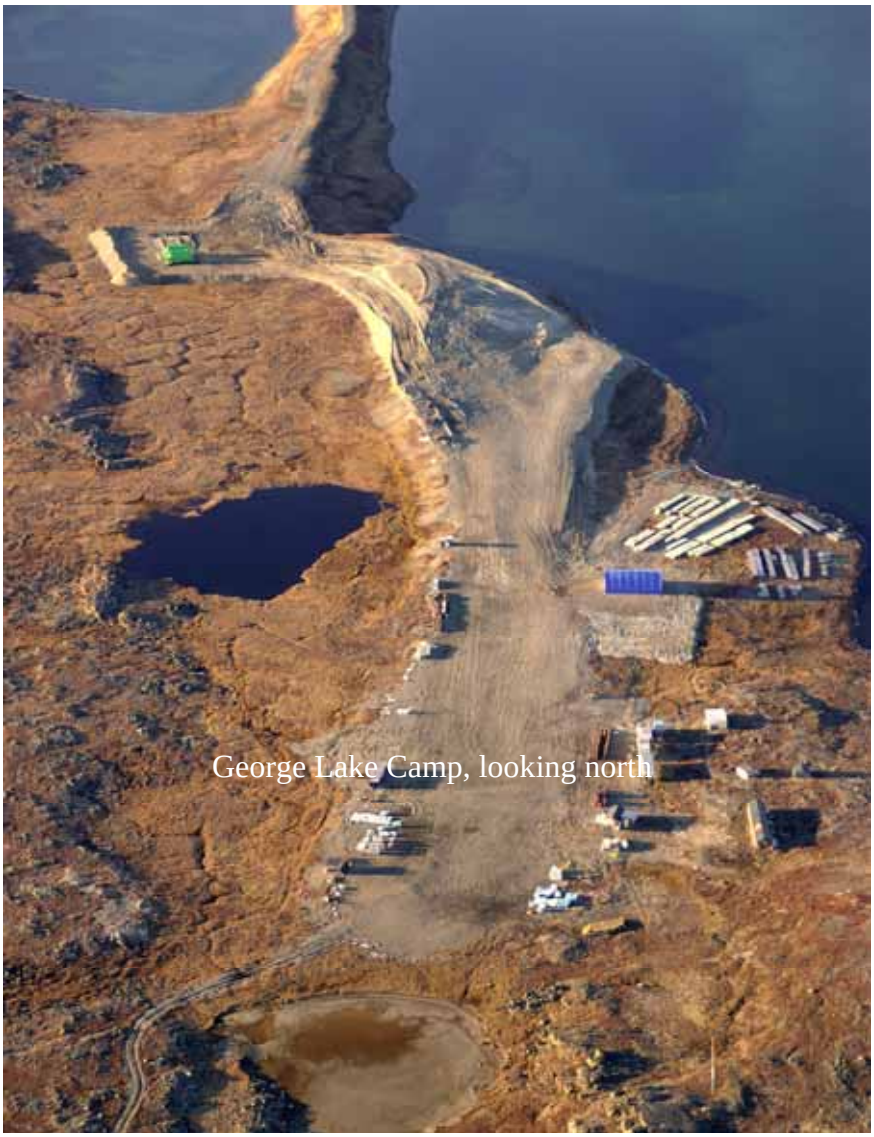
Back River JV Project – George Lake Abandonment and Restoration Plan, January 2006



George Lake Camp, looking north

DUNDEE PRECIOUS METALS INC.

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1.0 INTRODUCTION

1.1 General

Dundee Precious Metals Inc. intends to conduct mineral exploration activities at the Back River Project in the Nunavut Territory. Dundee Precious Metals Inc. is the current operator and responsible for maintaining all permits and claims required for the Back River properties. The Back River Project is covered by KIA Land Use Licenses KTL304C017, KTL304C018, KTL204C012, KTL204C013 and KTL204C020.

Operating and managing an exploration project on tundra requires a lot of effort from all parties involved. The area is environmentally sensitive and all aspects of exploration because of our activities, products and services will be risk assessed with management protocols developed, implemented and communicated to our employees, interested parties and suppliers to eliminate or minimize any negative impacts to the receiving environment.

The Phase I of the Exploration project will begin in mid February and end in mid June. The crew, equipment and supplies will be flown into Goose Lake camp from Yellowknife via Twin Otter or similar aircraft beginning in early March. An ice strip will be established on Goose Lake for aircraft utilising the D7G Cat, which is presently located at the Goose Lake Camp. An Aerospatiale (AStar) B2 helicopter as well as the D7G Cat will also be used to move drill rigs to drill sites. Four (4) drills will drill approximately 42 holes, having an aggregate total of 13,000 metres during March, April and May on the Boot and Boulder claim areas. This drilling will be completed by the end of June and the majority of the crew will then be demobilized prior to spring break up. Several employees will remain at the camp to log core and perform environmental monitoring work.

Phase II is scheduled to begin in the Goose Lake area upon completion of Phase I, with the whole crew at camp. This drilling will end about September 30th or when the weather prohibits staying at the camp. Two rigs (2) will drill about 15 holes comprising of ~11,000 metres of core drilling. A helicopter will be used to move the rigs to the drill sites. The crew will be demobilized back to Yellowknife using float-equipped aircraft by September 30th. The drill equipment and minor supplies may remain at the project area for use during the next exploration season.

The project will employ ~40 people, 30 of which will be Dundee employees. Of the thirty, 8 or 9 of those would be Inuit. The contractors working on site will also be encouraged to hire Inuit employees. The project anticipates spending $18 million Canadian during its 2006 exploration program.

Dundee Precious Metals will implement this Abandonment and Restoration Plan and will continue to look for ways to minimise or eliminate negative impacts to the environment as a result of its activities, products and services at DPM's Back River properties.

1.2 Dundee Precious Metals Environmental Policy

Dundee Precious Metals is committed to maintaining sound environmental practices in all of its activities from exploration through to closure and land relinquishment.

To achieve this, DPM in working with its employees and contractors will:

- Ensure all operations are conducted in an environmentally sound manner to ensure compliance with all applicable national and local regulations;
- Avoid releasing any deleterious substances (including chemical, fuel, drill cuttings or other unauthorized materials) into the environment, and especially any water body;
- Minimize its impacts on land and vegetation;
- Avoid unnecessary disturbance to wildlife from our activities.
- There are requirements for handling of deleterious substances (including fuel). Make sure your supervisor has familiarized you with these requirements before you do anything.
- Train all employee and contractors to understand their environmental responsibility related to DPM.

1.3 Legal Requirement

Under the terms of KIA Land Use Licenses, KTL304C017, KTL304C018, KTL204C012, KTL204C013 and KTL204C020, and the anticipated NWB Water Use Licenses, Dundee Precious Metals is obligated to rehabilitate the areas used to its previous standard of human utilization and natural productivity.

1.4 Site Location and Description

The George Lake Camp as part of the Back River Project as shown in Figures 1 & 2 is located in western Nunavut, south of Bathurst Inlet within the Slave Structural Province. It's location is within the zone of continuous permafrost at approximately 66º north and 107º30' east.

The site located on the slope of the western shore of George Lake. The camp has been inactive since the late 1990's and is used only for emergency purposes.

Figure 1 shows the general layout of the camp as seen during 2006 exploration season. The camp sketch is not drawn to scale and therefore should not be used to estimate distances or building sizes. Figure 2 is a recent aerial bird's eye view of Goose Lake camp.

Figure 1 Layout of George Lake Exploration Camp, 2006. Showing the Camp, Airstrip and Fuel storage area.

Figure 2 Bird's eye view of George Lake, photo taken during 2006 exploration season.

The camp is was not active during 2006. All exploration work was based out of and supported by the camp at Goose Lake.

1.5 Scope of Reporting

This Abandonment and Restoration Plan (A&RP) has been designed for the forthcoming NWB licence and applies to the Back River Exploration Project (Lat: 65º35' Long:106º25') managed by Dundee Precious Metals Inc.

The A&RP has been prepared for Back River in anticipation for the 2006 spring and summer drilling programs. The Plan also takes into consideration the likelihood if the camp closes prematurely due to:-

(i) Sudden drop in gold prices which could make the project uneconomical;
(ii) Drop in resource grade to a value lower than anticipated;
(iii) Non compliance to legislative requirements; and
(iv) Natural disasters,

(v) Force majeure

(vi) Change of operatorship

In situations as such mentioned above, this Plan provides the base strategy for anticipated tasks of restoring George Lake and all of the Back River project areas in an event where exploration activity has ceased, either on short term or a long term basis.

The plan will be reviewed annually and updated with current information to as the future of the Back River Exploration project.

Section 1 of the Plan gives a brief account of the ownership of the property, the environmental policy, legal requirements and a brief description of the camp.

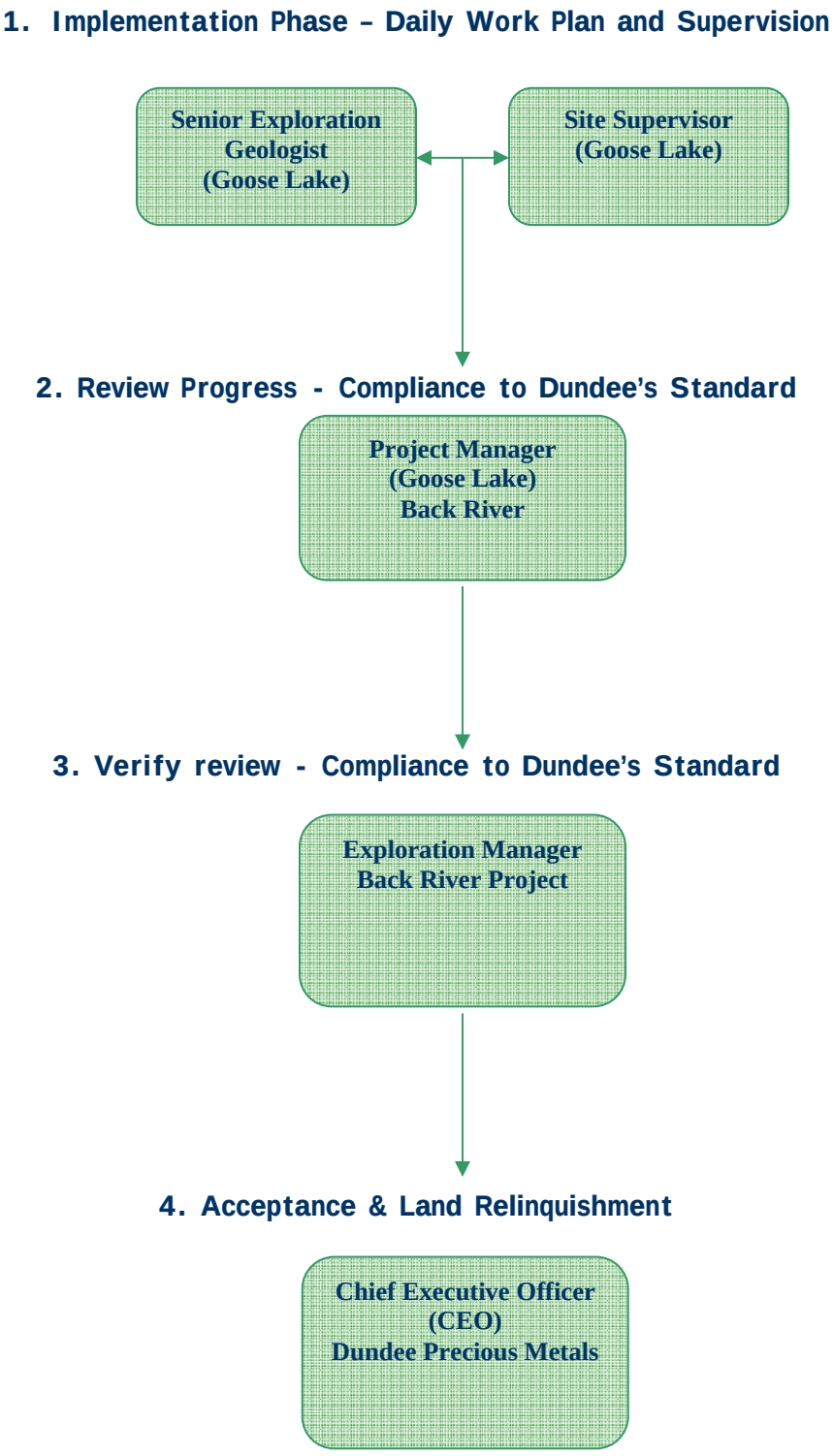
Section 2 outlines a brief time schedule for restoration activities after completion of each exploration program. A list of infrastructure at Back River is compiled and a short brief on Progressive Restoration program is provided.

Section 3 and 4 of the Plan provides details of how each exploration aspect will be addressed, while Section 5 outlines the responsibilities for carrying out the Plan. The final section (Sections 6) determines when the next review of the Plan would be conducted.

2.0 RESPONSIBILITIES FOR THE PLAN

Senior personnel residing at Goose Lake Exploration Camp (Back River) are responsible for the implementation of this Plan as shown in Figure 3. However, every employee, contractor or a visitor (s) arriving to Back River has a responsibility to ensure that they adhere to the DPM environmental policy. The policy will be communicated to all employees, contractors and visitors during their stay at Back River in a formal site induction program given by the Site Superintendent.

Figure 3. Flowchart for the implementation of George Lake Abandonment & Restoration Plan



3.0 SCHEDULE FOR ABANDONMENT AND RESTORATION

For each exploration season, the A&RP of George Lake campsite should take approximately 14-21 days to complete. This restoration program will take place after all exploration activities have ceased. The variation in number of days allows for changes in weather in a given day. If exploration activities dictate the finalization of the exploration program for the season, the restoration program will be conducted from the 15 to 30 of September each year and no later than October 31. Since Goose Lake is the main camp servicing outlying exploration areas, it would take the longest to shut down. Outlying drill sites will take minimal time as their shut down requirements are much less. Other sites in the Back River Project area are the George Lake Camp as well as the diamond drill sites and the tank farm restoration. These would take place simultaneously with exploration as there is the proper support infrastructure at this time (personnel, aircraft, support).

The Goose Lake Project Manager and Site Supervisor will implement this A&RP plan. The Exploration Manager will oversee other legal responsibilities associated with the Plan. Responsibility flowchart is shown in Section 5 of this Plan.

3.1 List of Infrastructures at George Lake

2 Camp trailers
1 Blue Quonset – Machine storage
1 Kitchen & 1 ablution and dry building
1 Tool Shed
2 only 70,000 litre double walled ULC approved Envirotanks in bermed area
1 Generator shack
1 Airstrip (prepared esker);

3.2 Progressive Reclamation

DPM has embarked on progressive reclamation at Back River. Progressive restoration will be ongoing during the height of its exploration program thereby reducing the need for a full-scale restoration program at the closure of each exploration phase. Ongoing significant restoration activities are described below.

3.2.1 Spill Areas Contaminated Area Reclamation

3.2.1.1 Recycle of Water Contaminated Fuel

The contaminated fuels are recycled primarily in the garbage incinerator. If present in sufficient quantities, contaminated fuel will be recycled for camp heating purposes.

3.2.1.2 Contaminated Top Soil

Any contaminated soils are removed immediately. They are stored in barrels for transportation to permitted disposal sites either on the Belt or in Yellowknife. In areas, where in its difficult to remove the top soil or by removing the top soil will pose other hazards, biodegradable peat moss grains are spread over areas that are contaminated by either directly or indirectly by spillage. The objective is to utilize other products that have been environmentally proven in such a clean up so as to effectively absorb petroleum products still trapped in the soil where absorbent pads are no longer effective. Once individual grains are saturated, new peat moss grains will be added until the peat moss grains are no longer saturated.

3.2.2 Non Combustible Solid Waste placement

Solid waste; from batteries, metal scraps, drill rods to household items are continuously relocated to the eastern end of Goose camp. The items are arranged in such a way that it can be easily removed off of the property during winter months to either a metal recycler, or to an approved designated landfill area in Yellowknife or Hay River, NWT.

4.0 WINTER RESTORATION PLAN

The winter restoration plan is defined as a short-term abandonment of the Back River / Goose Lake Exploration Camp. The tasks involved are important to the success of future exploration programs but requires less effort.

4.1 Buildings and Content

Plan

All tents and building complexes will be secured for the winter. All the office equipment; household furniture; kitchen equipment; recreational equipment and other mobile heavy equipment will be winterised and left secured on site. Any equipment not capable of withstanding the harsh winter conditions will be removed and stored in either Yellowknife or Vancouver The camp will be secured.

4.2 Water Supply System

Plan

No water distribution system exists at the George Lake camp.

4.3 Sewage System

Plan

No sewage system exists at the camp site. An outhouse would be decommissioned and any natural waste would be buried.

4.4 Waste Incinerator

Plan

No incinerator exists at the George Lake camp.

4.5 Electrical System

Plan

The generator shed and the surrounding area will be inspected for signs of hazardous spills and remaining wastes such as oil and grease. If topsoil is contaminated, biodegradable peat moss will be spread over the area to absorb remaining hazardous wastes trapped in the soil. The generator will be drained of its fuel. Remaining waste fuel, oil and grease will be stored in approved storage containers which are labelled for that usage and reused during summer operations. The generator will be winterised and the shed will be secured for winter. Electrical wires, plugs and sockets will remain in their installed locations. All electrical cords temporarily connected to a building or machinery during summer work program will be unplugged, rolled and stored in the workshop.

4.6 Camp Heating Systems

Plan

No camp heating system is existence at the George Lake camp. All empty propane cylinders will be transported to Yellowknife for recycling.

4.7 Petroleum Products and Storage Facilities

Plan

A reduced on-site fuel cache, whereby on-site winter fuel storage is kept to a minimum is of great importance. A minimal quantity of Jet B and diesel fuel will be cached for emergencies and the next year's start up. The Site Supervisor and Project Manager will be responsible for determining the possible access to these fuel resources prior to the start of the next exploration program.

An inventory of the remaining fuel will be made and full drums will be inspected and secured before the winter. Empty drums at remote drill sites will be flown back to camp, crushed (when drum crusher arrives), counted and transported to Yellowknife for recycling. Fuel farm secondary containment area will be cleared of any debris and decanted of any water. The decanted water will be pumped into a lined pond, tested for F1 (C6-C10) and F2 (>C10-C16), benzene, toluene, ethyl

benzene, and xylene. Once the analytical data confirms that the water is safe, it is then released onto the tundra via the sewer wastewater system.

DPM will document and report ALL SPILLS to the Spill Center 24 hours Spill line @ phone # *(867) 920-8130.*

4.8 Chemicals

Plan

Chemicals stored on site will consist of drill additives, oil, grease, drill salt and household biodegradable cleaners. Chlorine is necessary and is used to treat our drinking water system. Liquid laundry bleach will not be used on property. All drill additives are stored in the drillers "sea cans" and the remaining salt will be counted and stored in designated areas of the property. Drill salt is in impermeable bags and stored on pallets. Empty bags will be disposed with combustible garbage. DPM will inspect the storage area for possible spills and contamination. DPM will report and document ALL SPILLS to the Spill Center 24 hours Spill line @ phone # *(867) 920-8130.*

4.9 Spill Response Kits

Plan

DPM will carry out an inventory of the Spill kits located on the property. All kits will be relocated into a secured building, except for kits designated for the remaining petroleum areas over the winter months.

4.10 Transportation

Plan

All transport landing areas will be inspected for contamination. This includes the airstrip, helipad and jetty. The area will be restored using biodegradable peat moss should any contamination be found.

4.11 Drill Sites

Plan

The diamond drills will be dismantled into the main components as per the drilling contractor procedure, packaged and secured along with its ancillary equipment and rods. The drills will be moved by helicopter over the tundra and left on designated storage areas on the property until the next drilling season. All drill sites will be inspected for contamination. Biodegradable peat moss will be applied to areas found to be contaminated with petroleum products. Any remaining waste will be taken back to the camp and disposed of accordingly. Diamond drill site restoration will commence as soon as practical after completion of the hole. Site clean-up of litter, debris and drill fluids will commence immediately. Drill site reclamation and re-seeding is planned to take place during the summer months. Drill core and core boxes will be counted, properly secured and stored at the designated core storage area.

Plan

A general inspection of the camp area will be carried out. Areas contaminated by petroleum products and unnoticed from the previous year will be reclaimed. Biodegradable peat moss will be spread over the impacted area to absorb the remaining contaminants trapped in the soil.

4.12 Final Documentation

Plan

A year end inventory of all equipment and buildings left on site will be carried out prior to leaving site. Photos of the camp and drill lay down storage area will be taken. Site inspections and monitoring will be done during occupancy and photos taken. Once the site is secured for winter, it will be documented with photos.

5.0 FINAL ABANDONMENT AND RESTORATION PLAN

5.1 Administration

5.1.1 Buildings Structures

Plan

All the reusable tents, metal frames, tarpaulins; wooden structures like the dining hall, dry house, office complex, tent wood floor and other building structures will be dismantled and where possible be recycled for use at another exploration site in the District.

Other combustible, non-recyclable building structures will be incinerated onsite. Non-combustible structures or materials such as nails, screws, bent metal frames will be recovered, packed and transported out to an approved land fill in Yellowknife or Hay River.

5.1.2 Office and Household Furniture

Plan

All reusable office equipment such as: - computers, radios, phones, satellite disks, desks, chairs; household furniture such as: - beddings, mattress, tent fuel heaters; kitchen appliances and equipment such as: - stoves, freezers, refrigerators, coffee makers, pots, pens, microwaves; recreational equipment such as: - TV's, DVD's, pool tables plus others will be packed and transported for use at other exploration camps in the District. Some equipment, depending on what level of liability is accepted by Dundee Precious Metals may be donated to the local community or schools.

5.1.3 Water Supply System

Plan

Water pumps, filtering systems, water lines and any other equipment associated with the water supply system will be disassembled, lines drained, packed and transported out of Back River for use at other exploration camps in the District or to Yellowknife.

Water lines that are not usable will be disposed off at an approved facility at Yellowknife or Hay River.

5.1.4 Sewage System

Plan

No sewage system exists at the George Lake camp.

5.1.5 Waste Incinerator

Plan

No waste incinerator exists at the George Lake camp.

5.1.6 Electrical System

Plan

All electrical wires will be removed from the buildings and any other installation on property. Extensions cords and other fittings will be reused at other camps in the District. Used electrical wires will be packed and transported to Yellowknife for recycling. Unused bulbs and fluorescent tubes will be packed and relocated to other camps in the District.

The generator shed and the surrounding area will be inspected for signs of hazardous spills and remaining wastes such as oil and grease. If topsoil is contaminated, biodegradable peat moss will be spread over the area to absorb remaining hazardous wastes trapped in the soil.

The generator has been removed from the George Lake camp.

5.1.7 Camp Heating Systems

Plan

Each 45-gallon/205 litre fuel barrel attached to respective tent or building will be dismantled. The remaining fuel in the line will be allowed to burn out. The remaining fuel in the drum will be toppled, labelled with proper WHIMIS labels and stored with other petroleum products. The secondary containment container will be closed, secured and stored ready for transportation offsite. The fuel burner will be dismantled and remaining fuel will be allowed to drain off into waste oil collecting system. All fuel lines will be drained, disconnected and packed for use in other camps in the District or transported to an approved landfill site. The area around each installation will be inspected for contamination and reclaimed as per the Spill Emergency Response Plan. All empty propane cylinders will be transported to Yellowknife for recycling.

5.1.8 Petroleum Products and Storage Facilities

Plan

5.1.8.1 205 Litre drums

The fuel storage area will consist of segregated groups of drums with empties stored separately from the full drums. An inventory of remaining fuel will be made and full drums inspected. WHIMIS labels will be attached to the drums, before transportation offsite. Remaining waste fuel will be labelled with WHIMS labels and transported to other camps for heating purposes or transported to Yellowknife for disposal in an approved facility. All empty drums will be labelled accordingly and transported offsite for recycling purposes. A drum crusher is planned for installation at Back River which will be used to reduce the size of the used drums.

All unused Jet B fuel will be relocated to other exploration camps in the District for use in further exploration programs, or returned to Yellowknife. The areas around the drums will be inspected for contamination. All empty fuel drums will be crushed using the project drum crusher and returned to Yellowknife for disposal in a permit scrap metal disposal site.

5.1.8.2 Tidy Tanks

All Tidy tanks will be disconnected from any tents or buildings. All installations will be disconnected and drained. An inventory of the remaining fuel in each tank will be recorded. The tanks will be secured and transported to other camps in the District or to Yellowknife for sale. The area around the tanks will be inspected for contamination.

5.1.8.3 AST Tanks

All installations on respective tanks will be disconnected and various hatches inspected and locked. An inventory of the remaining fuel in each tank will be recorded. The AST tanks will only be moved during winter months to either another camp on the Belt or using winter road to a designated area on the coast and loaded onto a barge for transportation to Hay River or to Yellowknife during summer months.

5.1.8.4 Lined Fuel Farm

Once AST tanks have been removed, the area will be inspected for contamination. If contamination is evident, then procedures outlined in the Spill Emergency Response Plan will be applied to reclaim the impacted area.

Otherwise, the lined hydrocarbon resistant high-density polyethylene (HDPE) liner will be removed, rolled and packed for transportation offsite to an approved landfill. The berms will be pushed in with a front loader, levelled to cover exposed area. The area will be seeded with native species. All other trenches dug around the farm will be levelled and refilled with local top soil then seeded with native species.

5.1.9 Household Chemicals Plan

Household cleaners will mainly be stored in the kitchen. Upon camp closure, any unused reagents will be transported to the other camps on the Belt. Half-empty containers will be taken off site to be properly disposed in an approved discharge facility. Empty containers will either be recycled or disposed of with regular garbage.

5.1.10 Transportation Plan

5.1.10.1 Airstrip

A 500 metre long prepared air strip exists at the George Lake property. The strip is located on a natural esker and no additional gravel materials were used for construction purposes. Inspection for potential top soil contamination due to refuelling of aircrafts will continue until no more flights will use the strip at the close of the program.

5.1.10.2 Jetty

No jetty exists at the George Lake camp.

5.1.10.3 Helipad

No helipads exist at the George Lake camp.

5.2 Exploration

Plan

5.2.1 Drill Sites Management

The diamond drills will be dismantled into its main components as per the drilling contractor procedure, packaged and secured along with its ancillary equipment and rods. The drills will be moved by helicopter over the tundra and left at designated storage areas on the property before transporting offsite. All drill sites will be inspected for contamination. Biodegradable peat moss will be applied to areas found to be contaminated with petroleum products. All wastes will be taken back to the camp by the drillers and disposed of accordingly. Diamond drill sites will be restored as soon as practical after the drill has been moved to the next site and sumps have drained enough to be levelled.

5.2.2 Drill holes Management

5.2.2.1 Drill sump

All drill sumps will be collected and disposed of in permitted locations on property. Containers used to capture sumps will be recycled. The long term plan is to backfill, remediate and revegetate the affected area.

5.2.2.2 Iron Casing Management

Casing protruding above ground will be flush cut off to a level that will not pose a hazard. The cut portion will be disposed of in an approved landfill in Yellowknife or recycled as scrap metal. Drill holes which encounter artesian water flow or those drilled under the lake will be plugged with cement and capped. The collar locations of all holes will be surveyed in by GPS and will be recorded in the exploration reports.

5.2.3 Chemicals associated with Drilling operations

5.2.3.1 Drill Additives, Cement and Salt Management

All remaining drill additives and salt will be inventoried, packed and transported to other projects on the Belt or transported to Yellowknife or Hay River for re-sale or disposed off. Empty containers and pallets will be recycled if possible or disposed of with regular garbage.

5.2.4 Drill Core

Drill core will be counted, properly secured and stored at a designated core storage area on the property for long-term storage. A site reference plan will be maintained to catalogue the core.

5.2.5 Excavated Trench

The excavated trenched will be backfilled with local soil. The area will be levelled off and seeded with native species to promote reclamation.

5.3 Environmental Plan

5.3.1 Long-term Monitoring

Long term monitoring will be conducted during the summer months to ensure the area has been cleared of any hazards that may cause a significant adverse impact to the receiving environment. The monitoring will continue until the land is relinquished and accepted by the owner. Weather collection data (Goose / George Lake) and baseline environmental (water sampling data) will be turned over to whoever takes over the property.

5.3.2 Documentation and Final Inspection

A detailed project site reclamation and remediation report will be created by DPM which will specifically document and catalogue project reclamation activities. This report will be generated for distribution to specific governing agencies. This report will identify all reclamation efforts undertaken at the project site and will be supported with information pertaining to contractors used, methodology, costs and findings. Digital photographs will be taken which will support the reclamation activities. These will be appended to the report.

5.3.3 Land Relinquishment

Once the reclamation plan is accepted and approved by Dundee Precious Metals Inc, the permit holder will invite and organise a final site inspection visit with community representatives, Land Inspectors, Nunavut Water Board and the KIA. Other government organisations such as Environment Canada and Department of Fisheries and Oceans will be invited to visit the area. A written submission will be send to the regulatory authorities asking to relinquish the land.

5.4 Abandonment &Restoration Cost Estimates

The total cost estimation for A&RP plan for Back River is approximately $284,000 which has been furnished as a bond to the KIA. The approximate costing will be reviewed annually relative to the long-term exploration strategy for the project. The cost structure will be itemised as listed below;

5.4.1 Infrastructure Demolition Cost

5.4.2 Transportation – (Labour, equipment, recycle, relocation of waste etc.)

5.4.3 Labour Cost

5.4.3.1 Offsite Administrative Cost

5.4.3.2 Contractor

5.4.4 Rehabilitation Cost

5.4.4.1 Site Supervision - (DPM)

5.4.4.2 Remedial supplies

5.4.4.3 Native species supplies

5.4.4.4 Contractor

5.4.5 Environmental Monitoring Cost

5.4.5.1 Labour - (DPM or Contractor)

5.4.5.2 Transportation – (Field sampling)

5.4.5.3 Analytical Cost – (External Lab)

5.4.5.4 Reporting – (DPM or Contractor)

5.4.5.5 Consultant Costs

5.4.6 Final Documentation – (Labour Cost – DPM or Contractor)

5.4.7 Land Relinquishment – (Travel, Reports, Site Visits, Meetings, etc.)

6.0 REVIEW OF THE ABANDONMENT AND RESTORATION PLAN

The Back River Abandonment & Restoration Plan will be reviewed on an annual basis. The next planned review is scheduled to take place in January 2007.