles and responsibilities, a copy of which can be found on the Corporation's website at www.dundeeprecious.com, may be obtained by contacting the Corporate Secretary of the Corporation and is included in the annual information form of the Corporation ("AIF"), dated March 30, 2010, under the heading "Audit Committee Disclosure". The AIF is available on the Sedar website located at www.sedar.com.

BOARD ASSESSMENTS

The Board and its committees are assessed annually on the basis of their performance and contribution. The process by which such assessments are made is through questionnaires developed by the Corporate Governance & Nominating Committee and completed by each individual director. The results of the completed questionnaires are tabulated by the Corporate Governance & Nominating Committee which then reports its findings to the full Board. Appropriate action is taken to remedy any area of Board performance which the responses indicate are in need of improvement.

Individual director performance is evaluated every third year by the Corporate Governance & Nominating Committee and the Board Chair. Individual director assessments are determined by examining a number of factors including, but not limited to, attendance at and participation in meetings, meeting preparedness, ability to communicate ideas clearly and overall contribution to effective Board performance.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is available on Sedar at www.sedar.com and on the Corporation's website at www.dundeeprecious.com. Financial information for the year ended December 31, 2009 is provided in the Corporation's annual report which is included with this Circular and can also be found on the Sedar website located at www.sedar.com. Shareholders may also contact the Corporate Secretary of the Corporation by telephone at (416) 365-5191 to request copies of these documents.

The information contained herein is given as of April 1, 2010, except as otherwise indicated. The contents and the sending of this Circular have been approved by the Board.

By Order of the Board



Lori E. Beak
Vice President, Investor Relations &
Corporate Secretary

April 1, 2010

Appendix "A"

AMENDMENT RESOLUTION

"RESOLVED, AS A SPECIAL RESOLUTION, THAT:

1. The articles of the Corporation be amended by adding the provision that the directors may, within the minimum and maximum number permitted by the articles, appoint one or more directors, who shall hold office for a term expiring not later than the close of the next annual meeting of shareholders, but the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual meeting of the shareholders;
2. Any officer or director of the Corporation is hereby authorized to execute and deliver all documents and to do all acts and things necessary or desirable to give effect to this special resolution, including, without limitation, the delivery of articles of amendment in the prescribed form to the Director appointed under the *Canada Business Corporations Act*, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination; and
3. Notwithstanding the foregoing, the directors of the Corporation are hereby authorized, without further approval of or notice to the shareholders of the Corporation, to revoke this special resolution at any time before a certificate of amendment is issued by the Director."

Appendix “B”

OPTION PLAN RESOLUTION

“BE IT RESOLVED THAT:

1. The Corporation’s Stock Option Plan be, and same is hereby, amended to provide that the number of Common Shares reserved for issuance upon exercise of options granted thereunder be increased from 6,500,000 to 10,000,000 as defined and described in the Management Information Circular prepared for this Meeting;
2. The reservation of an additional 3,500,000 Common Shares for issuance under the Stock Option Plan is hereby authorized and approved and the Corporation is further authorized and directed to issue such Common Shares upon exercise of options in accordance with the Stock Option Plan as fully paid and non-assessable shares of the Corporation; and
3. Any director or officer of the Corporation be and is hereby authorized to execute and deliver, under corporate seal or otherwise, all such deeds, documents, instruments and assurances and to do all such acts and things as such person may deem necessary or desirable to give effect to the foregoing.”

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