



**DUNDEE**  
PRECIOUS METALS INC.

## MANAGEMENT INFORMATION CIRCULAR

**2007**

### **ANNUAL SHAREHOLDERS' MEETING**

*MAY 9, 2007 AT 3:30 P.M. (Toronto time)*

Design Exchange  
Trading Floor  
Toronto Dominion Centre  
234 Bay Street  
Toronto, Ontario M5K 1B2



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 3, 2007

Dear Shareholder:

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

Design Exchange  
Trading Floor  
Toronto Dominion Centre  
234 Bay Street  
Toronto, Ontario M5K 1B2

on **Wednesday, May 9, 2007 at 3:30 p.m.** (Toronto time).

The items of business to be acted upon are included in the attached Notice of 2007 Annual Meeting of Shareholders and accompanying Management Information Circular. 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. This year we are making it easy for you to 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 2006 Financial Report and quarterly financial information, is posted on our website at [www.dundeeprecious.com](http://www.dundeeprecious.com) along with other information regarding Dundee Precious Metals Inc.



## NOTICE OF 2007 ANNUAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN THAT** the Annual and General Meeting of Shareholders of Dundee Precious Metals Inc. (the "Meeting") will be held at the Design Exchange, Trading Floor, Toronto Dominion Centre, 234 Bay Street, Toronto, Ontario M5K 1B2 on Wednesday, May 9, 2007 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, 2006, 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; and
4. to transact such other business as may properly be brought before the Meeting or any adjournment thereof.

**DATED** at Toronto, Ontario this 3<sup>rd</sup> day of April, 2007.

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, 9<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1; (ii) by mail at P.O. Box 7021, 31 Adelaide Street East, Toronto, Ontario M5C 3H2; or (iii) via facsimile at (416) 263-9524 or 1-866-249-7775, prior to 5:00 p.m. (Toronto time) on Monday, May 7, 2007 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

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### 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 General Meeting of Shareholders of the Corporation (the “Meeting”) to be held at the Design Exchange, Trading Floor, Toronto Dominion Centre, 234 Bay Street, Toronto, Ontario M5K 1B2 at 3:30 p.m. (Toronto time) on Wednesday, May 9, 2007 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.**

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 telephone 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.computershare.com/proxy](http://www.computershare.com/proxy) 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 7, 2007 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](http://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 7, 2007 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 27, 2007 (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 54,077,505 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	11,366,555	21.0%
Third Avenue Management LLC, New York	10,005,893	18.5%

## 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, 2006 or the Corporation's annual information form dated March 23, 2007 which can be found on the SEDAR website located at [www.sedar.com](http://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, any director or executive officer of the Corporation, any director or executive officer of any of its subsidiaries, any director or executive officer of any 10% holder of voting securities, any proposed nominee for director of the Corporation, or any associate or affiliate of any of the foregoing had a direct or indirect material interest.

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

No (a) director or executive officer of the Corporation who has held such position at any time since January 1, 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.

## NORMAL COURSE ISSUER BID

On September 1, 2005, the Toronto Stock Exchange (the "TSX") approved a notice filed by the Corporation of its intention to make a normal course issuer bid to purchase up to 4,085,362 Common Shares, representing approximately 10% of the public float (within the meaning of the TSX Policy Statement on Normal Course Issuer Bids) of the then currently issued and outstanding Common Shares. Purchases of Common Shares under the normal course issuer bid were permitted to commence on September 6, 2005 and terminate no later than September 5, 2006. No purchases were made under this bid which expired on September 5, 2006. There is no normal course issuer bid in place as of the date hereof.

## BUSINESS OF THE MEETING

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### PRESENTATION OF FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation for the financial year ended December 31, 2006 and the auditors' report thereon will be placed before the Meeting. The financial statements are included in the Corporation's Financial Report for the year ended December 31, 2006, 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, 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.

<b>Nominee - Principal Occupation and Five Year Employment History</b>	<b>Year Became Director</b>	<b>Holdings <sup>(1)</sup></b>	
<b>Colin K. Benner</b> , Vancouver, British Columbia, Canada <sup>(6)</sup> Mr. Benner is Vice Chairman of Lundin Mining Corporation (formerly EuroZinc Mining Corporation), a base metal mining company. Prior to March 31, 2007, Mr. Benner was also Chief Executive Officer of Lundin Mining Corporation and, prior to December 2004, was President and Chief Executive Officer of Breakwater Resources Ltd., a base metal mining company. He also holds directorships with Gold Hawk Resources Inc., Major Drilling Group International Inc. and Tahera Diamond Corporation.	2005	Common Shares:	0
		Deferred Share Units:	4,563
		Options:	50,000
<b>Derek Buntain</b> , Cayman Islands, B.W.I. <sup>(6)</sup> 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
		Deferred Share Units:	5,400
		Options:	50,000

Nominee - Principal Occupation and Five Year Employment History	Year Became Director	Holdings <sup>(1)</sup>	
<p><b>Michael Cooper</b>, Toronto, Ontario, Canada<sup>(3)(5)</sup></p> <p>Mr. Cooper is Chief Executive Officer and Vice-Chair of Dundee Real Estate Investment Trust (“Dundee REIT”), an investment trust engaged in the ownership and management of commercial rental properties.</p> <p>Prior to June 2003, Mr. Cooper was President and Chief Executive Officer of Dundee Realty Corporation, a real estate development, management and holding company. He also holds directorships with Cogitore Resources Inc. and Zoolander Corporation.</p>	2001	Common Shares: 0 Deferred Share Units: 5,400 Options: 50,000	
<p><b>Jonathan Goodman</b>, <i>President and Chief Executive Officer</i>, Toronto, Ontario, Canada</p> <p>Prior to September 2004, Mr. Goodman was also President and Chief Executive Officer of Dundee Resources Limited, an investment company.</p> <p>He also holds directorships with Breakwater Resources Ltd., Cogitore Resources Inc., Dundee Corporation, Eurogas Corporation, Frontier Pacific Mining Corporation, Major Drilling Group International Inc., Odyssey Resources Ltd. and Tahera Diamond Corporation.</p>	1993	Common Shares: 13,599 Deferred Share Units: 377,400 Options: 1,000,000	
<p><b>Ned Goodman</b>, Innisfil, Ontario and Saint-Sauveur, Québec, Canada<sup>(2)</sup></p> <p>Mr. Goodman is a director, President and Chief Executive Officer of Dundee Corporation, a holding company dedicated to wealth management, financial services, real estate and resources, and Dundee Wealth Management Inc., a wealth management company, and Chairman of Goodman &amp; Company, Investment Counsel Ltd., an investment management company.</p> <p>Mr. Goodman is also a director of Breakwater Resources Ltd., Cogitore Resources Inc., Dundee REIT and Eurogas Corporation.</p>	1983	Common Shares: 3,514 Deferred Share Units: 5,400 Options: 50,000	
<p><b>Murray John</b>, Toronto, Ontario, Canada<sup>(6)</sup></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, an exploration company, and a director of Iberian Minerals Corp.</p>	2005	Common Shares: 2,500 Deferred Share Units: 4,563 Options: 50,000	

Nominee - Principal Occupation and Five Year Employment History	Year Became Director	Holdings <sup>(1)</sup>	
<p><b>John Lydall</b>, Oakville, Ontario, Canada <sup>(4)(5)</sup></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 Deferred Share Units: 5,400 Options: 50,000	
<p><b>Garth MacRae</b>, Toronto, Ontario, Canada <sup>(3)(6)</sup></p> <p>Mr. MacRae is also a director of Dundee Corporation, a holding company dedicated to wealth management, financial services, real estate and resources, and Dundee Wealth Management 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: 6,604 Deferred Share Units: 5,400 Options: 50,000	
<p><b>Peter Nixon</b>, Niagara-on-the-Lake, Ontario, Canada <sup>(4)(5)</sup></p> <p>Mr. Nixon is also a director of Kimber Resources Inc., Miramar Mining Corporation, Reunion Gold Corporation and Stornaway Diamond Corporation.</p>	2002	Common Shares: 5,204 Deferred Share Units: 5,400 Options: 50,000	
<p><b>Ronald Singer</b>, Montreal, Québec, Canada <sup>(3)(5)</sup></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 Deferred Share Units: 5,400 Options: 50,000	
<p><b>Brian J. Steck</b>, Stouffville, Ontario, Canada <sup>(3)</sup></p> <p>Mr. Steck is President of St. Andrews Financial Corp., a private investment company.</p> <p>He is also Chairman of Purolator Courier Ltd. and a director of Investment Technology Group, Inc.</p>	2006	Common Shares: 0 Deferred Share Units: 2,142 Options: 50,000	
<p><b>William G. Wilson</b>, Chairman of the Board, Vancouver, B.C., Canada <sup>(4)</sup></p> <p>A Chartered Accountant, Mr. Wilson has served as Chairman of the Board since 2002.</p>	1983	Common Shares: 200,000 Deferred Share Units: 5,400 Options: 125,000	

(1) The information as to Common Shares owned or controlled, not being within the knowledge of the Corporation, has been furnished by the nominees individually.

- (2) *As of March 27, 2007, 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 12 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 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 proposed director of the Corporation 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, while that person was acting in that capacity, (i) 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 for a period of more than 30 consecutive days; (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days; or (iii) 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.

No director has, within the ten years prior to 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 director.

#### **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.

## 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, 2006.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans</b>
Equity compensation plans approved by securityholders	5,068,168	\$7.80	585,669
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	5,068,168	\$7.80	585,669

### STOCK OPTION PLAN

On February 23, 2004, the Board approved the stock option plan of the Corporation (the "Stock Option Plan") which was subsequently approved by shareholders on April 15, 2004. The Stock Option 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 Stock Option Plan is administered by the directors of the Corporation or a duly appointed committee of the directors of the Corporation 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 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 Stock Option Plan or any portion thereof at any time in accordance with applicable legislation, and subject to any required regulatory or shareholder approval.

The aggregate maximum number of Common Shares reserved for issuance from treasury under the Stock Option Plan is 6,500,000, representing approximately 12% of the Corporation's issued and outstanding Common Shares, subject to adjustment in the event of a stock dividend or split, recapitalization, consolidation, combination or exchange of shares or other fundamental corporate change.

The aggregate number of Common Shares issuable pursuant to options granted under the Stock Option Plan ("Options") may not, at any time, exceed 10% of the total number of Common Shares then outstanding. The aggregate number of Common Shares issued to insiders pursuant to the exercise of Options, may not exceed 10% of the total number of Common Shares then outstanding. The aggregate number of Common Shares issued to any one insider and such insider's associates pursuant to the exercise of Options, within a one-year period, may not exceed 5% of the total number of Common Shares then outstanding. The aggregate number of Common Shares reserved for issuance to any one person pursuant to the grant of Options may not exceed 5% of the total number of Common Shares then outstanding.

The Options granted under the Stock Option 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 Stock Option Plan may require. Unless otherwise determined by the directors, the aggregate number of Options granted under the Stock Option 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 directors (or the committee) may determine the manner in which any fractional share value will be treated. Not less than 100 Common Shares may be purchased at any one time except where the remainder totals less than 100. All Options granted under the Stock Option 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 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 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 Stock Option 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 2006, the directors granted Options to purchase an aggregate of 560,000 Common Shares at an average exercise price of \$11.74 per Common Share, which vest over a period of three years and expire after five years (representing 1% of the issued and outstanding Common Shares at December 31, 2006).

During 2006, the Corporation issued 246,831 Common Shares (representing less than 0.5% of the issued and outstanding Common Shares at December 31, 2006) of the 6,500,000 Common Shares originally reserved for issuance under the Stock Option Plan in connection with the exercise of Options.

Effective February 23, 2007, the directors granted Options to purchase an aggregate of 100,000 Common Shares under the Stock Option Plan to an Eligible Person at an exercise price of \$11.61 per Common Share, which vest over a period of three years and expire after five years.

Of the 6,500,000 Common Shares originally reserved for issuance under the Stock Option Plan, as of the date hereof, 5,019,834 Options are outstanding under the Stock Option Plan (representing approximately 9.3% of the outstanding Common Shares) and 542,336 Options to purchase Common Shares remain available for granting under the Stock Option Plan (representing 1% of the issued and outstanding Common Shares).

## **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.

During the year ended December 31, 2006, no Employee Units were granted under the Employee DSU Plan and an aggregate of 384,090 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 since the conversion of the Corporation from a closed end investment company to an operating mining company, effective April 15, 2004 (the "Conversion"), and for the financial years ended December 31, 2005 and December 31, 2006 in respect of each of the individuals who were the Chief Executive Officer of the Corporation (the "CEO"), 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 (\$) <sup>(3)</sup>
		Salary <sup>(1)</sup> (\$)	Bonus (\$)	Other Annual Compensation <sup>(2)</sup> (\$)	Awards		Payouts	
					Securities Under Options/SARS Granted (#)	Shares or Units Subject to Resale Restrictions (\$)	LTIP Payouts (\$)	
Jonathan Goodman President and CEO	2006	550,000	265,000	nil	nil	nil	nil	9,000
	2005	400,000	265,000	40,000	nil	nil	nil	8,250
	2004	285,000	nil	25,000	1,000,000	nil	nil	5,500 <sup>(4)</sup>
C. Bruce Burton Vice President and CFO	2006	275,000	137,500	nil	nil	nil	nil	9,000
	2005	250,000	125,000	nil	nil	nil	nil	5,625
	2004	178,000	75,000 <sup>(5)</sup>	nil	300,000	nil	nil	nil
Laurence Marsland Executive Vice President and Chief Operating Officer	2006	360,000	190,000	nil	nil	nil	nil	nil
	2005	315,000	190,000	nil	nil	nil	nil	nil
	2004	189,000	nil	nil	700,000	nil	nil	nil <sup>(6)</sup>
Dr. Julian Barnes Executive Vice President	2006	340,000	170,000	nil	nil	nil	nil	nil
	2005	300,000	150,000	nil	nil	nil	nil	nil
	2004	164,000	nil	nil	500,000	nil	nil	nil
Sean Hasson Vice President, Exploration	2006	160,000	48,000	nil	nil	nil	nil	nil
	2005	128,000	30,000	nil	nil	nil	nil	nil
	2004	80,000	nil	nil	100,000	nil	nil	nil

- (1) *With respect to Messrs. Goodman, Burton and Hasson, the 2004 amounts represent salary paid to them following the Conversion. With respect to Mr. Marsland and Dr. Barnes, the 2004 amounts represent salary paid to them since their appointments on May 26, 2004 and June 14, 2004, respectively.*
- (2) *Taxable benefits did not exceed minimum threshold disclosure levels for any of the NEOs. In respect of Mr. Goodman, the 2004 figure provided represents directors' fees paid to him by the Corporation following the Conversion and 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.*
- (3) *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. The 2004 amount for Mr. Goodman represents a contribution made by the Corporation following the Conversion.*
- (4) *Effective December 31, 2004, Mr. Goodman was granted 375,000 Employee Units with a value of \$2,800,000 in recognition of the substantial time and personal effort undertaken by him in acquiring the Bulgarian assets for the benefit of the Corporation. See "Employee Deferred Share Unit Plan" above*
- (5) *Effective June 13, 2005, the Compensation Committee approved the issuance of 9,090 Employee Units with a value of \$75,000 to Mr. Burton in lieu of a cash bonus. See "Employee Deferred Share Unit Plan" above.*
- (6) *Effective June 30, 2004, the Corporation issued 500,000 Common Shares with a value of \$3,100,000 to Longreach Management Ltd., a trust established for the benefit of the family of Mr. Marsland, in lieu of payment for consulting fees and a finder's fee and in consideration for the surrender of certain prior rights in and to securities of a subsidiary of the Corporation.*

There were no Options granted to or exercised by the Named Executive Officers during the financial year ended December 31, 2006 pursuant to the Stock Option Plan, as described above.

The following table provides details of the value as of December 31, 2006 of unexercised Options held by the Named Executive Officers on an aggregate basis.

### **Financial Year End Option Values**

<b>Name</b>	<b>Securities Acquired on Exercise (#)</b>	<b>Aggregate Value Realized (\$)</b>	<b>Unexercised Options at Financial Year-End (#) Exercisable/ Unexercisable</b>	<b>Value of Unexercised In-the-Money Options at Financial Year End (\$) <sup>(1)</sup> Exercisable/Unexercisable</b>
Jonathan Goodman	nil	nil	666,667 / 333,333	3,060,000 / 1,530,000
C. Bruce Burton	nil	nil	200,000 / 100,000	918,000 / 459,000
Laurence Marsland	nil	nil	466,667/ 233,333	2,142,000/ 1,071,000
Dr. Julian Barnes	nil	nil	333,333 / 166,667	1,530,000/ 765,000
Sean Hasson	nil	nil	66,667 / 33,333	306,000 / 153,000

(1) Based on the closing price of the Common Shares on the TSX on December 29, 2006 of \$11.59.

### **TERMINATION AGREEMENTS**

On December 31, 2004, the Corporation entered into agreements with Messrs. Goodman, Burton, Marsland and Barnes (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. Burton, Mr. Marsland and Dr. Barnes, 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**

During 2006, the Compensation Committee retained Mercer Human Resource Consulting (“Mercer”), an internationally recognized human resource consulting firm, at a cost of \$8,000, 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 2006. 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 2006. Proposed base salaries are recommended to the directors of the Corporation by the Compensation Committee for approval.

## **Short Term Incentive Compensation**

For 2006, a series of demanding 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 a base salary for Mr. Goodman of \$550,000 for the year ended December 31, 2006, which was approved by the directors of the Corporation. This base salary also takes into account directors' fees which were previously paid to Mr. Goodman, in the form of cash and DSUs, and which were discontinued effective January 1, 2006.

## **Short Term Incentive**

Early in 2007, the Compensation Committee considered the performance of the CEO against the objectives established for the year ended December 31, 2006 and set out below.

### *Measures of Corporate Performance for Variable Compensation*

1) **Corporate** (weight **30%**)

- Relative share price performance of the Corporation (vs. Toronto Gold Index);
- Establish a revenue downside protection program for Chelopech Mine;
- Make significant progress in building the Corporation's potential production base through strategic investment, including an acquisition; and
- Improve company-wide budgeting and reporting systems and the investor relations program.

2) **Chelopech** (weight **35%**)

- Obtain all required permits for mine expansion;
- Exceed budgeted production, development and financial targets;
- Commence construction of POX facility; and
- Confirmation of additional resources from new mineralized zones.

3) **Krumovgrad** (weight **15%**)

- Obtain all required permits;
- Commence land acquisition process; and
- Commence Construction.

4) **Exploration** (weight **20%**)

- Determine project potential of Back River; and
- Make a significant discovery in Serbia.

The Compensation Committee determined that while a number of the objectives had not been attained the reasons for this were out of management's control. The overall results for the year ended December 31, 2006, particularly the positive financial results and the good progress made on exploration and strategic investments, partially outweighed the delay in obtaining permits for the Chelopech expansion and the Krumovgrad mine. The Compensation Committee was unanimous in recognizing the efforts made by the CEO during the year to expedite the approval process with the Bulgarian authorities involved.

As a result, the Compensation Committee unanimously agreed that for the year ended December 31, 2006 a short-term incentive payment of \$265,000, or 48% of his 2006 base salary, to the CEO would be recommended to the Board for approval, the same monetary level as that paid for the year ended December 31, 2005, but substantially less as a percentage of base salary than the 80% paid in 2005. Following the recommendation of the Compensation Committee, the Board approved the aforementioned annual base salary and short term incentive payment to the CEO for the year ended December 31, 2006.

## Long-Term Incentive

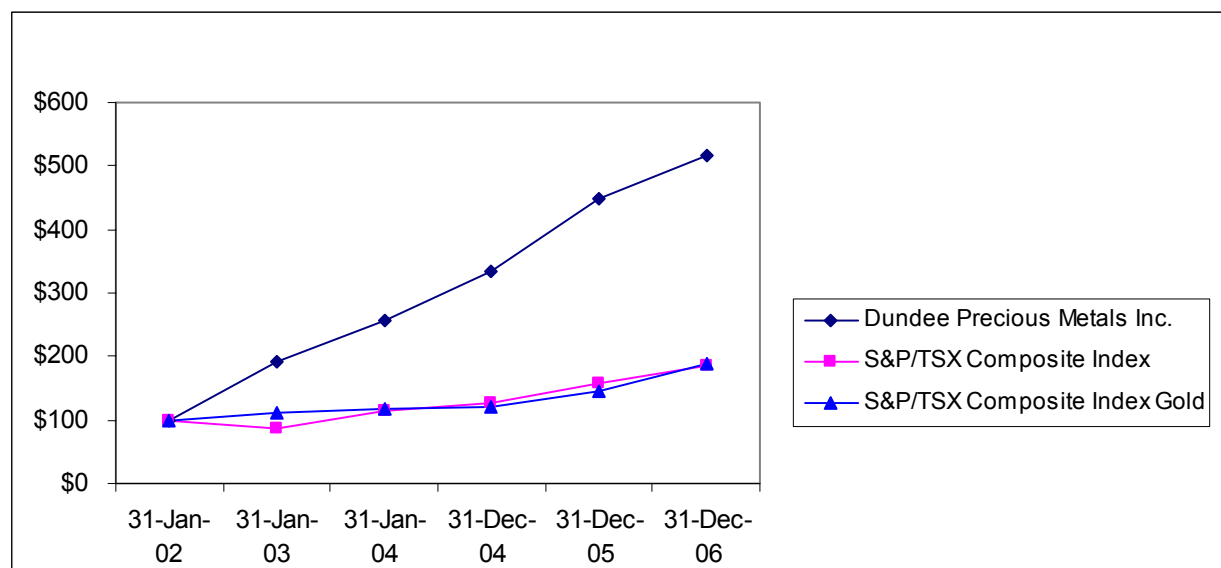
Following the long-term incentive issued to Mr. Goodman in 2004 in the form of Employee Units, no long-term awards were made to the CEO in 2005 or 2006. See “*Executive Compensation – Summary Compensation Table*” above for further details.

The foregoing report as at March 15, 2007 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 graph compares the yearly percentage change in the cumulative total shareholder return for \$100 invested in Common Shares on January 31, 2002 against the cumulative total shareholder return of the S&P/TSX Composite Index and the S&P/TSX Composite Index Gold for the five most recently completed financial years of the Corporation, assuming the reinvestment of all dividends. The values provided below for the periods January 31, 2002 to January 30, 2004 reflect the five-for-one stock split effected as part of the Conversion. The Corporation’s financial year end was changed from January 31 to December 31 in April 2004.

	Jan. 31/02	Jan. 31/03	Jan. 31/04	Dec. 31/04	Dec. 31/05	Dec. 31/06
Dundee Precious Metals Inc.	\$100.00	\$191.07	\$257.59	\$333.93	\$448.66	\$517.41
S&P/TSX Composite Index	\$100.00	\$87.47	\$115.63	\$127.59	\$158.37	\$185.70
S&P/TSX Composite Index Gold	\$100.00	\$110.73	\$117.27	\$121.06	\$146.82	\$187.96



## BOARD OF DIRECTOR COMPENSATION

Effective January 1, 2005, each 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, 2006, the Corporation paid an aggregate of approximately \$326,000 in directors' fees to the directors 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. Effective January 1, 2006, the Compensation Committee determined that directors' fees would no longer be paid to the CEO.

On May 15, 2006, Mr. Brian Steck was granted Options to purchase 50,000 Common Shares at \$14.35 per Common Share, pursuant to the Stock Option Plan. The Options are exercisable over three years and expire on May 14, 2011. 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.

During the year ended December 31, 2006, an aggregate of 25,542 Director Units were issued under the Director DSU Plan and remain outstanding as of the date hereof. Effective January 1, 2006, the Compensation Committee determined that the CEO would no longer be eligible to receive Director Units. Effective March 30, 2007, an aggregate of 6,600 Director Units were granted to the non-executive directors of the Corporation with respect to the first quarter of 2007. As of the date hereof, there are an aggregate of 56,868 Director Units outstanding under the Director DSU Plan.

### ***Directors' and Officers' Liability Insurance***

During the year ended December 31, 2006, 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 \$182,000.

## CORPORATE GOVERNANCE PRACTICES

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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 the new 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 twelve directors, eight of whom, including the Board Chair, are independent within the meaning of NI 58-101. Messrs. Colin Benner, Michael Cooper, John Lydall, Garth MacRae, Peter Nixon, Ronald Singer, Brian Steck and Bill 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.

The following table provides a listing of the reporting issuers for which the members of the Board served as directors:

<b>Director</b>	<b>Directorship(s) with other Reporting Issuers</b>
Colin Benner	Gold Hawk Resources Inc. Lundin Mining Corporation (formerly EuroZinc Mining Corporation) Major Drilling Group International Inc. Tahera Diamond Corporation
Derek Buntain	Assisted Living Concepts Inc. Calibre Energy Inc. CencoTech Inc. Eurogas Corporation High Liner Foods Inc. Sentex Systems Ltd.
Michael Cooper	Cogitore Resources Inc. Dundee REIT Zoolander Corporation
Jonathan Goodman	Breakwater Resources Ltd. Cogitore Resources Inc. Dundee Corporation Eurogas Corporation Frontier Pacific Mining Corporation Major Drilling Group International Inc. Odyssey Resources Ltd. Tahera Diamond Corporation

<b>Director</b>	<b>Directorship(s) with other Reporting Issuers</b>
Ned Goodman	Breakwater Resources Ltd. Cogitore Resources Inc. Dundee Corporation Dundee REIT Dundee Wealth Management Inc. Eurogas Corporation
Murray John	Corona Gold Corporation Iberian Minerals Corp.
John Lydall	Baffinland Iron Mines Corporation FNX Mining Company Inc.
Garth MacRae	Breakwater Resources Ltd. Dundee Corporation Dundee Wealth Management Inc. Eurogas Corporation GeneNews Limited Great Plains Exploration Inc. Torque Energy Inc. Uranium Participation Corporation
Peter Nixon	Kimber Resources Inc. Miramar Mining Corporation Reunion Gold Corporation Stornaway Diamond Corporation
Ronald Singer	None
Brian Steck	Investment Technology Group, Inc.
William G. Wilson	None

During the year ended December 31, 2006, the Board met on seven occasions. This comprised five regularly scheduled meetings as well as two 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 affords the independent directors the opportunity to conduct discussions both openly and candidly. The table below provides meetings of the Board and its various committee meetings held and attendance of directors, in person or by teleconference, for the year ended December 31, 2006.

<b>Director</b>	<b>Board Meetings (7 in total)</b>	<b>Audit Committee Meetings (5 in total)</b>	<b>Corporate Governance &amp; Nominating Committee Meetings (5 in total)</b>	<b>Compensation Committee Meetings (3 in total)</b>	<b>Health, Safety &amp; Environment Committee Meetings (3 in total)</b>
Colin Benner	4	n/a	n/a	n/a	2
Derek Buntain	7	n/a	n/a	n/a	3
Michael Cooper	4	4	3	n/a	n/a
Jonathan Goodman	7	n/a	n/a	n/a	n/a
Ned Goodman	4	n/a	n/a	n/a	n/a

<b>Director</b>	<b>Board Meetings (7 in total)</b>	<b>Audit Committee Meetings (5 in total)</b>	<b>Corporate Governance &amp; Nominating Committee Meetings (5 in total)</b>	<b>Compensation Committee Meetings (3 in total)</b>	<b>Health, Safety &amp; Environment Committee Meetings (3 in total)</b>
Murray John	3	n/a	n/a	n/a	3
John Lydall	7	n/a	4	3	n/a
Garth MacRae	7	5	n/a	n/a	3
Peter Nixon	7	3 <sup>(1)</sup>	5	3	n/a
Ronald Singer	7	5	5	n/a	n/a
Brian J. Steck	3 <sup>(2)</sup>	2 <sup>(2)</sup>	n/a	n/a	n/a
William G. Wilson	7	n/a	n/a	3	n/a

(1) Peter Nixon served on the Audit Committee until May 10, 2006; and

(2) Brian J. Steck was appointed to the Board and the Audit Committee on May 10, 2006.

## **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 which 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 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](http://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](http://www.sedar.com). The Corporation has appointed a Compliance Officer who reports regularly to the Corporate Governance & Nominating Committee 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 instil 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 is being made available to all employees in the local languages of each of the Corporation's global operations. Commencing in 2007, management representatives will be visiting each of the sites to present workshops on the implementation and function of the Code, Insider Trading, Disclosure and Whistleblower Policies of the Corporation.

## **NOMINATION OF DIRECTORS**

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

The Corporate Governance & Nominating Committee operates in accordance with a written mandate that outlines its role and responsibilities, a copy of which can be found on the Corporation's website at [www.dundeeprecious.com](http://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, 2006, 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](http://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](http://www.dundeeprecious.com) or may be obtained by contacting the Corporate Secretary of the Corporation.

## **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**

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Additional information relating to the Corporation can be found on the Sedar website located at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Corporation's audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations for the financial year ended December 31, 2006 which accompany this Circular and can also be found on the Sedar website located at [www.sedar.com](http://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.

Information regarding the Corporation's Audit Committee, including its mandate, is contained in the Corporation's annual information form (the "AIF") dated March 23, 2007 under the heading "*Audit Committee Disclosure*". The AIF is available on the Sedar website located at [www.sedar.com](http://www.sedar.com).

The information contained herein is given as of April 3, 2007, except as otherwise indicated. The contents and the sending of this Circular have been approved by the Board.

By Order of the Board

A handwritten signature in black ink, appearing to read "L. Beak", written in a cursive style.

Lori E. Beak  
Vice President & Corporate Secretary

April 3, 2007