



DUNDEE
PRECIOUS METALS INC.

our responsibilities

2011
SUSTAINABILITY REPORT







DPM and its subsidiaries recognize the goal of creating a business that is financially sustainable in the long-term and is consistent with the goals of the communities and countries in which it is hosted, while creating self-sustaining economies and societies.

a positive contributor to sustainable development

a proven responsible corporate citizen

an intrinsic player in regional economic development

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About This Report

Welcome to Dundee Precious Metals' first annual Sustainability Report. In the pages that follow, you will find a detailed assessment of the company's health, safety and environmental performance and an overview of our community initiatives for the 2011 calendar year, together with our plans and goals for 2012.

In this report, DPM means Dundee Precious Metals Inc. and "we", "us" and "our" mean DPM and/or its subsidiaries referred to below.

Scope

DPM is a well-financed, Canadian based, international gold mining company engaged in the acquisition, exploration, development, mining and processing of precious metals. This report includes information about DPM's wholly owned subsidiaries, which are as follows:

- ◆ Chelopech Mining EAD (Chelopech), which owns and operates a gold, copper and silver mine located east of Sofia, Bulgaria;
- ◆ Deno Gold Mining Company CJSC (Deno), which owns and operates a gold, copper, zinc and silver mine located south east of the capital city of Yerevan in southern Armenia;
- ◆ Balkan Mineral and Mining EAD (BMM), focused on the development of a gold property (Krumovgrad Gold Project) located in south eastern Bulgaria; and

- ◆ Namibia Custom Smelters (Pty) Limited (NCS), which owns and operates the company's concentrate processing facility located in Tsumeb, Namibia.

DPM also has a 51.4% and a 47.7% ownership interest in Avala Resources Ltd. (Avala) and Dunav Resources Ltd. (Dunav), respectively. Both companies are focused on early-stage exploration and pre-development projects in Serbia. The sustainability reporting systems are not yet fully developed at these companies and, for this reason, have not been included in this report. For further information on these entities, please visit their respective websites:
www.avalaresources.com
www.dunavresources.com

Materiality

In this report, we have presented information we regard as material to our operations and stakeholders. Material issues are considered to be those that reflect our significant economic, environmental and social impacts or would substantively influence the assessments and decisions of stakeholders.

Forward-looking Information

This report contains "forward-looking statements" that involve a number of risks and uncertainties. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes", or variations of such words and phrases or that state that certain actions, events, or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the company to be materially different from any other future results, performance, or achievements expressed or implied by the forward-looking statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

Reporting Framework

For our first Sustainability Report, we chose frameworks and key performance indicators that are most relevant to our business and our stage of growth and that can be used to help us manage risk and drive measurable performance improvements. We are also mindful of external stakeholder interests and input. As our capacity to report increases, we will be evolving and expanding our reporting to include more indicators.

To guide us through this first report and to help us build meaningful and consistent management reporting systems, we have used the reporting frameworks developed by both the Global Reporting Initiative (GRI) G3 and G3.1 guidelines and the Mining Association of Canada in their “Towards Sustainable Mining” (TSM) initiative.

We are reporting at a GRI application level of “C,” as assessed internally by DPM. Please refer to pages 46 and 47 for an explanation of the GRI application level criteria and the GRI Content Index, which indicates the GRI performance indicators that have been reported upon either fully or partially in sections of this report or other relevant regulatory or legal filings.

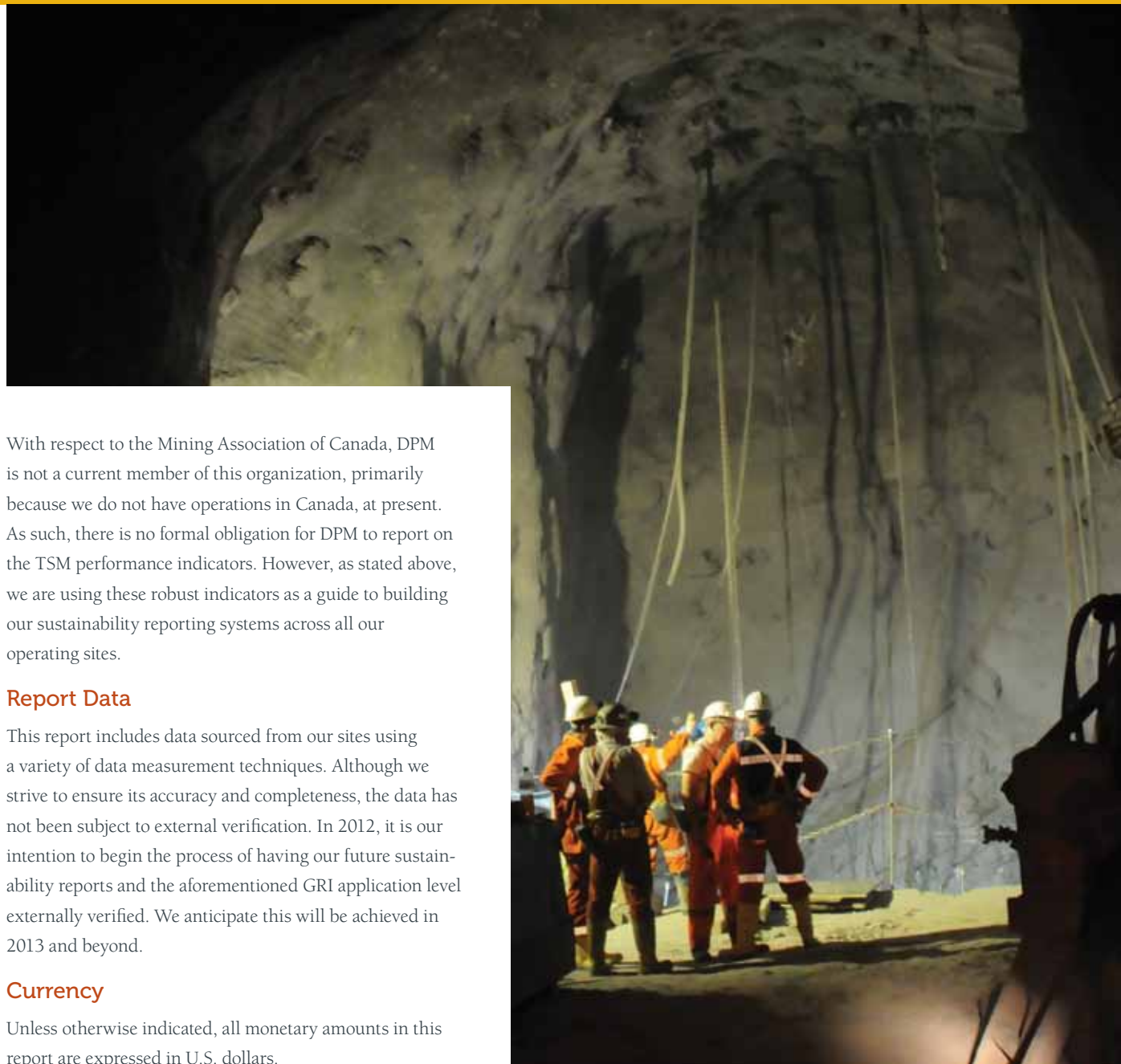
With respect to the Mining Association of Canada, DPM is not a current member of this organization, primarily because we do not have operations in Canada, at present. As such, there is no formal obligation for DPM to report on the TSM performance indicators. However, as stated above, we are using these robust indicators as a guide to building our sustainability reporting systems across all our operating sites.

Report Data

This report includes data sourced from our sites using a variety of data measurement techniques. Although we strive to ensure its accuracy and completeness, the data has not been subject to external verification. In 2012, it is our intention to begin the process of having our future sustainability reports and the aforementioned GRI application level externally verified. We anticipate this will be achieved in 2013 and beyond.

Currency

Unless otherwise indicated, all monetary amounts in this report are expressed in U.S. dollars.



Executive Viewpoint



Jonathan Goodman
President and Chief Executive Officer



Adrian Goldstone
*Executive Vice President,
Sustainable Business Development*

We have learned over the last eight years that the journey of turning vision into reality is not one to be taken lightly and that success requires real commitment and significant investment of both human and financial capital.

It is our pleasure to introduce Dundee Precious Metals' first comprehensive Sustainability Report. The publication of this report marks an important milestone for the company as a whole as we work toward transparency and best practices with respect to sustainability reporting. This report covers our progress to the end of 2011 and describes some of the hurdles we expect to clear in 2012. It is our first such report and in subsequent reports we will move further toward compliance with recognized and auditable international reporting standards.

We have come a long way since 2004, when DPM was first converted from a Canadian closed-end investment company to a fully operating mining and processing company with the acquisition of Chelopech Mining and the Krumovgrad Gold Project in Bulgaria. We began with a vision of becoming a world class gold and copper producer, operating to the highest ethical standards, with world class environmental and social programs, and becoming a transparent and "sustainable" business in every sense of the word.

In 2012, the company has matured and grown to include the two original acquisitions plus an operating mine in Armenia, a smelter in Namibia and significant interests in both early stage and advanced exploration programs in Serbia. That early vision is now well integrated into our corporate mission, vision, policies and values and is "owned" by all employees across what is now a much bigger company and a wider, more diverse group of people.

Our growth has evolved through the purchase of undercapitalized assets, with the original Chelopech purchase, then our underground mining operation in Kapan (Armenia) and, more recently, the smelter operation in Tsumeb, Namibia. In each of these cases, where others have often seen underperforming businesses and assets requiring much work and investment, we have seen promise and opportunity. The opportunity has been not only in the underlying businesses and their "fit" with the DPM business and financial strategy, but

in the application of our core values and our vision to communities and regions where we can have a meaningful economic and socio-economic impact.

“Re-engineering” of these older, undercapitalized facilities and businesses and incorporating our wider corporate vision into the local business model and at the same time changing the workplace culture, presents a significant challenge. It is one thing for us to articulate a particular vision and quite another to implement and incorporate it into every aspect of the business, especially in countries or regions where there is no history of business being done in this manner. But, the long-term economic and human rewards resulting from leveraging such a vision to create sustainable economic, social and environmental value in communities are very real and tangible.

We have learned over the last eight years that the journey of turning vision into reality is not one to be taken lightly and that success requires real commitment and significant investment of both human and financial capital. Progress is not always as fast or smooth as we would like it to be or think it should be. For example, in the midst of the 2008 financial crisis, we learned that external forces could often influence well thought-out internal strategies, requiring re-focus and re-prioritization along the way.

We acknowledge that we are not yet at the point in our journey where the corporate organism has evolved to the point where it collectively understands that by “doing good” it can also “do well”. However, we are proud of our progress so far and we believe that we have the right strategies in place to continue implementing the vision as articulated at the beginning of our journey in 2004.

In all of our communities we have become real and proven contributors to environmental stewardship, financing for sustainable futures, poverty alleviation and mitigation,

infrastructure improvement, improvements in social conditions, improved workplace health and safety, and education at the primary, secondary and tertiary levels, including vocational studies.

DPM’s board and senior management are fully committed to this journey, to being part of something that we can all be proud of and to ensuring that social and political license are being gained and nurtured.

At Chelopech, the operation has matured and is well into the “sustainability” journey we envisioned for it in 2004. Our local teams are fully vested, the corporate vision is embodied in the local business model and we are in what could be described as the later stages of the “sustainability” journey, where continuous improvement is now the key to our ongoing success. Our other operations, although not as mature, are going through a period of rapid and positive incremental change as they move along similar stages of the same sustainable business development journey.

We hope that from this report you will gain a sense of Dundee Precious Metals and its commitment to sustainable business development. We welcome comments and feedback from all stakeholders and look forward to meeting the objectives we set out for ourselves for 2012 and continuing the journey.



Jonathan Goodman
President and Chief Executive Officer



Adrian Goldstone
*Executive Vice President,
Sustainable Business Development*

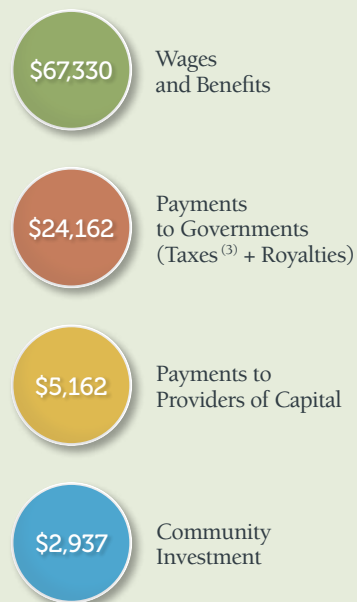
our company

COM
PA
NY



Economic Value Generated and Distributed 2011 (\$ thousands)

ADDITIONAL BREAKDOWN



Revenue



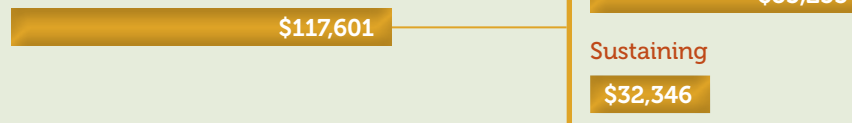
Operating Costs⁽¹⁾



Net Earnings Attributable to Common Shareholders⁽²⁾



Capital Expenditures



⁽¹⁾ Operating costs include raw materials, consumables and spare parts, wages and benefits, service costs, exploration expenses, maintenance expenses, royalties, depletion of mine properties, depreciation of property, plant and equipment, and amortization of intangible assets.

⁽²⁾ Includes revenues, operating costs, taxes (current and deferred), interest expense, interest income and other income.

⁽³⁾ Includes taxes incurred and paid, but excludes deferred taxes in 2011.

DPM is a well-financed, Canadian based, international gold mining company engaged in the acquisition, exploration, development, mining and processing of precious metals. Its common shares and share purchase warrants (symbol: DPM, DPM.WT and DPM.WT.A) are traded on the Toronto Stock Exchange.

We are committed to creating shareholder value in a safe and socially responsible manner through a disciplined but opportunistic business model. Maximizing the value of our existing operating assets through exploration, development and optimizing their operational output is a key component of our strategy. To that end, DPM has assembled and continues to grow a pipeline of mining and

processing projects at various stages of development that will ultimately serve to fuel further growth.

Included in operating costs is an amount of \$81 million spent on raw materials, consumables and spare parts, a majority of which were purchased from local or regional suppliers.

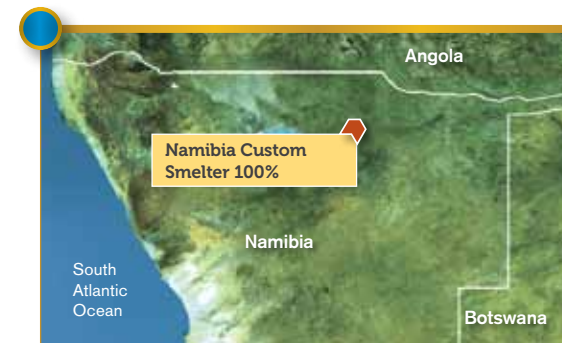
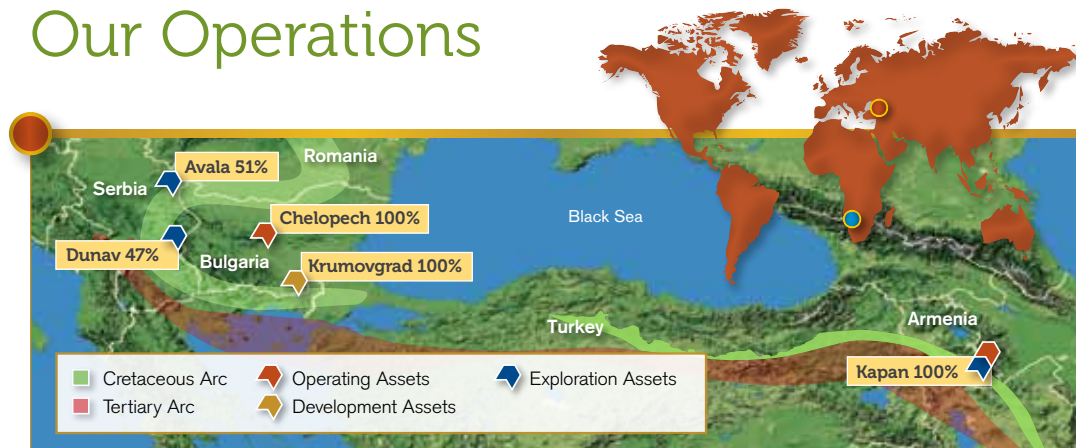
DPM does not receive significant direct financial assistance from governments other than standard tax relief measures that are available to businesses in the jurisdictions where we operate. In Namibia, NCS operates as an Export Processing Zone Enterprise in accordance with Namibia's Export Processing Zones Act and, as such, NCS does not pay corporate income taxes in Namibia.

DPM is a "Supporter" of the Extractive Industries Transparency Initiative (EITI) although none of the countries in which we operate are considered EITI "Compliant" or "Candidate" countries.

We are also a "Signatory" to the International Cyanide Management Code although, at present, we do not utilize cyanide at any of our operations.

We do not make any material payments to local communities as part of land use agreements.

Our Operations



Significant Accomplishments and Noteworthy Events

During 2011, the company performed well, both from an operating and a financial perspective. Significant accomplishments and noteworthy events during 2011 included the following:

- ◆ Increased concentrate production as a result of the continued ramp-up of the mine and mill expansion at Chelopech and the completion of the mine and mill expansion at Deno in the fourth quarter of 2010 combined with strong metal prices in 2011, relative to 2010, contributed to record earnings and cash flow in 2011;
- ◆ A long-term loan agreement of \$14.5 million with Raiffeisenbank (Bulgaria) EAD, completed in May 2011, concluded a total of \$81.25 million in long-term debt financing used to partly fund the Chelopech mine and mill expansion project;
- ◆ In September 2011, Dunav exercised its option agreement with DPM, wherein DPM received, amongst other

consideration, a controlling ownership interest in Dunav in exchange for DPM's remaining Serbian properties, namely its Surdulica molybdenum, Tulare copper and gold, and other early stage projects in Serbia;

- ◆ The major capital projects underway at Chelopech and NCS to expand and upgrade their respective facilities remained on budget and on track for completion in 2012;
- ◆ In December 2011, an independent and technically competent review team was brought in to perform a review to ensure that both the government and the company have properly identified the issues in respect of concerns raised regarding the disposal and management of arsenic in concentrate processed at NCS. The work was completed in January 2012 and the report to the government is expected to be issued in the near future. The company believes that the program of upgrades and improvements completed to date and scheduled over the coming years properly addresses the issues and concerns raised and that the report will support this view;

- ◆ Increased exploration activities in Bulgaria, Armenia and Serbia continue to show potential to add significant value to the company over time;
- ◆ A number of key milestones were achieved on the Krumovgrad project, including the granting of a 30-year concession, the approval of its Environmental Impact Assessment ("EIA"), with pre-emptive execution, which is currently going through an appeal process, and the completion of a new feasibility study that confirmed the commercial and economic viability of the project;
- ◆ The company ended the year in a strong financial position with consolidated cash of \$173 million and is well positioned to fund its current growth capital programs.

For more detailed information on the operations of DPM and its respective subsidiaries, please refer to the Annual Report and related regulatory filings, which can be found either on our website at www.dundee precious.com or www.sedar.com.

Sustainable Development Policy



◆ DPM and its subsidiaries recognize the goal of creating a business that is financially sustainable in the long term and is consistent with the goals of the communities and countries in which it is hosted, while creating self-sustaining economies and societies.

◆ DPM recognizes its goals and those of the communities it operates in can be aligned to create mutual and lasting benefits.

◆ Sustainability will, at the least, be applied using the following principles:

Using energy and other resources efficiently in operations;

Ensuring the principles of resource reuse, recycling and waste minimization are applied;

Outsourcing and contracting of activities to qualified local businesses, wherever possible;

Ensuring that technology, know-how and access to financial resources are transferred to contractors and local businesses supporting its operations;

Ensuring fair employment practices and opportunities are maximized for local people;

Ensuring closed operations do not constitute an environmental or economic liability for others and that post-closure land uses have been considered;

Ensuring that its operations do not introduce additional or unwarranted risk to communities or the environment;

Ensuring that the environment and natural resources in the areas of its operations are left in a manner that is suitable to the community and will support future uses;

Ensuring that environmental remediation and economic improvement is a part of its business plan at project sites where it inherits legacy sites.

◆ DPM will ensure improvements to infrastructure, public health and education associated with projects and operations that also benefit a local community are identified early and, where implemented, are adapted on a site specific basis to provide lasting benefits to the entire community.

◆ DPM will ensure that its employment and health and safety practices provide for the long-term well-being of its employees and their families.

◆ All of DPM's business practices will be conducted with the highest standards of ethics and transparency.

Our Values Define Our Company

dignity and respect

We care about people – their well-being, their careers and development, and their day-to-day work experience. We treat all colleagues fairly, listen to their input and work with them to create solutions that respect both individual needs and corporate interests.

continuous improvement

We are passionate about continuous improvement. We seek out and execute operational practices that drive innovation, speed to market, cost efficiency, technical and professional excellence.

transparency

We set and uphold the highest ethical standards and business practices. Our dealings with employees, governments, stakeholders and communities are open, honest and transparent. We do what we say we will do and fulfill our commitments. We hold each other accountable for delivering results.

environmental responsibility

We are leaders in promoting sustainable growth and environmental responsibility. We go beyond legislative compliance to promote pragmatic environmental solutions and practices in all of our operations.



The health and safety of our employees and local communities are paramount and enable us to be in business. Safety can never be compromised.



We care about the quality of the communities in which we operate. Our legacy will be to ensure we have helped residents make the community a better place than before we arrived on the scene. We have a strong corporate and social responsibility to the communities in which we invest.

Our Sustainability Goals for 2012

People, Health and Safety

- ◆ Reduce Lost Time Injuries (LTI) and Lost Time Injury Frequency Rate (LTIFR) at all operating sites
- ◆ Develop strategy for increasing capacity of emergency health facilities at Deno and NCS
- ◆ Achieve zero fatalities at all sites
- ◆ Complete rollout of AeroScout Real-Time Location System at Deno
- ◆ Complete Crisis Management Planning training and achieve high level of emergency preparedness at all sites
- ◆ Complete “Project 2012” (see page 21) at NCS
- ◆ Develop long-term strategy for improving health and safety performance at NCS

Environment

- ◆ Complete Greenhouse Gas (GHG) emissions inventory in accordance with GHG Protocol and develop GHG Management Plan at Deno and NCS
- ◆ Complete upgrade of energy management systems to include monitoring, processing and automatic electricity reading and load management at Chelopech
- ◆ Set energy use and water use intensity performance targets at all operating sites
- ◆ Develop and improve waste management reporting systems at NCS
- ◆ Improve waste separation procedures at Deno
- ◆ Develop spills data reporting system at NCS
- ◆ Complete reclamation of Artsvanic Tailings Management Facility (TMF) at Deno
- ◆ Develop product custodial/life cycle strategy for concentrate with arsenic content and plan for corporate-wide custodial strategy
- ◆ Complete third-party review of Geghanush TMF at Deno and develop long-range tailings management plan

Communities and Other

- ◆ Develop the “DPM Approach” to corporate social responsibility that can be consistently implemented across all sites
- ◆ Improve corporate social responsibility measurement techniques at all sites
- ◆ Complete negotiation of social and community strategic plan with Krumovgrad stakeholders
- ◆ Develop a process for the external verification of sustainability report data and GRI application level



our people

Our Employees

EMPLOYEE DATA 2011 (as at Dec. 31)

	Chelopech	Deno	NCS	BMM	Corporate	Total
Full-time employees (excluding expatriate employees)	1,056	1,221	412	28	28	2,745
Contract employees	650	85	458	3	2	1,198
Expatriate employees	14	23	1	16	1	55
Total employees that are local nationals (%)	100	98	98	66	97	99
Employees that are managers and supervisors (%)	6	8	12	11	71	9
Male employees (%)	79	84	93	75	54	83
Female employees (%)	21	16	7	25	46	17
Employees under 30 years old (%)	25	25	15	7	4	23
Employees between 30 and 50 years old (%)	61	43	51	50	56	51
Employees over 50 years old (%)	14	32	34	43	40	26
Employees covered by collective bargaining agreements (%)	100	0	89	0	0	51
Average hours of training per year per employee (full-time) ⁽¹⁾	20	20	42	0	0	–

⁽¹⁾ Includes mandatory training only. See also “Building Formidable In-Country Management” on page 18.

DPM employs a total of 2,800 full-time employees (including expatriate employees) and 1,198 contractors worldwide and every single one of them is vital to the smooth operation of our company. Whether they are working underground at our mines in Chelopech or Deno, at our smelter facility at NCS, a part of our corporate accounting team in Toronto, interfacing with stakeholders at our local information centres, or engaged in research to find better ways of reducing our water consumption or GHG emissions, our employees determine the success and future of DPM.

We place particular emphasis on ensuring that our corporate values resonate throughout our organization and strategic decision-making processes and help mold the way we think about and address the important issues relating to our sustainable development.

Due to the geographic and cultural diversity of our workforce, we have created a blend of corporate, regional and site-based human resource policies and programs. This combined approach has allowed us to implement targeted local programs that attract, retain and motivate our staff, while still reflecting local needs and cultures (see also “Building Formidable In-Country Management”).



Our geographic diversity also dictates how we manage wages and benefits. We match or exceed average wages in the countries where we operate. Using a gender-neutral job evaluation methodology, we also strive to ensure that men and women receive the same remuneration for the same type of occupation according to their level of experience and length of employment. Health benefits vary by location, but in general our insurance plans cover labour and other accidents, life insurance and basic health benefits. DPM is also cognizant that in some regions health expenses, over and above those covered by our insurance plans, can be a financial burden to our employees and their families. For this reason, we also supplement our plans on a case-by-case basis. In 2011, we donated approximately \$100,000 to our employees to cover additional health expenses. Additionally, some of our senior executives personally sponsored families in need.

At DPM, we respect the rights of employees to join a union or other labour association. Approximately 51% of our employees are covered by collective bargaining agreements.





Building Formidable In-Country Management

We are committed to providing equal opportunity to all our employees and contractors and to preventing human rights infringements upon our workforce, including all forms of forced or compulsory labour and racial and gender discrimination.

DPM's Code of Business Conduct and Ethics, which was first adopted in 2004, covers topics such as conflicts of interest, competitive practices, anti-fraudulent practices, dealing with suppliers, dealing with public officials, political activities and contributions, equal opportunity, health, safety and environmental protection, work environment, integrity of records and financial reports, use of agents and non-employees, officers and directors and international operations.

DPM's comprehensive Whistleblower Policy, which includes an anonymous reporting hotline, has been in place since 2005.

Across all our operations, we are progressing with our plans to build and develop formidable in-country senior management teams comprised of local nationals.

Professional development is a key objective at DPM and we provide a variety of learning opportunities. Key in-house programs include training and leadership skills development and professional and technical skills development.

We have also been piloting an apprenticeship program in mechanical maintenance and electrical and automotive maintenance at our Chelopech process plant. The first four graduates from this three-year program (recently changed to two years) are now full-time employees at our process plant and we are looking for ways to expand this successful program to include our underground mining operations as well as building partnerships with other local companies and the regional secondary technical school.

In addition, tuition reimbursement is provided on a case-by-case basis for off-site, employment-related education. This ranges from university degree courses and technical short courses to international executive management courses for our senior managers and leadership team. In addition, external executive coaches are working with a large number of our senior managers as part of their ongoing professional development.

Health and Safety Policy

Every person going home safely every day.

Dundee Precious Metals is committed to developing and operating sustainable businesses and the health and safety of our workforce and community stakeholders is a key component of our sustainability policy.

We hold the philosophy that sound health and safety management practices are in the best interests of our employees, our business, our shareholders and the communities in which we operate.

- ◆ We never compromise health and safety when carrying out any other business objective or activity.
- ◆ We value health and safety management as a core business activity and will always provide sufficient resources to meet all of our health and safety objectives.
- ◆ We believe that a safe and healthy environment is achieved with the input of all personnel on site.
- ◆ We will always consider health and safety fully in all our business planning and operations.

All employees, at all levels, are expected to work in accordance with this policy.

We all have an obligation to take all reasonable care of our own health and safety, as well as that of our colleagues.

We recognize that the health and safety of others may be affected by our actions or failure to act, and accept that working safely is a condition of employment.

We will establish clearly defined health and safety guidelines, programs and training, and will measure health and safety performance.

To ensure continuing safe and healthy working conditions, the guidelines and programs will be continually reviewed to recognize and eliminate hazardous and unsafe areas and to make continuous improvements.

We will identify and investigate the causes of accidents and incidents and develop effective and immediate preventative and remedial actions.

We will operate in accordance with recognized industry standards, and comply with all applicable regulations.

We will ensure that our employees are properly trained to carry out their jobs safely and productively.

We will maintain a high degree of emergency preparedness.

We will require that all visitors (vendors and contractors) comply with all applicable health and safety standards.

We will not compromise on matters of safety.





The Real-Time Location System

In 2011, we implemented the AeroScout Real-Time Location System that uses state-of-the-art wireless technology to track people, equipment and vehicles.

AeroScout Wi-Fi Tags, worn by miners or mounted to vehicles and equipment, transmit critical information over the mine's standard Wi-Fi network to specialized software, providing a real-time visual representation of their location.

Prior to implementing AeroScout, we kept track of workers by noting who had turned in their cap lamps at the end of a shift. Now this process is fully automated, allowing above-ground staff to quickly determine the location of miners and equipment. The result is a vastly improved safety profile at our operating site. The initial rollout of AeroScout was at our Chelopech operations and we are in the process of implementing similar technology at our Deno mine in Kapan.



Policy Execution and Performance

HEALTH AND SAFETY DATA 2011

	Chelopech	Deno	NCS
Number of Lost Time Injuries (LTI)	7	9	13
Number of Medical Treatment Injuries (MTI)	29	16	47
Lost Time Injury Frequency Rate (LTIFR) ⁽¹⁾	0.52	0.84	1.28
Number of Fatalities	0	1	0
Average Hours of Safety Training Per Employee Per Year (Full-Time)	3	6	5

$$^{(1)} \text{LTIFR} = \frac{\text{Number of Occurrences}}{\text{Man-Hours Worked}} \times 200,000^{(2)}$$

⁽²⁾ The factor of 200,000 is derived from 50 working weeks at 40 hours per 100 employees. By using this factor, the resulting rate is related to the number of employees, not number of hours.

Our corporate-wide Health and Safety Policy was first adopted in 2010 and it applies to all employees, including contractors who work at our sites. All of our operations have health and safety committees and conduct regular safety meetings that fit the needs and requirements of each individual site.

DPM's safety journey continues to evolve and improve at all levels. Our more mature Chelopech operations are leading the charge, with extensive systems and enforcement, resulting in high levels of compliance. At Deno and NCS, we are continuing to develop and upgrade our systems, procedures and safety equipment, and increase the number of safety-team professionals.

We are also rolling out Incident Cause Analysis Method (ICAM) training across all sites and are adopting OHSAS-18000 standards to guide the ongoing development of our safety systems.

At Chelopech, we successfully launched the "Five-Point Safety System". In essence, this involves workers answering five questions at the beginning of each shift, which, in turn, prompts them to inspect their workplace and report on any safety risks. This system provides safety supervisors with relevant information on existing risks and the appropriate measures that must be taken to minimize or eliminate them. Since the beginning of 2011, approximately 98,000 safety cards have been completed by our Chelopech

workers and it is our intention to rollout this simple but very effective preventative safety system at our Deno and NCS operations in 2012.

Despite our emphasis on safety, it is with deep regret that we reported one fatality at our Deno operation in February 2011. We conducted a full investigation into this tragedy in order to determine the root cause and believe that we have taken the necessary actions to prevent a similar incident from occurring at any of our operations.

Also during 2011, our Namibian smelter operation was subject to adverse publicity regarding the levels of arsenic dust and sulphur dioxide emissions at the plant. When DPM purchased the operations of NCS in March 2010, we inherited facilities that required significant environmental upgrades. We are working as quickly and as diligently as possible to ensure this happens in a timely manner. In addition to upgrading our day-to-day safety practices, monitoring procedures and systems, there are a number of extensive capital investment plans in place to mitigate any potential health, safety and environmental issues.

Project 2012

Project 2012 refers to our approximately \$75 million capital investment program to improve, among other things, emissions controls, environmental performance and operational efficiency at NCS.



Key components of Project 2012 include:

- ◆ Projects to reduce dust emissions from the reverberatory and convertor furnace section, which includes increasing baghouse capacity, upgrading the taphole fume extraction systems and improving ducting and fugitive fume collection;
- ◆ Projects to reduce emissions from the top submerged lance (Ausmelt) smelting furnace, which includes installing new baghouse dust collection equipment for dust removal, installing new ducting and other gas handling equipment; and
- ◆ Construction of a new dust transfer system, upgrading roasting and fume management facilities, enclosed storage area, bag-filling station and extraction system at the arsenic plant, all aimed at reducing the dispersal of dust.

Also, as part of Project 2012, we recently completed a state-of-the-art waste disposal facility for storing products containing arsenic at a cost of \$3.6 million (see also Waste section on page 30). We are also in the feasibility study phase of building a sulphuric acid plant. This latter investment would effectively eliminate all sulphur dioxide emissions at what is becoming a world class operation in Tsumeb.

Crisis Management Planning

In late 2010, we started to discuss and design a global crisis management plan. In the fall of 2011, we formally engaged a leading international crisis and emergency management consulting firm to help finalize the design and facilitate the rollout of our plan to all our operations. Corporate and facility level crisis management teams were formed and the corporate team, including our CEO, was trained in December 2011, using the most sophisticated training methods available in the industry today. Facility level training was completed at all our operations during the first quarter of 2012.

our environment



Environmental Policy



Dundee Precious Metals will carry out its business and create sustainable shareholder value following the highest standards of business ethics and social behaviour.

The following statements outline the environmental components of the DPM sustainable development policy.

Environment

- ◆ DPM and its subsidiary businesses will operate in such a way as to maximize the environmental management opportunity existing in mineral development projects and operations and minimize the environmental risks and effects.
- ◆ DPM will ensure compliance with applicable laws and regulatory controls.
- ◆ DPM understands that it may be operating in areas and countries where it takes a leadership and stewardship role with respect to modern mining technology, management and law and where there will be significant benefit from its presence and will apply this policy accordingly.
- ◆ Certain standards and requirements will be specific to each operation and outlined in comprehensive “Life-of-Mine” plans. However, DPM will also adopt bottom-line best-practice approaches to environmental management, engineering and protection, which will be applied evenly across the business independent of the regulatory, social, physical and/or natural environment.
- ◆ DPM will audit and evaluate its performance, follow the principle of continuous improvement, and openly and honestly engage with stakeholders and outline the detail of this policy and report its results.
- ◆ Outstanding environmental management will be regarded as a core business activity alongside outstanding minerals development and production operations.
- ◆ Environmental policy will be applied at all stages of project development, operation and closure and be incorporated into the process of evaluating new business opportunities.
- ◆ Environmental policy will be adequately supported with funding and appropriate financial instruments, management systems and internal resources.
- ◆ DPM will ensure that all employees and contractors are aware of and accept its environmental policy and understand their obligations in ensuring compliance with the policy.



Materials Use

RAW MATERIALS USED BY WEIGHT (Tonnes)

	Chelopech	Deno	NCS	Total
Ore processed	1,353,733	581,852	–	1,935,585
Ore mined	1,309,924	525,622	–	1,835,546
Waste rock mined	378,954	136,150	–	515,104
Concentrate smelted	–	–	180,403	180,403

Energy Use

TOTAL ENERGY USE BY SOURCE – 2011 (gigajoules)

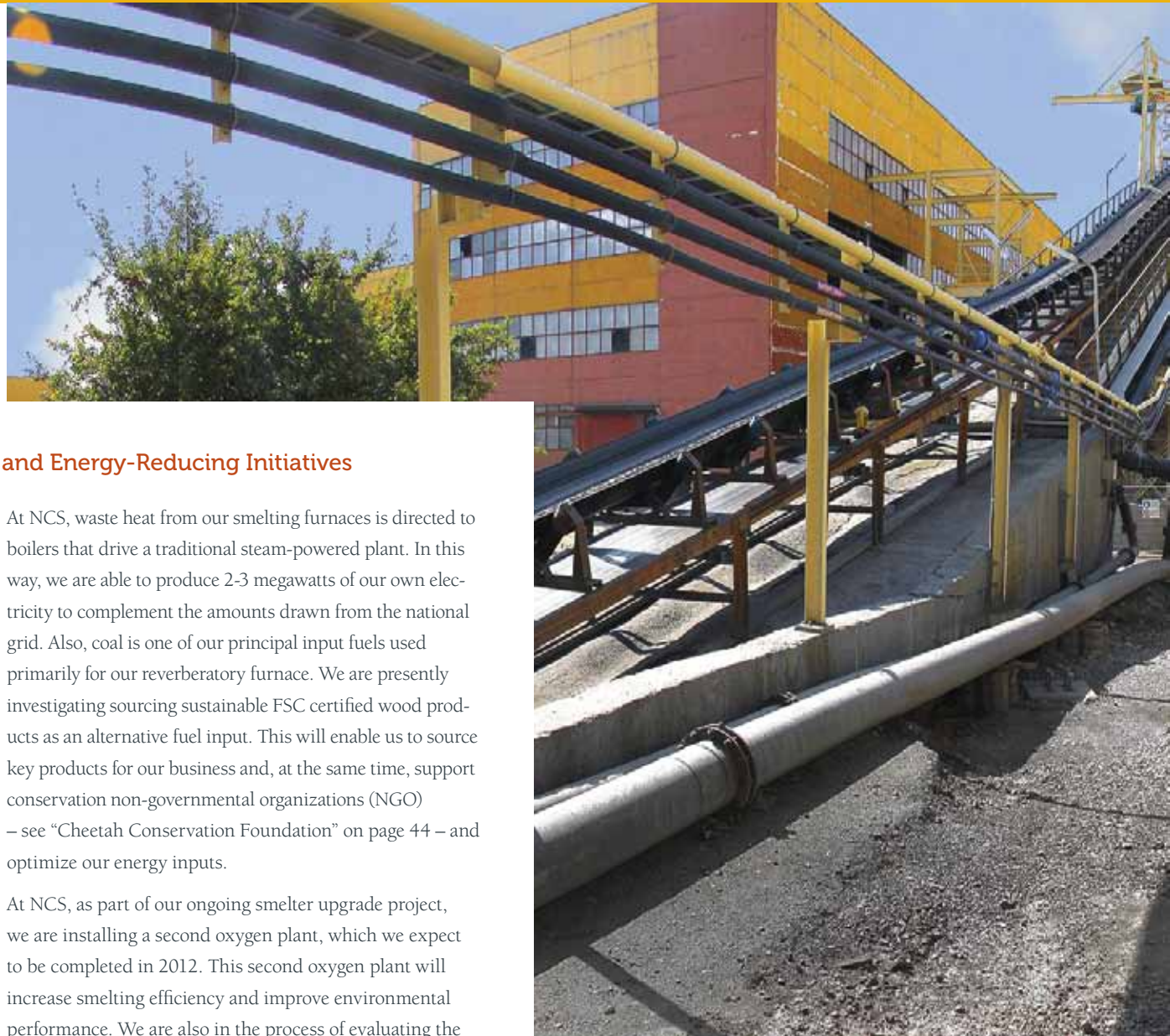
	Chelopech	Deno	NCS	Total
Indirect				
Electricity	361,885	138,663	264,744	765,292
Direct				
Black oil/heavy fuel oil	33,120	–	25,818	58,938
Diesel – mine and process plant	109,187	85,135	13,056 ⁽¹⁾⁽²⁾	207,378
Diesel and gasoline – light vehicles	3,776	4,250	–	8,026
Coal	–	–	1,300,000	1,300,000
Charcoal	–	–	195,000	195,000
Total	507,968	228,048	1,798,618	2,534,634

⁽¹⁾ Includes diesel and gasoline – light vehicles.

⁽²⁾ This amount does not include approximately 35,000 gigajoules of diesel and gasoline used by our external contractors on site at NCS as part of our site clean-up and upgrade.

ENERGY USE INTENSITY

	Chelopech	Deno	NCS
MINES (gigajoules/tonne of ore processed)			
Electricity	0.27	0.24	–
Oil, diesel and gasoline	0.11	0.15	–
SMELTER (gigajoules/tonne of copper equivalent produced)			
Electricity	–	–	5.38
Oil, diesel, gasoline, coal and charcoal	–	–	31.18



Energy Conservation, Efficiency Improvements and Energy-Reducing Initiatives

Our energy derives mainly from fossil fuels (i.e., black oil, diesel and gasoline) and purchased electricity. Our ongoing investment in plant upgrades and modernization at all our sites is resulting in significant energy efficiency improvements. Our energy use management and reporting systems continue to be improved at all our operations and are being incorporated into energy awareness training programs for key personnel and business planning.

At Chelopech, there are many energy-reducing initiatives underway. For example, we installed water heating solar panels on the roof of the main mine building, which will result in a saving of approximately 700,000 kilograms of black oil, annually. We are also expanding our power management systems to accommodate additional modules, upgrading our underground fan systems and changing the way concentrate is loaded on site (direct train loading). These initiatives and other minor changes are expected to save approximately 12 gigawatts or 43,000 megajoules of indirect energy per year.

At NCS, waste heat from our smelting furnaces is directed to boilers that drive a traditional steam-powered plant. In this way, we are able to produce 2-3 megawatts of our own electricity to complement the amounts drawn from the national grid. Also, coal is one of our principal input fuels used primarily for our reverberatory furnace. We are presently investigating sourcing sustainable FSC certified wood products as an alternative fuel input. This will enable us to source key products for our business and, at the same time, support conservation non-governmental organizations (NGO) – see “Cheetah Conservation Foundation” on page 44 – and optimize our energy inputs.

At NCS, as part of our ongoing smelter upgrade project, we are installing a second oxygen plant, which we expect to be completed in 2012. This second oxygen plant will increase smelting efficiency and improve environmental performance. We are also in the process of evaluating the potential to replace our reverberatory furnace with a more fuel-efficient electric furnace. These initiatives will significantly reduce our direct carbon-based fuel requirements and corresponding GHG emissions.

Water Use

WATER USE AND DISCHARGE BY SOURCE (cubic metres)

	Chelopech	Deno	NCS	Total
Total volume of water withdrawn from any source	1,374,079	2,538,928⁽²⁾	313,824	4,226,831
Groundwater consumption	224,256	0	313,824	538,080
Surface water consumed – rivers	0	2,538,928	0	2,538,928
Surface water consumed – fresh water dams	1,149,823	0	0	1,149,823
Total volume of water recycled and reused ⁽¹⁾	2,518,573	395,031	205,477	3,119,081
Percentage recycled and reused ⁽³⁾	69	13	64	–⁽³⁾
Discharge				
Discharged domestic waste water	63,875	296,926	– ⁽⁴⁾	360,801
Discharged industrial waste water	340,804	233,032	– ⁽⁵⁾	573,836

WATER USE INTENSITY

	Chelopech	Deno	NCS
MINES Total water withdrawn/tonne of ore processed	1.02	4.36	–
SMELTER Total water withdrawn/tonne of copper equivalent produced	–	–	6.38

⁽¹⁾ Includes recycled decant water.

⁽²⁾ At Deno, our water is metered at source, which is approximately 10 km from our mine site. During the transportation of our water, we are subject to some instances of unregistered and unofficial water usage by some members of the community. As such, it is estimated that we consume approximately 35% less water than is recorded and metered.

⁽³⁾ Our recycling measurement and reporting systems are not yet consistent across all sites. This will be remedied in 2012 and any material adjustments will be reported in next year's Sustainability Report.

⁽⁴⁾ We do not currently measure our domestic water discharge at NCS, but we estimate it to be negligible.

⁽⁵⁾ Due to the high degree of recycling and the nature of our process plant at NCS, there is no point of discharge of industrial waste water into a formal system. There are small and insignificant losses through old canals, pipelines and discharge points – mostly to groundwater. In 2012, we will be upgrading our surface water monitoring and control systems.

Land Use

LAND USE AND BIODIVERSITY (hectares)

	Chelopech	Deno	NCS	BMM	Total
Total land area owned or leased	150	339	1,000	85	1,574
Total amount of land disturbed by mining	132	256	0	0 ⁽¹⁾	388
Total amount of land that has been reclaimed/rehabilitated	16	0	0	0 ⁽¹⁾	16
Total amount of land adjacent to protected areas and areas of high biodiversity values	0	0	0	85	85

⁽¹⁾ Mine still in development stage and not yet operational.



Award-Winning Environmental Conservation



DPM purchased Chelopech in late 2003 and almost immediately began extensive site rehabilitation on lands at or near our mine site. Between 2004 and 2011, the following major discretionary spending projects were completed:

- ◆ Abandoned and ruined buildings covering an area of 2.6 hectares were removed, the slopes resized and the areas covered with lime, clay and soil, followed by successful grass seeding and the planting of more than 20,000 trees and shrub saplings native to local conditions.
- ◆ Large-scale surface caves, an effect of sub-level cave mining methods used prior to 2004, were mitigated and waste rock materials, which had been stored in surface stockpiles prior to 2004, were removed. So far, a total of 16 hectares (six of which we do not own) have been rehabilitated and over 150,000 trees planted.

Since 2004, we have spent approximately \$1.9 million on these discretionary land rehabilitation and environmental conservation projects. In 2006, we were the first

mining company to be awarded a prize at the Green Apple Environment Awards, the annual international campaign to recognize, reward and promote environmental best practices around the world. In 2007, Chelopech was awarded the Investor in the Environment award by the Bulgarian Business Leaders Forum and, in 2010, the National Award of the Bulgarian Mining and Geology Chamber for socially responsible mining.

The land, trees and shrubs continue to be tended on an annual basis by external companies and our employees at Chelopech Mining. We are extremely proud of the volunteer work that they perform to care for their environment. Many of our employees live in the region of the mine and treat the land as if it were their own, which, of course, it ultimately is.

At NCS, we are partnering with World Wildlife Fund (WWF) Namibia to assist with the community-based conservation and sustainable development initiatives in northern Namibia. We are also supporting the publication of Namibia's first Red List publication on rare, vulnerable and threatened avifauna, which will be completed in 2012.

Archaeology and DPM in Partnership

In 2010, through BMM, DPM entered into an historical agreement with Bulgaria's National Institute of Archaeology and Museum. The objective was to enable a comprehensive archaeological study of an ancient gold mining site dating back 4,000 years on Ada Tepe hill in Krumovgrad.

To date, the archaeological teams, led by Prof. Hristo Popov and consisting of leading Bulgarian and German archaeologists, have excavated working platforms, stone structures, remnants of sheds and huts from the late Bronze and early Iron ages. The project will continue through 2014 and BMM has committed to spending \$2 million to ensure that the work is completed in full compliance with Bulgaria's cultural heritage regulations.

In tandem with the planning of DPM's modern mine in Krumovgrad, an ambitious, cutting-edge open air museum is being proposed that will, for the first time in eastern Europe, combine sustainable development with tourism. The aim is to create a walk-through educational facility that will allow visitors to experience prehistoric life by learning how to make flint tools, pottery and foods. Visitors will learn what archaeologists do and will even be able to discover artifacts themselves. They will also learn how gold was mined in the past and how it is done today. Technology will include solar energy, water recycling and composting and our aim is to create sustainable employment opportunities in Krumovgrad.

Greenhouse Gas Emissions

Emissions Reduction Initiatives

In conjunction with our energy-reducing initiatives, we are searching for innovative ways to reduce our GHG emissions. In 2011, after completing a full carbon inventory in accordance with the internationally recognized Greenhouse Gas Protocol, our Chelopech operations adopted a GHG Management Plan for 2011-2020 and set a target to reduce their carbon footprint (measured in tonnes of CO₂ equivalent/tonne of extracted ore) by 20% by 2020, compared with a base year of 2009. The GHG Management Plan also includes the following initiatives: real-time management and control of energy consumption, equipment upgrade, increased recycling of water, reduced consumption of diesel fuel for transportation needs and reduced consumption of cement for backfilling of underground mined stopes. We will be developing a similar GHG Management Plan at our Deno operations in 2012.

NCS Initiatives

During 2012, we will be compiling a GHG inventory and developing a GHG Management Plan with associated emissions targets at NCS. Our principal sources of GHG emissions are the coal burners that fuel the reverberatory furnace and the heavy fuel oil used for the Ausmelt furnace.

GHG EMISSIONS AND EMISSIONS INTENSITY – 2011

	Chelopech	Deno	NCS ⁽¹⁾
Direct GHG emissions (tonnes of CO ₂ equivalent)	10,810	6,556	–
Indirect emissions (tonnes of CO ₂ equivalent)	46,587	18,736	–
Total Emissions	57,397	25,292	–
Tonnes of ore processed	1,353,733	581,852	–
Emissions Intensity – CO₂ equivalent per tonne of ore processed	0.042	0.043	–

⁽¹⁾ This information is not currently available. See NCS Initiatives.

Scope 3 Emissions

The above data includes Scope 1 and 2 GHG emissions as defined by the GHG Protocol. Scope 1 direct GHG emissions include those from the combustion of residual fuel oil, diesel and gasoline and as a result of explosives use. Scope 2 indirect GHG emissions are a result of production of used electricity and heat. At our Chelopech operations, because of our extensive use of concrete as a backfill material, we also calculated Scope 3 emissions, as defined by GHG Protocol. These emissions include those from fuel and electricity consumption related to the transportation of concentrate performed by external companies,

fuel consumption related to passenger transportation of employees performed by external companies, the external production of materials including cement, quicklime, steel balls, lubricant oils, hydraulic oils, greases, tires and explosives, and the transportation of used materials by external companies. For 2011, our Chelopech Scope 3 GHG emissions totaled 47,896 tonnes of CO₂ equivalent, of which 40,971 tonnes related to the production of materials, primarily concrete. Although the use of concrete is limited at our other sites, we will endeavour to inventory Scope 3 emissions at all our sites in 2012.

Tailings and Waste Management

Both Bulgarian and European Union legislation ensures that the management of our tailings facilities in Bulgaria complies with extremely strict guidelines and protocols. We are also in the process of transferring that knowledge to our operations in Armenia, where legislative control of mine waste is less developed. Company-wide, tailings management policies, commitments and management systems have been developed and are regularly reviewed by our senior management.

Our Chelopech TMF operates in accordance with our Mining Waste Management Plan, Life of Mine Plan and the annually coordinated Projects for Mining and Processing, all of which are reported on, and approved annually, by Bulgaria's Ministry of Economy, Energy and Tourism in compliance with the Bulgarian Underground Resources Act and European Directive 2006/21/EC, governing waste management from extractive industries. In addition, the municipality of Chelopech and the Civil Defense Authority annually approve our TMF Emergency Plan. The facility is also subject to both internal and external audits. External audits are carried out by a highly reputed international environmental consulting company that inspects all monitoring data, documents, projects and procedures on a quarterly basis and carries out a thorough annual physical inspection of the entire TMF facility. We also submit



technical documents to a commission comprised of external technical experts, local authorities and municipalities and the facility is subject to both a physical and documents inspection by various other Bulgarian authorities, as appropriate. Information regarding the overall condition of our TMF is also presented to Bulgaria's Executive Environmental Agency.

In summary, we believe that our Chelopech TMF is compliant with international best practices, with further work being required at our Deno and NCS operations to bring them to the same standard of excellence. We will continue to work diligently throughout 2012 to make this a reality.

TOTAL AMOUNTS OF OVERBURDEN, ROCK, TAILINGS AND SLUDGE PRESENTING POTENTIAL HAZARDS (tonnes)

	Chelopech	Deno	NCS	Total
Overburden	0	0	N/A	0
Waste rock mined	378,954	136,150	N/A	515,104
Waste rock returned underground as backfill (%)	100	0	N/A	74
Mill tailings	1,245,596	559,302	93,000	1,897,898
Mill tailings returned underground as backfill (%)	26	0	N/A	17
Mill tailings placed in surface tailings facilities	920,653	559,302	93,000	1,572,955

TOTAL AMOUNT OF HAZARDOUS AND NON-HAZARDOUS WASTE (tonnes)

	Chelopech	Deno	NCS	Total
Non-hazardous	1,740	8	52	1,800
Hazardous	123	545	13,411 ⁽¹⁾	14,079
Total amount of hazardous and non-hazardous waste	1,863	553⁽²⁾	13,463	15,879

⁽¹⁾ Our hazardous/non-hazardous waste reporting systems are still being developed at NCS and will be completed in 2012. The numbers stated above are estimates based on our existing internal records (see below for description of waste).

⁽²⁾ The classification of hazardous and non-hazardous waste varies by jurisdiction. For example, scrap metal and steel, which accounts for 60% of our hazardous waste at Deno, is classified as non-hazardous at Chelopech, according to local regulations in each jurisdiction.

Disposal Methods

Non-hazardous materials include: ferrous and non-ferrous metals (except at Deno, where they are classified as hazardous – see note 2); uncontaminated cloths, uncontaminated protective clothing, absorbents and filter materials; end-of-life tires; concrete, bricks, tiles and ceramics; iron and steel; medicines; plastic and rubber, electrical and electronic equipment; and mixed municipal waste. At Chelopech, 100% of metallic packaging, tires, ferrous and non-ferrous metals and plastic and rubber are recycled. Wooden packaging is donated to local residents to use as fuel or construction material. 80% of our paper and cardboard packaging and 50% of plastic packaging is recycled.

Hazardous materials include: mineral based, non-chlorinated hydraulic oils; interceptor sludges; oil from oil/water separators; contaminated cloths, contaminated protective clothing, absorbents and filter materials; laboratory chemicals; lead and NiCad batteries; spent waxes and fats; and fluorescent tubes and other mercury containing waste. At Chelopech, 100% of our waste batteries are recycled and grease and mineral based oils are reused or re-refined and

used as fuel. All waste is transferred to licensed and permitted companies for handling and treatment, including recycling. In Bulgaria, on-site waste management is conducted in compliance with the Bulgarian Waste Management Act and reported to the Regional Inspectorate of Environment and Waters.

Waste management programs, including separation at source procedures, are implemented and currently being improved at all our operating sites. At our Chelopech site, we have recently installed a new hazardous waste management facility for temporary storage until it can be sorted and appropriately disposed of.

At NCS, hazardous waste produced in 2011 includes 6,100 tonnes of Ausmelt baghouse dust, 6,689 tonnes of reverberatory baghouse dust, 253 tonnes of calcine residue dust and 369 tonnes of black arsenic. With regard to disposal, we recently completed a state-of-the-art disposal facility for storing products containing arsenic and other hazardous materials at a cost of \$3.6 million. This facility is

now fully operational and is beginning to receive waste at approximately 650 tonnes per month. This includes waste produced from our ongoing smelter operations that is neither recycled nor used to produce arsenic trioxide (see below). It also includes our ongoing site clean up of waste left behind by previous operators.

An important final product produced at NCS is arsenic trioxide, which is primarily used in wood preservatives and pesticide products. In 2011, we shipped 3,391 tonnes of arsenic trioxide to our customers in Malaysia and South Africa.

In 2012, we will be completing a product custodial project to ensure that there are adequate health and safety and environmental protection protocols and procedures throughout the life-cycle of our concentrate with arsenic content.

We are also in the process of reviewing and upgrading disposal and waste separation procedures and management systems at our Armenian operation.

Spills

TOTAL NUMBER AND VOLUME OF RECORDED AND REPORTABLE SPILLS ⁽¹⁾

	Spills reportable to regulatory authorities			Contained and non-reportable spills recorded for internal monitoring only		
	Chelopech	Deno	NCS	Chelopech	Deno	NCS ⁽¹⁾
Total number of spills	4	0	0	33	10	–
Decant water spills	0	0	0	2	0	–
Tailings spills	4	0	0	12	8	–
Hydraulic oil spills (soil or water surface)	0	0	0	1	2	–
Other spills	0	0	0	18	0	–
Total volume of all spills (cubic metres)	17	0	0	144	27	–
Decant water spills	0	0	0	20	0	–
Tailings spills	17	0	0	38	25	–
Hydraulic oil spills	0	0	0	< 1	2	–
Other spills	0	0	0	86	0	–

⁽¹⁾ We are encouraging our sites to record all spills, including those that are regarded as insignificant, so that we can properly monitor and continue to improve our spills procedures and reporting systems. At our Chelopech operations in 2011, we reported four minor tailings spills, with an aggregate volume of 17 m³, to local municipalities and the Regional Inspectorate of Environment and Waters. We are satisfied that these spills were investigated and reported appropriately and did not cause environmental harm. At Deno, no spills were considered significant or reportable to the regulatory authorities in 2011. However, in January 2012, we experienced a significant tailings spill covering an area of 1,500 m² and measuring 80 m³. The area was barricaded to limit access, cleaning activities commenced immediately and the incident was reported to the appropriate environmental inspection agency. A comprehensive impact assessment of this spill is currently underway and will be reported in our 2012 sustainability report. At NCS, during our plant upgrade and modernization, we experienced numerous minor spills that were not considered significant or reportable in 2011.

Significant Fines and Non-Monetary Sanctions

In 2011, there were no significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations at any of our operating sites.

our communities



Our Approach

We believe that when we operate in a community, we become part of its social fabric. Of course, we provide the obvious economic benefits in the form of jobs, but our responsibilities do not stop there.

OUR STAKEHOLDERS

Employees

Investors and other providers of capital

Contractors

National, regional and local governments

Regulators

Community members

Business partners

NGOs

Suppliers

Customers

We strive to participate in community development in meaningful and innovative ways, so that when we eventually leave a community, the roots of the social structure are measurably stronger than when we arrived.

This approach requires a thorough understanding of the socio-economic structure of the communities in which we operate. We seek to understand a community's needs, problems, successes and desires by engaging and listening to our stakeholders.

Stakeholder engagement takes many forms. At the corporate level, our engagement is with shareholders, capital market participants, governments and NGOs. Communication processes include regulatory filings, annual and quarterly reports, news releases, fact sheets, presentations by senior management, as well as meetings, telephone conversations, media interviews, speeches, press conferences and conference calls. We also complete formal environmental impact assessments, including social impact assessments, in accordance with the regulations and laws of all the jurisdictions in which we operate. The corporate website (www.dundeepriceious.com) is also a primary source of information.

At the community level, stakeholder engagement includes meetings with representatives of local governments,



municipalities, NGOs, neighbouring businesses and citizens. We also operate two fully staffed public information centres in Chelopech – at the mine site and in the heart of the village of Chelopech. In 2005, we also opened an information centre in the town of Krumovgrad to support our stakeholder engagement initiatives at this important development site. In 2012, the information centre in Kapan, Armenia, which was closed following the financial crisis in 2008, will be reopened. The cost of operating these centres was approximately \$700,000 in 2011.

In 2011, we received 1,000 visitors at our two Chelopech information centres and 1,750 visitors in Krumovgrad. The primary areas of interest and concern were truck and equipment activity on local roads in and around Chelopech and general enquiries about employment opportunities and mine development in Krumovgrad. In response to the former, we have rehabilitated the approved transportation route. In Krumovgrad, we have begun accepting job applications and have received over 600 to date. We are still in the process of evaluating our needs and the necessary training required.

Discretionary Community Spending and Donations

\$2,937,060

%



2011 TOTAL DISCRETIONARY COMMUNITY SPENDING AND DONATIONS

	Chelopech	Deno	NCS	BMM	Total
Infrastructure ⁽¹⁾	\$ 1,097,302	\$ 142,510	\$ -	\$ -	\$ 1,239,812
Arts and Culture	370,508	145,905	4,227	58,283	578,923
Education	276,380	5,291	-	10,311	291,982
Health	66,938	99,817	-	4,805	171,560
Trusts	-	-	217,250 ⁽²⁾	-	217,250
Miscellaneous	130,313	193,848	90,820	22,552	437,533
TOTAL	\$ 1,941,441	\$ 587,371	\$ 312,297	\$ 95,951	\$ 2,937,060

⁽¹⁾ Infrastructure not related to operations.

⁽²⁾ See case study "A Partnership in the Development of Tsumeb" on page 40 for detailed breakdown of expenditure.

Chelopech Mining Recognized as a Leader in Corporate Social Responsibility

We are extremely proud of our Chelopech operation, and all its employees, for being recognized as one of Bulgaria's leading companies in corporate social responsibility and responsible business practices.

In February 2012, Chelopech received three prestigious awards at the Annual Responsible Business Awards, organized by the Bulgarian Business Leaders Forum. The competition for this year's awards was comprised of 43 large companies and organizations with 65 projects in five categories – Investor in Human Capital, Investor in Knowledge, Investor in Environment, Investor in Community and Cause Related Marketing.

Chelopech ranked second in the “**Investor in Knowledge**” category with its Private English Language Secondary School “Chelopech” project (see pages 36 and 37). This award, presented by the Minister of Education, Sergey Ignatov, recognizes our long-term commitment to education in Bulgaria and our desire to play a role in nurturing some of Bulgaria's future leaders, while also offering the young people of our communities a sustainable future.

Chelopech also ranked second in the “**Investor in the Community**” category for its “**Supporting the Local Communities**” program. Over the last several years, we have donated substantial funds for urban planning,

infrastructure and improvement in living conditions and general well-being in the Chelopech, Chavdar, Karlievo and Tzarkvishte municipalities (see page 38). Along with the successful implementation of these infrastructure projects, we have also supported numerous arts and culture events. We were extremely proud to receive this award from Bulgaria's President, Rosen Plevneliev.

The ultimate recognition for all of us, however, was the special *ENGAGE* award – Engagement of the International Business Leaders Forum. Presented by His Excellency Jonathan Allen, the Ambassador of Great Britain, “**The ENGAGE Award**” is given to the best project from the five categories noted above. Independently chosen by the International Business Leaders Forum, this award is based on either the level of employee involvement in the successful accomplishment of a company's nominated project or the degree of overall employee contribution to socially responsible causes.

These awards support and validate our claim that Dundee Precious Metals, and all its subsidiaries around the world, are a positive contributor to sustainable development, a proven responsible corporate citizen and an intrinsic player in regional economic development. We congratulate all of our employees for making this a reality.



Chelopech Mining Vice President and General Manager, Nikolay Hristov, receives award from Bulgaria's President, Rosen Plevneliev.

Yanko's Story



Yanko Georgiev graduated PELSS in 2004 and continued his education at the prestigious University of Plovdiv in Bulgaria, where he graduated with a degree in English Philology in 2008. Since graduation, Yanko has published two successful books of poetry and prose, which have received favourable reviews and praise from the international academic community.

Yanko is another PELSS alumnus who has chosen to work at Chelopech Mining as a translator and interpreter in our Administration department. With regard to PELSS, he believes that the small class sizes and safe environment of PELSS contribute greatly to the school's success. Ultimately though, Yanko thinks that the most important aspect of the school is that it helps students develop strong and individual personalities, a trait that he believes is a prerequisite to creating great leaders.

Nurturing Bulgaria's Future Leaders

A Case Study

Since DPM's acquisition of Chelopech in 2003, we have provided significant financial support to the Private English Language Secondary School (PELSS) in the village of Chelopech, Bulgaria. PELSS is a private secondary school for 180 of the region's brightest students in grades 8-12.

Education in Bulgaria is a highly regarded and respected endeavour. Because of Bulgaria's rich scholarly history, children are primed at an early age to strive for high academic excellence and, needless to say, competition for places at the best higher educational institutions is extremely stiff.

DPM provides financial support for all the school's staff and operational expenses (families that can afford it are expected to contribute approximately \$350 per year). Since 2004, DPM has donated approximately \$2 million to the school. Our goal is to provide the community with an opportunity to educate their children to a standard of excellence that would otherwise be unattainable without substantial financial means. Our longer-term objectives are to help shape and nurture some of Bulgaria's future leaders and provide a platform for potential upwards social mobility in the Chelopech region.

The school has proven to be extremely successful on many different levels. Across most subjects in the Bulgarian

curriculum, PELSS consistently ranks in the top 10% of all private schools in Bulgaria.

The formula for success appears to be a combination of high quality teachers, a low student/teacher ratio (9:1) and extremely bright and motivated students. Over the last five years, 100% of students have graduated and almost all have gone on to some form of post-secondary education (college or university), most often studying at Bulgaria's top universities, with a few attending leading international universities. This compares with national statistics (Bulgarian National Statistical Institute) showing 56% of all Bulgarians have at least a secondary level and 23% a post-secondary level education.

Since it was established in 1995, 390 students have graduated from PELSS. In 2011, to help us determine whether we were meeting some of our longer-term objectives, we conducted a survey of a sample of these illustrious alumni. The respondents represented approximately 28% of the total alumni.



This is what we found:

Currently attending or graduated from university or college	100%
Graduated with Bachelor's degree	38%
Graduated with Master's degree or higher	31%
In self-described managerial/supervisory positions	56%
Currently residing in Bulgaria	85%

In addition, we also found 73% of the alumni plan to attain a Master's degree and 14% a PhD in the future. Employment is fairly diverse across a wide spectrum of the economy and 90% of survey respondents felt that PELSS prepared them to successfully compete in an academic and workplace environment.



The PELSS Experience:

"It gave me a powerful start towards University because of the complete and detailed knowledge I gained. I learned English perfectly there and it has the most intelligent and attentive teachers."

"Knowledge, motivation, striving for success."

"Graduated PELSS with nearly fluent English. I was able to take part in the environmental club, the student's council and was able to attend summer internships, which actually helped a lot in finding a job later."

"I got the necessary preparation to enroll in a top-notch university and acquired valuable social skills."

Our Report Card

Of course, we understand that measuring the impact of education on a society is a complex and difficult undertaking. However, the data suggests that we're on the right track to creating an environment that fosters excellence in a generation of young people that is proving to have positive, long-lasting impact on the quality of their lives and the society in which they choose to live. We will continue to measure, develop and improve on this important sustainable, capacity-building initiative.

Nikolina's Story



Nikolina Rashkova graduated PELSS in 2005 with one of the highest matriculation scores possible. She then went on to study International Business and Management Studies at INHOLLAND University in Rotterdam, the Netherlands, where she graduated with an award for academic excellence. We are fortunate that Nikolina chose to return to Bulgaria and work at our Chelopech operation as a training specialist in our Human Resources department.

For Nikolina, PELSS was a place to gain the confidence necessary to succeed in an international academic environment. One of the main reasons she decided to study in the Netherlands was the encouragement and support of the school's teachers and principal. According to Nikolina: "Their mentorship and friendship long after I graduated is the key to believing that, despite all difficulties, you should never give up striving for what you want to achieve and the results will always surprise you."

Nikolina's story is not atypical of the PELSS experience and we are fortunate to have 27 of these wonderful, bright young people working at Chelopech today.

Infrastructure for the Next Generation

A Case Study



Srednogorie Region (Chelopech, Chavdar, Zlatitsa and Pirdop)

We have worked extensively with communities around our mine operations in Chelopech. Our aim is to complete major structural upgrades in towns and villages surrounding our operations that will hopefully last for at least another generation. Our spending has a reach of

approximately 10 km from the mine site and has had an impact on approximately 2,500 citizens in the local area.

In 2011, we spent approximately \$1.1 million on community infrastructure and, since 2004, we have spent a total of \$3.5 million.

In the villages of Chelopech and Chavdar, we have completed the following major projects:

- ◆ Replaced water systems on two major streets;
- ◆ Repaved 16.5 km of roads;
- ◆ Replaced the roof and reconstructed the bell tower of the historic Church of St. Nikolay;
- ◆ Financially supported the construction of a drinking water treatment plant;
- ◆ Financially supported the reconstruction of the kindergarten and school.

The villages of Karlievo, Tsarkvishte and Poibrene were also recipients of our community infrastructure dollars.

To facilitate this spending, we have contracted specialized personnel to liaise with the municipalities and their respective mayors to ensure that the towns' needs are met in an efficient and cost-effective manner.

Our desired outcomes for the new water delivery systems and repaved roads in our communities are, ultimately, more efficient water consumption and the improved health and well-being of their citizens. We are in the process of trying to understand how we might measure these impacts more accurately and efficiently in the future.

Improving health in Kapan's kindergartens



Kapan

In Kapan, our community infrastructure spending is primarily focused on schools and kindergartens, since many require a significant amount of structural repair work. In some cases, because of improved sanitary conditions, we are finding that our work is having a positive effect on the number of sick days being recorded in these institutions. We are now beginning to collect this type of data in a more systematic manner in order to measure the effects and impact of our spending over the long term.

In 2011, we completed construction of a children's playground called Peace Park in the centre of Kapan at a cost of \$65,000. The mayor of Kapan and our CEO, Jonathan Goodman, and COO, Rick Howes, officially opened the playground during the Deno-sponsored Kapan Day celebrations in October 2011.

Tsumeb

In Tsumeb, our focus is once again on schools, but our objectives are slightly different than in Kapan. The educational system in Namibia is good and comprehensive, but we have found that in Tsumeb there is often a lack of well-functioning physical classroom capacity for more advanced learning, such as specialized science labs,

Increasing capacity for advanced learning in Tsumeb

computer labs, etc. Therefore, our spending is aimed at alleviating some of these constraints. 2011 was our first full year of operating in Namibia, and our Tsumeb Community Trust is now fully operational and has begun to make grants to the community. In 2011, we completed the renovation of a science lab at the Tsumeb Secondary School and have begun work on a number of classroom renovations and new classroom construction (see also "A Partnership in the Development of Tsumeb").

There are many opportunities for us to participate in the sustainable development of Tsumeb over the long-term. Unlike a mine that has a finite operating life, our smelter operations are ongoing. This somewhat changes the notion of how we think about our community programs since we can nurture, monitor and measure the effectiveness and impact of our initiatives over multiple generations. It also enhances our ability to work in partnership with both governmental and non-governmental organizations to deliver optimal long-term social impact. We will continue to actively pursue these opportunities in 2012 and beyond.

A Partnership in the Development of Tsumeb

A Case Study

NCS created the Tsumeb Community Trust, a separate legal entity primarily funded by NCS and devoted to serving the community's needs.



Located in the Oshikoto region in northern Namibia, Tsumeb is home to DPM's most recent acquisition, NCS.

Tsumeb is a town rich in mining history dating back to the late 19th century. In fact, during the 1970s Tsumeb was reputed to have one of the most profitable copper mines in the world. The ore bodies have long since been depleted,

but the processing and smelter operations remain and NCS now employs 870 people, including contractors.

In late 2010, NCS created the Tsumeb Community Trust, a separate legal entity primarily funded by NCS and devoted to serving the community's needs. The Trustees comprise members of the community and

representatives of NCS (see sidebar), which we believe is a structure that creates true community partnership.

The Trust's first grants were distributed in 2010 and have focused on funding education (mainly infrastructure projects), upgrading the community's sports and recreation facilities and providing micro-financing to small and medium-sized enterprises (SMEs). Many of the school projects are being completed in consultation and partnership with the local education authority and the local branch of the Chamber of Commerce is administering the Trust's SME micro-financing.

The Trust is developing an outcomes-based approach and a formal grant application process has been put in place to ensure that these outcomes are being properly funded and, whenever possible, measured. SMEs receiving funding were also required to attend a mandatory two-day financial skills training session. During this session, the Trust began to gather some baseline socio-economic data on which to potentially measure its social impact over the long term.

TRUSTEES

Name	Position
Alfeus Benjamin	CEO, Tsumeb Municipality
Hans Nolte	VP and General Manager – NCS
Isai Nekundi	Human Resources Manager – NCS
Linekela Shetekela	Mayor, Tsumeb Municipality
Mike Heita	VP – Mineworkers Union of Namibia
Adrian Goldstone	Executive VP, DPM
Lebbius Tobias	Regional Counselor for Tsumeb Constituency



Community Grants \$305,000 (since inception)

Grantee	Purpose	Desired Outcome
Tsumeb Central Sports Field	Upgrade of facilities	Increase participation in intramural school sports activities
Ondundu Primary School	Upgrade of classrooms	Increase classroom capacity/decrease class sizes/ increase percentage of students in advanced stream
Nomtsoub Primary School	Classroom construction	Increase classroom capacity/lower class sizes
Opawa School	Electrical wiring/plastering in new school hall	Improve examination facilities and examination results
Khomxa Khoeda Primary School	Solar panels and electrical installations	Increase attendance/improve teacher recruitment
Tsumeb Secondary School	Building of science lab	Increase number of students in advanced stream
Labour Investment Holdings ⁽¹⁾	Bursaries for tertiary education	Increase tertiary education enrollment

⁽¹⁾ Labour Investment Holdings is an affiliation of the Mineworkers Union of Namibia. In 2011, we entered into a three-year agreement to donate N\$1 million in three equal annual installments to help fund LIH's tertiary education bursary scheme.



The Trust's SME micro-financing is structured in a way that offers maximum flexibility and long-term funding benefits to SME recipients. Interest-free grants are given to qualified SMEs, as determined by the Tsumeb branch of the Namibian Chamber of Commerce and Industry, with a requirement to repay only 10% of the grant within two

years. The proceeds from these repayments will be used to offer future business education courses and workshops. There is no obligation to repay the remaining 90% as long as certain pre-specified conditions related to appropriate financial management are met.

Micro-financing \$45,000

Business Name	Type of Business	Business Name	Type of Business
Nanyosiwa Litumbapo	Tianshi Products	Africa Pot Cafe	Restaurant
Letunga Enterprises	Health Products	Kentucky Trading	Butchery and Cold Drinks
Lumadeon Catering	Catering	Muario Dry Cleaners and Laundry	Dry Cleaner/Laundry
Kondja Trading	Okapana (Take-Out Foods)	6M09 Car Wash	Car Wash
MSC Trading Enterprises	Catering and Butchery	Freshly Made Pizzas	Pizza Restaurant
Meriam and Kids Trading	Fruit and Vegetables	Tsumeb Youth Expo	Youth Office
Peni Trading	Okapana	Fish Enterprise	Fish Vendor
Selma's Hair and Beauty Salon	Hair Salon	Tsumeb Gateway Tours	Tour Company
Sofia's Restaurant	Restaurant	Soweta Clothing Design and Haircare Centre	Clothing Design and Hair Care
Klaudia Fashion Design	Dressmaker		
Vicky Boutique	Clothing and Accessories		

A Focused Approach to the Welfare of Kapan's Children and Youth A Case Study



DPM's operations in Armenia are centred in Kapan, a city with a population of 30,000 located approximately 300 km south of the capital, Yerevan.

Despite evidence of economic deterioration in the region in recent years, our community-relations work indicates that Kapan's social fabric remains healthy and intact, mainly due to strong traditional family structures, excellent state-funded education through secondary school and literacy rates that are close to 100%.

Our community involvement in Kapan can best be described as preventative and focused on keeping

children and youth healthy, active and engaged. For example, we have sponsored the annual children's summer camp and a variety of after-school programs, built neighbourhood playgrounds and are now beginning to assess how our infrastructure work – new washrooms, windows, doors and classroom renovations – at numerous kindergartens and schools (see "Infrastructure for the Next Generation") is contributing to the overall health and well-being of students.

Susanna's Story



Since the birth of daughter Alla, Susanna's unfortunate circumstances resulted in her having to live permanently at the local Kapan hospital for almost seven years.

Susanna's predicament was brought to our attention in late 2010 and since then we have provided funding for an apartment and some of Alla's school necessities. It is satisfying to learn that this more stable living environment has contributed to improved schoolwork and increased school attendance by Alla.

Family support by senior management

In addition to our corporate CSR activities, many families in Armenia are personally supported by some of our senior management. This includes support for such things as medical expenses, kindergarten fees and school necessities.

employee loan programs in Tsumeb



In 2011, we successfully launched a loan program that enabled our employees to convert high interest consumer loans to market rate loans. A total of 117 loans with a value of N\$1.4 million and an interest rate of 30% per month were converted to standard bank loans with annual interest of 17% per year amortized over 36 months. The average loan size was approximately N\$10,000, resulting in the average borrower being able to save approximately N\$2,600 every month, a substantial monthly saving for many of our NCS employees.

children's parks



At all our locations, we have taken the initiative to either upgrade or construct recreational parks and playgrounds for children. In Namibia, we provided significant funding for the upgrade of Tsumeb's main sports fields, which are used by all schools in the region. In Kapan, we partnered with the municipality to build the Peace Park and in the village of Chavdar in Bulgaria, we broke ground on a brand new children's park.

cheetah conservation foundation



In 2011, we started supplying excess liquid nitrogen from our process plant to the Cheetah Conservation Foundation, a research-conservation organization in Namibia. Liquid nitrogen is primarily used to store sperm samples from cheetahs for research purposes. In addition, we are supporting this organization in 2012 with the purchase of their "bushblok" product, an FSC Certified wood source obtained through harvesting and processing of thornbush in the cheetah habitat. This will be used as a partial fuel source in our furnace at NCS.

employee housing in Tsumeb



In late 2011, NCS entered into a partnership with Namibia's National Housing Enterprise (NHE) to build 120 freehold houses for ownership by our employees. Loans will be made by NHE to qualified employees at market rates. NCS donated land with a value of approximately \$75,000 to facilitate this transaction.

other community initiatives

Bulgarian rhythmic gymnastics



Bulgarians are passionate about rhythmic gymnastics and rightly so. Their national teams have dominated the sport for decades and are considered to be world leaders in the development of this exciting sport today. At DPM, we are proud to play a small part in this important cultural phenomenon.



Not only was DPM the lead sponsor at the 2011 World Cup in Sofia, where the Bulgarian national team won the gold medal, but through our donations to the Iliana Gymnastics Club led by former world champion Iliana Raeva, we are also a major supporter in the development of the next generation of world champions.

With our financial support, this elite gymnastics club is able to train and develop approximately 250 current and future champions ranging in age from 4 to 21 years. Sixty percent of the national women's team and 30% of the girl's team are comprised of members of this club and our ongoing support is symbolic of our desire to be an integral part of the cultural fabric of Bulgarian society over the long-term.

Global Reporting Initiative (GRI)

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⁽¹⁾ To be found at www.sedar.com or on our website at www.dundeeprecious.com.

Relevant Information Regarding GRI Application Levels

Application Levels indicate the extent to which the G3 or G3.1 Guidelines have been applied in sustainability reporting. They communicate which parts of the Reporting Framework have been addressed – which set of disclosures. By confirming the amount of Reporting Guidelines content that has been addressed, Application Levels aim to reflect the degree of transparency against the GRI Guidelines in reporting. They do not give an opinion on the sustainability performance of the reporting organization, the quality of the report, or on formal compliance with the G3 or G3.1 Guidelines. There are three different Application Levels: A, B and C, which define the amount of GRI standard disclosures that have been covered in a sustainability report. Reporters are required to assess their own Application Level. The status of plus (“+”) can be added to an Application Level when the sustainability reporting has been externally assured.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	Profile Disclosures OUTPUT	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4 , 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	Disclosures on Management Approach OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report fully on a minimum of any 10 Performance Indicators, including at least one from each of: social, economic, and environment.**		Report fully on a minimum of any 20 Performance Indicators, at least one from each of: economic, environment, human rights, labour, society, and product responsibility.***		Report on each core and Sector Supplement* indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

* Sector supplement in final version.

** Performance Indicators may be selected from any finalized Sector Supplement, but 7 of the 10 must be from the original GRI Guidelines.

*** Performance Indicators may be selected from any finalized Sector Supplement, but 14 of the 20 must be from the original GRI Guidelines.

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We welcome feedback on any aspect of our performance or reporting. Please provide your comments by contacting the following:

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This paper has been certified to meet the environmental and social standards of the Forest Stewardship Council® (FSC®) and comes from responsibly managed forests and/or verified recycled sources.





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