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Adopted: March 10, 2006

MANDATE OF THE BOARD OF DIRECTORS

A. GENERAL

The board of directors (the "Board") is responsible for the stewardship and the general supervision of the management of the business of Dundee Precious Metals Inc. (the "Company") and for acting in the best interests of the Company and its shareholders.

The Board will discharge its responsibilities directly and through its committees. In addition, the Board may, from time to time, appoint such additional committees as it deems necessary and appropriate in order to discharge its duties. Each committee shall have its own mandate.

The Board shall meet regularly, but not less than once each quarter, to review the business operations, corporate governance and financial results of the Company. All Board meeting agendas will include an in camera session of independent directors, without management or third parties present.

The primary functions of the Board is to:

- perform its duties and responsibilities in accordance with Applicable Laws, as defined in Section B below;
- oversee and monitor the performance of the Company in the context of the long term interests of its shareholders;
- promote a culture of integrity throughout the organization; and
- together with management of the Company, develop a process for the timely and accurate disclosure of information which is material to the Company.

The Board has developed an Annual Work Plan which is attached as Appendix A.

B. COMPOSITION

Directors are elected annually at the Company's annual meeting of shareholders and must meet the requirements of applicable corporate and securities laws and the rules, regulations and guidelines of all applicable securities regulatory authorities, including without limitation, the securities commissions in each of the provinces and territories of Canada, and stock exchanges on which the Company's securities are listed, including the Toronto Stock Exchange, (collectively, "Securities Laws"), and its articles and by-laws (collectively, "Applicable Laws") The majority of the Directors shall be independent as determined by Securities Laws. If the Chair is not independent, the Board shall appoint a Lead Director.

C. OUTSIDE CONSULTANTS OR ADVISORS

At the Company's expense, the Board may retain, when it considers it necessary or desirable, outside consultants or advisors to advise the Board independently on any matter. The Board shall have the sole authority to retain any such consultants or advisors, including sole authority to approve a consultant's or advisor's fees and other retention terms.

D. RESPONSIBILITIES

The Board, directly and through its committees, fulfills its functions by, among other things and without limitation to its general mandate:

- (a) overseeing the development of the Company's approach to corporate governance;
- (b) reviewing, approving and monitoring implementation of the Company's strategic plan (which takes into account the risks and opportunities of the Company's business), annual business plan and corporate goals for which the Chief Executive Officer (the "CEO") is responsible;
- (c) reviewing and approving annual capital and operating budgets that support the Company's ability to meet its strategic objectives;
- (d) approving the entering into, or withdrawing from, lines of business that are, or are likely to be, material to the Company;
- (e) reviewing with senior management, and approving material transactions outside the ordinary course of business and such other major corporate matters which require Board approval in accordance with the Company's Delegation of Authority;
- (f) reviewing and discussing with senior management the significant enterprise risks and issues which could affect the Company and the systems that are in place to effectively monitor and manage those risks with a view to the long term viability of the Company;
- (g) selecting, evaluating and compensating the executive officers of the Company and planning for senior management succession and development;
- (h) overseeing the integrity of the Company's internal controls through the adoption of appropriate internal control systems;
- (i) overseeing that the Company has in place a corporate policy framework that enables it to operate at all times within Applicable Laws, and its ethical standards;
- (j) maintaining a Code of Business Conduct and Ethics (the "Code") and overseeing that management has developed effective systems such that all directors, employees and third parties comply with the Code;
- (k) appointing the CEO, monitoring and assessing CEO performance against corporate and personal goals and objectives, determining compensation for the CEO, considering the recommendations of the Compensation Committee, and providing advice and counsel in the execution of the CEO's duties;
- (l) assessing the effectiveness of the Board, its committees and each individual director, on a regular basis, including considering whether the size of the Board is appropriate and reviewing the independence of its members to ensure it meets independence requirements;
- (m) establishing an appropriate review and selection process for new nominees to the Board, taking its Diversity Policy into consideration;
- (n) adopting an appropriate orientation and education program for new members of the Board;
- (o) reviewing the processes for the implementation and maintenance of environmental stewardship and health and safety management systems that are consistent with industry practices and comply with the applicable laws and regulatory requirements in the communities where the Company conducts its business;
- (p) with the assistance of the Audit Committee, recommending the appointment of the external auditor;
- (q) approving the content of the Company's major communications to shareholders and the investing public, including the annual and interim financial statements, management's discussion and analysis, earnings releases, the management information circular

- (including the compensation, discussion and analysis, and disclosure of corporate governance practices), the annual information form, any prospectuses that may be issued, and any significant information respecting the Company contained in any documents incorporated by reference in any such prospectuses;
- (r) ensuring the Company and the Board have in place a process to communicate and engage effectively with shareholders, other stakeholders and the public generally, including appropriate measures for receiving shareholder feedback;
 - (s) review annually its mandate and its performance and the performance of the Board committees, the Chair of the Board, the Lead Director, and the committee Chairs to ensure that the Board and its committees are operating effectively; and
 - (t) performing such other functions as are prescribed by Applicable Laws or assigned to the Board in the Company's constituting documents and by-laws.

E. INDIVIDUAL DIRECTORS

Each Director: (a) shall act honestly and in good faith in the best interests of the Company; and (b) must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, each Director shall have the following responsibilities:

1. Responsibilities of Corporate Stewardship

Each Director has the responsibility to:

- (a) represent the best interests of the Company, assist in the maximization of shareholder value and work towards the long-term success of the Company;
- (b) advance the interests of the Company and the effectiveness of the Board by bringing his or her knowledge and experience to bear on the strategic and operational issues facing the Company;
- (c) provide constructive counsel to and oversight of management;
- (d) respect the confidentiality of information and matters pertaining to the Company;
- (e) maintain his or her independence, generally and as defined under Applicable Laws;
- (f) be available as a resource to the Board; and
- (g) fulfill the legal requirements and obligations of a director and develop a comprehensive understanding of the statutory and fiduciary roles of a director.

2. Responsibilities of Integrity and Loyalty

Each Director has the responsibility to:

- (a) comply with the Company's governance policies;
- (b) disclose to the Corporate Secretary, prior to the beginning of his or her service on the Board, and thereafter as they arise, all actual and potential conflicts of interest; and
- (c) disclose to the Chair of the Board (the "Chair"), in advance of any Board vote or discussion, if the Board or a committee of the Board is deliberating on a matter that may affect the Director's interests or relationships outside the Company and abstain from discussion and/or voting on such matter as determined to be appropriate.

3. Responsibilities of Diligence

Each Director has the responsibility to:

- (a) prepare for each Board and committee meeting by reading the reports, minutes and background materials provided for the meeting;
- (b) attend in person the annual meeting of the Company and attend all meetings of the Board and all meetings of the committees of the Board of which the Director is a member, in person or by telephone, video conference, or other communication facilities that permit all persons participating in the meeting to communicate with each other; and
- (c) as necessary and appropriate, communicate with the Chair and with the President and CEO between meetings, including to provide advance notice of the Director's intention to introduce significant and previously unknown information at a Board meeting.

4. Responsibilities of Effective Communication

Each Director has the responsibility to:

- (a) participate fully and frankly in the deliberations and discussions of the Board;
- (b) encourage free and open discussion of the Company's affairs by the Board;
- (c) establish an effective, independent and respected presence and a collegial relationship with other Directors;
- (d) focus inquiries on issues related to strategy, policy, and results;
- (e) respect the CEO's role as the chief spokesperson for the Company and participate in external communications only at the request of, with the approval of, and in coordination with, the Chair and the CEO;
- (f) communicate with the Chair and other Directors between meetings when appropriate;
- (g) maintain an inquisitive attitude and strive to raise questions in an appropriate manner and at proper times; and
- (h) think, speak and act in a reasoned, independent manner.

5. Responsibilities of Committee Work

Each Director has the responsibility to:

- (a) participate on committees and become knowledgeable about the purpose and goals of each committee; and
- (b) understand the process of committee work and the role of management and staff supporting the committee.

6. Responsibilities of Knowledge Acquisition

Each Director has the responsibility to:

- (a) become generally knowledgeable about the Company's business and its industry;

- (b) participate in Director orientation and education programs developed by the Company or other relevant organizations from time to time;
- (c) maintain an understanding of the regulatory, legislative, business, social and political environments within which the Company operates;
- (d) become acquainted with the senior officers and key management personnel; and
- (e) gain and update his or her knowledge about the Company's facilities and visit these facilities when appropriate.

F. BOARD CHAIR

The Board has ultimate accountability for the management of the Company. To achieve this, the relationships between the Board and management, shareholders and other stakeholders and between individual Board members are of great importance. The Chair helps to create an environment in which these relationships are effective, efficient and in the best interests of the Company, its shareholders and other stakeholders.

1. Appointment of Chair

The Chair shall be appointed annually by the Board and shall have such skills and abilities appropriate to the appointment of Chair as shall be determined by the Board. The Chair shall be a duly elected member of the Board and shall, unless otherwise considered desirable and approved by the Board, be independent as defined under Securities Laws. Where a vacancy occurs at any time in the position of Chair, it shall be filled by the Board. The Board may remove and replace the Chair at any time.

The Chair, while working closely with the President and CEO, should at all times maintain an independent perspective to best represent the interests of the Company's shareholders, other stakeholders and the Board.

If the Chair is not independent, the Board will appoint a Lead Director, described in Section G below, who will be independent, as defined under Securities Laws, to facilitate the functioning of the Board independently of management and to provide independent leadership to the Board, when required.

2. Outside Consultants or Advisors

The Chair, when he or she considers it necessary or desirable, may retain, at the Company's expense, outside consultants or advisors to advise the Chair or the Board independently on any matter. The Chair shall have the authority to retain and terminate any such consultants or advisors, including authority to review the fees and other retention terms of such persons.

3. Duties

The Chair is accountable to the Board and shall have the duties of a member of the Board as set out in Applicable Laws. The Chair is responsible for the management, development and effective performance of the Board and leads the Board to ensure that it fulfills its duties as required by Applicable Laws and as set out in this mandate. In particular, the Chair shall:

In Managing the Board

- a) Chair all Board meetings and see that they are conducted in an efficient, effective and productive manner. Maintain an open and candid dialogue with all Board members to build consensus and develop teamwork at the Board level.

- b) Act as Board spokesperson and, when he/she believes necessary, communicate to the CEO concerns expressed by the Board, shareholders, other stakeholders and the public.
- c) Determine that the Board has full governance of the Company's business and affairs and that the Board members are fully aware of their legal responsibilities under Applicable Law.
- d) Provide leadership of the Board and arrange for it to review and monitor the aims, strategy and direction of the Company and the achievement of its objectives.
- e) Ensure that the Board is kept up-to-date on major developments (and potential major developments), to avoid surprises and enable the Board to make major decisions in a timely and well-informed manner.
- f) Set the frequency of the Board meetings and adjust this frequency as required.
- g) Co-ordinate the agenda, information packages and related events for Board meetings with the CEO and the Corporate Secretary.
- h) Attend committee meetings, as appropriate.

In Working with Management

- a) Work closely with the CEO to provide a framework for the future growth of the Company, while at the same time making sure that this addresses the concerns of the Board, shareholders and other stakeholders.
- b) Support the CEO in building a strong senior management group so that the objectives, policies and procedures of the Company, as agreed by the Board, are fully, promptly and properly carried out.
- c) Coordinate with the CEO so that the Board is kept fully aware of management's strategy and plans for the Company and be sure that, where appropriate, these issues are fully discussed and approved by the Board.
- d) Work with the Board to monitor and evaluate the performance of the CEO and senior executives and address management performance, remuneration and succession issues on an ongoing basis.

In Relations with Shareholders, other Stakeholders and the Public

- a) Chair all formal shareholder meetings.
- b) Make certain that management develops an active and open dialogue with shareholders and other interested parties on the current status of the Company, its operations and its future plans.
- c) Be prepared to assist the CEO and other senior management, if requested by the CEO or the Board, in representing the Company in its dealings with all other interested parties, including employees, governments, regulators, local communities and the press.

G. LEAD DIRECTOR

1. Appointment of Lead Director

If the Chair is not independent, the Board shall annually appoint a Lead Director who shall have such skills and abilities appropriate to the appointment of Lead Director as determined by the Board.

The Lead Director shall be a duly elected member of the Board and shall be independent as defined under Securities Laws.

2. Outside Consultants or Advisors

The Lead Director, when he or she considers it necessary or desirable, may retain, at the Company's expense, outside consultants or advisors to advise the Lead Director or the Board independently on any matter. The Lead Director shall have the authority to retain and terminate any such consultants or advisors, including authority to review the fees and other retention terms of such persons.

3. Duties and Responsibilities:

The Lead Director will facilitate the functioning of the Board independently of management of the Company and provide independent leadership to the Board. In addition to the duties of all Board members, as set out above, the Lead Director will be responsible for:

- (a) providing leadership to ensure that the Board functions independently of management of the Company and other non-independent directors;
- (b) providing leadership to foster the effectiveness of the Board;
- (c) working with the Chair to ensure that the appropriate committee structure is in place and assisting the Corporate Governance and Nominating Committee in making recommendations for appointments to such committees;
- (d) on an ongoing basis, the Lead Director shall communicate with the President and CEO, on behalf of the Board, regarding concerns, advice or comments of the Board, shareholders or other stakeholders;
- (e) working with the Chair to ensure there is sufficient time for discussion of agenda topics at meetings of the Board;
- (f) recommending to the Chair any additional items for consideration on the agenda for each meeting of the Board;
- (g) commenting to the Chair on the quality, quantity and timeliness of information provided by management to the independent directors and acting as the liaison between the independent directors and the CEO to ensure that any additional information requested by the Board members is included in the materials prepared by management for the Board;
- (h) calling, where necessary, the holding of special meetings of the Board, non-management directors or independent directors, with appropriate notice, and establishing the agenda for such meetings in consultation with the other non-management or independent directors, as applicable;
- (i) in the absence of the Chair, chairing all Board meetings that he or she attends, including, providing adequate time for discussion of issues, facilitating consensus, encouraging full participation and discussion by individual directors and confirming that clarity regarding decision-making is reached and accurately recorded; in addition, chairing each Board meeting that he or she attends at which only outside directors or independent directors are present or at which the Chair has declared a conflict of interest;
- (j) being identified as a point of contact for inquiries from shareholders relating to the Board or the Company;
- (k) consulting and meeting with any or all of the independent directors, at the discretion of such parties and with or without the attendance of the Chair, and representing such directors in discussions with management of the Company on corporate governance issues and other matters;

- (l) working with the Chair and the CEO to ensure that the Board is provided with the resources, including external advisers and consultants to the Board as considered appropriate, to permit it to carry out its responsibilities; and
- (m) bringing to the attention of the Chair and the CEO any issues that are preventing the Board from being able to carry out its responsibilities.

H. COMMITTEE CHAIRS

1. Appointment

The Chair of each Committee shall be appointed annually by the Board. Each Committee Chair shall be a duly elected member of the Board and independent as determined pursuant to Securities Laws. Where a vacancy occurs at any time in the position of a Committee Chair, it shall be filled by the Board. The Board may remove and replace a Committee Chair at any time.

2. Duties

- (a) Provides effective Committee leadership, overseeing all aspects of its direction and administration in fulfilling its mandate;
- (b) Oversees the mandate, structure, composition, membership and activities delegated to the Committee;
- (c) organize the Committee to function independently of management;
- (d) ensure that the Committee has an opportunity to meet without members of management present at regular intervals;
- (e) Reports the results of each Committee meeting at the next Board meeting and ensures that Committee minutes are available to each Director;
- (f) Schedules Committee meetings in consultation with the Chair or Lead Director, as appropriate, other Committee members, the Chief Executive Officer and the appropriate members of management;
- (g) Sets the agenda for Committee meetings in consultation with the Chair or Lead Director, as appropriate, other Committee members, the Chief Executive Officer and the appropriate members of management;
- (h) Chairs all Committee meetings;
- (i) Communicates with appropriate members of management in fulfilling the mandate of the Committee;
- (j) Ensures that Committee members are receiving appropriate information and presentations from management consistent with fulfilling the mandate of the Committee;
- (k) Allots sufficient time during Committee meetings to fully discuss agenda items of relevance and importance to the Committee;
- (l) Retains, in consultation with the Chair or Lead Director, as appropriate, expert consultants on behalf of the Committee, as needed; and
- (m) Oversees the assessment of the performance of the Committee, annually.