



We succeed because we care.

2012

SUSTAINABILITY REPORT



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.



Management, visitors and operators, Chelopech

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Overview: About This Report

In this report, “DPM”, “the Company”, “we”, “us” and “our” mean Dundee Precious Metals Inc. and/or its subsidiaries referred to below.

Scope

Dundee Precious Metals Inc. is a 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 (Chelopech), which owns and operates a gold, copper and silver mine located east of Sofia, Bulgaria;
- ◆ Deno Gold Mining Company (Kapan), which owns and operates a gold, copper, zinc and silver mine located in Kapan in southern Armenia;
- ◆ Balkan Mineral and Mining (Krumovgrad), focused on the development of a gold property located in Krumovgrad in southeastern Bulgaria; and
- ◆ Namibia Custom Smelters (Tsumeb), which owns and operates the company’s concentrate processing facility located in Tsumeb, Namibia.

We also have a 53.1% and a 45.5% 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, although being developed, are not yet fully developed at these companies and, for this reason, have not been incorporated into 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 second annual 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 performance indicators.

As we did last year, we have used the reporting frameworks developed by the Global Reporting Initiative (GRI) G3 and G3.1 guidelines, including Mining and Metals Sector Supplement. We are reporting at a GRI application level of “B+” (compared with a 2011 application level of “C”) as assessed internally by DPM and independently checked by Bureau Veritas, our external third-party assurance provider (see Report Data below). 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 can be found in the Sustainability section of our corporate website.

Report Data

For our 2012 report, we retained Bureau Veritas to provide external assurance. The assurance process aims to increase transparency and stakeholder confidence in our sustainability performance, practices and reporting processes and procedures. Bureau Veritas’ Assurance Statement can be found on page 7 of this report.

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⁽¹⁾



Adrian Goldstone
*Executive Vice President,
Sustainable Business Development*

The “doing well by doing good” philosophy is truly one that embodies our vision, and our Board of Directors and management teams remain committed to that vision.

It is once again our pleasure to introduce you to our annual Sustainability Report. This, our second report, builds on the success of, and more importantly, the lessons we learned from our first (2011) report.

We feel proud of our track record in social responsibility and building and operating sustainably. The process of preparing our first report and the stakeholder feedback we received supported our premise that we were doing the right things, but in articulating who we are and our vision, goals, and progress we found there were things we could do better and some strategies we could implement more effectively. Importantly, the preparation of the 2011 report and our experiences in 2012 reinforced the importance of very clear communication with all of our stakeholders.

We acknowledged in our first report that the journey of turning our vision into reality is not one to be embarked upon lightly and everything we have learned in starting this reporting process supports that view. However, those lessons also highlight, not just how rewarding such a journey is, but how integral it is to our business success. The “doing well by doing good” philosophy is truly one that embodies our vision, and our Board of Directors and management teams across our organization remain committed to that vision. We are progressing with a formal “values roll out” program to ensure our corporate commitment extends down into the organization, all the way to our employees in the mine and mill that deliver our production every day. We recognize that the difficult mission of “walking the walk” rather than simply “talking the talk” involves the entire business and not only its management.

We strive to be ahead of global trends in business, sustainability and responsibility, and we believe a number of our sustainability objectives and programs anticipate, rather than lag behind, current trends and industry challenges. Sustainability trends that impact global business are constantly evolving as business responds and as stakeholder expectations develop.

As many of the challenges of the last 20 years are met and the trends, for example, in environmental science and engineering, become “normal course of business” for most

companies, we see a different kind of awareness among our communities driving new trends and expectations including;

- ◆ Developing sustainable long term solutions for stakeholders in a world where “recession” has become a household word, economic pain is often all too real, and immediate and short term fixes by governments and communities are increasingly attractive;
- ◆ Working toward an equitable sharing of the economic benefits of our industry, while ensuring that these benefits are applied in ways that help the poorest members of society;
- ◆ Making tangible contributions to social justice in local communities and less tangible but broader contributions in our role as a good corporate citizen;
- ◆ Applying sustainability objectives and principles beyond the mine or smelter, to include stewardship over our entire supply chain and product life-cycle;
- ◆ Fair, unbiased, and auditable reporting of sustainability performance using common and well developed systems and language readily accessible to and understood by all stakeholders; and
- ◆ The emergence of different contributions from within stakeholder groups in sustainability programs and reporting, including recognizing the wide and very different roles of women; the emergence of investors as drivers of better reporting and a broader definition of sustainability; and seeing employees as a key stakeholder group in sustainability programs.

No discussion of trends or challenges in sustainability today would be complete without a discussion of climate change and Greenhouse Gas (GHG) emissions. As you will see from this report, we take our responsibilities in this area seriously. We also believe that industry, particularly companies with operations in many parts of the world, must take a greater leadership role in this area. Companies like ours are uniquely positioned to look at how the current science and government controls and agreements, albeit not always legally binding, are best applied or interpreted at the point where industry, climate change, and individual communities intersect. Our multinational industry is uniquely positioned to understand the different perspectives on GHG between the developed and developing worlds.

We are not yet at the forefront of these trends, but we do believe companies like ours should be more involved in weighing and managing GHG controls, development, and planning for and adapting to climatic changes and extremes.

Finally we see a looming challenge in reconciling the need to apply consistency - for governance and other purposes - in our corporate social responsibility (CSR) programs and engagement and a recognition that sustainability and CSR solutions in one country may not, and in some cases will not, work in other countries. You will see on the following pages a description of the Tsumeb Community Trust and our various CSR programs in Armenia and Bulgaria. We believe that these case studies show how we are tackling these challenges and managing locally-based outcomes for all concerned.

We trust that you will see from this report that we have put significant importance on ensuring that the challenges and trends are addressed as they arise.

Our 2012 performance has been marked by a number of highlights. At Chelopech, continuous improvement has been the mantra as the operation moves into the world best practice class in many areas. The year saw the commissioning of our expansion project, significant energy and water efficiency improvements, progress toward completion of the Tailings Management Facility (TMF) upgrade, and the award of several national accolades to the operation and its management team. After a strong 2011 with respect to Chelopech's safety record, we did however experience several unexpected Lost Time Injuries (LTI) in the first half of 2012, even though the operation sits well within benchmarked standards.

At Tsumeb there were both challenges and highlights. The start of the year saw the completion of the government-sponsored environmental and health audit at the smelter and a government-mandated reduction in smelter production. Although it was widely acknowledged that we were already addressing the issues raised in the audit, we gave our full cooperation and worked with the government toward faster implementation of new programs and emissions controls, resulting in a resumption of near normal operations in the second half of the year. During the year, our \$99 million particulate emissions control project (Project 2012) was substantially complete and with the majority of commissioning slated for the first half of 2013. A \$204 million contract was signed with Finnish group, Outotec, to install a sulphuric acid plant to capture sulphur dioxide emissions, which is due for commissioning in late 2014.

Over the year, our relationship with the Namibian government strengthened as cooperation addressing legacy health and environmental issues and emissions controls improved and each party went “the extra mile” to ensure sustainable benefits are being delivered to the company, the community and Namibia. We are also working with the government on common operational and sustainability issues, actively anticipating industry challenges to

develop environmental and waste management solutions that could potentially be applied industry-wide. The smelter operation achieved 2 million LTI-free man-hours during the year, and although we acknowledge there is much room for improvement, that is a significant milestone given the nature of the operation and the number of contractors on site involved in project work.

At Kapan, many incremental improvements to basic good practice environmental management and stewardship were completed, a new information centre was opened, dialogue with the community improved, much work was done on social programs and Environmental Impact Assessments (EIA) relating to improving operating conditions at the site were completed, lodged, and approved. We are still working toward confirming a configuration for the mine and mill that will provide a more sustainable future and the drilling program designed to define ore resources to support such an operation was accelerated.

At Krumovgrad, we have received a final ruling from Bulgarian courts on our EIA and are moving through detailed design and permitting. We began a constructive dialogue with the local community and are moving toward putting a formal “social agreement” in place with the municipality and the local political leadership. Our two-year long archaeological research and excavation project at the site won the Bulgarian Business Leaders Forum’s highest award in the “Investor in Community” category in 2013.

Our priorities for 2013 build on current progress and provide a vehicle to address the wider issues outlined above. They are discussed and reviewed in the following sections of this report and include:

- ◆ Ongoing roll out of safety culture and a step change in safety performance across the business;
- ◆ Ongoing roll out of our values deep into the organization;
- ◆ Further progress at Tsumeb on emissions monitoring and management, reducing workplace exposures and completion of community health initiatives;

- ◆ Developing an inventory of legacy environmental challenges at Tsumeb using leading edge technology;
- ◆ Developing sustainable, innovative and safe metallurgical waste disposal and conversion practices at Tsumeb;
- ◆ Completing the arsenic life-cycle stewardship program;
- ◆ Developing sustainable closure initiatives for all sites; and
- ◆ Implementing training initiatives to help our employees become good leaders.

As you can see, our policy and corporate attitude embody a wide definition of sustainability and although sustainability is now perhaps an over-used term, we feel that it still reflects the basic principles that should guide our values, objectives, and programs. More than that, we believe that it defines the business as a whole. Success for all of us occurs at the point where communities, environment and business are all inter-dependent and mutually sustainable.

If you are an existing stakeholder, thank you for your support and we look forward to continuing to meet your expectations in the coming years. If you are new to the Company or browsing through this report out of interest, welcome. We look forward to you becoming a stakeholder in our business and sharing in our successes. In any case, we welcome your comments and feedback and look forward to an exciting and rewarding year ahead.



Jonathan Goodman
President and Chief Executive Officer⁽¹⁾



Adrian Goldstone
*Executive Vice President,
Sustainable Business Development*

⁽¹⁾ Effective April 1, 2013, Jonathan Goodman assumed the role of Executive Chairman of DPM. Richard Howes was appointed President and Chief Executive Officer.



Bureau Veritas' Independent Assurance Statement

To: The Stakeholders of Dundee Precious Metals Inc.

Introduction and objectives

Bureau Veritas has been engaged by Dundee Precious Metals Inc. (DPM) to provide independent assurance over the sustainability report (the Report) content and performance data. The overall aim of this process is to provide reassurance to DPM's stakeholders that the reported sustainability information is accurate, reliable and objective and includes issues material to the business and its stakeholders.

Scope of work

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard (2008) Type 2⁽¹⁾ assurance. The scope of work included a review of sustainability activities and performance data over the reporting period January 1st to December 31st 2012. Specifically, this included the provision of assurance over:

- i) Sustainability related information and performance data in the Report; and
- ii) DPM's reporting against the Global Reporting Initiative (GRI) G3.1 Sustainability Reporting Guidelines including Mining and Metals Sector Supplement, at the B+ application level.

Levels of assurance

High level assurance: We applied a high level of assurance to the management processes and systems, and performance related data and information for the Chelopech Mining EAD operations. Data undergoing high level assurance is supported by more than one source of evidence with sampling of data back to source, and provides a greater degree of confidence over the accuracy and reliability of reported information. A high level of assurance is commensurate with "reasonable" assurance as defined in the ISAE 3000 assurance standard⁽²⁾.

Moderate level assurance: Text relating to other operational sites' sustainability related performance activities was reviewed. All relevant text was supported by interview evidence as a minimum, and supported by corroborating interview evidence or another source where possible. A moderate level of assurance is commensurate with "limited" assurance as defined in the ISAE3000 assurance standard.

Opinion and commentary

In Bureau Veritas' opinion, the Report provides an accurate and objective account of DPM's performance on material issues during the reporting period. The information is considered to be reliable and free from material misstatement. It is our opinion that the sustainability information:

- i) Adequately represents the material issues of the DPM business;
- ii) Provides a reliable account of sustainability related position and performance activities during 2012;
- iii) Meets the GRI 3.1 requirements, including Mining and Metals Sector Supplement, for the B+ application level; and
- iv) Aligns with the principles of inclusivity, materiality and responsiveness as outlined in the AA1000 Standard⁽¹⁾.

A number of recommendations for improvement have been identified through the assurance process and are summarised below.

Methodology

We undertook the following activities to inform our assurance engagement:

- ◆ Site visit to Chelopech Mining EAD operations in Bulgaria;
- ◆ Face to face and telephone interviews with over 35 personnel across Chelopech (Bulgaria), Regional Office (Sofia), Corporate Office (Toronto), NCS (Tsumeb) and Deno Gold Mining Company (Kapan). We interviewed employees at all levels in the organisation, including the CEO (incoming) and select members of the executive team. Stakeholders interviewed at Chelopech also included trade union leaders and mayors of two local municipalities.
- ◆ Document reviews, data sampling and interrogation of supporting databases and associated reporting systems back to source as they relate to sustainability performance data;

- ◆ Bureau Veritas undertook a materiality review to help determine whether the Report content addressed DPM's material issues. This was informed by a selection of external peer and media reports relating to DPM to evaluate the coverage of topics within the Report; sector based guidelines; DPM's stakeholder plan and outcomes of engagement; and an understanding of DPM's risk identification processes.
- ◆ We undertook an evaluation of DPM's related disclosures on the website against the G3.1 Sustainability Reporting Guidelines. This included cross checking Key Performance Indicators (KPIs) and the GRI index table against all listed documents to provide an opinion on the GRI application level.
- ◆ Conclusions on adherence relating to the AA1000 principles of Inclusivity, Materiality and Responsiveness and specified performance information are incorporated into the findings below.

Positive Findings

We are pleased to observe the following:

- ◆ The sustainability risks and impacts associated with the sector are significant and DPM has a good understanding of current and potential future risks. DPM's "doing well by doing good" philosophy is demonstrated in its values which are being rolled out across the organisation, and fits well with its mission to deliver excellence in sustainability and create value for its stakeholders.
- ◆ There is a good understanding of material issues and DPM has increased transparency in its sustainability reporting in areas such as biodiversity, product stewardship and the environmental, and occupational health issues at its smelter facilities at Tsumeb.
- ◆ At a local level stakeholder engagement plans have been developed and there is a sound understanding of material issues derived through good community relations and a high level of responsiveness.
- ◆ Chelopech, the site visited as part of the assurance, is constantly striving for continuous improvement and sustainability best practice. This is illustrated by significant investment that has led to operational improvements to energy and water efficiency; upgrading of its tailings management facility; waste management improvements and increased use of backfill; good employee relationships; and a significant contribution to the local community.

Key observations and recommendations

- ◆ DPM could further formalise its approach to its materiality review to: more closely link to its risk assessment processes; coordinate feedback from stakeholders at the corporate level and from operations; and improve overall alignment of its materiality review to its sustainability goals. DPM should consider how stakeholders can feed into its sustainability strategy development to have a more inclusive approach and DPM's long term sustainability vision should be clearly articulated, supported by quantifiable objectives and targets where possible.
- ◆ DPM should continue to strengthen sustainability governance structures for more appropriate authority and accountability at the corporate level and across the organisation, in order to coordinate outcomes, monitor progress and promote a consistent approach. Consideration should be given to link sustainability performance more closely to business objectives, such as by the use of business scorecards or individual performance management.
- ◆ DPM should improve its data management processes, including the definition of roles and responsibilities for all aspects of data collection; issuing further guidance on definitions of KPIs and checking levels of understanding; and coordinating systems (where possible) for data entry. The frequency of internal reporting could be increased, for example to quarterly, to manage the need for any remedial action throughout the year.
- ◆ DPM should consider how to develop internal audit processes, that include the checking of performance against sustainability goals, KPIs and implementation of associated corporate policies.
- ◆ A review of contractor's impact on DPM's sustainability performance should be undertaken to identify training needs; contractor responsibilities; contribution to sustainability targets; and define appropriate KPIs.
- ◆ DPM should consider how to incorporate into its future sustainability reporting any risks and liabilities in relation to its early-stage exploration and pre-development ownership entities in Serbia.

Exclusions and Limitations

Excluded from the scope of our work is information relating to:

- ◆ Activities outside the defined reporting period or scope, including historical text;
- ◆ Company position statements (including any expression of opinion, belief, aspiration, expectation, aim or future intent); and
- ◆ Financial data which is taken from DPM's Annual Report and Accounts audited by an external financial auditor.

This independent statement should not be relied upon to detect all errors, omissions or misstatements that may exist within the Report. The scope of our work was defined and agreed in consultation with DPM and is based on a sample approach to data and information checking.

Responsibilities

The preparation, presentation and content of the Report is the sole responsibility of DPM. The responsibility of Bureau Veritas is to provide independent assurance to stakeholders on the accuracy, reliability and objectivity of the information therein, and to express our overall opinion as per the scope of assurance engagement defined in this statement.

Bureau Veritas recognises the need for a robust, transparent assurance process to ensure credibility and to act as a tool to drive performance improvement in DPM's sustainability reporting and strategy. This is achieved by providing an impartial commentary on the reporting process and a summary of recommendations in this assurance statement. A detailed internal management report is also presented to DPM.

Statement of Bureau Veritas Independence, Impartiality and Competence

Bureau Veritas is an independent professional services company that specialises in quality, environmental, health, safety and social accountability with over 180 years history in providing independent assurance services, and an annual turnover in 2012 of 3.9 billion euros.

Bureau Veritas has implemented a Code of Ethics across its business which ensures that all our staff maintains high standards in their day to day business activities. We are particularly vigilant in the prevention of conflicts of interest.

Our assurance team does not have any involvement in any other projects with DPM outside those of an independent assurance scope and we do not consider there to be any conflict through the provision of this service by the Bureau Veritas assurance team.

Our assurance team completing the work for DPM has extensive knowledge of conducting assurance over environmental, social, health, safety and ethical information and systems, and through its combined experience in this field, an excellent understanding of good practice in sustainability reporting and assurance.



**BUREAU
VERITAS**

London, April 2013

⁽¹⁾ Type 2 Assurance: An assurance engagement in which the assurance provider gives findings and conclusions on the principles of Inclusivity, Materiality and Responsiveness and also verifies the reliability of specified reported sustainability performance information (AA1000AS (2008) Standard). For further information see www.accountability.org/standards/aa1000as.html.

- **Responsiveness** is the extent of an organisation's response to stakeholder issues and is realised through decisions, actions and communication with stakeholders.
- **Materiality** is determining the relevance and significance of an issue to an organisation and its stakeholders.
- **Inclusivity** is the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability.

⁽²⁾ International Standard on Assurance Engagements 3000: Assurance engagements other than audits or reviews of historical financial information.

Managing Key Impacts, Risks and Opportunities

As an international Canadian based mining company, we are aware of the significant economic, environmental and social impacts, risks and opportunities that we bring to the communities and regions where we operate. We are also aware that these impacts may differ according to the interests of each stakeholder and have structured our approach to stakeholder engagement, sustainable development and corporate responsibility accordingly.

Our values, policies and standards have been developed in a way that ensures everyone across the organization is made aware of their responsibilities, the appropriate resources are allocated and the management and accountability for those resources is appropriately assigned, monitored and reviewed at every level.

Overall Approach to Sustainable Development and Corporate Responsibility

Developing our business in a sustainable and responsible manner is a key strategic objective for us. The values associated with these concepts are integrated into everything we do and say and, in essence, are the moral compass of our business. We do not regard activities associated with operating responsibly as a cost to the business, but rather as a strengthening of our strategic and competitive positioning globally. In other words, we believe that doing good enables us to do well.

More specifically, we are committed to sustainable business practices through ensuring that:

- ◆ The business is economically sustainable and able to provide long term benefits to all stakeholders;
- ◆ Both immediate and long term sustainable community benefits are provided for through targeted projects



Mine operators, Chelopech

that anticipate an economic and sustainable future for communities after the cessation of our mining or processing operations;

- ◆ A safe and healthy environment is provided for our employees, their families, and our adjacent communities. We believe that every employee has the right to go home safe from our operations at the end of every shift;
- ◆ Our operations interact with the natural physical and biotic environment in a way that allows for the long term capacity of the environment to support and sustain life unchanged after our operations cease and to ensure that while we are in operation, environmental effects are minimized;

- ◆ Risks to people and the environment associated with our operations are properly identified and mitigated;
- ◆ Our vision and values are applied where our products are used or processed downstream (product stewardship); and
- ◆ Critical and non-renewable resources are used effectively.

At all our operations we continue to work toward meeting our commitment of achieving and maintaining recognized international best practice mining, processing, environmental and health and safety standards. The protection of employees, communities and the environment, from exploration and mining through to rehabilitation and closure, remains key to successful project development and sustainable operations.

Introduction to “DPM Net Impact Strategy”

We believe that if we properly harness our assets, knowledge, culture and resources (both human and financial), we can minimize the risks, maximize the opportunities and achieve a positive and sustainable net impact on the communities in which we operate.

By taking into account, not only our direct economic and financial impacts, but also the indirect socio-economic benefits associated with our operations and any potential effects on the natural physical and biotic environment, and by understanding the interdependency of all these elements, we can show how modern and technologically-advanced mining and processing techniques, together with a proven commitment to sustainable development, can potentially have an overall positive and sustainable impact on the development of communities.

We are in the initial phases of working with external consultants to help us further develop these ideas and measurement methodologies and will report on our progress in future sustainability reports.

Corporate Policies

Last year’s Sustainability Report included copies of relevant corporate-level policies. This year we are simply listing the policies that can be found on our corporate website at www.dundeeprecious.com as follows:

- ◆ Code of Business Conduct and Ethics;
- ◆ Environment and Sustainable Development Policy;
- ◆ Health and Safety Policy Statement; and
- ◆ Whistle Blower Policy.

In addition to the above corporate-level policies, we also have numerous site-level policies and standards that address

specific national and regional legislative and ethical guidelines in our respective jurisdictions of operation.

The Code of Business Conduct and Ethics (Code) 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, internal operations, standards of compliance and violations of standards.

Though we do not have separate human rights or bribery and corruption policies at present, many of the topics normally covered in such policies are currently included in our Code. However, we are in the process of reviewing the need for a stand-alone human rights policy and are currently drafting a bribery and corruption policy that will encompass evolving legislation in Canada and relevant international best practices.

All employees (including contract employees), officers and directors must sign a statement stating their intended compliance with the Code.

In 2013, we will begin to develop a comprehensive framework for internally auditing and monitoring our compliance against policies and standards (environmental, health and safety, and social) and our performance against best practices.

Corporate Governance

We recognize the value of good corporate governance and the need to adopt best practices. Full disclosure of our corporate governance practices is contained in the latest Management Information Circular that can be found on our corporate website and on the SEDAR website at www.sedar.com.

Extractive Industries Transparency Initiative

We confirmed our support for the Extractive Industries Transparency Initiative (EITI) by becoming the 51st EITI “Supporting Company”, at the international level, in March of 2011. As such, we endorse the principles and criteria as a way to improve the transparency around payments and revenues in the extractives sector in developing countries. Supporting the EITI is consistent with our governance principles and the manner in which we seek to develop relationships with communities and governments.

The EITI is a coalition of governments, companies, civil society groups, investors and international organizations that supports improved governance in resource-rich countries through a globally developed standard that promotes revenue transparency at the local level.

In each of 2011 and 2012, we made a \$10,000 financial contribution to the international management of the EITI.

None of the countries in which we operate are considered EITI “Compliant” or “Candidate” countries and, as such, we are not obliged to report payments to governments to the EITI. However, we have voluntarily provided a breakdown of payments to governments by operating site in the section of this report entitled “Economic Performance and Operational Highlights” beginning on page 14.

More specific information regarding key impacts, risks and opportunities can be found throughout this report and DPM’s Annual Information Form available on our corporate website and on the SEDAR website.

Performance Versus 2012 Goals

Table 1. Performance Versus 2012 Goals

| Our Stated Goals for 2012 | How We Did | Comments and Future Actions |
|--|------------------------|--|
| People, Health and Safety | | |
| Reduce LTIs and LTI Frequency Rate at all operating sites | Partially achieved | See page 26 |
| Develop strategy for increasing capacity of emergency health facilities at Kapan and Tsumeb | Partially achieved | See page 25. Work in progress. |
| Achieve zero fatalities at all sites | Fully achieved | See page 26 |
| Complete rollout of AeroScout Real Time Location System at Kapan | Partially achieved | See page 29 |
| Complete Crisis Management Planning training and achieve high level of emergency preparedness at all sites | Partially achieved | See page 25 |
| Complete "Project 2012" at Tsumeb | Substantially achieved | See page 27. Commissioning to be completed in 2013. |
| Develop long term strategy for improving health and safety performance at Tsumeb | Partially achieved | See page 25. Work in progress. |
| Environment | | |
| Complete Greenhouse Gas (GHG) emissions inventory in accordance with GHG Protocol and develop GHG Management Plan at Kapan and Tsumeb | Partially achieved | See page 35 |
| Complete upgrade of energy management systems to include monitoring, processing and automatic electricity reading and load management at Chelopech | Partially achieved | See page 34. All but direct train load management, which will be completed in Q2 2013. |
| Set energy use and water use intensity performance targets at all operating sites | Not achieved | Difficult to determine while upgrade and improvement projects in progress. Will be reviewed in 2013. |
| Develop and improve waste management reporting systems at Tsumeb | Partially achieved | See page 42. Work in progress. |
| Improve waste separation procedures at Kapan | Partially achieved | See page 42. Work in progress. |
| Develop spills data reporting system at Tsumeb | Fully achieved | See page 44 |
| Complete rehabilitation of Artsvanic TMF at Kapan | Fully achieved | See page 42 |
| Develop product custodial/life-cycle strategy for concentrate with arsenic content and plan for corporate-wide custodial strategy | Partially achieved | See page 45. Work in progress. |
| Complete third-party review of Geghanush TMF at Kapan and develop long-range tailings management plan | Fully achieved | See page 42 |
| Communities and Other | | |
| Develop the "DPM Approach" to CSR that can be consistently implemented across all sites | Partially achieved | See page 11. Work in progress. |
| Improve CSR measurement techniques at all sites | Partially achieved | See page 49. Work in progress. |
| Complete negotiations of social and community strategic plan with Krumovgrad stakeholders | Partially achieved | Final negotiations with Krumovgrad Municipality ongoing. |
| Develop a process for the external verification of sustainability report data and GRI application level | Fully achieved | See page 9. Bureau Veritas appointed third-party assessor of 2012 Sustainability Report. |

Our Sustainability Goals for 2013 and Beyond

Table 2. Sustainability Goals for 2013

People, Health and Safety

- Reduce LTIs and LTI Frequency Rate (LTIFR) at all sites
- Complete emergency preparedness procedures at Kapan and Tsumeb
- Complete emissions monitoring and management projects and community health initiatives at Tsumeb
- Complete health & safety risk assessment for 100% of jobs performed at Chelopech

Environment

- Complete Carbon Management Plan at Kapan and Tsumeb
- Progress with revised Carbon Management Plan at Chelopech
- Measure inventory of Scope 3 GHG emissions at Kapan and Tsumeb
- Complete arsenic life-cycle stewardship project
- Complete commissioning of all Project 2012 initiatives
- Progress with water management project at Tsumeb
- Progress with mine water diversion project at Kapan
- Complete revised mine closure plan at Kapan
- Complete stability and operational review of Geghanush TMF at Kapan
- Eliminate discharge of untreated water at Chelopech
- Complete Biodiversity Management Plan and Land Use Management Plan at Tsumeb
- Progress with Closure Plan at Tsumeb

Communities and Other

- Continue to develop DPM Net Impact Strategy
- Develop framework for internal sustainability and compliance audits
- Complete negotiations for Krumovgrad social package
- Continue rollout of Values Workshops
- Develop Archaeology Management Plan at Kapan
- Complete direct rail loading at Chelopech

Table 3. Long Range (3-5 Years) Sustainability Objectives

- Strive for Zero harm at all sites
- Develop Kapan from “Good Practice” to “Best Practice” in Health, Safety, Environment and Social (HSE&S) Management
- Continually improve at Chelopech to maintain Best Practice HSE&S Management
- Develop and prove net positive impact of operations throughout the life-cycle of the mines and smelter including post-closure
- Develop Tsumeb into a world-class smelter with proven Best Practice HSE&S Management
- Ensure sustainability principles and objectives are applied to our entire supply chain and product life-cycle



Students from Mining and Geology University, Chelopech

Economic Performance and Operational Highlights

A detailed account of our economic and financial performance for the calendar year 2012, together with management discussion on our goals and performance, key successes and shortcomings, and major organizational risks and opportunities can be found in our recently published Annual Report and related regulatory filings at www.dundeeprecious.com. The highlights of our performance are as follows:

Our Operations – Significant Accomplishments and Noteworthy Events

Overall, DPM performed well financially during 2012. Significant accomplishments and noteworthy events during 2012 included the following:

Chelopech

- ◆ The mine and mill expansion project at Chelopech was completed in the fourth quarter of 2012, on time and under budget. Since then, the mill has been operating continuously at the design throughput rate of 250 tonnes per hour; and
- ◆ Chelopech continues to advance its gold in pyrite recovery project (Pyrite Project), which has the potential to economically recover most of the 40% to 45% of the contained gold in the Chelopech ore mined that is rejected in the current circuit, being either placed into tailings or returned underground as paste fill.

Kapan

- ◆ Construction was completed on the new lead circuit at Kapan, which was installed to address the high lead content in the copper concentrate, and commissioning is underway; and
- ◆ Exploration drilling results continue to support the potential to expand the capacity and life of mine.

Tsumeb

- ◆ Construction relating to Project 2012 (see page 27 of this report), was substantially complete in January 2013;
- ◆ Concentrate smelted at Tsumeb in 2012 was negatively impacted by a short-term production curtailment resulting from directives issued by the Namibian Minister of Environment and Tourism (see page 27 of this report for further details) in April and July 2012; and
- ◆ As part of its strategy to bring the smelter at Tsumeb to internationally accepted environmental standards and consistent with the directives issued by the Namibian government in April 2012, we entered into a lump sum turn-key contract with Outotec for the engineering, supply, construction and commissioning of a sulphuric acid plant at an estimated cost of \$204 million (see page 27).

Corporate and Other

- ◆ Krumovgrad achieved a number of key milestones in 2012 and continues to advance toward a 2015 production date (see page 38);
- ◆ In November 2012, we announced that during 2013 (effective April 1), Jonathan Goodman, President and CEO, will assume the role of Executive Chairman of the Board of Directors of DPM, where he will continue to play a strong leadership role with the development and execution of DPM's strategic plan. Richard Howes, currently the Executive Vice President and Chief Operating Officer, will in turn be appointed President and Chief Executive Officer; and

Overall, DPM performed well during 2012, meeting several key operational and financial milestones



Mine operators, Chelopech

◆ On February 15, 2013, we entered into a long term revolving credit facility (RCF) of \$150.0 million with a consortium of banks and refinanced \$81.25 million of Chelopech Loans with the existing lenders on substantially the same terms with the notable exception that DPM is now the borrower with the same security as that pledged in support of the RCF.

Financial implications and other risks and opportunities due to climate change

At present, we do not have a committee at the Board of Directors level that is specifically dedicated to assessing risks and opportunities due to climate change. Rather, these issues are reported and periodically discussed amongst members of the Health, Safety and Environment Committee (see the inside back cover of this report). We have not formally documented the specific potential risks and opportunities due to climate change and have not quantitatively estimated any potential financial implications of climate change for the organization.

At each of our operating sites, we have completed a GHG inventory in accordance with the GHG Protocol. At Chelopech there is a comprehensive Carbon Management Plan in place and we are developing similar plans at Kapan and Tsumeb. For more details on these site-level initiatives, please see page 33 of this report.

Significant financial assistance received from governments

We do not receive significant direct financial assistance from governments other than standard tax relief measures that are available to all businesses in the jurisdictions where we operate.

In Namibia, Tsumeb operates as an Export Processing Zone Enterprise, as defined by Namibia's Export Processing Zones Act, and as such, does not pay corporate income taxes in Namibia. At this time, it is not possible to estimate the financial value of this tax relief measure because, since purchasing Tsumeb in March 2010, we have not

reported positive net income that would otherwise have been taxable were we not to operate as an Export Processing Zone Enterprise.

No government in any of the jurisdictions in which we operate participate in the shareholding structure of DPM.

Economic Value Generated, Distributed and Retained

The following data provides a more detailed breakdown of our direct economic value generated, distributed and retained in accordance only with GRI 3.1 guidelines.

| Table 4. Economic Value Generated, Distributed and Retained - Total (\$ Thousands) | | |
|--|----------------|----------------|
| | 2012 | 2011 |
| Direct Economic Value Generated | | |
| Revenues | 384,685 | 338,480 |
| Economic Value Distributed | | |
| Operating costs ⁽¹⁾ | 180,499 | 152,824 |
| Employee wages and benefits | 75,179 | 67,330 |
| Payments to providers of capital ⁽²⁾ | 5,583 | 5,162 |
| Payments to governments ⁽³⁾ | 33,646 | 16,138 |
| Community investments ⁽⁴⁾ | 3,354 | 2,937 |
| Economic Value Retained ⁽⁵⁾ | 86,424 | 94,089 |
| Capital Expenditures | 149,004 | 117,601 |

⁽¹⁾ For the purposes of calculating economic value distributed and retained, operating costs exclude depreciation of property, plant and equipment, depletion of mine properties, amortization of intangible assets, employee wages and salaries and royalties.

⁽²⁾ Includes interest paid on long term debt outstanding.

⁽³⁾ Payments to governments include income, mining and other taxes paid during the year, royalties, license fees, concession fees and land use payments (if applicable).

⁽⁴⁾ See page 47 of this report for more detailed breakdown of community investments.

⁽⁵⁾ As defined by the GRI 3.1 guidelines.

| Table 6. Percentage of Spending on Locally-Based Suppliers in 2012 | | | |
|--|----------------------|---------------------------|----------------------------|
| | % of Operating Costs | % of Capital Expenditures | Definition of Local |
| Chelopech | 79 | 84 | Within Bulgaria |
| Kapan | 63 | 29 | Within Armenia |
| Tsumeb | >95 ⁽²⁾ | >95 ⁽²⁾ | Within SADC ⁽¹⁾ |

⁽¹⁾ Southern African Development Community (SADC).

⁽²⁾ Includes locally-based operating subsidiaries of international companies with headquarters outside SADC.

| Table 5. Payments to Governments by Operations (\$ Thousands) | | |
|---|---------------|---------------|
| | 2012 | 2011 |
| Chelopech | 23,663 | 10,218 |
| Kapan | 9,958 | 5,903 |
| Tsumeb | 0 | 0 |
| Krumovgrad | 25 | 17 |
| Corporate | 0 | 0 |
| Total | 33,646 | 16,138 |

Policy, practices and proportion of spending on locally-based suppliers

At all our locations, we strive to spend as much as is practicable on locally-based suppliers. By maximizing local procurement and local employment, whenever possible, we contribute to sustainable development, and increase our overall net impact on local and regional economies.

Our locally managed procurement procedures take into account, not only the cost and quality of goods and services sought, but also the health, safety and environmental performance of our suppliers. In 2013, we intend to review our policies and procedures relating to local procurement and complete a risk assessment of our respective supply chains.

Engaging with Our Stakeholders

Acquiring and sustaining a social and political license to operate requires a commitment to continuously meet the expectations of our key stakeholders. An important component of carrying out this commitment is to first identify and thoroughly understand the goals, concerns and motivations of those stakeholders. Are we delivering on our promises? Is what our stakeholders are saying about us conducive with how we think about ourselves as a company? Are there perception gaps that we need to close between our stakeholders and ourselves, and if so, how do we do that? These were questions and issues we grappled with at length during the summer of 2012, when we convened a meeting of our senior management teams from across all of our sites.

The outcome of these meetings was an intention to work more closely and in partnership with a group of stakeholders we defined as our Foundational Stakeholders – employees, the investor community, governments, local communities, and civil society – while ensuring ongoing consideration for all other stakeholders and influencers.

The internal working theme that we have developed to drive this initiative forward is “*We succeed because we care.*” Also the title of this report, by no means an advertisement or a “tagline”, this statement defines how we envision engaging with our stakeholders in the future. The word “we” signifies how DPM and its Foundational Stakeholders can share a mutually reliant partnership. The word “succeed” defines how we can achieve success together through the power of this partnership. And, the word “care” encompasses all that we stand for as a company, including the core values that define us, and the way we behave toward employees, investors, governments, local communities, civil society and other stakeholders and influencers.



Chelopech pensioners' initiative



Open house at Chelopech



Visit to Kapan by Serzh Sargsyan, President of Armenia

At present, we engage with our Foundational Stakeholders in a variety of different ways:

| Table 7. Foundational Stakeholder Engagement | | | | |
|---|--|--|--|---|
| Employees | Investor Community | Governments | Local Communities | Civil Society Groups |
| Stakeholders' Interests | | | | |
| <ul style="list-style-type: none"> • Healthy & safe workplace • Competitive remuneration • Long term success of DPM and its subsidiaries • Career development and training • Corporate social responsibility • Free to join trade union • Good relationship and communication channels with management | <ul style="list-style-type: none"> • Business strategy & continuity • Risk & reputation management • Financial performance • Management integrity • Sustainable development strategy | <ul style="list-style-type: none"> • Sustainable employment • Sustainable economic development • Responsible citizen • Payment of taxes and royalties • Regulatory compliance | <ul style="list-style-type: none"> • Clean & healthy environment • Sustainable employment opportunities • Local economic development | <ul style="list-style-type: none"> • Sustainable development • Human rights • Environmental responsibility • Transparency |
| Operations-level Stakeholder Engagement | | | | |
| <ul style="list-style-type: none"> • Health & safety workshops & training • Annual and periodic salary & performance reviews • Training & development opportunities • CSR programs well-documented and communicated • Monthly newsletters & bulletin boards • Local trade Unions with Collecting Bargaining Agreement (CBA) in place at Chelopech and Tsumeb • Departmental group meetings • Annual Miners Day celebrations at Chelopech • Employee wellness programs (Tsumeb) | <ul style="list-style-type: none"> • Site tours • External audits when required • Lender-driven action plans | <ul style="list-style-type: none"> • Regular meetings at local and national levels • EIA & permitting compliance procedures in place • Extensive CSR activities • National advisory committee in Namibia | <ul style="list-style-type: none"> • Community information centres operated at all sites • Regular meetings with community reps • Site visits/open days • Public hearings/"Town Hall" meetings • CSR Programs • Local procurement policies | <ul style="list-style-type: none"> • Meetings & hosting of site visits • Public hearings |
| Corporate-level Stakeholder Engagement | | | | |
| <ul style="list-style-type: none"> • Core values workshops • Annual sustainability report • Corporate announcements and updates • Corporate website | <ul style="list-style-type: none"> • Regulatory filings • Quarterly conference calls • Attendance at conferences and investor presentations • Regular one-on-one meetings • Corporate website • Regulatory filings • Annual sustainability report | <ul style="list-style-type: none"> • Senior management engagement at national government levels • Board of Directors country visits • Corporate website • Annual sustainability report | <ul style="list-style-type: none"> • Site visits by senior management • Corporate CSR oversight | <ul style="list-style-type: none"> • Involvement of senior management in meetings • Corporate website • Annual sustainability report |



Information Centre, Tsumeb

At each of our sites, we have in place stakeholder engagement plans that include strategies and goals for continually improving our stakeholder engagement activities, as discussed above. For example, at Tsumeb in 2012, we established the Dundee-Namibia Custom Smelters Namibian Advisory Council, comprised of four prominent members of Namibian society: Dr. Zedekia Ngavirue, the Honourable Clara G. Bohitile, the Honourable Rosalie M. Musheke Sibiya, and Mr. Haroldt Urib. The purpose of this council is to bring a greater depth of experience and understanding to the relationship between Tsumeb and its various Namibian stakeholders and to ensure that our management is properly advised on key developments in Namibia. This includes supporting the development and maintenance of important stakeholder relationships, and counseling Tsumeb senior management on plans, policies and processes that have an impact on those relationships.

Also in 2012, members of our Board of Directors visited Namibia, where they met with a number of high-ranking government officials, including His Excellency President Hifikepunye Pohamba.

As a result of our ongoing engagement with stakeholders, we have identified the following material issues at each of our sites:

Table 8. Material Issues in 2012 and Our Response

| Material Issues | Our Response |
|---|---|
| Chelopech | |
| 1) Completion of Environmental and Social Action Plan (ESAP) established by our lender, the European Bank for Reconstruction and Development (EBRD) | Completed 2-year ESAP in 2012. External audit of ESAP confirmed completion in accordance with EBRD Performance Standards. One issue remains with respect to a shared water treatment facility with Chelopech Municipality. Project delayed to allow Municipality to apply for EU development funding. Project will begin in 2013. |
| 2) Noise in Zlatitsa from loading of concentrate and potential damage to road infrastructure from transportation | In the final stages of building a direct rail loading hub on site (operational in 2013). This will eliminate need for road transportation of concentrate. Repaved main parts of the transportation route that suffered wear and tear. Increased scrutiny of trucks violating authorized routes. |
| 3) Noise from operation and complaints about mine blasting activities | Continuous monitoring of impacts from blasting and noise levels. Open communication with community, media and civil society. |
| Kapan | |
| 1) Expansion options evaluation – open pit and underground | Resource estimates and option studies in progress. DPM has not yet decided to proceed with development. Full EIA process and public hearings will be necessary if plans to proceed are announced. |
| Tsumeb | |
| 1) Timely completion of major plant upgrades | Extensive plant upgrades completed and future capital investments designed to mitigate all known environmental issues and concerns. See the section entitled “Tsumeb and Project 2012” on page 27 of this report. |
| 2) Arsenic dust from smelter operations | |
| 3) Waste management | |
| 4) Employee health & safety | |
| 5) Sulphur dioxide emissions | |
| Krumovgrad | |
| 1) Protection of local culture and traditional livelihood | Regular meetings with local government and local community representatives. |
| 2) Environmental & bio-diversity preservation | Full EIA and public hearing procedures completed and in compliance with Bulgarian and EU laws, regulations and directives and international best practices. Biological Monitoring Plan in place. For more detail, see page 38 of this report. |
| 3) Social investment package | Ongoing negotiations with local government and local community representatives. |



Information Centre, Kapan

New information centres opened in Kapan and Tsumeb

External stakeholder grievance procedures

At all of our sites, we have formal procedures in place to allow our external stakeholders to share any grievances, comments or concerns with us. The framework is roughly the same at all sites and includes asking the grievant to document the grievance in writing, logging the grievance

and circulating it to the relevant senior managers for comments and discussion and finally responding in a timely manner, which varies by site depending on the resources available. The response and actions are then documented and followed up with the grievant to ensure a satisfactory resolution.

Our community information centres are the primary vehicles for accepting grievances from local community members. In 2012, we opened our two new information centres in Kapan and Tsumeb, respectively. We now have information centres in all our communities, including Krumovgrad.

The following table summarizes the number of visitors and the most frequent or significant issues:

Table 9. Information Centres – Visitors and Issues

| Information centre location | Number of visitors in 2012 | Most frequent/significant issues | Response |
|-----------------------------|----------------------------|--|-------------|
| Chelopech – at site | 520 | Noise and complaints of trucks violating authorized transportation routes. | See Table 8 |
| Chelopech – in town | 112 | As above. | See Table 8 |
| Krumovgrad | 546 | No significant issues. Majority of visitors came to pick up/drop off job application forms and inquire on status of project. | – |
| Kapan | 304 (since Sept. 1) | No significant issues. Visitors mainly came seeking employment opportunities. | – |
| Tsumeb | 307 (since Sept. 1) | No significant issues. Visitors mainly came seeking employment opportunities and to discuss Community Trust grants. | – |

Caring for Our Employees

Building a formidable workforce

Our employees are one of our most important stakeholders, and as such, a substantial proportion of our financial resources are allocated to ensuring that they are properly trained, fairly compensated and are not exposed to undue health and safety risks.

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.

Human Resources policies are incorporated into our Code, site-specific collective bargaining agreements and local labour standards and laws.

Collective bargaining agreements are in place at Chelopech (covering 100% of full-time employees and including management) and Tsumeb (covering 88% of full-time employees and excluding management). Both agreements were updated in 2011, including the setting of pay levels. There is no collective bargaining agreement at our Kapan operation in Armenia. In total, 55% of corporate-wide full-time employees are covered by collective bargaining agreements.

We have good relations with our employees and trade unions and did not experience any strikes or disputes during the year.

We attempt to match or exceed average wages in the countries where we operate. We use several methodologies for determining pay levels. In Bulgaria and Armenia we use the Mercer IPE methodology and in Namibia we use the Patterson methodology. We also compare pay levels with current regional market data and salary surveys, where reliable data exists, and attempt to target pay levels in the 75th percentile. Using a gender-neutral job evaluation methodology, we also seek 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. At Tsumeb, we comply with the Affirmative Action Act of 1998, which legislates equal opportunities. Table 10 broadly outlines our wage positioning relative to country benchmarks.

The minimum legal working age is 18 at all our operations. We strictly comply with relevant labour legislation in all jurisdictions. DPM records the age of all employees and government issued identification documentation is required on employment. It is assured that workers are trained appropriately before any tasks are assigned. Typically, younger workers are “shadowed” by more experienced workers in the initial stages of their employment.

Employees are free to resign from their jobs by submitting their notice in writing to their immediate supervisor. Notice periods range from one week to three months depending on

Table 10. Mean Annual Wage Comparison

| | Mean annual wage in country | Mean annual wage of Company employee ⁽¹⁾ |
|----------|---------------------------------------|---|
| Bulgaria | \$5,847 (\$9,563 for mining industry) | \$14,190 |
| Armenia | \$5,223 (Kapan region) | \$6,567 |
| Namibia | \$5,403 | \$9,931 |

⁽¹⁾ Excludes expatriates and managers.

caring for our employees



Community relations staff, Kapan

99% of our total workforce are local nationals

the position and/or contract terms. The minimum notice period given to employees regarding significant operational changes is one month at all sites. Where applicable, this is specified in collective bargaining agreements.

All contract employees are subject to the same corporate human resource policies and procedures and host country regulations and laws as our full-time permanent employees and this compliance requirement is stipulated in each employee's contract. The supervisor responsible for the contract employee is also responsible for ensuring that regulations, standards and policies are met and the oversight procedures relating to contract employees are the same as for full-time employees.

Local hiring and professional development

At all our operations, we seek to attract and hire locally-based employees. As reported in Table 11, 99% of our total workforce are local nationals and 86% of positions at manager level and above are held by local nationals. In fact, we have only 53 expatriate employees working throughout

DPM and many of these positions are a function of a worldwide shortage of specific skilled labour, such as exploration specialists, project-related specialists and geologists.

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

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

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. Also, external executive coaches are working with a large number of our senior managers as part of their ongoing professional development.

Employee grievance procedures

Employee grievance procedures exist at all our operations. At Tsumeb, we have a formal process in place, which requires employees to complete standard grievance forms. Although there is no formal process in place at Chelopech and Armenia, every employee can raise concerns verbally ("Open-door policy") or in writing.

A formal corporate-wide Whistle Blower policy has been in place since 2005. The purpose of this policy is to establish procedures for the receipt, retention, and treatment of complaints submitted by employees on a confidential and anonymous basis, of concerns regarding questionable accounting, internal control and auditing matters. Complaints can be submitted either in writing and addressed to the Audit Committee (see the inside back cover of this report) or verbally via an independently monitored "hotline." The policy states clearly and unequivocally that DPM prohibits discrimination, harassment and/or retaliation against any employee, director or officer who reports complaints or concerns to the Audit Committee.

Table 11. Employee Data 2012 (as at Dec. 31)

| | Chelopech | Kapan | Tsumeb | Krumovgrad | Corporate | Total |
|---|-----------|-------|--------|------------|-------------------|-------|
| Total number of employees (permanent full-time and direct contractors) | 1,217 | 1,195 | 951 | 49 | 30 | 3,442 |
| Number of permanent full-time male employees (excluding expatriates) ⁽¹⁾ | 803 | 897 | 389 | 29 | 16 | 2,134 |
| Number of permanent full-time female employees (excluding expatriates) ⁽¹⁾ | 216 | 195 | 40 | 18 | 14 | 483 |
| Number of permanent full-time employees that left voluntarily | 8 | 91 | 9 | 0 | 0 | 108 |
| Number of permanent full-time employees that left involuntarily ⁽²⁾ | 80 | 108 | 35 | 0 | 0 | 223 |
| Number of male direct contract employees ^{(1) (3)} | 143 | 86 | 460 | 1 | 0 | 690 |
| Number of female direct contract employees ^{(1) (3)} | 55 | 17 | 62 | 1 | 0 | 135 |
| Percentage of direct contract employees that have a fixed-term or temporary contract | 100 | 100 | 100 | 100 | 0 | 100 |
| Number of direct contract employees that left voluntarily | 7 | 32 | 10 | 0 | 0 | 49 |
| Number of direct contract employees that left involuntarily | 58 | 6 | 108 | 0 | 0 | 172 |
| Number of project-related sub-contractors on-site | 374 | 0 | 968 | 0 | 0 | 1,342 |
| Percentage of permanent & contract employees that are part-time ⁽¹⁾ | <1 | <1 | <1 | 0 | 0 | <1 |
| Number of expatriate employees | 11 | 26 | 1 | 4 | 11 ⁽⁴⁾ | 53 |
| Percentage of employees that are local nationals (% of full-time employees) | 99 | 98 | 98 | 100 | 100 | 99 |
| Percentage of employees that are managers and above levels (% of full-time employees excluding expatriates) | 2.45 | 1.6 | 11 | 17 | 63 | 4.4 |
| Percentage of managers and above levels that are local nationals (% of full-time employees excluding expatriates) | 92 | 57 | 86 | 100 | 100 | 86 |
| Percentage of full-time employees covered by collective bargaining agreements | 100 | 0 | 88 | 0 | 0 | 55 |
| Average hours of mandatory training per permanent full-time employee per year (includes safety training) | 31 | 20 | 8.8 | 2 | 2.5 | – |
| Average hours of mandatory training per contract employee per year (includes safety training) | Variable | 15 | 5.4 | 2 | 0 | – |
| Number of strikes and lock-outs during year exceeding one week's duration | 0 | 0 | 0 | 0 | 0 | 0 |
| Total number of incidents of discrimination and corrective actions taken | 0 | 0 | 0 | 0 | 0 | 0 |

⁽¹⁾ Full-time, part-time and contract employees as defined by National laws. Supply chain workers are not included.

⁽²⁾ Includes retirees.

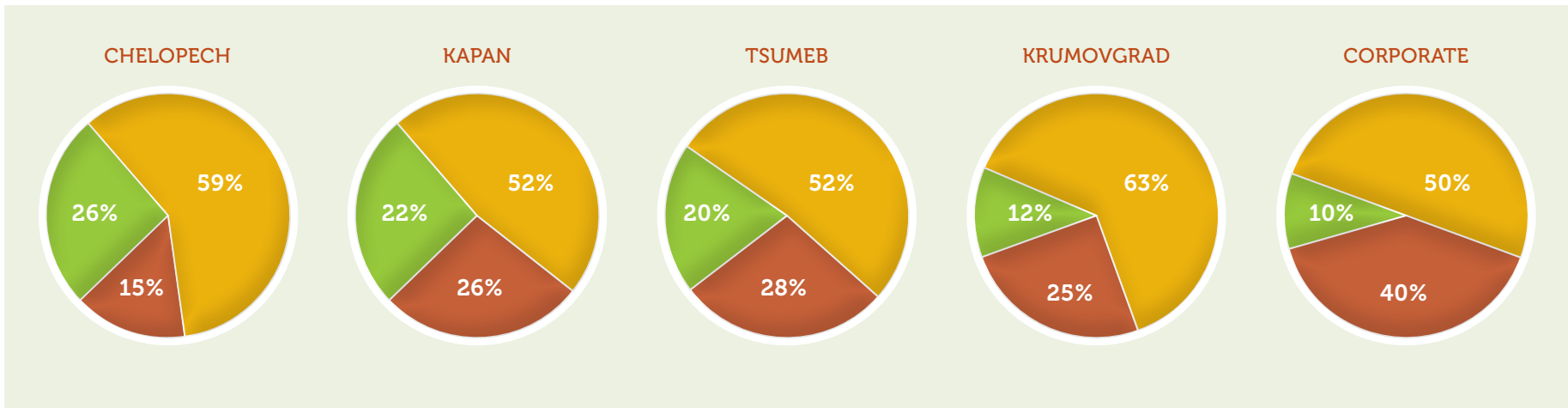
⁽³⁾ Employees with contracts directly with DPM.

⁽⁴⁾ Expatriate employees resident in Bulgaria but who perform functions across multiple subsidiaries of DPM.



Misha Grigoyan (centre) being awarded with a letter of gratitude for his services to the Company, Kapan

Our employees
are one of our most
important stakeholders



Full-Time Employees (Permanent & Contract)

- % → under 30 years old
- % → between 30 and 50 years old (%)
- % → over 50 years old (%)

Health and Safety Policies, monitoring and compliance

The health and safety of our employees is of paramount importance at DPM and we allocate a significant amount of resources to ensuring that our employees go home safe every day.

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. In addition to our internal policies and standards, we also comply with strict and rigorous national health and safety standards and laws in all jurisdictions.

All of our operations have health and safety manager-worker committees that conduct regular safety meetings that suit the needs and requirements of each individual site. These committees represent 100% of our workers.

In addition to these safety meetings, the following activities also take place:

- ◆ Regular safety awareness campaigns and training;
- ◆ Each new employee, whether they be permanent or on contract, receives safety training that is applicable to their specific job function;
- ◆ Visitors must receive a safety induction before being admitted to areas outside of designated safe zones;

- ◆ Weekly inspections and monthly internal audits are conducted;
- ◆ Bi-annual government inspections (at Chelopech) and quarterly reporting to our Board of Directors; and
- ◆ Weekly conference calls involving all senior managers across the organization. Prior to these meetings, a detailed health and safety report is circulated and any significant issues are flagged, discussed and acted upon.

We also rolled out the first of our “values workshops”, covering health and safety issues, to all employees throughout the organization, including our corporate office.

Personal protection equipment (PPE) use is compulsory in all areas outside of designated safe zones. PPE enforcement is the responsibility of all employees, including top management and our site operational safety departments undertake regular surveys and spot checks. PPE requirements are detailed in our employee safety induction programs and all contract employees are subject to the same rigorous standards as our permanent employees. At the site-level, the supervisors are responsible for enforcing all procedures and policies.

Table 12 details the personnel we have at each site that are dedicated to health and safety issues:

Table 12. Health and Safety – Dedicated Personnel

| | Number of trained safety personnel | Number of specialized rescue personnel | Number of on-site nurses | Number of on-site doctors |
|-----------|------------------------------------|--|--------------------------|---------------------------|
| Chelopech | 8 | 14 ⁽¹⁾ | 0 | 1 |
| Kapan | 6 | 16 | 7 | 0 |
| Tsumeb | 6 | 6 | 3 | 1 |

⁽¹⁾ Additionally, we have 14 trained voluntary mine rescuers at Chelopech.

OHSAS 18001 and Incident Cause Analysis Method

At each of our locations, we are rolling out OHSAS 18001 standards and Incident Cause Analysis Method (ICAM) training. At Chelopech, we are developing, implementing and maintaining an integrated management system. Our work on OHSAS 18001 is estimated to be completed by the end of 2014. At both Kapan and Tsumeb, we are in the initial phases of design and implementation. We do not yet have plans for formal OHSAS 18001 accreditation at any of our sites.

All relevant site personnel have been trained in ICAM and procedures are now in place throughout the organization.

Crisis Management and Emergency Preparedness

We reported last year that we had embarked on the implementation of a global crisis management system. All sites now have fully-trained, site-level crisis management teams, including our corporate office.

We are now in the process of rolling out follow-up and maintenance training to ensure that all personnel remain up-to-date and crisis-ready.

Our emergency preparedness procedures are developed at Chelopech and are to be developed at Kapan and Tsumeb. DPM’s emergency preparedness framework covers the following general topics:

- ◆ Safety of life – employees, response personnel, local governments, contractors, customers, visitors, immediate community residents and neighbouring communities;
- ◆ Protection of the environment – components include air quality, water, soil and biodiversity;
- ◆ Protection of property and reputation – buildings, structures and other real properties; and
- ◆ Protection of company assets – includes supplies, equipment, raw materials and production of concentrate.

An independent external audit of our Chelopech operations in August 2012 concluded that “the Company has undertaken an extensive risk review process and has an emergency plan to cover a wide range of situations.” At Kapan, we are still in the design and rollout phase of our emergency preparedness plan. A draft register and pre-planning of a range of incidents and a standard Emergency Plan Manual have been completed. Training of personnel has begun and will continue throughout 2013. At Tsumeb, we are a little further behind in our emergency preparedness rollout. A framework emergency response system is in place and we will be developing a comprehensive risk register and an Emergency Plan Manual in 2013. Emergency preparedness training will also begin at Tsumeb in 2013 and will likely extend into 2014.

Health and Safety Performance

Of course, our ultimate goal is to attain zero injuries. While we made good progress toward that goal at Kapan and Tsumeb, there was an increase in LTIs at Chelopech. Much of this increase occurred during the first and second quarters of the year, when we experienced nine LTIs. Our ICAM procedures did not reveal any significant pattern in the causes of injury and we significantly increased our awareness campaigns (“Zero-Tolerance” campaign for the rest of the year). During the third and fourth quarters, LTIs at Chelopech were zero and two, respectively. At Tsumeb, we experienced a significant reduction in LTIs and as at December 31 we had recorded two million LTI-free man-hours. Our MTI count, however, increased, which may be attributed to an ongoing awareness campaign at Tsumeb

that encourages employees to report all incidents, including minor first-aid injuries that in previous years might have remained unreported.

HIV/AIDS Policies and Employee Wellness Program at Tsumeb

In Namibia, there is a high incidence of HIV/AIDS. At Tsumeb, we have developed site-level policies that are in compliance with the Namibian Constitution and other legislation that prohibit unfair discrimination on the grounds of disability, including HIV/AIDS. We have also developed an Incapacity Management Program for sufferers of HIV/AIDS, which includes a wellness program incorporating awareness training, medication procedures, counseling and the promotion of healthy lifestyle interventions. Tsumeb also provides medical aid coverage that includes HIV/AIDS retroviral medications and homecare services.

Two million LTI-free man hours achieved at Tsumeb

At Tsumeb, we have also developed an Employee Wellness Program with the aim of creating an environment for employees with personal concerns to voluntarily seek assistance. This program provides an operational framework for addressing occupational, personal, psychosocial and behavioral health related issues that might impact individual well-being, performance, safety and conduct. We have also established programs that encourage healthy lifestyles, resiliency and positive self-management.

Table 13. Health and Safety Performance

| | Chelopech | | Kapan | | Tsumeb | |
|--|-----------|------|---------------------|------|--------|------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Number of LTIs | 11 | 7 | 8 | 9 | 8 | 13 |
| Number of Medical Treatment Injuries (MTI) | 25 | 29 | 12 | 16 | 78 | 47 |
| LTI Frequency Rate (LTIFR) ⁽¹⁾ | 0.76 | 0.52 | 0.77 ⁽²⁾ | 0.84 | 0.52 | 1.28 |
| Number of Fatalities | 0 | 0 | 0 | 1 | 0 | 0 |

⁽¹⁾ LTIFR = Number of occurrences/man-hours worked x 200,000. 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.

⁽²⁾ Does not include contractor hours.

Tsumeb and Project 2012

Last year we reported on our capital investment program at Tsumeb called Project 2012 that is designed to substantially improve the environmental and occupational health and safety performance of our smelter facilities at Tsumeb. Since our last published report, there has been both significant progress on Project 2012 and some note-worthy events.

When we purchased the smelter operations in March 2010, we inherited a site with a host of legacy issues and facilities that required significant environmental upgrades. As reported in last year's sustainability report, in 2011 Tsumeb was subject to adverse publicity regarding the perceived levels of arsenic dust and sulphur dioxide emissions at the smelter. Subsequently, the Namibian government commissioned an independent report on the smelter's environmental, health and safety issues. Effective May 1, 2012, the Namibian Minister of Environment and Tourism instructed Tsumeb to reduce feed to the smelter by half until projects designed to capture fugitive emissions had been completed. In June 2012, after further review of work completed and in progress, and the consequent lowering of emissions, the Namibian government authorized an immediate production increase to 75% of the smelter's normal operating capacity. Based on our progress with Project 2012, as detailed below, we are now currently in discussions with the government to resume production levels of 100%. The outcome of these discussions will be dependant on the completion of scheduled engineering projects, further measurable reductions in emissions, and on successfully adhering to our construction schedule relating to the building of the sulphuric acid plant.

Project 2012 was designed to provide a number of process, environmental and occupational hygiene enhancements. These enhancements can be broadly summarized as follows:

- ◆ Improved concentrate handling and concentrate feed system to the furnaces;
- ◆ Increased capacity of the more environmentally-efficient Ausmelt furnace;
- ◆ Upgraded smelter aisle to provide greater hoisting capacity;
- ◆ Improved fume capture around all furnaces and converters;
- ◆ Increased electrical power reticulation with the installation of a new power substation and transformer;
- ◆ Improved environmental monitoring equipment;
- ◆ Reduced dust emissions from furnaces;
- ◆ Construction of new dust capturing and transfer system;
- ◆ Improved general hygiene in and around the arsenic plant;
- ◆ Installation of arsenic dust containment hall;
- ◆ Construction of second oxygen plant; and
- ◆ New hazardous waste disposal site.

The proposed budget for the completion of Project 2012 is approximately \$99 million. Table 14 provides a more detailed update on our Project 2012 initiatives and the various commissioning dates.

The work completed so far on Project 2012 has contributed to a significant decline in arsenic dust levels in and around

the smelter complex. Monitoring stations on the smelter boundaries continue to show arsenic dust levels within allowable limits. Our modelling also indicates that dust levels in the town of Tsumeb are within allowable limits. In March 2013, we installed two arsenic dust measurement units in the town of Tsumeb to complement our existing network and confirm our modelling predictions.

As part of our ongoing long term strategy to bring the smelter in compliance with internationally accepted environmental standards, we also formally announced our plans to construct and install a sulphuric acid plant, which we expect to be completed in the third quarter of 2014 at a capital cost of approximately \$204 million. Outotec, a Finnish engineering firm and global leader in sulphuric acid plant design and delivery, will provide the engineering, procurement and construction management for the plant. After careful evaluation, the acid plant was determined to be the best solution to capture and process the off-gases from the smelter, and, in turn, reduce emissions and considerably improve working and living conditions around the smelter. The acid produced from this plant is expected to be sold to domestic and international markets, primarily through long term off-take agreements.

In addition, an electric holding furnace will be installed to temporarily store and upgrade copper matte until it can be transferred to a converter furnace for final processing. The capital cost of this project is estimated to be \$66 million with construction beginning in 2014.



Power substation, Tsumeb

Table 14. Project 2012 Initiatives

| Project Scope | Outcome | Status |
|--|---|---------------------------------------|
| Improved environmental monitoring equipment | Monitor and report accurate and reliable environmental data to relevant stakeholders | Completed and commissioned in Q1 2012 |
| Ausmelt dust containment hall | Minimize dust emissions in Ausmelt furnace | Completed and commissioned in Q1 2012 |
| 132 kV power supply project | Increase existing 11 kV power supply to accommodate new capital projects | Completed and commissioned in Q1 2013 |
| Ausmelt off-gas project | Reduced dust emissions caused by dust handling | Commissioning expected in Q2 2013 |
| Tap-fume extraction project | Reduced dust emissions during tapping process | Commissioning expected in Q2 2013 |
| Concentrate loading & Ausmelt feed conveyor system | Improved concentrate handling and reduced dust emissions | Commissioning expected in Q2 2013 |
| Ausmelt granulation | Improved granulation process | Commissioning expected in Q2 2013 |
| Arsenic plant project | Reduced dust emissions from handling – overall improvement in occupational hygiene | Commissioning expected in Q2 2013 |
| Converter and aisle upgrade | Improved capture of gases and reduced roof emissions | Commissioning expected in Q3 2013 |
| New changehouse project | Improved occupational hygiene | Commissioning expected in Q3 2013 |
| New oxygen plant project | Increased capacity of more environmentally efficient Ausmelt furnace resulting in reduction of roof emissions | Commissioning expected in Q3 2013 |

Dundee Redundant Underground Communication System (DRUCS)

A Case Study

One of the most technologically advanced mine communication systems in the industry

Last year, we reported on the build-out of our innovative AeroScout Real Time Location System, which in essence, is a state-of-the-art wireless communications system used for tracking the precise location of mine workers, equipment and vehicles anywhere on site. This system was fully implemented at our mine sites in 2012.

During 2012, we continued to invest in what can only be described as one of the most technologically advanced mine communication systems in the industry, called the Dundee Redundant Underground Communication System, and referred to locally as “Taking the Lid Off” the Mine.

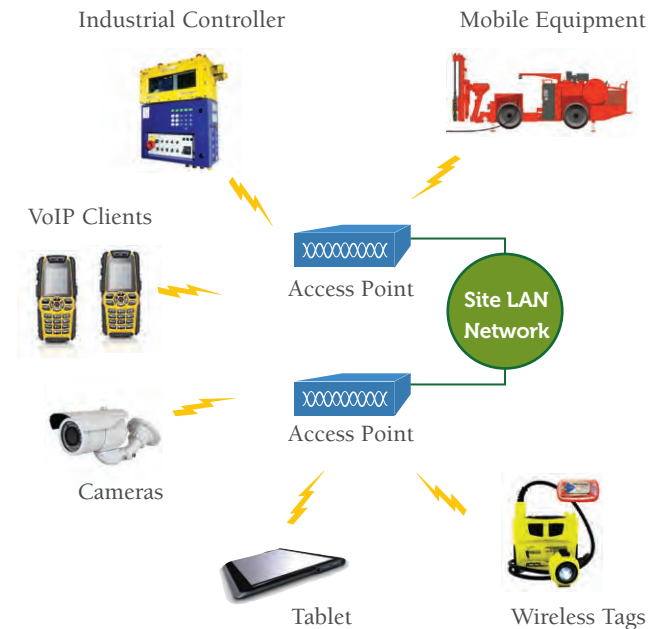
In short, DRUCS utilizes the most up-to-date wireless technology in a unique and proprietary way to provide reliable communications between above-ground and below-ground personnel, and not only the precise location of our equipment and vehicles, but also their respective

utilization profiles. Tracking the location of our employees represents a significantly improved safety profile at our sites. Knowing the utilization profiles of our equipment and vehicles in real time allows us to develop more precise maintenance and replacement schedules which, in turn leads to improved asset efficiency, lower operating costs and overall reduced mine safety risk.

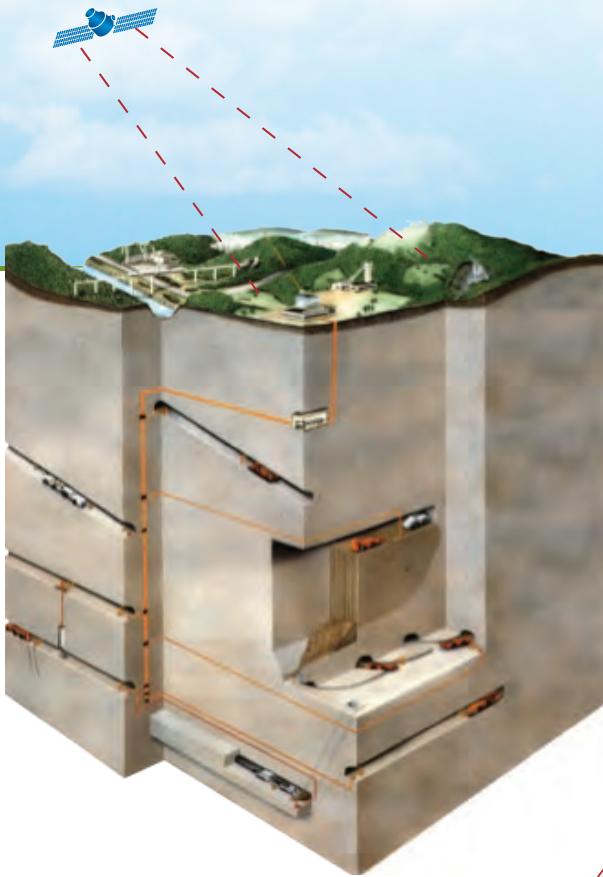
DRUCS is now fully implemented at our Chelopech operations and the rollout at Kapan will be completed in the second quarter of 2013. As there is no underground mine at Tsumeb, the environment can be considered less complex from a communications viewpoint. The most relevant parts of DRUCS have been employed at Tsumeb and the technology will continue to be implemented in stages at this site during the course of 2013.



Command Control Room, Chelopech



Using best-in-class technology to improve workplace safety

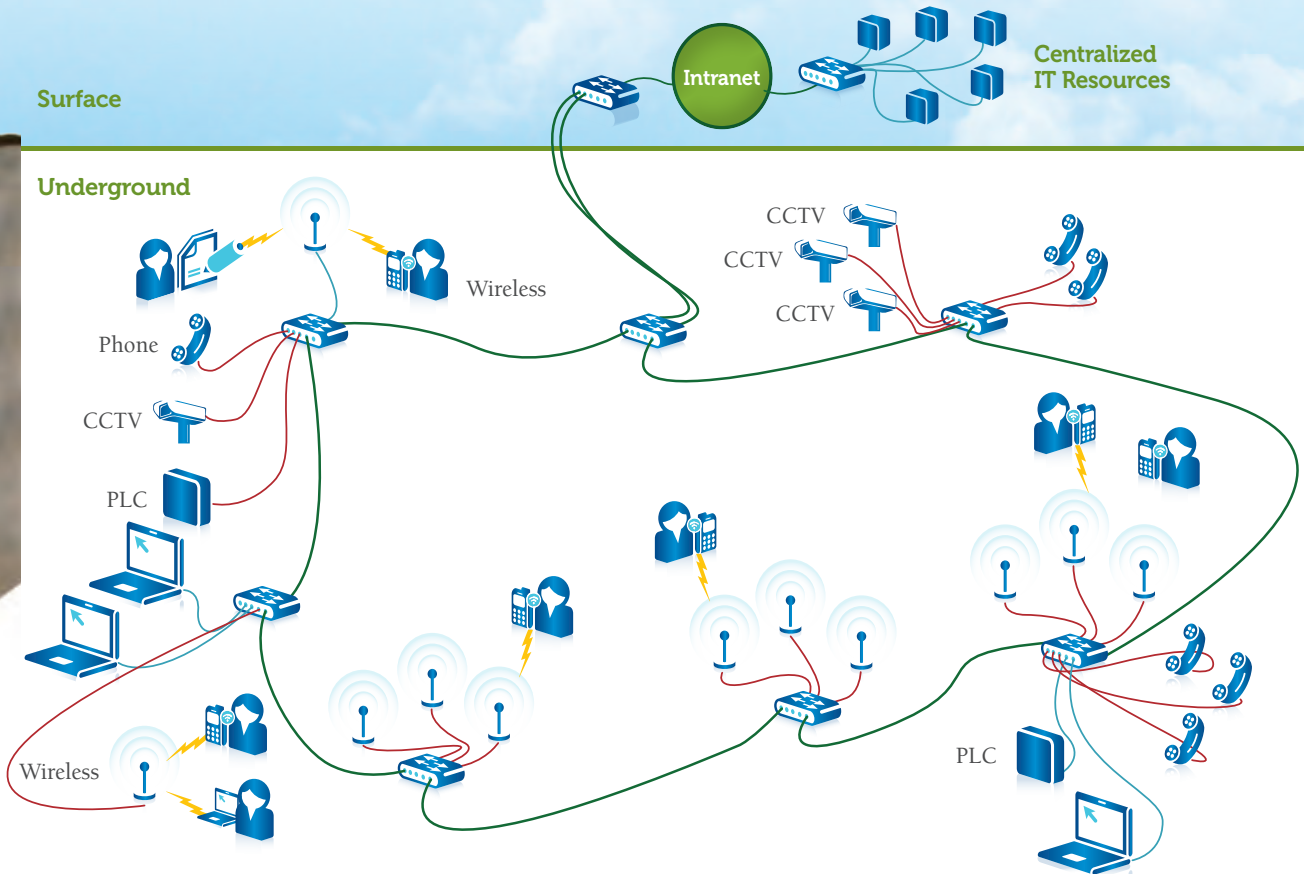


Before

- ◆ Delayed knowledge of safety & emergency issues
- ◆ Paper reporting at end of shift
- ◆ Supervisor interaction only between shifts
- ◆ Limited knowledge of shift delays
- ◆ Slow response time to process interruptions
- ◆ Reactive maintenance
- ◆ Small picture view
- ◆ Poor coordination
- ◆ Poor use of resources
- ◆ Lost time locating equipment/materials etc. from shift to shift

Now

- ◆ Real time knowledge of safety & emergency issues
- ◆ Real time display of information
- ◆ Supervisor dispatched to critical shift problems
- ◆ Delays identified in real time
- ◆ Problems identified immediately
- ◆ Real time equipment health monitoring
- ◆ See activities in entire mine in real time
- ◆ Coordination through Command Control Room with big picture
- ◆ Resources utilized to optimize shift results
- ◆ Real time equipment and materials tracking



Caring for Our Environment

Our objective is to bring all our operations in line with international best practices

Policies, monitoring and compliance

Our Environment and Sustainable Development Policy has existed since 2006 and drives our strategy and actions with respect to environmental responsibility, which encompasses not only how we care for the physical and biotic environment, but also for the health and safety of our communities at large.

In addition to our internal environmental policies and standards, we also comply with strict environmental laws in all the jurisdictions where we operate. The corporate policies are supplemented by numerous site-specific policies and procedures that ensure we remain in compliance with all local and national laws. For example, both Bulgarian and European Union legislation ensures that our facilities, procedures and processes in Bulgaria are in accordance with international best practice environmental management. We intend to eventually transfer these best practices to all our operations, irrespective of whether the national laws in those jurisdictions stipulate that we comply with these high standards. It is our objective to bring all our operations in line with international best practices, which is evident by our ongoing capital expenditures at our sites.

At each of our operations, we employ experienced environmental experts that oversee our activities. Our departmental leaders all have relevant undergraduate and post-graduate degrees and work experience in environmental management. Departmental supervisors also have relevant degrees and work experience. In addition, we use leading external environmental consultants for the design and implementation of various environmental projects, regulatory audits, management planning, feasibility studies, environmental impact assessments and social impact assessments. Consultants are chosen based on relevant expertise following our standard contract management procedures and policies.

Environmental Management Systems and ISO 14001

At each of our sites, we are in the process of rolling out ISO 14001, an international standard that addresses various aspects of environmental management systems. Chelopech operates in compliance with ISO 14001 principles and requirements and we are making progress with implementation at Kapan and Tsumeb. We do not yet have plans for formal ISO 14001 accreditation at any of our sites.

caring for our environment



Significant Materials Use

The following table details significant raw materials used at our mining and smelter operations.

Table 15. Raw Materials Used by Weight and Volume

| | Chelopech | Kapan | Tsumeb | Total | |
|---|-----------|-----------|-----------|-----------|-----------|
| | | | | 2012 | 2011 |
| Ore mined (tonnes) | 1,813,633 | 531,667 | 0 | 2,345,300 | 1,835,585 |
| Ore processed (tonnes) | 1,819,687 | 509,419 | 0 | 2,329,106 | 1,935,585 |
| Waste rock mined (tonnes) | 219,399 | 94,682 | 0 | 314,081 | 515,104 |
| Concentrate smelted (tonnes) | 0 | 0 | 159,356 | 159,356 | 180,403 |
| Lime (tonnes) | 5,842 | 4,530 | 6,027 | 16,399 | 21,575 |
| Concrete (tonnes) | 33,725 | 1,123 | 0 | 34,848 | 40,033 |
| Blasting agents (tonnes) | 1,017 | 685 | 0 | 1,702 | 1,724 |
| Scrap metal (tonnes) | 1,466 | 974 | 1,741 | 4,181 | 3,520 |
| Black oil/heavy fuel oil (kilograms) | 1,098,606 | 0 | 1,536,300 | 2,634,906 | 2,316,560 |
| Diesel – mine and process plant (litres) | 3,573,528 | 1,905,772 | 0 | 5,479,300 | 4,559,881 |
| Diesel and gasoline – light trucks (litres) | 187,938 | 774,705 | 368,070 | 1,330,713 | 1,324,471 |
| Coal (tonnes) | 0 | 0 | 28,887 | 28,887 | 29,652 |
| Charcoal (tonnes) | 0 | 0 | 1,665 | 1,665 | 1,763 |
| Steel balls and rods (tonnes) | 2,341 | 980 | 366 | 3,687 | 1,341 |
| Oxygen (tonnes) | 0 | 0 | 35,834 | 35,834 | 41,772 |
| Cyanide (tonnes) ⁽¹⁾ | 0 | 0 | 0 | 0 | 0 |

⁽¹⁾ Though we do not use cyanide at any of our operations, we are a “Signatory” to the International Cyanide Management Code.

Core sample, Chelopech

Energy Use

Table 16. Total Energy Use by Source (Gigajoules)

| | Chelopech | Kapan | Tsumeb | Total | |
|--------------------------------------|----------------|---------------|------------------|------------------|------------------|
| | | | | 2012 | 2011 |
| Indirect | | | | | |
| Electricity | 364,696 | 136,516 | 263,514 | 764,726 | 765,292 |
| Direct | | | | | |
| Black oil/heavy fuel oil | 44,153 | 0 | 62,758 | 106,911 | 93,029 |
| Diesel – mine and process plant | 129,245 | 69,476 | 0 | 198,721 | 184,901 |
| Diesel and gasoline – light vehicles | 6,762 | 27,859 | 14,060 | 48,681 | 30,259 |
| Coal | 0 | 0 | 933,050 | 933,050 | 957,760 |
| Charcoal | 0 | 0 | 48,252 | 48,252 | 51,092 |
| Electricity on-site generation | 0 | 0 | 18,182 | 18,182 | 21,374 |
| Total Direct | 180,160 | 97,335 | 1,076,302 | 1,353,797 | 1,338,415 |

Restatement of 2011 data: In 2011, some components of Direct Energy Use were mis-classified. Also, estimates for coal and charcoal used at Tsumeb were overstated. The net result is that direct energy use for 2011 has decreased by 430,927 gigajoules.

Table 17. Energy Use Intensity

| | 2012 | 2011 |
|--------------------------------|------|------|
| Chelopech⁽¹⁾ | | |
| Indirect | 0.20 | 0.27 |
| Direct | 0.10 | 0.11 |
| Kapan⁽¹⁾ | | |
| Indirect | 0.27 | 0.24 |
| Direct | 0.19 | 0.15 |
| Tsumeb⁽²⁾ | | |
| Indirect | 1.65 | 1.46 |
| Direct | 6.75 | 6.11 |

21% reduction
in energy use intensity
at Chelopech

⁽¹⁾ Chelopech and Kapan energy use intensity = gigajoules / tonne of ore processed.

⁽²⁾ Tsumeb energy use intensity = gigajoules / tonne of concentrate smelted.



Underground conveyor, Chelopech



Mine operator, Chelopech

Energy conservation, efficiency improvements and energy-reducing initiatives

In 2011, we reported on several initiatives at Chelopech that were an integral part of our Carbon Management Plan. In 2012, we continued to work on these and other initiatives with an estimated annual savings of approximately 8,000 MWh per annum in indirect electricity consumption upon completion.

Completed activities in 2012:

- ◆ Connecting the underground fans to the Power Logic energy monitoring system with option for remote control; and
- ◆ Installation of a new underground crushing facility and a conveyor belt for transporting the ore.

Initiatives in progress that started in 2011 and 2012 and will be completed in 2013:

- ◆ Replacement of the incandescent light bulbs in the mine with energy efficient light bulbs;
- ◆ Closed loop wastewater recycling;
- ◆ Laying additional insulation in select buildings;

- ◆ Replacement of the existing heat-distribution plant in the administration building, improvement of the heating system controls;
- ◆ Improving the heating system control in the assay laboratory and process plant offices;
- ◆ Expansion of the power management system with additional modules; and
- ◆ Direct train loading on site.

At Kapan, though we do not yet have a formal carbon and energy management plan in place, we nevertheless improved the efficiency of our waste oil heaters and completed several projects designed to lower our energy consumption in future years.

At Tsumeb, because of the high level of project activity related to our plant upgrade and improvement initiatives, it was not possible to develop either a carbon and energy management plan or estimate the effect of any energy reducing initiatives with any degree of accuracy, but this will be a priority once the upgrade projects are complete.

Emissions

Greenhouse Gas Emissions (GHG)

The key drivers for GHG emissions vary by operation. The data below includes Scope 1 and Scope 2 GHG emissions as defined by the GHG Protocol. Scope 1 direct GHG emissions include those from combustion of residual fuel oil, diesel and gasoline, explosives, coal (Tsumeb only) and charcoal (Tsumeb only). 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 calculate Scope 3 emissions, as defined by the 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 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 2012, our Chelopech Scope 3 GHG emissions totaled 48,162 tonnes of CO₂ equivalent, of which 29,661 tonnes related to the production of concrete.

At Kapan and Tsumeb, we are still in the process of calculating our Scope 3 GHG emissions. At Kapan, we do not use concrete as a backfill material, so the bulk of our Scope 3 emissions are related to the transportation of

concentrate and the external production of materials used. At Tsumeb, our Scope 3 emissions are primarily related to the transportation of concentrate, blister copper and arsenic trioxide and the production of materials used in the smelting process, such as coal and residual fuels.

Other relevant indirect GHG emissions

Other relevant GHG emissions are related to our employee air travel and indirect emissions from electricity consumption at our corporate headquarters in Toronto, where we lease 12,246 square feet of office space.

Based on our records, it is estimated that our employees travelled approximately one million air miles or 2,500

Table 18. GHG Emissions (tonnes of CO₂ equivalent)

| | Chelopech | | Kapan | | Tsumeb | | Total | |
|--|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| Scope 1 – Direct GHG Emissions | 13,091 | 10,810 | 7,397 | 6,556 | 193,110 | 198,522 | 213,598 | 215,888 |
| Scope 2 – Indirect GHG Emissions | 49,606 | 46,587 | 15,483 | 18,736 | 38,721 | 38,902 | 103,810 | 104,225 |
| Total Scope 1 & 2 Emissions | 62,697 | 57,397 | 22,880 | 25,292 | 231,831 | 237,424 | 317,408 | 320,113 |
| Scope 3 Emissions | 48,162 | 47,876 | Not measured | Not measured | Not measured | Not measured | – | – |

Table 19. GHG Emissions Intensity

| | 2012 | 2011 |
|--------------------------------|-------|-------|
| Chelopech⁽¹⁾ | | |
| Scope 1 & 2 | 0.034 | 0.042 |
| Scope 3 | 0.026 | 0.035 |
| Kapan⁽¹⁾ | | |
| Scope 1 & 2 | 0.045 | 0.043 |
| Tsumeb⁽²⁾ | | |
| Scope 1 & 2 | 1.455 | 1.316 |

**22% reduction
in GHG emissions
intensity at Chelopech**

⁽¹⁾ Chelopech and Kapan GHG emissions intensity = emissions / tonne of ore processed.

⁽²⁾ Tsumeb GHG emissions intensity = emissions / tonne of concentrate smelted.



Air quality monitoring station, Tsumeb

Construction of the sulphuric acid plant will eliminate the majority of sulphur dioxide emissions at Tsumeb

We have also installed five state-of-the-art Air Quality Monitoring Stations, both on site and at strategic points in the community of Tsumeb. These replace the old and unreliable ambient air and arsenic monitoring equipment that were present when we purchased Tsumeb in 2010. The new stations are in accordance with US EPA-approved technology and ensure data and information is verified and calibrated. This data is also independently verified by an accredited third-party laboratory. In addition, the filters from these stations are analyzed on a weekly basis for arsenic content by an ISO 17025 accredited laboratory.

As reported on page 27, in late 2012, we formally announced plans to construct and install a sulphuric acid plant, which we expect to be completed in third quarter of 2014. The process of capturing and processing the off-gases from the smelter and converting them to sulphuric acid, will all but eliminate our sulphur dioxide emissions at Tsumeb in 2015 and beyond.

In 2012, Tsumeb produced 113,900 tonnes of SO₂ equivalent emissions compared with 123,437 tonnes in 2011.

Sulphur dioxide emissions were not considered material at either our Chelopech or Kapan mine site, and as such, are not reported on here.

There are no other significant emissions to report on at any of our operations.

hours of flight time during 2012. This equates to a total of approximately 290 tonnes of CO₂ equivalent for employee air travel during 2012.

Electricity consumption at our Toronto office totaled 342,272 kWh in 2012, resulting in estimated GHG emissions of 65 tonnes of CO₂ equivalent for the year.

Initiatives to reduce GHG emissions

At Chelopech, we are revising our Carbon Management Plan, which initially called for a reduction in our carbon footprint (measured in tonnes of CO₂ equivalent/tonnes of extracted ore) by 20% by 2020, to incorporate the impacts of our Pyrite Project (see page 14). Our initiatives to reduce GHG emissions are linked with our energy reducing initiatives detailed on page 34 of this report.

At Tsumeb, we were successful at calculating our GHG inventory. However, due to the extensive plant upgrades at this operation (see Tsumeb and Project 2012 on page 25 of this report), we felt that it was premature to develop a comprehensive Carbon Management Plan until all the upgrades were completed and commissioned and we had

a more realistic outlook on our energy consumption and carbon emissions. However, the announced installation of an electric holding furnace (see page 27) will result in a significant decrease of GHG emissions of approximately 110,000 tonnes of CO₂ equivalent per annum as a result of a reduction in the use of high emitting fuels such as coal and charcoal. At our Kapan operations, we were able to calculate GHG emissions in 2011 and 2012, but have not yet developed a Carbon Management Plan. In 2013, we will develop energy and Carbon Management Plans at both these operations.

Other significant emissions

Products and materials that emit ozone-depleting substances (ODS), as defined by the Montreal Protocol, are minimally used and considered immaterial at our operations. The majority of ODS emitting products are found in refrigerators, fire extinguishers and air-conditioning systems.

The most significant emissions, in addition to our GHG emissions, are sulphur dioxide emissions (SO₂) at Tsumeb. As reported on page 27 of this report, we have allocated significant financial resources to mitigating these sulphur dioxide emissions.

Water Use

At both Kapan and Chelopech, we are working to reduce water consumption and discharge volumes. At Chelopech, water withdrawn from fresh water dams decreased by 54% from 1,149,823 cubic metres in 2011 to 525,063 cubic metres in 2012, as a result of the new tailings thickening and water recovery circuit completed in 2011. At Kapan, we are progressing with a project to divert all mine water to our TME, which, when completed, will result in zero discharge to the environment. This project will be completed in late 2013 or early 2014.

Also at Kapan, our water is metered at source, which is approximately 10 kilometres from the mine site. During the transportation of this water, we are subject to some instances of unregistered and unofficial water usage by residents of communities along the water transportation route. We have decided not to address this issue directly with either the local municipality or the residents, because to do so might cause undue hardship to local communities (much of this water is used to grow fruit and vegetables that are sold in the local markets). It is estimated that the mine operations consume approximately 35% less water than is recorded and metered.

In addition to our extensive Project 2012 initiatives reported on page 27, Tsumeb is in the implementation stage of a surface water management project. This project will include the installation of new sumps and pumps, new trenches and pipelines and site grading. In essence, this will ensure that all water, including rainwater, entering the smelter is collected, retained and used in our processing facilities and ensure that the clean and dirty water is separated appropriately. The aim is to achieve minimal water discharge and no loss to ground. It is estimated that this project will be commissioned in 2015 at a cost of approximately \$2.7 million.

Table 20. Water Use and Discharge by Source (cubic metres)

| | Chelopech | Kapan | Tsumeb | Total | |
|--|----------------|------------------------|--------------------------|------------------------|------------------------|
| | | | | 2012 | 2011 |
| Total volume of water withdrawn from any source | 658,342 | 2,427,988 | 1,757,681 | 4,844,011 | 5,626,831 |
| Groundwater consumed | 132,079 | 0 | 1,239,500 ⁽⁵⁾ | 1,371,579 | 1,624,256 |
| Surface water consumed – rivers | 0 | 2,230,800 | 0 | 2,230,800 | 2,376,539 |
| Surface water consumed – fresh water dams | 525,063 | 0 | 0 | 525,063 | 1,149,823 |
| Other sources – municipal supplies | 1,200 | 197,188 | 518,181 | 716,569 | 476,213 |
| Total volume of water recycled and reused ⁽⁴⁾ | 2,015,784 | 362,296 | 799,868 | 3,177,948 | 3,119,081 |
| Percentage recycled and reused ⁽²⁾ | 306 | 15 | 45 | 66 | 55 |
| Discharge | | | | | |
| Discharged domestic waste water | 63,875 | 175,548 ⁽¹⁾ | 500,000 ⁽¹⁾ | 739,423 | 660,801 |
| Discharged industrial waste water | 219,701 | 208,140 ⁽¹⁾ | Not measured | 427,841 ⁽³⁾ | 573,836 ⁽³⁾ |

⁽¹⁾ Estimated discharge.

⁽²⁾ Total volume of water recycled and reused as a percentage of total volume of water withdrawn from any source.

⁽³⁾ Excludes Tsumeb.

⁽⁴⁾ Internal water cycles are not calculated.

⁽⁵⁾ Estimated usage. Flow meters to be installed in 2013.

Restatement of 2011 data: the estimates for ground water consumption were not accurate at Tsumeb. The net result is that total volume of water withdrawn from any source in 2011 has increased by 1,400,000 cubic metres

65% reduction in water use intensity at Chelopech

Table 21. Water Use Intensity

| | 2012 | 2011 |
|--------------------------|------|------|
| Chelopech ⁽¹⁾ | 0.36 | 1.02 |
| Kapan ⁽¹⁾ | 4.76 | 4.36 |
| Tsumeb ⁽²⁾ | 11 | 9.5 |

⁽¹⁾ Chelopech and Kapan water intensity = Total water withdrawn from any source/tonne of ore processed.

⁽²⁾ Tsumeb water intensity = Total water withdrawn from any source/ tonne of concentrate smelted.

Land Use and Biodiversity

Table 22. Land Use (hectares)

| | Chelopech | Kapan | Tsumeb | Krumovgrad | Total |
|---|--------------------|-------|---------|---------------------|---------|
| Total land owned and leased and not yet rehabilitated at the start of the year | 356.6 | 519.0 | 1,445.0 | 85.0 ⁽²⁾ | 2,405.6 |
| Total amount of land newly disturbed by mining within the reporting period | 0 | 0 | 0 | 0 | 0 |
| Total amount of land newly rehabilitated within the reporting period | 4.4 ⁽¹⁾ | 6.0 | 0.5 | 0 | 10.9 |
| Total land owned and leased and not yet rehabilitated at the end of the year | 352.2 | 513.0 | 1,444.5 | 85.0 | 2,394.7 |
| Total amount of land in or adjacent to protected areas and areas of high biodiversity value | 0 | 0 | 0 | 85 | 85 |
| Sites requiring biodiversity/biological management plans | No | No | Yes | Yes | – |

⁽¹⁾Total amount of rehabilitated land (including land not owned by Chelopech) is 20.4 ha including the 4.4 ha rehabilitated during 2012.

⁽²⁾Area of land expected to be purchased for Krumovgrad Gold Project.

Krumovgrad Gold Project

Krumovgrad is a development-stage project located at Ada Tepe, approximately three kilometres south of the town of Krumovgrad in southeastern Bulgaria. The Bulgarian government granted a 30-year concession to Krumovgrad to develop the Khan Krum deposit (the Krumovgrad Gold Project) in February 2011. This concession grant was appealed and the final appeal court of Bulgaria ruled in support of the grant of the concession to Krumovgrad over the course of 2011. The concession is not subject to any further appeals.

In November 2011, the Bulgarian government also signed a resolution approving the EIA with a provision for preemptive execution. The EIA resolution and the preemptive execution were both appealed by

non-governmental organizations. Subsequently, the Bulgarian courts dismissed the appeals against the EIA resolution in March 2013. The EIA and all other relevant documents can be found on our corporate website.

The project plan, which covers a land area of 85 hectares, contemplates the construction of an open pit mining operation comprised of a process plant, which will employ conventional crushing, grinding and flotation processing for gold extraction, and the disposal of thickened tailings, together with mine rock waste, in an integrated mine waste facility. At a treatment rate of 850,000 tonnes per year, which is consistent with existing permitting applications and environmental submissions, the project has a mine life of approximately nine years. The average annual concentrate production is estimated at 11,500 tonnes

containing, on average, 74,000 ounces of gold and 35,000 ounces of silver. Ore processing will not involve the use of cyanide materials at any stage in the process. For a more detailed description of our planned ore processing, please see our EIA posted on the corporate website.

We are currently preparing a detailed development and implementation plan for the project and site areas, which is a pre-requisite for issuance of a construction permit. This project is expected to be fully compliant with all European safety and environmental directives and industry Best Available Techniques requirements. Recent delays in the detailed engineering and construction permitting process have the potential to impact the construction schedule and move the commissioning end date by several months into early 2015.

Biological monitoring plan developed at Krumovgrad

The entire Krumovgrad Gold Project area lies within the footprint of a Natura 2000 protected site known as “BG 0001032 Rhodopes East” under European Council Directive 92/43 on the Conservation of Natural Habitats of Wild Fauna and Flora. In addition, the sites provided with statutory environmental protection in the Krumovgrad municipality are: Vulchi Dol (reservation), Dzhelovo (protected site), Oreshari (protected site), Momina Skala (protected site), Ribino (protected site), Vodopada (natural landmark), and Peshteri (natural landmark). All of these are at distances of over five kilometres from the project area. The Dayma sage tea habitat, a natural landmark, is located in the southwest, three kilometres away from the site. BG 0002012 Krumovitsa, which is a protected site under European Council Directive 79/409/EEC on the Conservation of Wild Birds, is in close proximity to the project area.

In response to some of the concerns raised by NGO’s during the EIA process, including the public hearings and the EIA appeals process, we are developing a comprehensive Biological Monitoring Plan (BMP) as part of our internal

monitoring plans. The plan identifies plant and animal species included in the IUCN Red List and the relevant Natura 2000 Directives, their respective level of extinction risk and our intentions regarding the monitoring, observation and preservation of the identified species. The plan complies with the Environmental Protection Act, the Biodiversity Act and EIA Resolution 18-8,11/2011 of the Bulgarian Ministry of Environment and Water. In addition, the observations, assessments and methods used in the plan with respect to the biotic structure of the environment are consistent with local and international standards.

The main purpose of the BMP is to support our environmental protection initiatives by observing and acting on the impacts of our proposed mining operations on the physical and biotic environment. The table on the following page summarizes the main components of the BMP.

In July 2012, in accordance with permitting requirements included in the Biodiversity Act and our EIA Resolution, we began relocating tortoises (Herman’s Tortoise and Iberian Tortoise) away from the project footprint area. The process is to continue in the period April – June 2013, once the hibernation period is over. In total, 119 tortoises were successfully relocated and all were considered healthy. Furthermore, in order to prevent their return to the site, a fence was commissioned prior to project commencement. This project, the first of its kind in Bulgaria, was executed in participation with five professionally qualified environmentalists and a volunteer group of 20 high school students.

Other sites and biodiversity

In Namibia, national legislation requires us to put in place a biodiversity management plan and a land use management plan, although our site at Tsumeb is far from any protected



Tortoise relocation project, Krumovgrad

area. We will complete these plans in 2013. Also at Tsumeb, we have found that some aspects (water ponding and floodlighting) of the smelter complex may be interfering with the migratory paths of the Greater Flamingo (“least vulnerable”), Lesser Flamingo (“near threatened”) and the Blue Crane (“vulnerable”), which are birds indigenous to Namibian wetland habitats and are listed in the IUCN Red List. We had some instances of these birds colliding with the floodlighting at our hazardous waste site at night. However, since we ceased to operate the waste site at night, we have had no further instances. The above management plans will incorporate programs to manage this and other wildlife on or around our premises.

At our Kapan operations, we have encountered a Red List species of plant called *Paeonia tenuifolia*. Although this plant is included in the IUCN Red List, its status has not yet been assessed. To date, we have found 30 specimens on our property in a concentrated area. We have built a protective fence around these plants and are monitoring their growth.



Jersey tiger moth



Yellow-bellied toad



Herman's tortoise

Table 23. Main Components of the Krumovgrad Biological Monitoring Plan

| Class of Species | Listing status | Fieldwork methods | Frequency of observations/monitoring |
|--|---|--|--|
| Insects – Jersey Tiger Moth | Natura 2000 IUCN Red List – Not Assessed | Field work, including capturing target species and assessment of regional population. | Annual monitoring during mine construction phase and first 3 years of operation. Thereafter, biennial monitoring. |
| Amphibians – Yellow-bellied Toad | Natura 2000 IUCN Red List – Least Concern | Area search at habitat points. Weighing and measuring and observation from 4-6 points around Ada Tepe. Also 2-3 additional points in selected “zero impact” locations. | Annual monitoring during construction phase and first 5 years of operation. |
| Reptiles – Herman’s Tortoise, Iberian Tortoise (aka Mediterranean Spur Thigh Tortoise) | Natura 2000 IUCN Red List – Near Threatened (Herman’s Tortoise); Vulnerable (Iberian Tortoise) | Population living in project area was partially relocated in 2012, and the entire population will be relocated in 2013. 6500 metre fence built to prevent tortoises returning to project site. Developed guidebook detailing tortoise relocation procedures. | Annual monitoring during construction phase and first 3 years of operation. Subsequent monitoring frequency and intensity will be determined on basis of results from first phase of monitoring. |
| Flora and Vegetation | Natura 2000 None listed in IUCN Red List | Identifying long term field test areas of select flora & vegetation for phytocenotic impacts. | Observation of phytocenotic changes for one year. Thereafter, every 2nd or 3rd year. |
| Grass and trees | Natura 2000 None listed in IUCN Red List | Monitoring accumulation of heavy metals in soil and plants and their respective exchange forms. Selected field test areas include 3 oak trees, 3 black pines and 3 grass communities. | Annual observation before and during construction and operational phases. |

In addition to the above species, we have identified two species of fish - Italian Barbel (“Least Concern”) and Aral Spined Loach (“Data Deficient”) - that are also included in

the IUCN Red List. These species’ condition depends on a number of factors that are outside the scope of the project impact including; long-distance migration during breeding

periods; the drying nature of the Krumovitsa River; and the non-cyclic dryness processes over the years. For these reasons we have not included these species in our BMP.

Closure planning and land reclamation

At present, with the exception of our completed rehabilitation of the Artsvanic TMF at Kapan (see page 42), we do not have any reclamation sites. However, an important part of mine planning is the development of a mine closure plan. At both Chelopech and Kapan, we have mine closure plans in place with estimates of costs for the reclamation and rehabilitation of those sites. These are detailed, together with the underlying assumptions, in our 2012 annual financial statements.

In 2013, we will complete an extensive review of our Kapan closure plans, with the assistance of an external consultant, to ensure that our assumptions and underlying data are complete and comprehensive, taking into account our expanded exploration activity and the potential for the development of an open pit mine at our site in Kapan.

At Tsumeb, we have not yet developed a comprehensive smelter closure plan, primarily because of the ongoing nature of the smelter's operations. Concept closure plans for the active TMF will be reviewed in more detail in 2013. An internationally recognized environmental consulting company has been engaged to develop a formal closure plan for both the hazardous waste site and entire smelter complex. This plan is expected to be completed in late 2013.

The plans at Chelopech and Kapan include an analysis of land use options, the rehabilitation of land and buildings, environmental protection options and social and community development. At Chelopech, we are in the initial phases of discussing with our stakeholders how our ongoing CSR programs can influence the long term social and community development aspects of our mine closure plans.

Resettlement

At Kapan, we are engaged in option studies for a potential open pit and underground mine expansion. If these projects go ahead, it will require a formal EIA and public consultations in accordance with Armenian laws and regulations. However, as part of our extensive exploration activity at this site, it was necessary to resettle 280 inhabitants of the village of Shahumyan, close to Kapan. The process of resettlement first began in 2007, but was halted in 2008 due to the financial crisis. We re-started the process in 2010 and it was completed in late 2012 in accordance with Armenian legislation, international best practices, the Equator Principles and the International Finance Corporation's Performance Standards. All residents opted to receive monetary compensation, since many of them had alternative living arrangements as a result of a prior resettlement program during the period when Armenia was part of the Soviet Union. The resettlement did not have any adverse impacts on the biodiversity of region.

Protection of Cultural Heritage

In last year's report, we discussed our extensive archaeological project at Krumovgrad. After two years of extensive archaeological research and excavation, at a cost of approximately \$2 million and involving leading archaeological experts from Bulgaria and Germany, all the archaeological work required for clearing the site for development was finalized in the fourth quarter of 2012. Following a visit to the site in November 2012, the Bulgarian archaeological commission signed a protocol recommending the release of the site to Krumovgrad. The Bulgarian Ministry of Culture approved the protocol and released the site in 2013. We are also proud to announce that this project won the Bulgarian Business Leaders

Krumovgrad archaeology project received Bulgarian Business Leaders Forum's highest award in the Investor in Community category

Forum's highest award in the Investor in Community category in 2013.

In 2012, during our exploratory drilling operations at Kapan we found some archaeological artifacts that are currently being investigated by archaeological experts in Armenia. Drilling sites and roads will continue to be developed under the direction of a supervising archaeologist. Procedures requiring sign off by the archaeologist, exploration and environmental teams are in place. We also engaged an independent archaeology expert to work with our Kapan employees and local archaeologists to ensure that both Armenian law and best practices are being applied. In 2013, a more detailed archaeology management plan will be developed to ensure that we continue to comply with international best practices in this regard.

Tailings and Waste Management

Mineral Waste

Both Bulgarian and European Union legislation ensures that the management of our TMF 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 or are being developed (at Kapan an operational review will be the basis for new and updated procedures) and are 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/ Fire Brigade 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 and Ministry of Economy, Energy and Tourism.

Completed rehabilitation of Artsvanic TMF at Kapan

At Kapan, we completed the rehabilitation of the Artsvanic TMF which was closed in 2010, in accordance with international best practices. We are also in the process of completing a stability and operational review of our operating Geghanush TMF. The gap analysis and fieldwork has been completed and our external consultants and contractors are currently performing desk studies and laboratory tests.

In Namibia, there is no specific law dealing with tailings and waste management. However, we comply with the relevant sections of the Environmental Management Act 2007, the Water Resources Act 2004 and African Best Practices as defined by the Department of Mines and Energy Guidelines in South Africa. All of our tailings management activities at Tsumeb are subcontracted to Tailx Management International.

Table 24. Total Amount of Overburden, Rock, Tailings and Sludge Presenting Potential Hazards (tonnes)

| | Chelopech | Kapan | Tsumeb | Total | |
|---|-----------|---------|---------|-----------|-----------|
| | | | | 2012 | 2011 |
| Overburden | 0 | 0 | 0 | 0 | 0 |
| Waste rock mined | 219,399 | 94,683 | 0 | 314,082 | 515,104 |
| Waste rock returned underground as backfill (%) | 100 | 32 | 0 | 80 | 74 |
| Mill tailings | 1,700,053 | 492,563 | 148,812 | 2,341,428 | 1,897,898 |
| Mill tailings returned underground as backfill (%) | 28.4 | 0 | 0 | 20 | 17 |
| Mill tailings placed in surface tailings facilities | 1,217,767 | 492,563 | 148,812 | 1,859,142 | 1,572,955 |

New hazardous waste facility fully operational at Tsumeb

Other waste

Other waste includes everything that does not originate in the mine, such as batteries, spent cloths, spent protective clothing, absorbents, filter materials etc. We have also included in this category, furnace baghouse dust, calcine residue dust and black arsenic at Tsumeb, all of which is hazardous waste. Local and national laws designate what is to be identified as hazardous and non-hazardous. Disposal methods are determined at site level and depend on the local facilities available in the area of operation.

At all our operations, we are working towards improving our non-mineral waste management and separation procedures. At Chelopech, we are operating a new hazardous waste management facility for the temporary storage of separated waste until it can be appropriately disposed of. At Tsumeb, our hazardous waste facility is now fully operational with a total maximum capacity of approximately 170,000 tonnes or 200,000 cubic metres.

An important final product at Tsumeb is arsenic trioxide, which is primarily used in the production of wood preservatives products. In 2012, we shipped 4,045 tonnes of arsenic trioxide, which is deemed a hazardous waste material, to our customers in Malaysia and South Africa (see page 45 of this report for a detailed explanation of our ore and arsenic life-cycle).



Hazardous waste facility, Tsumeb

Table 25. Total Weight of Other Waste by Type and Disposal Method (tonnes)

| | Chelopech | Kapan | Tsumeb | Total | |
|---|-----------|-------|-----------------------|--------|-----------------------|
| | | | | 2012 | 2011 |
| Hazardous waste sent off-site but not recycled | 0 | 1,134 | 0 | 1,134 | 545 |
| Hazardous waste treated and disposed of on-site | 0 | 202 | 29,433 ⁽¹⁾ | 29,635 | 13,411 ⁽¹⁾ |
| Hazardous waste recycled off-site | 89 | 0 | 0 | 89 | 123 |
| Non-hazardous waste sent off-site but not recycled | 0 | 21 | 50 | 71 | 60 |
| Non-hazardous waste treated and disposed of on-site | 23 | 0 | 36 | 59 | — ⁽²⁾ |
| Non-hazardous waste recycled off-site | 2,217 | 1 | 14 | 2,232 | 1,740 |

⁽¹⁾ In 2011, and for part of 2012, our waste reporting systems were not fully developed at Tsumeb. The amount stated in 2011 for hazardous waste treated and disposed of on-site were estimates based on our existing records at that time.

⁽²⁾ Not reported in 2011.

Continuing to improve spills procedures and reporting systems

Table 26. Total Number and Volume of Significant Spills

| | Chelopech | Kapan | Tsumeb ⁽¹⁾ | Total | |
|---|-----------|-------|-----------------------|-------|------|
| | | | | 2012 | 2011 |
| Total number of uncontained and reportable spills | 3 | 3 | 0 | 6 | 4 |
| Decant water spills | 2 | 0 | 0 | 2 | 0 |
| Tailings spills | 1 | 3 | 0 | 4 | 4 |
| Hydraulic oil spills (soil or water surface) | 0 | 0 | 0 | 0 | 0 |
| Other spills | 0 | 0 | 0 | 0 | 0 |
| Total volume of uncontained and reportable spills (cubic metres) | 60 | 135 | 0 | 195 | 17 |
| Decant water spills | 54 | 0 | 0 | 54 | 0 |
| Tailings spills | 6 | 135 | 0 | 141 | 17 |
| Hydraulic oil spills | 0 | 0 | 0 | 0 | 0 |
| Other spills | 0 | 0 | 0 | 0 | 0 |

⁽¹⁾ No available data prior to September 1, 2012.

Significant Spills

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. In addition to the reportable spills detailed in table 26, there were a total of 28 contained and non-reportable spills in 2012 with a total volume of 29.3 cubic metres at all our sites.

Significant fines and non-monetary sanctions

See commentary on page 27 (Tsumeb and Project 2012) for details on production curtailments at Tsumeb subsequent to an independent report commissioned by the Namibian government on the Company's environmental and occupational health issues at Tsumeb. This production curtailment was a temporary precautionary step taken by the Namibian government and did not occur as a result of non-compliance with any environmental laws or regulations, which are, in fact, not yet fully developed in Namibia.

At Kapan, our reportable spills, noted above, resulted in fines totalling \$30,000.

There are no other significant fines or non-monetary sanctions to report in 2012, and no spills or non-monetary sanctions were reported in DPM's 2012 financial statements.

Product and Materials Stewardship A work in progress

DPM's principal product is a gold, copper, silver concentrate that is produced from ore mined at our Chelopech mine in Bulgaria. Chelopech concentrate has high and naturally occurring arsenic content, which limits processing to a small number of smelters worldwide.

In December 2008, Chelopech contracted with Tsumeb, then a subsidiary of another company, for the sale of all or substantially all of its concentrate production through the year 2013. The completion of the acquisition of Tsumeb in March 2010 secured the processing of the Chelopech concentrate for the life of the Chelopech mine.

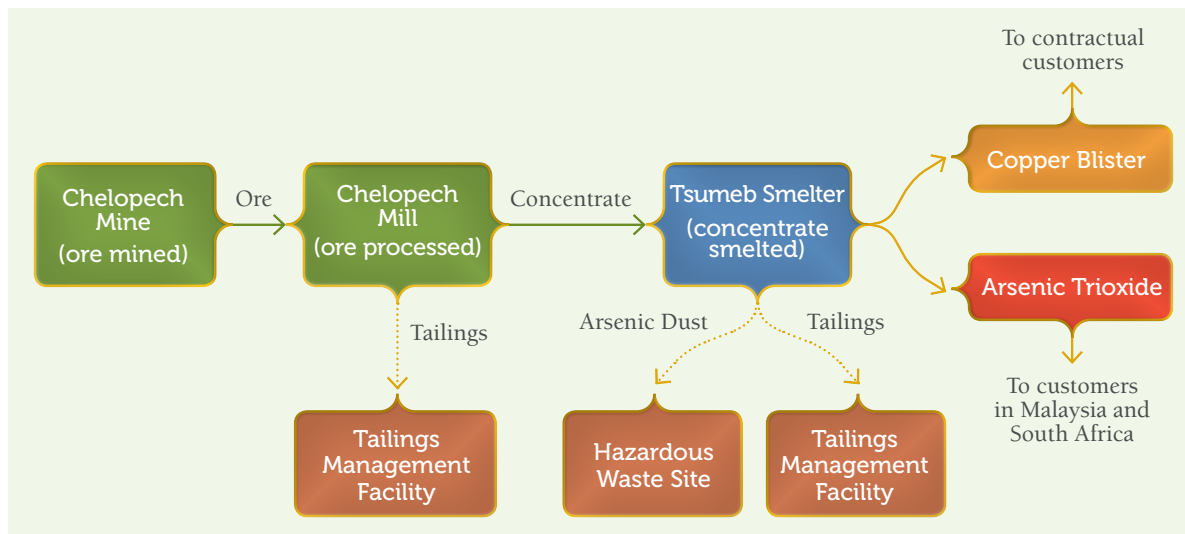
After smelting Chelopech concentrate at Tsumeb, the main product is 98.5% pure blister copper, which also contains gold and silver and only trace amounts of arsenic. A by-product of extracting arsenic from concentrate is arsenic trioxide, which is produced and sold by Tsumeb to customers in Malaysia and South Africa, mainly for the production of wood preservatives.

In 2012, we embarked on a detailed review of the stewardship of arsenic over its entire life-cycle, from mine face to end customer. This project will be completed in 2013 and reported on fully in next year's sustainability report. The following is an introduction to our work-in-progress and any outstanding work still to be completed.

The project can be broken down into three main components:

- ◆ The accounting for arsenic content from mine face to the production of final product by third parties (e.g., wood preservative) and the reconciliation of any losses;
- ◆ The management, handling and monitoring of arsenic within and outside the smelter site boundaries and the production of arsenic trioxide; and
- ◆ The transportation of Chelopech concentrate to Tsumeb and arsenic trioxide to third party customers from Tsumeb.

The chart below illustrates the basic flow of product:



Accounting for Arsenic

Each 1,000 kilograms of ore mined at Chelopech contains approximately 4 kilograms of arsenic, in a harmless, non-oxidized form. Arsenic trioxide, which is produced at Tsumeb from arsenic extracted from concentrate through the smelting process, contains approximately 1.25 kilograms of the original 4 kilograms of arsenic. The difference of 2.75 kilograms of arsenic from mine face to Tsumeb end product can be accounted for at each stage of mining and processing, including:

- ◆ The processing of ore mined through to the production of copper concentrate at Chelopech;
- ◆ Waste management at Chelopech (TMF);
- ◆ Transportation of concentrate from Chelopech to Tsumeb;
- ◆ Processing of copper concentrate at Tsumeb;
- ◆ Waste management at Tsumeb (hazardous waste facility and TMF); and
- ◆ Production of arsenic trioxide at Tsumeb.

In 2012, we began consolidating our already extensive arsenic accounting data throughout the mining and processing stages of production. Further detailed work is required at the waste management phase at Tsumeb, because the mixing of our own processed arsenic waste with legacy waste, which is continuing to be cleaned up at Tsumeb, complicates the accounting for arsenic at this stage. We will complete this work in 2013 and report on the results.

In addition, we will also apply this arsenic accounting work to Tsumeb's arsenic trioxide customers to ensure that we fully understand the arsenic flow through to end product and the environmental and health and safety standards being employed by our customers.

Management of Arsenic and Arsenic Trioxide at Tsumeb

After the copper concentrate has been smelted, the extracted arsenic is no longer considered harmless, and is classified as hazardous waste.

In 2012, we developed an internal Arsenic Trioxide Management Code (ATMC), the first of its kind in the industry we believe, which includes the following components:

- ◆ Transportation;
- ◆ Handling and storage;
- ◆ Operations and production;
- ◆ Decommissioning of plant;
- ◆ Worker safety;
- ◆ Emergency response;
- ◆ Training;
- ◆ Dialogue with stakeholders; and
- ◆ Documentation and records.

We then completed an internal audit against the ATMC to determine any gaps that may exist between current state and best practices. Not surprisingly, given the legacy issues associated with the smelter, we found many areas for improvement. We are now in the process of reviewing these audit results to ensure that our Project 2012 and arsenic plant redesign, upgrade and improvement projects will address all identified issues. In 2013, after these projects are complete, we will then internally re-audit against our ATMC and assess any gaps that may still exist. In parallel with this process, we will share our findings and draft ATMC with industry experts and other companies faced with similar issues in order that we may continuously improve and update the ATMC.



Transnamib rail transportation, Namibia

Transportation of Concentrate and Arsenic Trioxide

Copper concentrate is transported from Chelopech to Tsumeb by a combination of road, rail and sea transportation. During and after processing at Tsumeb, the extracted arsenic, either in the form of dust or arsenic trioxide, is considered hazardous waste. Arsenic trioxide is transported to customers via either road (South Africa) or a combination of road and sea (Malaysia) transportation.

In 2012, we reviewed the procedures of our transportation contractors in Namibia to ensure that they were following good practices. We also completed a detailed review of the physical rail and road transportation route from Tsumeb to the Atlantic port of Walvis Bay in Namibia. Along the route, in order to understand the risks, we documented vegetation type; proximity to rivers, streams and protected areas; farming activities; plant and animal endemism (biodiversity); private and public land boundaries; local population; and proximity to tourism establishments. We also assessed the number and proximity of emergency services including police, fire services and hospitals and their respective level of emergency preparedness.

In short, we still have much work to do in this critical area of risk identification and ensuring best practice arsenic trioxide product stewardship. For instance, we found that the emergency services along the route did not have a high level of emergency preparedness or training in the handling of hazardous materials. We also need to increase our dialogue with landowners along the route to ensure that we have timely access to land in the event of an emergency. We are currently in discussions with Transnamib (the Namibian railway company), our rail transportation contractor, to ensure adequate capacity and training of personnel. We will also work closely with our acid plant project team, who are ensuring that the route from Tsumeb to Walvis Bay, which is to be used for sulphuric acid transportation, is properly serviced by emergency response teams. Protea Chemicals, the chemical company that will be responsible for managing acid transportation and safety logistics along the route will also be included in this process.

Also, in 2013, we will review the procedures of our transportation companies in Bulgaria and document the road transportation route from Tsumeb to our arsenic trioxide customer in Durban, South Africa.

Caring for Our Communities

caring for our communities

Table 27. Community Spending and Donations

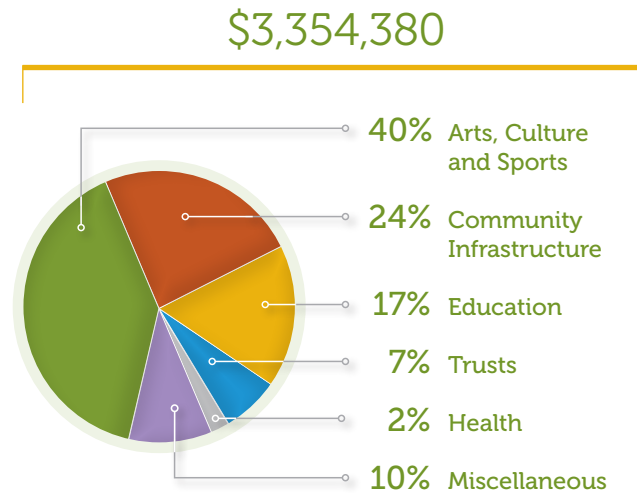
| | Dundee Foundation | Chelopech | Krumovgrad | Kapan | Tsumeb | Total | |
|--------------------------|------------------------|------------------|------------------|------------------|------------------------|--------------------|--------------------|
| | | | | | | 2012 | 2011 |
| Community Infrastructure | 0 | 309,248 | 0 | 185,412 | 323,932 | 818,592 | 1,239,812 |
| Arts, culture and sports | 968,243 | 54,411 | 114,785 | 177,552 | 4,415 | 1,319,406 | 578,923 |
| Education | 8,429 | 500,476 | 11,594 | 52,990 | 1,696 | 575,185 | 291,982 |
| Health | 0 | 36,932 | 14,714 | 28,825 | 788 | 81,259 | 171,560 |
| Trusts | 0 | 0 | 0 | 0 | 240,000 ⁽²⁾ | 240,000 | 217,250 |
| Miscellaneous | 156,937 ⁽¹⁾ | 42,390 | 19,271 | 51,141 | 50,199 | 319,938 | 437,533 |
| Total | \$1,133,609 | \$943,457 | \$160,364 | \$495,920 | \$621,030 | \$3,354,380 | \$2,937,060 |

⁽¹⁾ Includes \$89,513 not yet allocated.

⁽²⁾ See pages 53 and 54.



Kukeri group members in Chelopech





Khomxa Khoeda Primary School, Oshikoto Region, Namibia

Community Spending and Donations

In early 2012, we established the Dundee Foundation in Bulgaria, primarily to enable us to separate our national CSR spending from our site-specific spending. A more detailed account of the Foundation spending can be seen in the case study on page 50 of this report.

Our discretionary spending on community infrastructure is unrelated to our operations. At Chelopech, we have a formal process comprising an initial request from the Municipalities in the Srednogorie Region, which includes Chelopech, Chavdar, Zlatitsa and Pirdop, for work to be performed during the year. These requests are reviewed by senior management and after further discussions with each municipality and its respective mayors, an annual contract is signed, stipulating the work to be completed during the year. A formal tender procedure is then completed and contracts awarded to qualified contractors before any work is performed. At Chelopech, we employ a dedicated person to oversee this process.

At Kapan, in addition to work performed on public sidewalks and roads, a large proportion of our infrastructure

spending is aimed at improving structural conditions in schools and kindergartens (see page 54).

In late 2011, Tsumeb entered into a partnership with Namibia's National Housing Enterprise (NHE) to build 120 freehold houses for ownership by our employees. The amount of \$323,932 for community infrastructure spending relates to upfront costs associated with building this affordable housing. Mortgage loans will be made by NHE at market rates to qualified employees, but because the land and upfront infrastructure costs (for such things as access roads and the delivery of essential services) has been funded by Tsumeb, the actual cost of each house is significantly lower than current market prices for homes in Tsumeb, making home ownership more affordable and accessible to our employees. Mortgage payments will be deducted at source from an employee's wages. Under no circumstances does an employee's indebtedness to NHE prevent them from resigning from Tsumeb. If an employee does resign, they may either re-negotiate their mortgage payments schedule with NHE or sell the house. Qualified Tsumeb employees will have the right of first refusal to purchase a house that is for sale. Construction of these houses has now begun and will be completed in phases – 20 houses per phase – over the course of 2013 through 2014.

Tsumeb recently awarded full bursaries to six undergraduate students to study for careers in fields directly related to the technical and professional needs of the company. This is the second round of bursaries awarded since the Tsumeb bursary scheme was launched in 2011, bringing to 13 the total number of candidates who are receiving support to study at tertiary institutions. Recipients are majoring in fields essential to the business of metals processing: metallurgy, chemical engineering, electrical engineering, mechanical engineering, mechatronics, chemistry and accounting. The bursary scheme covers costs for registration, tuition, books and other study



Children's day, Chelopech

aids, accommodation, transport and project expenses. In addition, students are required to complete a job attachment as part of their bursary obligations.

A Focus on Outcomes and Measurement

At all sites, our community relations' personnel have been tasked with identifying outcomes for our discretionary community spending. CSR programs, in general, tend to focus on how much money is spent or how many programs are funded – the so-called “inputs” and “outputs” of community spending. If we are to have a sustainable impact on the communities in which we operate, it is

important that we begin to be more disciplined about measuring the true outcomes of our spending and its social impact.

The following table highlights some of our major community initiatives and what we believe to be both the primary intended outcomes of our spending and the potential longer-term sustainable outcomes. In 2013, we will start to put more emphasis on how to better measure these primary and longer-term outcomes in order to ensure that our social return on community investment is optimized.



Children's summer camp, Kapan

Table 28. Activities and Outcomes

| Activity | Primary intended outcomes | Potential sustainable outcomes |
|--|--|--|
| Private English Language Secondary School (see case study on page 52) | <ul style="list-style-type: none"> • Provide opportunities for a superior learning environment to local community high school students (Chelopech) | <ul style="list-style-type: none"> • Improved socio-economic base of regional families over multiple generations |
| Sponsorship of sports (see case study on page 50) | <ul style="list-style-type: none"> • Create increased interest and enrolment in sports development programs | <ul style="list-style-type: none"> • Increased likelihood of proven long term health and developmental benefits associated with participation in organized sports • Reduced healthcare costs |
| Physical structure improvements in schools and kindergartens (see case study on page 54) | <ul style="list-style-type: none"> • Reduce incidence of sick days as a result of poor sanitation & physical infrastructure (Kapan) • Meet demand for physical classroom space (Kapan kindergartens & Tsumeb schools) • Lower student teacher ratios in schools lacking physical classroom space (Tsumeb) • Increase percentage of children in advanced streams (Tsumeb) | <ul style="list-style-type: none"> • Improved health of children • Reduced healthcare & childcare costs • Improved pre-school development through increased classroom attendance • Increased high school graduation rates; improved regional socio-economic base |
| Small and medium-sized enterprise (SME) funding (see case study on page 55) | <ul style="list-style-type: none"> • Create more sustainable small businesses; create local employment opportunities | <ul style="list-style-type: none"> • Improved socio-economic base of community members and their families |
| Children's summer camps and playgrounds | <ul style="list-style-type: none"> • Provide structured and organized activities for children | <ul style="list-style-type: none"> • Increased likelihood of proven long term health and developmental benefits associated with participation in structured play activities & organized sports • Reduced healthcare costs |



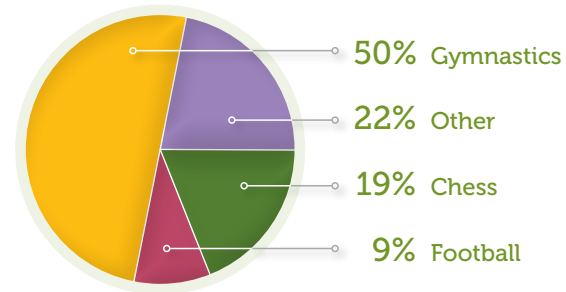
Dundee Foundation A Case Study

In early 2012, we established the Dundee Foundation in Bulgaria. The primary focus of the Foundation is the sponsorship of Bulgarian national sports, arts and culture. We believe that if the Bulgarian government has entrusted us with the mining of a national resource, we should have a portion of our community spending benefit all Bulgarians and not just those that live in the vicinity of our mines.

Our thinking goes beyond the general notion of sponsorship. Of course, there is an element of marketing and advertising of our brand promise that goes into our sponsorship considerations, but we also donate our funds with sustainable investment in mind.

The following chart is a snapshot of our donations from the Dundee Foundation in 2012.

Dundee Foundation - Total Spending 2012



Since 2011, we have been the lead sponsors of Bulgaria's National Rhythmic Gymnastics Team and in 2012, we were proud to support the team's efforts at the London Olympic Games. In conjunction with this, since 2010, we have also been supporting the Illiana Gymnastics Club, one of

Junior gymnast at Illiana Gymnastics Club, Sofia

Bulgaria's pre-eminent rhythmic gymnastics development clubs. The founder of this club, Illiana Raeva, is a former world champion, and in 2012, she was made President of the Bulgarian Rhythmic Gymnastics Federation, an organization that oversees the development of the sport throughout Bulgaria, as well as its national teams.

Rhythmic gymnastics has a rich history in Bulgaria, and in many ways can be considered its national sport, at least as far as Bulgarian girls are concerned. Since the 1960's, Bulgaria has dominated the sport globally, and its participants have won an abundance of Olympic and world championships medals. However, the first ten years of the new millennium were not so kind and the national teams suffered through a severe medals drought, primarily due to lack of funding for the development of young gymnasts. Consequently, interest in the sport waned and enrollment numbers in Bulgaria's official regional and community clubs declined.

When we began sponsoring the national teams and the Illiana Gymnastics Club, the sport was in a deep slump in Bulgaria. We decided at that time to help bring back the World Cup event to Sofia and Bulgaria's capital city now hosts this prestigious event every year. In 2012, we also funded a new international event called the Dundee Cup and in 2013, we are proud to be the lead sponsor of the newly renamed Dundee World Cup event, a combination of the World Cup and Dundee Cup that will attract the best teams from around the world to Sofia each year.

These activities have provided a tremendous boost to the sport in Bulgaria. Since 2010, enrollment in official rhythmic gymnastics clubs throughout the country has increased by 22%.



Senior rhythmic gymnasts, Bulgarian National Team

In 2013, we are proud to be the lead sponsor of the Dundee World Cup

We are also looking at ways to supplement families that cannot afford to send their children to official clubs, which typically costs 25 Euros, per month per child. For example, the current president of the Illiana Gymnastics Club, Ina Ananieva, and its founder, Illiana Raeva, established (opened in 2013) a rhythmic gymnastics club for both children and older students in Chelopech. The training sessions will be conducted by Illiana Club coaches twice a week, free of charge.

Unfortunately, Bulgaria's Olympic team did not win any medals at the London games, but prior to that, the national teams had won 65 medals at major international competitions and the world championships since 2009. We can now say that rhythmic gymnastics in Bulgaria is well on the way to recovery and to restoring its former reputation as a formidable competitor in this sport. We look forward to continuing to play a small part in development of this important cultural phenomenon.

In addition to gymnastics, we have also supported the following initiatives:

- ◆ Football (soccer) teams;
- ◆ Contribution to the Bulgarian Chess Federation's efforts to have chess included in the official secondary school curriculum;
- ◆ Junior Achievement Bulgaria;
- ◆ The International Art Festival Perperikon in Kardzhali;
- ◆ "Miracles of Bulgaria" - a national initiative aimed at choosing new Bulgarian treasures to be added to the UNESCO cultural heritage lists;
- ◆ Association of Mozart Days in Pravets;
- ◆ The Charity Foundation of the International Women's Club of Bulgaria;
- ◆ 'Ready for Success', a Bulgarian Charity Aids Foundation initiative that provides educational scholarships to orphans; and
- ◆ The Bulgarian Christmas, a charity that raises funds for the medical treatment of Bulgarian children.



Participants at Illiana Gymnastics Club, Sofia

Our PELSS Achievers Case Studies

Last year we reported on the success of the Private English Language School (PELSS) in Chelopech. This school's operating expenses are fully-funded by Chelopech.

In 2012, PELSS continued its academic success. All 20 graduates in 2012 went on to attend some of the best universities in Bulgaria and Europe. Some individual students also won accolades during the year

and continued to make both the school and the community proud. Militsa Popova achieved one of the two highest scores at the academic Olympics in Bulgarian language and literature competition. Also, Damyán Gaytandjiev was ranked first in an international inter-school competition that is affiliated with schools in Cambridge, UK. In 2011, our case study was entitled "Nurturing Bulgaria's Future Leaders." This year, we would like to build

on that theme by featuring eight PELSS achievers, some of whom we are fortunate to have working at our subsidiary companies. We intend to do this every year to highlight the breadth, depth and success of education provided by PELSS.



Dochka Hristova

OCCUPATION

Trainee, Management Information, EuropeAid

RESIDENCE

Brussels, Belgium

PELSS was a great school – plenty of extracurricular opportunities to explore and a very high standard of teaching, not just in languages, but all subjects. It certainly gave me a very good preparation for higher education afterwards.

After PELSS, I was awarded scholarships by Chelopech Mining and Coca Cola to attend Edinburgh University, where I studied Politics and Economics. I graduated with distinction and was awarded the International Student of the Year Award in 2011. As an undergraduate, I spent a year in the United States on a study abroad program and a month in China as an intern in business consultancy. Last year, I obtained a first class Master's degree in Global Governance and Diplomacy at Oxford University, where I was a Queen Elizabeth House scholar. I went on to do an internship with the United Nations in Brussels. I'm now working at the European Commission in Brussels.



Daniela Kesyakova

OCCUPATION

Business Solutions Analyst, Nestlé - Globe Centre Europe

RESIDENCE

Frankfurt, Germany

The five years spent at PELSS gave me not only a good education, but also taught me to be responsible, confident and assertive. The school showed me that you can achieve everything as long as you fight for it. It gave me good friends and valuable memories. I only came to realize all of this when I went to the University. There I was able to appreciate the impeccable preparation and quality of education that I was given. From 2003 to 2005, I was employed by the University of National and World Economy. Since 2005 I have worked at Nestlé, first with Nestlé Bulgaria, and since 2011, at the Nestlé Globe Centre Europe in Frankfurt as a Business Solutions Analyst. Whatever challenges I face, I know I have the solid base, provided by my high school education.



Vesselin Krastev

OCCUPATION

Chief Accountant, Balkan Mineral and Mining

RESIDENCE

Sofia, Bulgaria

The years I spent at PELSS made me more competitive in my pursuit of a university degree and the job I later applied for. Right after I got my Bachelor's Degree in Industrial Management, I started working at Chelopech Mining as an accountant, while completing a Master's degree in Finance. I'm now the Chief accountant at Balkan Mineral and Mining. As an Alumnus of PELSS, I can say that this school has benefited me greatly by providing me with a highly respectable education and offering me the opportunity to participate in the summer internship program. Our teachers made sure we had the excellent knowledge of English and the competencies and skills of a daring, proactive person. I grew up a responsible person with lofty goals and dreams.



Nikolay Raykov

OCCUPATION

Business Planning Manager, Nestlé

RESIDENCE

Sofia, Bulgaria

I earned my B.A. degree from the American University in Bulgaria and now work for Nestlé as a Business Planning Manager. As I think of PELSS and what I got out of it, there are two things that come to my mind – dreams and friendship. The teachers and the Principal not only taught lessons, but they showed me that there are no obstacles that should prevent a small-town boy from chasing his dreams. Friendship goes along with that, since dreams can only truly be fulfilled if one shares the experience along the way. I was blessed to have met friends at PELSS and now, years later, I know that we did not just share four years together but, one way or another, we are still sharing our lives. And to make the PELSS legacy even richer, besides the friends I made in the classroom, I am grateful to have my former sports teacher as one of my closest friends today.



Mihail Geshev

OCCUPATION

Internal Auditor, Hewlett Packard

RESIDENCE

Sofia, Bulgaria

For the past two and a half years I have worked as an Internal Auditor at Hewlett Packard. Working for one of the biggest companies in the world and leaders in the IT market is quite a challenge. In a nutshell, I can say that every day is different and brings new challenges. PELSS played a vital role in my personal and educational development. First, it established a really good base on which I was able to build my university education. Another very essential aspect is the language education, which I use every day in my professional life. Last, but not least, are the summer working opportunities that PELSS offers its students. I was introduced to corporate life and culture at an early stage of my life. I will always be proud to say that I was a student of PELSS and will do my best to be an ambassador of the school.



Nikolay Stefanov

OCCUPATION

Control Systems Engineer, Chelopech Mining

RESIDENCE

Sofia, Bulgaria

When I graduated PELSS I already knew I wanted to be an engineer, and in 2006 I graduated as a telecommunications engineer from the Technical University of Sofia. Currently I am working in the Projects department of Chelopech Mining as a control systems engineer. Learning foreign languages and especially an international language like English was very beneficial for my further education and my later occupation in the multinational team of the company. Although in school a priority was given to the language-related subjects, PELSS also gave me an education in mathematics, physics and chemistry. The fact that PELSS graduates find their realization in many different sectors shows the quality of education it provides. PELSS was a successful start and a solid foundation for my personal development in every aspect.



Zornitsa Cholakova

OCCUPATION

Freelance Translator and Interpreter

RESIDENCE

Abu Dhabi, UAE

My interest in foreign languages and the emerging image of the school as one of the leading educational institutions in the region were the reasons I chose to study at PELSS. After graduating, I chose to study more exotic languages, and I continued my education in Veliko Tarnovo University St. Cyril and St. Methodius, majoring in Applied Linguistics with English and Japanese. After graduation I had the rare chance to work at the Japan International Cooperation Agency as

a Resident Assistant and translator/interpreter. In 2009 I was granted a full research scholarship at the University of Osaka in Japan and in 2010, I was accepted into the Master's program in International Human Sciences there.

Currently I live in Abu Dhabi, UAE with my husband and I work as a freelance translator and interpreter. I work with Chinese and US companies and the Japanese Embassy in Abu Dhabi.



Ivanka Boyadzhieva

OCCUPATION

SharePoint Users Administrator

RESIDENCE

Sofia, Bulgaria

I started working at Chelopech Mining in 2008 as a Documents Management Coordinator. This position gave me valuable knowledge in information technology and in February 2012, I joined the Global IT Team of Dundee Precious Metals Inc. as a SharePoint Users Administrator, working with all sites across the DPM portfolio. I am proud to be an alumnus of PELSS. The school provided me with good education and gave me a stable start in life. With an excellent team of teachers and their preminent approach to teaching, I became a confident, responsible and reliable person who knows how to achieve what I want from life.

Progress in Kapan's Kindergartens A Case Study

Last year we reported on our infrastructure spending in Kapan's kindergartens. Our research shows that Kapan is lacking approximately 600 kindergarten spaces. Also, many of the kindergartens in operation suffer from either poor sanitary conditions and/or a lack of adequate maintenance, which often results in a disproportionate number of children and staff being absent due to sickness, particularly during the winter months.

There is an enormous body of research showing that the first few years of a child's life is a particularly sensitive period in the process of development, laying the foundation

in childhood and beyond for behavioral, social and self-discipline capacities. In short, preschool programs ultimately yield benefits in academic achievement, behavior, educational progression and employment success.

It follows that missing a large proportion of a preschool term due to sickness can sometimes be as damaging to a child's development as not attending preschool at all. Therefore, the structural imbalances that exist in the kindergartens of Kapan, and which leads to children either missing preschool through sickness or not being able to attend at all, present us with an opportunity to contribute to



Kapan kindergarten



Kapan kindergarten

a significant and sustainable impact on the development of Kapan's children.

Our immediate objectives are fairly simple: Fix and upgrade toilet facilities, replace windows, upgrade classrooms and create as many new kindergarten spaces as possible and then measure the incidence of sick days and the number of new spaces that become available.

This approach has been reinforced by some of the promising results we are seeing from Kindergarten N4, which has undergone significant upgrades since 2011, funded jointly by DPM, the Municipality of Kapan and the local branch of World Vision. This particular kindergarten has been able to increase its available spaces from 131 children to its current count of 175. We also found that the ratio of sick days to healthy days at this kindergarten decreased from 1 in 2 to 1 in 7 as a result of the upgrades. These are the kinds of results we would like to see from all the kindergartens that have received funding from us.

Tsumeb Community Trust A Case Study

The Tsumeb Community Trust, a separate legal entity funded by DPM, was established in late 2010 with the primary purpose of funding community and social development programs in Tsumeb. Since then, the Trust has awarded grants totaling \$500,000, including \$195,000 in 2012.

In 2012, we established a Trust office in the centre of Tsumeb at our new Information Centre. We have had tremendous interest in the Trust's activities and are in the process of reviewing how we can expand its footprint in the future.

In 2012, the Trust continued to focus on funding education-related initiatives, mainly the construction or upgrade of classrooms in primary and secondary schools and micro financing for small and medium-sized businesses (SMEs) in Tsumeb.

The following is a breakdown of our donations and the more significant grants awarded in 2012, together with our primary desired outcomes from these community investments:

Grant Profile

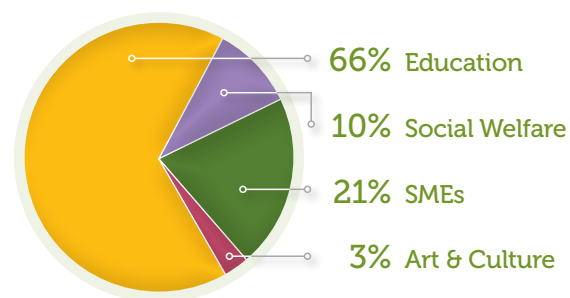


Table 29. Tsumeb Community Trust – Significant Grants in 2012

| Grant Recipient | Grant Amount | Purpose | Primary Desired Outcomes |
|--------------------------------------|--------------|---|---|
| Ludwigshawe Junior Primary School | \$35,000 | Building of 3 classrooms plus storeroom | Provide classrooms for 100 children from rural communities with no prior access to schools/establish daily food program |
| Huigub Primary School | \$21,000 | Renovation of 7 classrooms | Reduce class sizes and classroom congestion |
| Ondundu Primary School | \$19,000 | Phase 1 construction of a new library and classroom | Improve access to more advanced learning facilities |
| Various small businesses (see below) | \$43,000 | Micro-financing for small businesses administered by Namibia Chamber of Commerce & Industry | Create local employment opportunities |

In 2011, we entered into a three-year agreement with Labour Investment Holdings, an affiliate of the Mineworkers Union of Namibia, to donate N\$1 million (\$115,000) in three equal annual installments to provide educational bursaries for aspiring high school graduates from rural areas that wish to attend post-secondary educational institutions in Windhoek, the capital of Namibia (this is in addition to our own bursary scheme at Tsumeb, detailed on page 48). There are currently a total of 10 students enrolled at the Polytechnic of Namibia and the University of Namibia in a variety of subjects, including marketing, engineering, nursing, bio-medical sciences and information technology. Because these students are from rural areas and are not used to urban living, in addition to receiving tuition, daily living, and accommodation expenses, they are also given access to professional counseling and mentoring services. This latter service has dramatically improved the chances of these students completing their studies, since historically many students from rural areas

have prematurely dropped out of school because of a lack of a family support network. Two of the students are now in their fourth year of studies and will graduate in 2013. The rest are continuing with their studies.

SME Funding

In 2012, we funded another 30 SMEs, in addition to the 23 that were funded in 2011. The Trusts' SME micro-financing is structured in a way that offers maximum flexibility to its recipients. Interest-free grants are awarded to qualified SMEs, as determined by a screening and application process developed on our behalf by the Tsumeb branch of the Namibia Chamber of Commerce and Industry, who also administer and monitor the financing. There is a requirement to repay only 10% of the grant within two years and this repaid amount is pooled and used to develop and deliver business education courses and workshops to our grant recipients. There is no obligation to repay the remaining 90% of the grant.

The following profiles are representative of the types of small businesses that have been awarded grants.



AK Salon

Kaija Shililifa Awene, the owner of the salon received a grant of N\$10,000 from the Trust in 2012. She purchased a new adjustable, reclining chair, which she uses primarily for hair colouring. In Tsumeb, it's the only chair of its kind and it has resulted in a 30% sales increase for the salon. Kaija is now looking for larger premises and to hire another assistant hairdresser in her salon.



Tsumeb Wellness Centre

Maria is a trained beauty technician and massage therapist and had worked at some of Namibia's top resort hotels before opening her own health spa in Tsumeb in 2011. Her Trust grant of N\$8,000 enabled her to purchase a facial steamer, other related equipment and an inventory of creams and oils to sell to her customers. When Maria first opened her business, her average monthly income was approximately N\$1,000. In January 2013, 30% of her monthly sales of approximately N\$6,500 are now from the use of the new equipment purchased with the Trust grant. Her goal is to find a larger space and hire and train an assistant.



Inge Meat Market

Inge operates a meat store in the centre of Tsumeb and employs three people. Her Trust grant of N\$12,000 was used to purchase a vacuum packer and shrink-wrapping machines. Inge has been in business for three years and her dream is to open a supermarket of her own one day. The Trust is looking at ways to nurture some of the dreams of these small business owners, either through additional and more advanced financing options and/or the development of mentoring programs with successful Namibian entrepreneurs.

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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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⁽¹⁾ Effective April 1, 2013, Jonathan Goodman assumed the role of Executive Chairman of DPM. Richard Howes was appointed President and Chief Executive Officer.



Transforming Our Brand Identity

Building off our earlier work of defining our vision and core values, in 2012 we set out to define Dundee Precious Metals' brand promise – “We succeed because we care”. This important initiative will guide our communications with employees, key stakeholders and all those we work with going forward.

The brand strategy has also led to a new corporate identity being rolled out across all operations during 2013. With one global name and visual identity, we expect to leverage and strengthen our brand presence and leadership around the globe.

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