



DUNDEE
PRECIOUS METALS INC.

MANAGEMENT INFORMATION CIRCULAR

2008 ANNUAL & SPECIAL
SHAREHOLDERS' MEETING
MAY 7, 2008 AT 3:30 P.M. (Toronto time)

TSX 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 2, 2008

Dear Shareholder:

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

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

on **Wednesday, May 7, 2008** at **3:30 p.m.** (Toronto time).

The items of business to be acted upon are included in the attached Notice of 2008 Annual and Special Meeting of Shareholders and accompanying Management Information Circular. At the meeting you will be asked to elect directors and to approve the appointment of PricewaterhouseCoopers LLP as our independent auditors. In addition, you will be asked to approve certain amendments to our stock option plan (the "Plan"). These amendments do not provide for an increase in the number of options we may issue and, as a result, there will be no additional dilution of the share capital. They will bring the Plan into compliance with the revised guidelines issued by the Toronto Stock Exchange and enable management and the board of directors to more effectively administer the shares that are currently available under option. Both the board of directors and management recommend that you vote your shares in favour of these amendments.

Following the custom of past annual meetings, we will also review our operations and will be answering your 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, facsimile 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 yours,

William G. Wilson
Chairman

Jonathan C. Goodman
President and Chief Executive Officer

The accompanying Management Information Circular, as well as our 2007 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 2008 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 TSX Broadcast Centre, Gallery, The Exchange Tower, 130 King Street West, Toronto, Ontario M5X 1J2 on Wednesday, May 7, 2008 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, 2007, 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, to pass, with or without variation, a resolution to amend the Corporation's 2004 stock option plan (the "Plan") to provide for the extension of options ("Options") expiring during a blackout period, as more fully described in the accompanying Management Information Circular (the "Circular");
5. to consider and, if deemed appropriate, to pass, with or without variation, a resolution to amend the Plan to provide the Corporation the option to grant share appreciation rights, as more fully described in the accompanying Circular;
6. to consider and, if deemed appropriate, to pass, with or without variation, a resolution to amend the amending formula of the Plan, as more fully described in the accompanying Circular;
7. to consider and, if deemed appropriate, to pass, with or without variation, a resolution to amend the Plan to allow for the grant of Options with an expiry date up to 10 years following the date of such grant, as more fully described in the accompanying Circular; and
8. to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

DATED at Toronto, Ontario this 2nd day of April, 2008.

By Order of the Board

Lori E. Beak
Vice President & 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 registered mail at 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1; (ii) by mail at PO Box 18210 STN, Toronto, Ontario M7Y 3J1; or (iii) via facsimile at (416) 263-9524 or 1-866-249-7775, prior to 5:00 p.m. (Toronto time) on Monday, May 5, 2008 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 (see "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 TSX Broadcast Centre, Gallery, The Exchange Tower, 130 King Street West, Toronto, Ontario M5X 1J2 at 3:30 p.m. (Toronto time) on Wednesday, May 7, 2008 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.

VOTING BY REGISTERED SHAREHOLDERS

Voting by Proxy

Registered Shareholders can vote their Common Shares by proxy in one of the following four 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);
- by mail by completing, dating and signing the enclosed proxy form and returning it to Computershare in the envelope provided; or
- by fax by completing, dating and signing the enclosed proxy form and forwarding it by fax to Computershare at (416) 263-9524 or 1-866-249-7775.

Proxies must be received by no later than 5:00 p.m. (Toronto time) on Monday, May 5, 2008 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). The enclosed proxy form indicates whether a Shareholder is a non-registered Shareholder.

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. These procedures generally allow voting in one of the following four ways:

- by telephone at 1-800-474-7493 by following the instructions set out on the proxy form (the required access code being the control number found on the enclosed proxy form);
- on the Internet at www.proxyvotecanada.com by following the instructions set out on the proxy form (the required access code being the control number found on the enclosed proxy form);
- by mail in accordance with the instructions found on the enclosed proxy form; or
- by fax in accordance with the instructions found on the enclosed proxy form.

Non-registered Shareholders must not use the fax number or 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 5, 2008 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 21, 2008 (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 61,984,538 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	12,642,555	20.4%
Third Avenue Management LLC, New York	10,791,856	17.4%

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, 2007 or the Corporation's annual information form dated March 24, 2008, which can be found on the SEDAR website located at www.sedar.com, there has been no transaction since January 1, 2005 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 other than:

1. In July 2007, a syndicate of underwriters co-led by Dundee Securities Corporation ("DSC") and GMP Securities L.P. participated in a bought deal financing raising aggregate gross proceeds of \$81.9 million for the Corporation through the sale of units, comprised of one Common Share and 1/2 of a Warrant, and flow-through Common Shares. DSC is related to a Principal Shareholder of the Corporation. The Corporation paid the syndicate a commission of approximately \$4.1 million, of which DSC earned approximately \$1.4 million.

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, 2005; (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, other than in connection with the amendments to the stock option plan of the Corporation.

BUSINESS OF THE MEETING

PRESENTATION OF FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation for the financial year ended December 31, 2007 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, 2007, 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 Bank, a private bank and trust company. He also holds directorships with Assisted Living Concepts Inc., Calibre Energy Inc., CencoTech Inc., Eurogas Corporation, High Liner Foods Inc. and Sentex Systems Ltd.	1993	Common Shares:	25,029
		Share Purchase Warrants:	0
		Deferred Share Units:	7,800
		Options:	50,000
Jonathan Goodman , <i>President and Chief Executive Officer</i> , Toronto, Ontario, Canada Prior to September 2004, Mr. Goodman was also President and Chief Executive Officer of Dundee Resources Limited, an investment company. He also holds directorships with Breakwater Resources Ltd., Cogitore Resources Inc., Dundee Corporation, Eurogas Corporation, Frontier Pacific Mining Corporation and Tahera Diamond Corporation.	1993	Common Shares:	125,199
		Share Purchase Warrants:	42,650
		Deferred Share Units:	377,400
		Options:	1,000,000
Ned Goodman , Innisfil, Ontario and Saint-Sauveur, Québec, Canada ⁽²⁾ Mr. Goodman is a director, President and Chief Executive Officer of Dundee Corporation, an asset management company dedicated to private wealth management, real estate and resources and Chairman of DundeeWealth Inc., a wealth management company. Mr. Goodman is also a director of Breakwater Resources Ltd., Cogitore Resources Inc., Corona Gold Corporation, Dundee REIT, and Eurogas Corporation.	1983	Common Shares:	78,614
		Share Purchase Warrants:	0
		Deferred Share Units:	7,800
		Options:	50,000

Nominee - Principal Occupation and Five Year Employment History	Year Became Director	Holdings ⁽¹⁾	
<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>Prior to September 2004, Mr. John was an investment banker with Dundee Securities Corporation, a securities dealer.</p> <p>Mr. John is also director, President and Chief Executive Officer of Corona Gold Corporation, director and interim President and Chief Executive Officer of Odyssey Resources Ltd., both exploration companies, and is also a director of Iberian Minerals Corp. and Breakwater Resources Ltd.</p>	2005	Common Shares: 12,500 Share Purchase Warrants: 5,000 Deferred Share Units: 6,963 Options: 50,000	
<p>Jeremy Kinsman, Victoria, British Columbia</p> <p>Mr. Kinsman is currently Diplomat in Residence at the Woodrow Wilson School of Princeton University, Princeton, N.J.</p> <p>Mr. Kinsman was Ambassador to the European Union in Brussels from 2002 to 2006.</p>	2007	Common Shares: 0 Share Purchase Warrants: 0 Deferred Share Units: 1,200 Options: 50,000	
<p>John Lydall, Oakville, Ontario, Canada ^{(4) (5)}</p> <p>In October 2003, Mr. Lydall retired as Managing Director, Mining Investment Banking Group, National Bank Financial, prior to which he held various positions ranging from mining analyst to senior investment banker with National Bank Financial and its predecessor company, First Marathon Inc.</p> <p>Mr. Lydall is also a director of Baffinland Iron Mines Corporation and FNX Mining Company Inc.</p>	2003	Common Shares: 501,534 Share Purchase Warrants: 0 Deferred Share Units: 7,800 Options: 50,000	
<p>Garth MacRae, 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, and, prior to his retirement in March 2004, was Vice Chairman of Dundee Corporation.</p> <p>Mr. MacRae is also Chairman of Breakwater Resources Ltd. and a director of Eurogas Corporation, GeneNews Limited, Great Plains Exploration Inc., 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: 7,800 Options: 50,000	
<p>Peter Nixon, Niagara-on-the-Lake, Ontario, Canada ^{(4) (5)}</p> <p>Mr. Nixon is also a director of Kimber Resources Inc., Reunion Gold Corporation and Stornaway Diamond Corporation.</p>	2002	Common Shares: 5,204 Share Purchase Warrants: 0 Deferred Share Units: 7,800 Options: 50,000	
<p>Ronald Singer, Montréal, Québec, Canada ^{(3) (5)}</p> <p>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.</p>	1998	Common Shares: 18,684 Share Purchase Warrants: 0 Deferred Share Units: 7,800 Options: 50,000	

Nominee - Principal Occupation and Five Year Employment History	Year Became Director	Holdings ⁽¹⁾	
Brian J. Steck , <i>Stouffville, Ontario, Canada</i> ^{(3) (5)} Mr. Steck is President of St. Andrews Financial Corp., a private investment company. He is also Chairman of Purolator Courier Ltd. and a director of Investment Technology Group, Inc.	2006	Common Shares:	20,000
		Share Purchase Warrants:	5,000
		Deferred Share Units:	4,542
		Options:	50,000
William G. Wilson , <i>Chairman of the Board, Vancouver, B.C., Canada</i> ⁽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:	7,800
		Options:	125,000

- (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 20, 2008, Mr. Ned Goodman owned class A subordinate voting shares, class B common shares and options to purchase class A subordinate voting shares and class B common shares of Dundee Corporation, representing approximately an 80% voting interest in Dundee Corporation. See "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 Jeremy Kinsman, 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.

Cease Trade Orders or Bankruptcies

No director or proposed director of the Corporation:

2. 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, state the fact; 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. Marsland, Executive Vice President and Chief Operating Officer of the Corporation, who was the Chief Executive Officer and a director of Navan Mining plc during a financial restructuring when it was placed into administrative receivership by its creditors in 2003, and Mr. Jonathan Goodman, President and Chief Executive Officer of the Corporation, who is a director of Tahera Diamond Corporation, 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.

AMENDMENTS TO THE PLAN

Option Expiry Dates

The Board has reviewed and proposed certain amendments to the Plan's option expiry arrangements. At the Meeting, the Shareholders will be asked to approve the ordinary resolution reproduced below authorizing certain amendments to the Plan to provide for an automatic extension of the expiry date of options where such expiry date falls during, or within three days of the end of, a blackout period on trading imposed by the Corporation pursuant to its insider trading policies.

Proposed Amendments to the Plan

The Corporation imposes blackout periods on trading the Corporation's securities held by its directors, officers and other insiders, periodically and from time to time, either pending the release of its financial results, the disclosure of pending material transactions or for other reasons. These periods are referred to as "blackout periods", and are imposed voluntarily by the Corporation in accordance with its insider trading policies as they exist from time to time. Circumstances may occur where blackout periods may be imposed frequently and/or for very extensive periods of time. Certain officers or key employees may find themselves not being able to realize the benefits of their options if they expire during a blackout period, where such options may not be exercised and the underlying shares may not be traded. To avoid such situations, which may result in officers and key employees losing important incentives, the Board has determined that, in accordance with the TSX Staff Notice, defined below, it would be advisable to provide for an automatic extension of an Option term that would otherwise have expired during, or within three days of the end of, a blackout period. The Corporation proposes to amend the Plan so that options expiring during a blackout period shall be automatically extended to the tenth business day after the end of a blackout period. These proposed amendments are shown in the blacklined Plan attached hereto as Schedule "A".

Resolution

The following is the text of the resolution to be submitted to the Shareholders at the Meeting, subject to such amendments, variations or additions as may be approved at the Meeting:

BE IT RESOLVED THAT:

1. The provisions of the Plan relating to the “Blackout Extension” (as defined in the Plan) be and are hereby amended as set forth in the blacklined version of the Plan attached as Schedule “A” to the Circular prepared in connection with this Meeting.
2. 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.

The Board recommends that the Shareholders vote for the adoption of the above resolution to amend the Plan. This resolution must be passed by a majority of the votes cast by the holders of Common Shares either present in person or by proxy at the Meeting.

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 above resolution.

Share Appreciation Rights

The Board has reviewed and proposed certain amendments to the Plan to provide for the addition of share appreciation rights (“SARs”). This amendment will allow 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. Common Shares not issued as a result of options being terminated pursuant to SARs will be returned to the pool of Common Shares reserved for issuance under the Plan.

The addition of SARs will help the Corporation to more effectively use the Option pool to motivate and reward key officers and employees and other Eligible Persons, while simultaneously reducing the dilution experienced by Shareholders of the Corporation upon the exercise of options, and reducing the likelihood of the issue and sale of the Common Shares when it is not prudent to do so.

Resolution

The following is the text of the resolution to be submitted to the Shareholders at the Meeting, subject to such amendments, variations or additions as may be approved at the Meeting:

BE IT RESOLVED THAT:

1. The Plan be and is hereby amended to provide for the addition of share appreciation rights as set forth in the blacklined version of the Plan attached as Schedule “A” to the Circular prepared in connection with this Meeting.
2. 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.

The Board recommends that the Shareholders vote for the adoption of the above resolution to amend the Plan. This resolution must be passed by a majority of the votes cast by the holders of Common Shares either present in person or by proxy at the Meeting.

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 above resolution.

The Amending Formula

The Board has reviewed and proposed certain amendments to the Plan's amending formula. At the Meeting, the Shareholders will be asked to approve the ordinary resolution reproduced below authorizing certain amendments to the Plan to permit future amendments to the Plan in limited, specified circumstances without Shareholder approval.

TSX Policy-Security Based Compensation Arrangements

On June 6, 2006, the TSX published a Staff Notice (the "TSX Staff Notice") with respect to amending procedures in security based compensation arrangements and the extension of option expiry dates which fall within or soon after a blackout period. Effective as of June 30, 2007, section 613(d) of the TSX Company Manual will require that any security based compensation plan, such as the Plan, with an amendment procedure, must contain specific details as to whether Shareholder approval shall be required for a particular type of amendment.

In the absence of a detailed amendment procedure, Shareholder approval shall be required for any and all amendments, including amendments considered to be of a "housekeeping nature".

Proposed Amendments to the Plan

The Corporation proposes to amend the Plan to specify those amendments to the Plans 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 which does not provide 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 revised 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 a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Plan reserve, iii) the addition of or a change to vesting provisions of a security of the Plan; and iv) a change to the termination provisions of a security or the Plan which does not entail an extension beyond the original expiry date.

All of these amendments with respect to the Plan are shown in the blacklined Plan attached hereto as Schedule "A".

Resolution

The following is the text of the resolution to be submitted to the Shareholders at the Meeting, subject to such amendments, variations or additions as may be approved at the Meeting:

BE IT RESOLVED THAT:

1. The amending formula of the Plan be and is hereby amended as set forth in the blacklined version of the Plan attached as Schedule "A" to the Circular prepared in connection with this Meeting.
2. 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.

The Board recommends that the Shareholders vote for the adoption of the above resolution to amend the Plan. This resolution must be passed by a majority of the votes cast by the holders of Common Shares either present in person or by proxy at the Meeting.

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 above resolution.

Grant Options with up to 10 Year Term

The Board has reviewed and proposed certain amendments to the Plan with respect to the length of the term of future options granted under the Plan. Currently, options can be granted only to a term not exceeding five years. The Board believes it is in the best interest of the Corporation to be able to grant options with a longer term. At the Meeting, the Shareholders will be asked to approve the ordinary resolution reproduced below authorizing certain amendments to the Plan to permit the Board to issue options expiring up to 10 years following the date of issuance thereof. No currently issued options under the Plan will benefit from any extension under the proposed amendment.

Resolution

The following is the text of the resolution to be submitted to the Shareholders at the Meeting, subject to such amendments, variations or additions as may be approved at the Meeting:

BE IT RESOLVED THAT:

1. The Plan be and is hereby amended as set forth in the blacklined version of the Plan attached as Schedule "A" to the Circular prepared in connection with this Meeting to allow the Board to grant options for a term of up to 10 years.
2. 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.

The Board recommends that the Shareholders vote for the adoption of the above resolution to amend the Plan. This resolution must be passed by a majority of the votes cast by the holders of Common Shares either present in person or by proxy at the Meeting.

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 above resolution.

COMPENSATION INFORMATION

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, 2007.

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	5,217,500	\$7.94	249,670
Equity compensation plans not approved by securityholders	n/a	n/a	n/a
Total	5,217,500	\$7.94	249,670

STOCK OPTION PLAN

On February 23, 2004, the Board approved 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 Board may amend, suspend or terminate the Plan or any portion thereof at any time in accordance with applicable legislation, and subject to any required regulatory or shareholder approval. If the Plan is terminated in accordance with the terms of the Plan and any applicable regulation or legislation, Options under the Plan or any rights pursuant thereto remain outstanding. Notwithstanding the termination of the Plan, the Administrator may make any amendments to the Plan or the Options it would be entitled to make if the Plan were still in effect.

The aggregate maximum number of Common Shares reserved for issuance from treasury under the Plan is 6,500,000, currently representing approximately 10% 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.

In March 2008, the Board adopted revisions to the Plan to bring the restrictions on issuances of Options to Insiders in line with the most recent TSX requirements. 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. These amendments appear in the blackline of the Plan attached as Schedule "A".

The Options granted under the Plan must expire no later than five years after the date of the grant or within such lesser period as the applicable grant or regulations under the Plan may require. 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.

During 2007, the directors granted Options to purchase an aggregate of 508,500 Common Shares at an average exercise price of \$9.29 per Common Share, which vest over a period of three years and expire after five years (representing less than 1% of the issued and outstanding Common Shares at December 31, 2007).

During 2007, the Corporation issued 186,667 Common Shares (representing less than 0.5% of the issued and outstanding Common Shares at December 31, 2007) of the 6,500,000 Common Shares originally reserved for issuance under the Plan in connection with the exercise of Options.

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 approximately 1.7% of the issued and outstanding Common Shares), 5,173,533 Options are outstanding under the Plan (representing approximately 8.3% of the outstanding Common Shares) and 293,637 Options to purchase Common Shares remain available for granting under the Plan (representing less than 1% of the issued and outstanding Common Shares).

A number of revisions to the Plan have been put forward for approval at this Meeting. For a summary of these proposed changes, please see "*Business of the Meeting- Amendments to the 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 under the Employee DSU Plan during the year ended December 31, 2007 and an aggregate of 384,090 Employee Units were outstanding as of December 31, 2007. An aggregate of 9,090 Employee Units were redeemed on January 31, 2008 at \$6.36 per unit and an aggregate of 375,000 Employee Units remain outstanding as of the date hereof. See also "*Board of Director Compensation – Director Deferred Share Unit Plan*."

EXECUTIVE COMPENSATION

The following table sets forth all annual and long term compensation for services in all capacities to the Corporation and its subsidiaries for the financial years ended December 31, 2005, December 31, 2006 and December 31, 2007 in respect of each of the individuals who were, for any portion of the year, the Chief Executive Officer of the Corporation (the "CEO"), or the Chief Financial Officer of the Corporation (the "CFO"), and the other three most

highly compensated executive officers of the Corporation, other than the CEO and the CFO (collectively the “Named Executive Officers” or “NEOs”).

Summary Compensation Table

NEO Name and Principal Position	Year	Annual Compensation			Long-Term Compensation			All Other Compensation (\$) ⁽⁴⁾
		Salary (\$)	Bonus (\$)	Other Annual Compensation ⁽³⁾ (\$)	Awards		Payouts	
					Securities Under Options/SARS Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
Jonathan Goodman President and CEO	2007	550,000	150,000	Nil	Nil	Nil	Nil	9,500
	2006	550,000	265,000	Nil	Nil	Nil	Nil	9,000
	2005	400,000	265,000	40,000	Nil	Nil	Nil	8,250
Stephanie Anderson Executive Vice President and CFO ⁽¹⁾	2007	25,000	n/a	n/a	200,000	n/a	n/a	n/a
	2006	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	2005	n/a	n/a	n/a	n/a	n/a	n/a	n/a
C. Bruce Burton Vice President and CFO ⁽²⁾	2007	275,000	Nil	Nil	Nil	Nil	Nil	9,500
	2006	275,000	137,500	Nil	Nil	Nil	Nil	9,000
	2005	250,000	125,000	Nil	Nil	Nil	Nil	5,625
Laurence Marsland Executive Vice President and Chief Operating Officer	2007	345,000 ⁽⁵⁾	100,000	Nil	Nil	Nil	Nil	Nil
	2006	360,000	190,000	Nil	Nil	Nil	Nil	Nil
	2005	315,000	190,000	Nil	Nil	Nil	Nil	Nil
Dr. Julian Barnes Executive Vice President	2007	340,000	100,000	Nil	Nil	Nil	Nil	Nil
	2006	340,000	170,000	Nil	Nil	Nil	Nil	Nil
	2005	300,000	150,000	Nil	Nil	Nil	Nil	Nil
Adrian Goldstone Vice President, Environment & Sustainable Development ⁽⁶⁾	2007	240,000	75,000	Nil	Nil	Nil	Nil	Nil
	2006	⁽⁶⁾	Nil	Nil	100,000	Nil	Nil	Nil
	2005	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(1) Ms. Anderson was appointed Executive Vice President and Chief Financial Officer of the Corporation on December 3, 2007;

(2) Mr. Burton ceased to be the Chief Financial Officer of the Corporation on December 3, 2007;

(3) Taxable benefits did not exceed minimum threshold disclosure levels for any of the NEOs. In respect of Mr. Goodman, the 2005 figure includes payment of directors’ fees of \$19,000 paid to him by the Corporation and director deferred share units issued to him by the Corporation, on a quarterly basis, at an aggregate value of \$21,000. Upon the recommendation of the Compensation Committee, the Board approved the cessation of payment of directors’ fees to the CEO effective January 1, 2006. See “Board of Director Compensation” below for additional information on directors’ fees and director deferred share units;

(4) These amounts represent contributions by the Corporation to a registered retirement savings plan pursuant to a group retirement savings plan in which employees of the Corporation are eligible to participate;

(5) This amount reflects Mr. Marsland’s 2007 annual salary on a net-tax basis, which practice was adopted by the Corporation with respect to employees posted outside their country of origin, effective January 1, 2007. As a result, his gross 2007 annual base salary amounted to \$442,000; and

(6) Mr. Goldstone was appointed Vice President, Environment & Sustainable Development of the Corporation on May 10, 2006 and was paid as a contractor until his conversion to a full-time employee of the Corporation on January 15, 2007.

The following table provides details of Options granted to the Named Executive Officers of the Corporation during the financial year ended December 31, 2007 pursuant to the Plan, as described above.

Option Grants During the Year Ended December 31, 2007

Name	Securities Under Options Granted (#)	Percent of Total Options Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Stephanie Anderson	200,000	39%	9.50	9.75	December 2, 2012

The following table provides details of the value, as of December 31, 2007, of unexercised Options held by the Named Executive Officers on an aggregate basis.

Financial Year End Option Values

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at Financial Year-End (#)		Value of Unexercised In-the-Money Options at Financial Year End (\$)⁽¹⁾	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Jonathan Goodman	Nil	Nil	1,000,000	Nil	220,000	Nil
Stephanie Anderson	Nil	Nil	Nil	200,000	Nil	Nil
C. Bruce Burton ⁽²⁾	Nil	Nil	300,000	Nil	66,000	Nil
Laurence Marsland	Nil	Nil	700,000	Nil	154,000	Nil
Dr. Julian Barnes	Nil	Nil	500,000	Nil	110,000	Nil
Adrian Goldstone	Nil	Nil	33,333	66,667	Nil	Nil

(1) Based on the closing price of the Common Shares on the TSX on December 31, 2007 of \$7.22, less the exercise price of the in-the-money stock options. The Options have not been, and may never be exercised and actual gain, if any, on exercise will depend on the value of the Common Shares on the date of exercise; and

(2) Mr. Burton ceased to be the Chief Financial Officer of the Corporation on December 3, 2007.

TERMINATION AGREEMENTS

The Corporation entered into agreements with Messrs. Goodman, Marsland, Barnes and Ms. Anderson (the "Agreements") which provide that upon a change of control, as defined in the Agreements, the Corporation shall pay certain amounts to such Named Executive Officer. In the cases of Mr. Marsland, Dr. Barnes and Ms. Anderson, 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 and an amount equal to 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, 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 and an amount equal to 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. See "Executive Compensation – Summary Compensation Table".

COMPOSITION OF THE COMPENSATION COMMITTEE

The Compensation Committee was formed on March 11, 2004 and is composed entirely of independent directors of the Corporation within the meaning of National Instrument 58-101. Its members are John Lydall as Chairman, Peter Nixon and William G. Wilson, who has served as the non-executive Chairman of the Board since June 5, 2002.

REPORT ON EXECUTIVE COMPENSATION

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

The Compensation Committee reviews the performance of the Corporation's CEO against established performance goals and criteria and makes recommendations to the directors of the Corporation on appropriate compensation. With respect to the evaluation and compensation of the other senior executives, the Compensation Committee reviews the evaluations and recommendations of the CEO and makes recommendations to the directors of the Corporation.

Base Salaries

Early in 2007, the Compensation Committee retained Mercer Human Resource Consulting ("Mercer"), an internationally recognized human resource consulting firm, at a cost of \$9,900, to prepare a brief review of the currently available information on compensation of senior executives of similar companies within the mining industry to assist it in setting the annual base salaries of senior executives of the Corporation for 2007. The Compensation Committee then reviewed the annual base salaries of the senior executives of the Corporation taking into consideration the competitive salary practices for comparable positions with similar companies in the mining industry and recommended base salary levels for calendar 2007. Proposed base salaries are recommended to the directors of the Corporation by the Compensation Committee for approval.

Short Term Incentive Compensation

For 2007, a series of corporate and personal objectives were established for the CEO and each of the other senior executives of the Corporation. These short-term objectives were established as a means of measurement against corporate, functional and personal performance. The amount of the short term incentive compensation for each individual was determined based upon the performance of the Corporation, each individual's level of responsibility and the attainment of specified performance targets, which had been set at the beginning of the year.

Long Term Incentive Compensation

In 2004, upon the recommendation of the Compensation Committee and following receipt of directors' 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. See "*Stock Option Plan*" for information on pricing and vesting of Options.

During 2004, the Compensation Committee recommended specific initial grants of Options to each of the Named Executive Officers. It is not the present intention of the Compensation Committee, other than in exceptional circumstances, to recommend further Option grants to the Named Executive Officers until the Options granted in 2004 expire or have been fully exercised. See "*Stock Option Plan*" and "*Executive Compensation*" above for details with respect to outstanding Options.

At the recommendation of the Compensation Committee, and with the approval of the directors of the Corporation, the Corporation established the Employee DSU Plan in 2004 to permit eligible participants to receive a portion of their compensation in Employee Units. See "*Employee Deferred Share Unit Plan*" for further details.

Compensation of Chief Executive Officer

Mr. Jonathan Goodman, the Corporation's CEO, receives a base salary and is eligible for short term incentive compensation and long term incentive compensation, based on the performance of the Corporation and his individual performance in specified areas. The base salary and proposed payments under these incentive plans are recommended by the Compensation Committee and approved by the directors of the Corporation. See "*Executive Compensation*".

Base Salary

Based on industry research, and with the assistance of Mercer, the Compensation Committee recommended an increase in the base salary for Mr. Goodman of up to 8%, being a maximum base salary of up to \$594,000, which was approved by the directors of the Corporation. This new base salary will be effective for the year ended December 31, 2008.

Short Term Incentive

In March 2008, the Compensation Committee considered the performance of the CEO against the objectives established for the year ended December 31, 2007 and set out below.

Measures of Corporate Performance for Variable Compensation

- 1) **Corporate/Strategic** (weight 50%)
 - Relative share price performance of the Corporation (vs. Toronto Gold Index);
 - Make progress in building the Corporation's potential production base through strategic investments;
 - Create and implement, if required, satisfactory contingency plans if approval and permits are further delayed for Chelopech and Krumovgrad; and
 - Maintain environmental and technical best practices.
- 2) **Chelopech** (weight 20%)
 - Obtain approval and permits for project redevelopment;
 - Initiate ramp-up of production;
 - Exceed budgeted production, development and financial targets;
 - Achieve further improvements in safety; and
 - Confirm additional resources from new mineralized zones.
- 3) **Deno Gold** (weight 15%)
 - Commence redevelopment of mine (target 1.2mm tpy by 2008); and
 - Undertake exploration to confirm scale of the deposit.
- 4) **Krumovgrad** (weight 7.5%)
 - Obtain approval and permits required to commence project;
 - Commence construction; and
 - Protect Corporation's rights in Bulgaria.
- 5) **Exploration** (weight 7.5%)
 - Expand resource base at Back River and determine potential of project; and
 - Confirm evidence of significant discoveries in Serbia by year end 2007.

The Compensation Committee determined that the CEO achieved success in various areas outlined above particularly: (i) the ongoing redevelopment of the Deno Gold operations in Armenia; (ii) the commencement of an aggressive exploration program in Armenia resulting in the announcement, early in 2008, of initial drilling results that support the potential for bulk mineable polymetallic open pit mineralization; and (iii) in Serbia, the confirmation, in late 2007 and early 2008, of both the scope and grade of a major zone of molybdenum/rhenium and identification of a major zone of limestone hosted gold mineralization. Also, early in 2008, the Corporation announced that, after a two year delay, it was successful in reaching an agreement-in-principle with the Bulgarian government concerning the proposed expansion of its Chelopech Mine in Bulgaria. At the same time, the Corporation announced that it has also commenced negotiations with a view to implementing its Krumovgrad Gold Project, including initiating the next stage in the environmental impact assessment approval process. The Compensation Committee was unanimous in recognizing the efforts made by the CEO during the year 2007 to achieve, in particular, the agreement-in-principle with the Bulgarian government with respect to the Chelopech Mine in early 2008.

As a result, the Compensation Committee unanimously agreed that, for the year ended December 31, 2007, a short-term incentive payment of \$150,000, or 27% of his 2007 base salary, to the CEO would be recommended to the Board for approval. Following the recommendation of the Compensation Committee, the Board approved the short term incentive payment to the CEO for the year ended December 31, 2007.

Long-Term Incentive

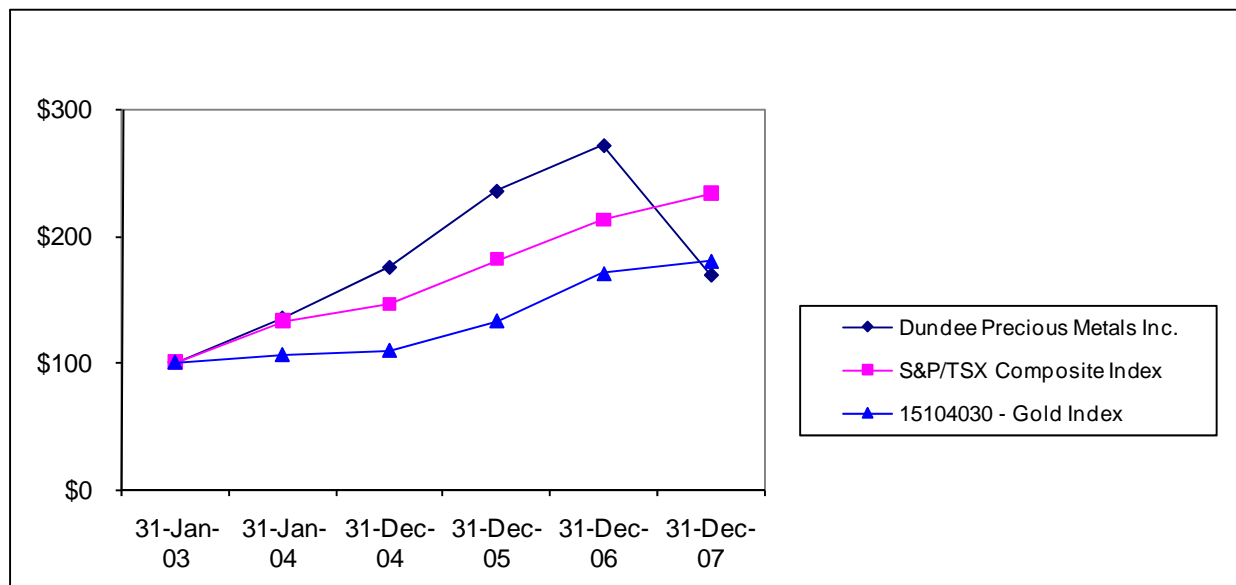
No long-term awards have been made to the CEO since 2004.

The foregoing report as at March 24, 2008 was submitted by the Compensation Committee, which is comprised of John Lydall, as Chairman, Peter Nixon and William G. Wilson.

SHAREHOLDER RETURN 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 January 31, 2003, assuming the reinvestment of all dividends. The values provided below for the periods January 31, 2003 to January 31, 2004 reflect the five-for-one stock split effected as part of the conversion of the Corporation from a closed-end investment company to an operating mining company, effective April 15, 2004. The Corporation's financial year end was changed from January 31 to December 31 in April 2004. A graphical depiction follows the table.

	Jan. 31/03	Jan. 31/04	Dec. 31/04	Dec. 31/05	Dec. 31/06	Dec. 31/07
Dundee Precious Metals Inc.	\$100.00	\$134.81	\$174.77	\$234.81	\$270.79	\$168.69
S&P/TSX Composite Index	\$100.00	\$132.20	\$145.86	\$181.06	\$212.31	\$233.18
15104030-Gold Index	\$100.00	\$105.90	\$109.32	\$132.59	\$169.74	\$179.47



BOARD OF DIRECTOR COMPENSATION

Each non-executive director is entitled to an annual retainer of \$10,000 and a quarterly grant of 600 deferred share units of the Corporation (see “*Director Deferred Share Unit Plan*” below). The independent Chairman of the Board will be paid an additional annual retainer of \$50,000, the Chairman of the Audit Committee will be paid an additional annual retainer of \$15,000 and the Chairman of each of the Corporate Governance & Nominating Committee, Compensation Committee and Health Safety & Environment Committee of the Board will be paid an additional annual retainer of \$10,000. The Corporation will also pay each director 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. The directors’ fees are reviewed periodically and may be changed from time to time.

During the financial year ended December 31, 2007, the Corporation incurred a total of \$662,520 in directors’ fees and expenses, of which \$437,970 was paid in cash and \$224,550 was awarded in deferred share units of the Corporation. 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.

On October 23, 2007, Mr. Jeremy Kinsman was granted Options to purchase 50,000 Common Shares at \$9.50 per Common Share, pursuant to the Stock Option Plan. The Options are exercisable over three years and expire on October 22, 2012. See “*Stock Option Plan*” above.

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.

The Director DSU Plan is administered by the Compensation Committee. Under the Director DSU Plan, an Eligible Director will be granted, at the end of each calendar quarter, 600 deferred share units (“Director Units”). The Director Units 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 Director Units 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 Director Unit credited to the Eligible Director’s account for the Redemption Value, being the product of: (i) the number of Director Units 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 Director Units.

During the year ended December 31, 2007, an aggregate of 25,200 Director Units were issued and 11,763 Director Units were redeemed under the Director DSU Plan. Effective March 31, 2008, an aggregate of 6,000 Director Units were granted to the Eligible Directors of the Corporation with respect to the first quarter of 2008. As of the date hereof, there are an aggregate of 69,705 Director Units outstanding under the Director DSU Plan.

Directors’ and Officers’ Liability Insurance

During the year ended December 31, 2007, the Corporation purchased directors’ and officers’ liability insurance for the directors and officers of the Corporation and its subsidiaries providing coverage in the maximum amount of \$20,000,000 in each policy year. The deductible amount is \$250,000 and the annual premium is \$151,826.

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. Effective June 30, 2005, National Instrument 58-101 (“NI 58-101”); National Policy 58-201 (“NP 58-201”) and Multilateral Instrument 52-110 (“MI 52-110”) replaced the TSX guidelines for effective governance. The Corporation is pleased to provide, in this Circular, its response to these governance guidelines and requirements in NP 58-201 and MI 52-110, which disclosure is set forth below in accordance with NI 58-101.

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. Jeremy Kinsman, John Lydall, Garth MacRae, Peter Nixon, Ronald Singer, Brian Steck 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 in excess of 20% of the Common Shares of the Corporation, and the father of Jonathan Goodman, is not considered independent. Messrs. Derek Buntain, President of The Dundee Bank, and Murray John, President and Chief Executive Officer of Dundee Resources Limited, are not considered independent as both The Dundee 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, Frontier Pacific Mining Corporation and Tahera Diamond Corporation. Mr. Buntain is a director of Assisted Living Concepts Inc., Calibre Energy Inc., CencoTech Inc., Eurogas Corporation, High Liner Foods Inc. and Sentex Systems Ltd. Mr. Ned Goodman is a director of Breakwater Resources Ltd., Cogitore Resources Inc., Corona Gold Corporation, Dundee Corporation, Dundee REIT, DundeeWealth Inc. and Eurogas Corporation. Mr. John is a director of Breakwater Resources Ltd., Corona Gold Corporation, Iberian Minerals Corp. and Odyssey Resources Ltd. 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, Great Plains Exploration Inc., Torque Energy Inc. and Uranium Participation Corporation. Mr. Nixon is a director of Kimber Resources Inc., Reunion Gold Corporation and Stornaway Diamond Corporation. Mr. Steck is a director of Investment Technology Group, Inc.

Board and Committee Meetings

During the year ended December 31, 2007, 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. At each regularly scheduled meeting, the agenda includes an “in camera” session during which the directors meet without management present. 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. The table below indicates meetings of the Board and its various committees held and attendance of directors, in person or by teleconference, for the year ended December 31, 2007.

Directors	Board of Directors (11 meetings)	Audit Committee (6 meetings)	Corporate Governance & Nominating Committee (6 meetings)	Compensation Committee (5 meetings)	Health Safety & Environment Committee (4 meetings)
Colin Benner ⁽¹⁾	8 of 10	-	-	-	2 of 3
Derek Buntain	10 of 11	-	-	-	4 of 4
Michael Cooper ⁽²⁾	5 of 8	2 of 2	3 of 3	-	-
Jonathan Goodman	11 of 11	4 of 6 *	5 of 6 *	4 of 5 *	4 of 4 *
Ned Goodman	9 of 11	-	-	-	-
Murray John	8 of 11	-	-	-	3 of 4
Jeremy Kinsman ⁽³⁾	2 of 2	-	-	-	-

Directors	Board of Directors (11 meetings)	Audit Committee (6 meetings)	Corporate Governance & Nominating Committee (6 meetings)	Compensation Committee (5 meetings)	Health Safety & Environment Committee (4 meetings)
John Lydall	10 of 11	-	6 of 6	5 of 5 (Chair)	-
Garth MacRae ⁽⁴⁾	9 of 11	5 of 6	-	-	4 of 4 (Chair)
Peter Nixon	10 of 11	-	6 of 6 (Chair)	5 of 5	-
Ronald Singer	11 of 11	6 of 6 (Chair)	6 of 6	-	-
Brian J. Steck ⁽⁵⁾	9 of 11	5 of 6	2 of 3	-	-
William G. Wilson	11 of 11 (Chair)	6 of 6*	5 of 6*	5 of 5	4 of 4*

* The Chairman of the Board and the CEO regularly attend all Board committee meetings, of which they are not members, as non-voting participants;

(1) Mr. Benner resigned from the Board on October 29, 2007;

(2) Mr. Cooper resigned from the Audit Committee and the Corporate Governance & Nominating Committee on May 9, 2007 and from the Board on July 31, 2007;

(3) Mr. Kinsman was appointed to the Board on September 27, 2007;

(4) Mr. MacRae was appointed Chairman of the Health, Safety & Environment Committee on November 7, 2007, following Mr. Benner's resignation; and

(5) Mr. Steck was appointed to the Corporate Governance & Nominating Committee on May 9, 2007.

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 and monitoring implementation of the Corporation's strategic plan, 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 their mitigation plans;
- 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; and
- adopting an appropriate orientation and education program for new members of the Board.

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.

ORIENTATION AND CONTINUING EDUCATION

The Corporation has an orientation program for new directors that assists new directors 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.

In 2006, the Corporation retained 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. In 2007, management representatives began Phase 1 of an education program 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. To date, the workshops have been conducted at the Corporation's operations in Nunavut, Bulgaria and Serbia. Phase I is expected to be completed in 2008.

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. During 2007, an executive search firm was retained to assist the committee in identifying potential new candidates to the 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

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 peer groups' and mining industries' 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.

During the year ended December 31, 2007, the Compensation Committee engaged the services of Mercer to provide updated compensation data for peer group and other mining companies. 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.

OTHER BOARD COMMITTEES

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.

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 as well as 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 24, 2008, 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 where the score has failed to achieve "above average."

Individual director performance is evaluated every two years 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, 2007 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 2, 2008, 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 & Corporate Secretary

April 2, 2008

SCHEDULE "A"

**DUNDEE PRECIOUS METALS INC.
AMENDED AND RESTATED STOCK OPTION PLAN**

May 26, ~~2004~~2004,

As Amended on ●, 2008

**Cassels Brock & Blackwell LLP
Barristers & Solicitors
Scotia Plaza
40 King Street West
Suite 2100
Toronto, ON M5H 3C2**

DUNDEE PRECIOUS METALS INC.
AMENDED AND RESTATED STOCK OPTION PLAN

May 26, 2004

[As Amended on ●, 2008](#)

ARTICLE 1.

GENERAL

1.1. Purpose

The purpose of this Plan is to advance the interests of the Corporation by: (i) providing Eligible Persons with additional incentive; (ii) encouraging stock ownership by Eligible Persons; (iii) increasing the proprietary interest of Eligible Persons in the success of the Corporation; (iv) encouraging Eligible Persons to remain with the Corporation or its Affiliates; and (v) attracting new employees, officers, directors and Consultants to the Corporation or its Affiliates.

1.2. Administration

- (a) This Plan will be administered by the Board or a committee of the Board duly appointed for this purpose by the Board and consisting of not less than three directors. If a committee is appointed for this purpose, all references to the term "Board" will be deemed to be references to the committee.
- (b) Subject to the limitations of this Plan, the Board has the authority: (i) to grant Options to purchase Shares to Eligible Persons; (ii) to determine the terms, including the limitations, restrictions and conditions, if any, upon such grants; (iii) to interpret this Plan and to adopt, amend and rescind such administrative guidelines and other rules and Regulations relating to this Plan as it may from time to time deem advisable, subject to required prior approval by any applicable regulatory authority; and (iv) to make all other determinations and to take all other actions in connection with the implementation and administration of this Plan as it may deem necessary or advisable. The Board's guidelines, rules, Regulations, interpretations and determinations will be conclusive and binding upon all parties.

1.3. Interpretation

For the purposes of this Plan, the following terms will have the following meanings unless otherwise defined elsewhere in this Plan:

- A. **"Act"** means the *Securities Act* (Ontario), as amended;
- B. **"Affiliate"** has the meaning ascribed to such term as defined under the Act;
- C. **"Associate"** has the meaning ascribed to such term as defined under the Act;
- D. **"Board"** means the Board of Directors of the Corporation or a committee thereof appointed in accordance with this Plan;
- E. **"Change of Control"** means the occurrence of any one or more of the following events:

- (i). a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Corporation or any of its Affiliates and another corporation or other entity, as a result of which the holders of Shares prior to the completion of the transaction hold less than 50% of the outstanding shares of the successor corporation after completion of the transaction;
- (ii). the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of assets, rights or properties of the Corporation and/or any of its Subsidiaries which have an aggregate book value greater than 30% of the book value of the assets, rights and properties of the Corporation and its Subsidiaries on a consolidated basis to any other person or entity, other than a disposition to a wholly-owned Subsidiary of the Corporation in the course of a reorganization of the assets of the Corporation and its subsidiaries;
- (iii). a resolution is adopted to wind-up, dissolve or liquidate the Corporation;
- (iv). any person, entity or group of persons or entities acting jointly or in concert (an "**Acquiror**") acquires or acquires control (including, without limitation, the right to vote or direct the voting) of Voting Securities of the Corporation which, when added to the Voting Securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and/or Associates and/or Affiliates of the Acquiror, to cast or to direct the casting of 20% or more of the votes attached to all of the Corporation's outstanding Voting Securities which may be cast to elect directors of the Corporation or the successor corporation (regardless of whether a meeting has been called to elect directors);
- (v). as a result of or in connection with: (A) a contested election of directors; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisitions involving the Corporation or any of its Affiliates and another corporation or other entity, the nominees named in the most recent Management Information Circular of the Corporation for election to the Board shall not constitute a majority of the Board; or
- (vi). the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent.

For the purposes of the foregoing definition of Change of Control, "**Voting Securities**" means Shares and any other shares entitled to vote for the election of directors and shall include any security, whether or not issued by the Corporation, which are not shares entitled to vote for the election of directors but are convertible into or exchangeable for shares which are entitled to vote for the election of directors including any options or rights to purchase such shares or securities;

- F. "**Consultant**" means (i) an individual (including an individual whose services are contracted for through a corporation) or (ii) a corporation, in either case, designated by the Board with whom the Corporation has a contract for services;
- G. "**Corporation**" means Dundee Precious Metals Inc.;
- H. "**Eligible Person**" means, subject to the Regulations and to all applicable law, any employee, officer, director, or Consultant of (i) the Corporation or (ii) any Affiliate of the Corporation (and includes any such person who is on a leave of absence authorized by the Board or the board of directors of any Affiliate);
- I. "**Holding Company Corporation**" means a holding ~~company~~Corporation owned and controlled by an Eligible Person;

- J. **“Insider”** means: (i) an insider as defined in the Act other than a person who is an Insider solely by virtue of being a director or senior officer of a Subsidiary of the Corporation; and (ii) an Associate of any person who is an insider by virtue of (i);
- K. **“Option”** means a right granted to an Eligible Person to purchase Shares on the terms of this Plan;
- L. **“Participant”** means an Eligible Person to whom or to whose Holding ~~Company~~Corporation an Option has been granted;
- M. ~~“Permitted Extension Period” in circumstances where a Participant cannot voluntarily exercise Options under Section 3.1 and Section 3.7 of this Plan due to any legal or other prohibition preventing the voluntary exercise of such Options, the permitted extension period means a period of 30 days immediately after the end of such exercise prohibition;~~**“Plan”** means this Amended and Restated Stock Option Plan as it may be amended or varied from time to time in accordance with the terms and conditions hereof;
- ON. **“Regulations”** means the regulations made pursuant to this Plan, as the same may be amended from time to time;
- PO. **“Shares”** means the common shares in the capital of the Corporation;
- QP. **“Subsidiary”** has the meaning ascribed to such term, as defined under the Act;
- RQ. **“Termination Date”** means the date on which a Participant ceases to be an Eligible Person; and
- SR. **“Transfer”** includes any sale, exchange, assignment, gift, bequest, disposition, mortgage, charge, pledge, encumbrance, grant of security interest or other arrangement by which possession, legal title or beneficial ownership passes from one person to another, or to the same person in a different capacity, whether or not voluntary and whether or not for value, and any agreement to effect any of the foregoing.

Words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine.

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

1.4. Shares Reserved under the Stock Option Plan

~~The aggregate maximum number of Shares available for issuance from treasury under the Plan is 6,500,000, subject to adjustment or increase of such number pursuant to Section 3.3 of this Plan.~~

Subject to adjustment as provided in section 3.3 hereof, the Shares to be offered under the Plan shall consist of shares of the Corporation’s authorized and unissued common shares. The aggregate number of Shares to be delivered upon the exercise of all Options granted under the Plan shall not exceed the maximum number of shares permitted under the rules of any stock exchange on which the Shares are then listed or other regulatory body having jurisdiction over the Shares. The maximum number of Shares that can be issued by the Corporation under the Plan has been fixed following approval of the shareholders of the Corporation at 6,500,000 Shares (on a non-diluted basis.)

Any Shares subject to an Option which has been granted under the Plan and which have been cancelled or terminated in accordance with the terms of the Plan without having been exercised will again be available under the Plan.

The aggregate number of Shares ~~reserved for issuance pursuant to Options granted under the Plan shall not exceed 10% of the total number of Shares then outstanding. The aggregate number of Shares issued to Insiders pursuant to the exercise of Options, within a one-year period, shall not exceed 10% of the total number of Shares then outstanding. The aggregate number of Shares issued to any one Insider and such Insider's Associates pursuant to the exercise of Options, within a one-year period, shall not exceed 5% of the total number of Shares then outstanding. The aggregate number of Shares reserved for issuance to any one person pursuant to the grant of Options shall not exceed 5% of the total number of Shares then outstanding. For purposes of this Section 1.4 of the Plan, the number of Shares then outstanding shall mean the number of Shares outstanding on a non-diluted basis immediately prior to the proposed grant of the applicable Option or the exercise of the applicable Option.~~ subject to Option to an Eligible Person shall be determined by the Board, but as long as the Shares are listed on the Toronto Stock Exchange (the "TSX"):

1. 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 Shares outstanding on the date of issuance thereof (on a non-diluted basis);
2. 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 Shares outstanding on the date of issuance thereof (on a non-diluted basis);
3. 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); and
4. 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 Shares outstanding at the date of issuance thereof.

ARTICLE 2.

STOCK OPTION PLAN

2.1. Grants

Subject to this Plan, the Board will have the authority to determine the limitations, restrictions and conditions, if any, in addition to those set out in this Plan, applicable to the exercise of an Option, including, without limitation, the nature and duration of the restrictions, if any, to be imposed upon the sale or other disposition of Shares acquired upon exercise of the Option, and the nature of the events, if any, and the duration of the period in which any Participant's rights in respect of Shares acquired upon exercise of an Option may be forfeited. An Eligible Person and an Eligible Person's Holding ~~Company~~ Corporation may receive Options on more than one occasion under this Plan and may receive separate Options on any one occasion. ~~Subject to the Regulations, the aggregate number of securities available for issuance under the Plan to any one person together with any Holding Company of that person will be 5% of the Shares outstanding at the time of the grant (on a non-diluted basis), or such lesser number as may be required by applicable regulatory authorities from time to time.~~

2.2. Exercise of Options

- (a) Options granted must be exercised no later than 510 years after the date of grant or such lesser period as the applicable grant or Regulations may require, provided that if the date on which an Option expires occurs during, or within 3 days of the end of, a blackout period imposed by the Corporation restricting the ability of the holder of such Option to trade in the securities of the Corporation, the date of expiry of such Option will

be extended automatically to the date that is 10 days following the end of such blackout period (the “Blackout Extension”).

- (b) Unless otherwise determined by the Board, the aggregate number of Options granted under this Plan to a Participant on the date of a grant shall vest equally over a period of three years from the date of the grant and expire ~~five~~up to 10 years thereafter, subject to the Blackout Extension.
- (c) No fractional Shares may be issued and the Board may determine the manner in which fractional Share value will be treated.
- (d) Not less than 100 Shares may be purchased at any one time except where the remainder totals less than 100.

2.3. Option Price

The Board will establish the exercise price of an Option at the time each Option is granted on the basis of the closing market price of the Shares on the market with the highest closing price on the last trading date preceding the date of the grant. If there is no trading on that date, the exercise price will be the weighted average of the bid and ask prices on the five consecutive trading days preceding the date of the grant.

2.4. Grant to Participant’s Holding ~~Company~~Corporation

Upon written notice from the Participant and upon approval by the Board, any Option that might otherwise be granted to that Participant, may be granted, in whole or in part, to a Holding ~~Company~~Corporation established by and for the sole benefit of the Participant, and only to a Participant that is a non-resident of Canada.

2.5. Termination, Retirement, Death, Departure or Ceasing to be an Eligible Person

- (a) If a Participant ceases to be an Eligible Person for any reason whatsoever, other than death, each Option held by the Participant or the Participant’s Holding ~~Company~~Corporation will cease to be exercisable within a period of 60 days after the Termination Date or such longer period as determined by the Board, and, for greater certainty, such determination may be made at any time subsequent to the date of grant of the Options, provided that no Option shall remain outstanding for any period which exceeds the lesser of (i) the expiry date of such Option; and (ii) one year following termination of a non-management director of the Corporation or a non-management director of any Affiliate of the Corporation or a Consultant, or three years following termination of all other Eligible Persons. The Board may delegate authority to the Chief Executive Officer, the President and/or the Chief Financial Officer of the Corporation to make any determination with respect to the expiry or termination date of Options held by any departing Participant, other than a departing non-management director. If any portion of an Option has not vested on the Termination Date, the Participant or the Participant’s Holding ~~Company~~Corporation may not exercise such portion of an Option which has not vested after the Termination Date, provided that the Board may determine, and, for greater certainty, such determination may be made at any time subsequent to the date of grant of the Options, that such portion of the Option vests automatically or pursuant to a vesting schedule determined by the Board. The Board may delegate authority to the Chief Executive Officer, the President and/or the Chief Financial Officer to make any determination with respect to vesting of Options or any portion thereof held by any departing Participant, other than a departing non-management director. Without limitation, and for greater certainty only, this subsection (a) will apply regardless of whether the Participant was dismissed with or without cause and regardless of whether the Participant received compensation in respect of dismissal or was entitled to a period

of notice of termination which would otherwise have permitted a greater portion of the Option to vest in the Participant or the Participant's Holding [Company Corporation](#).

- (b) If a Participant dies, the legal representatives of the Participant may exercise the Options held by the Participant and the Participant's Holding [Company Corporation](#) within 180 days after the date of the Participant's death or such longer period as determined by the Board, and, for greater certainty, such determination may be made at any time subsequent to the date of grant of the Options, provided that no Option shall remain outstanding for any period which exceeds the lesser of (i) the expiry date of such Option; and (ii) one year following the death of a Participant, but only to the extent the Options were by their terms exercisable on the date of death, provided that the Board may determine, and, for greater certainty, such determination may be made at any time subsequent to the date of grant of the Options, that such portion of the Option vests automatically or pursuant to a vesting schedule determined by the Board. The Board may delegate authority to the Chief Executive Officer, the President and/or the Chief Financial Officer to make any determination with respect to the expiry or termination date of Options or vesting of Options or any portion thereof held by any deceased Participant, other than a deceased non-management director.

2.6. Option Agreements

Each Option must be confirmed, and will be governed, by an agreement (an "Option Agreement") in the form of **Schedule "A"** (as the same may be amended from time to time by the Regulations) signed by the Corporation and the Participant or the Participant's Holding [Company Corporation](#).

2.7. Payment of Option Price

The exercise price of each Share purchased under an Option must be paid in full by bank draft or certified cheque at the time of exercise, and upon receipt of payment in full, but subject to the terms of this Plan, the number of Shares in respect of which the Option is exercised will be duly issued as fully paid and non-assessable.

2.8. Amendment of Option Terms

With the consent of any applicable regulatory authorities (as required) and the Participant affected thereby, the Board may amend or modify any outstanding Option in any manner to the extent that the Board would have had the authority to initially grant the award as so modified or amended, including without limitation, to change the date or dates as of which, or the price at which, an Option becomes exercisable.

2.9. Share Appreciation Rights

At the option of the Corporation, the Corporation may elect to allow a Participant to, rather than exercise any Option which such Participant is then entitled to exercise under the Plan, terminate such Option, in whole or in part, and, in lieu of purchasing the Shares to which the Option so terminated relates, receive cash equal to the product of the number of Shares to which the Option so terminated relates multiplied by the difference between the current market price determined as of the day immediately preceding the date of termination of such Option and the exercise price per Share of the Shares to which the Option so terminated relates, less any amount required to be withheld on account of income taxes, which withheld income taxes will be remitted by the Corporation. Shares not issued pursuant to the Plan based on terminations of Options contemplated in this Section 2.9 will remain in the pool of unissued Shares reserved for issuance under the Plan.

ARTICLE 3.

GENERAL

3.1. Right to Terminate Options on Sale of Corporation

Notwithstanding any other provision of this Plan, if the Board at any time by resolution declares it advisable to do so in connection with any 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 Shares of the Corporation (collectively, the “**Proposed Transaction**”), the Corporation may give written notice to all Participants advising that their Options, including Options held by their Holding Companies, but only to the extent such Options were by their terms exercisable on the date of the notice, may be exercised only within 30 days after the date of the notice, subject to the ~~Permitted Blackout~~ Extension ~~Period~~, and not thereafter, and that all rights of the Participants and Holding Companies under any Options, as the case may be, not exercised will terminate at the expiration of the applicable 30-day period, 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 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.

3.2. Prohibition on Transfer of Options

Options are personal to each Eligible Person and non-assignable. No Eligible Person or Holding ~~Company~~ Corporation of an Eligible Person may deal with any Options or any interest in them or Transfer any Options now or hereafter held by the Eligible Person or Holding ~~Company~~ Corporation except in accordance with this Plan. If a Participant’s Holding ~~Company~~ Corporation ceases to be owned and controlled by the Participant, such Participant will be deemed to have Transferred Options held by such Holding ~~Company~~ Corporation. A purported Transfer of any Options in violation of the Plan will not be valid and the Corporation will not issue any Share upon the attempted exercise of improperly Transferred Options.

3.3. Capital Adjustments

If there is any change in the outstanding Shares by reason of a stock dividend or split, recapitalization, consolidation, combination or exchange of shares, or other fundamental corporate change, the Board will make, subject to any prior approval required of relevant stock exchanges or other applicable regulatory authorities, if any, an appropriate substitution or adjustment in: (i) the exercise price of any unexercised Options under the Plan; (ii) the number or kind of shares or other securities reserved for issuance pursuant to this Plan; and (iii) the number and kind of shares subject to unexercised Options theretofore granted under this Plan, and in the exercise price of those unexercised Options; provided, however, that no substitution or adjustment will obligate the Corporation to issue or sell fractional shares. In the event of the reorganization of the Corporation or the amalgamation or consolidation of the Corporation with another corporation, the Board may make such provision for the protection of the rights of Eligible Persons, Participants and their Holding Companies as the Board in its discretion deems appropriate. The determination of the Board, as to any adjustment or as to there being no need for adjustment, will be final and binding on all parties.

3.4. Non-Exclusivity

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

3.5. Amendment and Termination

~~(a) — The Board may amend, at any time, suspend or terminate this Plan or any portion thereof at any time in accordance with applicable legislation, and subject to any required regulatory or shareholder~~

~~approval. Subject to Section 3.1, no amendment, suspension or termination will alter or impair any Options under the Plan or any rights pursuant thereto, granted previously to any Participant or the Participant's Holding Company without the consent of that Participant.~~the Plan. The Board may, subject to receipt of the requisite shareholder and regulatory approval, make the following amendments to the Plan:

~~(b) If this Plan is terminated, the provisions of this Plan and any administrative guidelines, and other rules and Regulations adopted by the Board and in force at the time of this Plan, will continue in effect as long as any Options under the Plan or any rights pursuant thereto remain outstanding. However, notwithstanding the termination of the Plan, the Board may make any amendments to the Plan or the Options it would be entitled to make if the Plan were still in effect.~~

- a) 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;
- b) The addition of any form of financial assistance;
- c) Any addition of a cashless exercise feature, payable in cash or securities which does not provide for a full deduction in the number of underlying securities from the Plan;
- d) The addition of any provision in the Plan which results in Participants receiving securities while no cash consideration is received by the Corporation; and
- e) Any other amendments that may lead to significant and unreasonable dilution in the Corporation's outstanding securities or may provide significant additional benefits to Participants, especially to Insiders of the Corporation, at the expense of the Corporation and its existing shareholders.

The Board may, subject to the receipt of the requisite regulatory approval, where required, in its sole discretion make all other amendments to the Plan that are not of the type contemplated in the subparagraph above, including, without limitation:

- a) Amendments of a housekeeping nature;
- b) The addition of a cashless exercise feature, payable in cash or securities, which provides for a full deduction of the number of underlying securities from the Plan reserve.
- c) The addition of or a change to vesting provisions of a security of the Plan; and
- d) A change to the termination provisions of a security or the Plan which does not entail an extension beyond the original expiry date.

3.6. Compliance with Legislation

The Board may postpone or adjust any exercise of any Option or the issue of any Shares pursuant to this Plan as the Board in its discretion may deem necessary in order to permit the Corporation to effect or maintain registration of this Plan or the Shares issuable pursuant thereto under the securities laws of any applicable jurisdiction, or to determine that the Shares and this Plan are exempt from such registration. The Corporation is not obligated by any provision of this Plan or any grant hereunder to sell or issue Shares in violation of any applicable law. In addition, if the Shares are listed on a stock exchange, the Corporation will have no obligation to issue any Shares pursuant to this Plan unless the Shares have been duly listed, upon official notice of issuance, on a stock exchange on which the Shares are listed for trading.

3.7. Right to Terminate Options on Change of Control

Notwithstanding any other provision of this Plan, if the Board at any time by resolution declares it advisable to do so in connection with any Change of Control, the Corporation may give written notice to all Participants 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 the ~~Permitted~~Blackout Extension-~~Period~~, and not thereafter, and that all rights of the Participants 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.

3.8. Effective Date

The Corporation's original stock option plan was effective upon its approval at a special shareholders' meeting of the Corporation held on April 15, 2004, and was amended and restated in accordance with section 3.3 herein, pursuant to the Corporation's capital reorganization on April 16, 2004, and approved by the board of directors of the Corporation on May 26, 2004, and this Plan shall continue in effect until further amended or terminated in accordance with the terms and conditions hereof.

SCHEDULE "A"

**Dundee Precious Metals Inc.
Scotia Plaza
40 King Street West
55th Floor
Toronto, Ontario
M5H 4A9**

[Date]

PERSONAL & CONFIDENTIAL

[Name]

[Address]

Dear:

The Amended and Restated Stock Option Plan of the Corporation (the "**Plan**") permits the Board of Directors to grant options to officers, employees and others whose contribution to the Corporation is significant. In recognition of your contribution to the Corporation and in order to permit you to share in enhanced values that you will help to create, the Board is pleased to grant to you an option (the "**Option**") to purchase common shares in the capital of the Corporation (the "**Shares**"). This Option is granted on the basis set out in this letter, and is subject to the Plan, a copy of which is attached. This letter and the Plan are referred to collectively below as the "**Option Documents**". All capitalized terms not otherwise defined are to bear the meaning attributed to them in the Plan.

The total number of Shares that you may purchase pursuant to this Option is: _____

The option exercise price per Share is: _____

Your rights to purchase Shares will vest and expire as follows:

<u>Vesting Date</u>	<u>%</u>	<u>Expiry Date</u>
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Subject to earlier expiration in accordance with the Option Documents, your rights to purchase Shares pursuant to this option will expire with respect to any vested portion at 11:59 p.m. on the expiry date set out above for such vested Options.

This Option may be exercised in whole or in part in respect of vested Options at any time prior to expiry of the relevant Options, by delivery of written notice to the Corporation's head office to the attention of the Secretary of the Corporation, specifying the number of Shares to be purchased, accompanied by payment by bank draft or certified cheque of the total purchase price of the Shares. This Option may not be exercised in amounts of less than 100 Shares in the case of any one exercise unless that exercise would entirely exhaust the Option.

Nothing in the Option Documents will affect our right to terminate your services, responsibilities, duties and authority at any time for any reason whatsoever. Regardless of the reason for your termination, your Option rights will be restricted to those Option rights which have vested on or prior to your date of termination and, in any claim for wrongful dismissal or breach of contract, no consideration will be given to any Options that might have vested during an appropriate notice period or as a result of additional compensation you may receive in place of that notice period.

All decisions made by the Board with regard to any questions arising in connection with the Option Documents, whether of interpretation or otherwise, will be binding and conclusive on all parties.

The Option rights granted to you are personal and may not be sold, pledged, transferred or encumbered in any way. There are restrictions on the transfer of Shares issued to you pursuant to the Plan. Complete details of the restrictions referred to in this letter are set out in the Plan.

Please acknowledge acceptance of your Option rights on these terms by signing where indicated below on the enclosed copy of this letter and returning the signed copy to the Corporation to the attention of the Secretary. By signing and delivering this copy, you are acknowledging receipt of a copy of the Plan and are agreeing to be bound by all of the terms of the Option Documents.

Yours truly,

Dundee Precious Metals Inc.

By: _____

I have read and agree to be bound by this letter.

Signature: _____

Address: _____

Witness: _____

Witness Name:
(Printed)

Note: Letter to be revised if options granted to Holding ~~Company~~Corporation.

DUNDEE PRECIOUS METALS INC.

STOCK OPTION PLAN

REGULATIONS

1. In these Regulations, words defined in this Plan and not otherwise defined herein will have the same meaning as set forth in this Plan.
2. A Participant will cease to be an Eligible Person on earliest of:
 - (a) the date of the Participant's termination, retirement or cessation of employment with or engagement by the Corporation or any of its Affiliates;
 - (b) the date of the Participant's death; and
 - (c) the date on which the Participant otherwise fails to meet the criteria set forth under the definition of an Eligible Person.

For greater certainty, a Consultant will cease to be an Eligible Person if the services of any key individual referred to in the Consultant's contract are no longer available to the Corporation as required by the contract.

3. In the event the Board determines that the purchase price for Shares shall include a discount from market price, no Participant may deal with any Share or any interest in it or Transfer any Share now or hereafter held by the Participant or the Participant's Holding [CompanyCorporation](#) for a period of 12 months from the date of purchase of such Shares.
4. If the legal representative of a Participant who has died exercises the Option of the Participant or the Participant's Holding [CompanyCorporation](#) in accordance with the terms of the Plan, the Corporation will have no obligation to issue the Shares until evidence satisfactory to the Corporation has been provided by the legal representative that the legal representative is entitled to act on behalf of the Participant or his/her Holding [CompanyCorporation](#) to purchase the Shares under this Plan.
5. Share certificates representing the number of Shares in respect of which the Option has been exercised will be issued only upon payment in full of the relevant exercise price to the Corporation. These share certificates will be held for safekeeping by the Secretary of the Corporation, unless the Participant directs the Secretary otherwise.