DUNDEE
PRECIOUS METALS INC.


*Annual Review*
2010

# 2010 Highlights

Continued to advance the Chelopech mine/mill expansion on budget and on schedule

Processed 1.4 million tonnes of ore

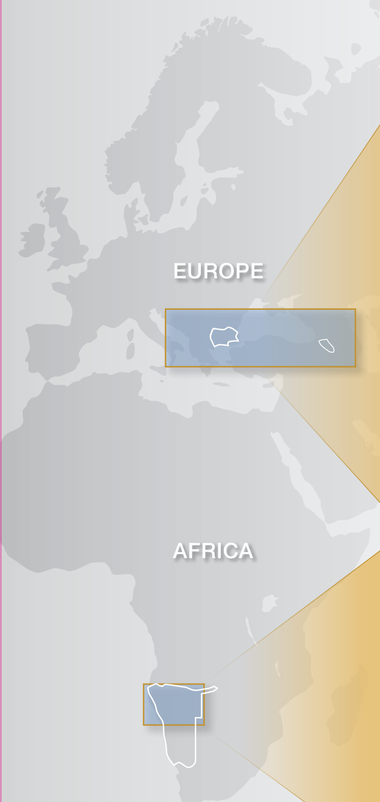
Expanded Tsumeb smelter capacity from 120,000 to 170,000 tonnes per year

Expanded Deno Gold production from 400,000 to 600,000 tonnes of ore per year

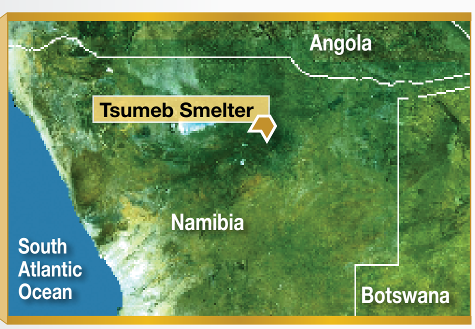
Continued to make advancements in the permitting process for the Krumovgrad Gold Project

Created a robust strategic investment portfolio

Recognized earnings of $23.5 million or $0.20 per share compared to $5 million or $0.05 per share in 2009








Our goal is to increase annual gold production to 400,000 ounces by 2015

# 2011 Focus

Complete construction of Chelopech mine/ mill expansion to 2 mtpa

Continue expansion of the Tsumeb smelter capacity to 240,000 tonnes per year

Evaluate the bulk mineable open pit potential at the Deno Gold mine

Achieve necessary milestones in the permitting process for the Krumovgrad Gold Project

Exploration – Convert recent Chelopech discoveries into reserves

# Vision

**A precious metals focused mining company that grows through responsibly developing great assets and people.**

# Mission Statement

**We acquire, structure and finance, explore, develop and operate our mining and processing assets. Our commitment is to deliver excellence in sustainability and creating value for all our stakeholders.**

# Core Values

**Our core values are fundamental to defining who we are as a company and how we behave. Values guide our actions. Everyone at Dundee is expected to support and demonstrate these values in our work.**

## 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.

## SAFETY

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

## COMMUNITY INVESTMENT

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.

# **Message** to Shareholders

**Jonathan Goodman**
*President and Chief Executive Officer*

**William G. Wilson**
*Chairman*

During 2010, Dundee Precious Metals Inc. achieved success on several fronts. The purchase of the Tsumeb Smelter in Namibia in March not only secures the processing of Chelopech concentrate for the long term, it also provides DPM with the scope to explore other project opportunities in the future. Great progress was also made operationally at Chelopech and Deno, during the year, and both are operating above expectations with more improvements still to come.

In addition to the accomplishments at our sites, during 2010 we also completed the spinout of the majority of our Serbian assets into a newly created public company, Avala Resources, of which DPM owns approximately 50%. Avala has since completed a successful underwriting and the stock has performed well. We also finalized an option agreement with Queensland Minerals, to be renamed Dunav, to acquire the balance of our Serbian assets. Once the option is exercised, DPM will own about 47% of Dunav.

As the owner of 18.5 million Sabina shares, we have also greatly benefitted from the success of their exploration efforts at the Back River Project in Nunavut, Canada. The ten million special shares and five million special warrants we also hold provide us with additional upside potential as they become free trading once certain milestones are achieved (50% on the commencement of a feasibility study and 50% on a production decision). Sabina has also made several new discoveries at Back River and recently issued a Mineral Resource update which has doubled the Indicated Mineral Resources of the project.

## Chelopech

The Chelopech expansion project that has long been our hope is finally coming to fruition. The paste backfill plant was commissioned in August of 2010 and the new Semi Autogenous Grinding (SAG) mill and mill expansion to two million tonnes per year was completed at the end of January 2011. We expect to process 1.3 million tonnes of ore in 2011 and produce over 90,000 ounces of gold and 32 million pounds of copper. In 2012, at its fully expanded production rate, Chelopech is expected to produce 140,000 ounces of gold and close to 50 million pounds of copper annually at a unit cash cost, excluding royalties, of approximately US$30/tonne of ore, compared to US$51/tonne in 2010.

At current prices (US$4.40 per pound of copper), the copper will more than cover all operating and smelting costs and the gold will have a negative cost.

As of December 31, 2010, there remains approximately US$69 million to be spent to complete the project. In addition, a new reserve estimate has been completed which confirms at least ten years of reserves at the expanded production rate. The 2011 exploration program will test for new Chelopech style orebodies to the southwest of the existing orebodies. As a result, Chelopech appears poised to become a project that will contribute strong cash flows for many years to come. Management of the Chelopech mine has recently been restructured and we are proud to announce that the senior management team, led by Nikolay Hristov, is now composed almost entirely of Bulgarians who have done and continue to do an excellent job for the company.

## Krumovgrad

At Krumovgrad, the project has been completely redesigned resulting in a simpler flowsheet, the elimination of cyanide and a significantly smaller footprint. Testwork indicates that gold recoveries will be approximately 85%,

**Great progress was also made operationally at Chelopech and Deno, during the year, and both are operating above expectations with more improvements still to come.**

down from about 93%; however, the project will become virtually benign from an environmental perspective. Without the use of cyanide, the permitting process becomes much simpler as an Environmental Impact Assessment ("EIA") is now the only major permit required for the project. Our revised EIA, which was filed in October 2010, was given a positive grade by the Ministry of Environment and Waters of Bulgaria, and we have entered into the public consultation phase of the EIA process. The culmination of the public consultation phase will be the public hearings, which have not yet been set as of the time of writing. A new feasibility study is expected to be completed shortly after the end of the first quarter of 2011. The Krumovgrad project is estimated to be an 85,000 - 110,000 ounce a year producer with cash costs below the 50th percentile of gold mines worldwide.

## Armenia

Deno Gold had a banner year in 2010. In addition to increasing the annual production rate from around 400,000 to 600,000 tonnes, the mine further reduced its operating costs to $66.33/tonne, excluding royalties. The mine is now profitable. We were also successful in completing the land acquisitions which allow us to continue drilling on the open pit targets. This project has come a long way in a short time. There are now four drills drilling off the open pit potential, the cost of which is being funded out of the cash flow from the mine. While things are going well, there is still much work to do in Armenia. In addition to completing the drilling of the open pit, we need to develop a better understanding of the opportunities for the proper disposal of tailings and mine wastes, for which a scoping study will be completed in 2011.

## Tsumeb Smelter

The Tsumeb smelter in Namibia, which was purchased in March, is designed to deal with complex concentrate like that of Chelopech. Since acquiring the smelter, the commissioning of the expansion from 110,000 to 240,000 tonnes of concentrate per year has been underway. We are currently operating at around the 170,000 tonnes per year rate, which is expected to increase to the 200,000 tonnes per year rate after the next re-bricking of the ausmelt furnace in April 2011, and will reach its design capacity in mid 2012 once a second oxygen plant has been installed. A series of environmental initiatives are also being completed, which will dramatically improve the environmental performance of the smelter.

We recently concluded a debt offering to raise gross proceeds of US$68 million which, together with continued strong gold prices, operating cash flow and cash on hand, is expected to be more than sufficient to complete all of our capital programs.

The restructuring of the company that was begun at the onset of the financial crisis continues. As a result, Richard Howes has recently been promoted to Executive Vice President and Chief Operating Officer and Adrian Goldstone to Executive Vice President, Sustainable Business Development.

We are very excited about the direction the Company is taking and the opportunities it provides to grow our assets and increase overall profitability for all our stakeholders.

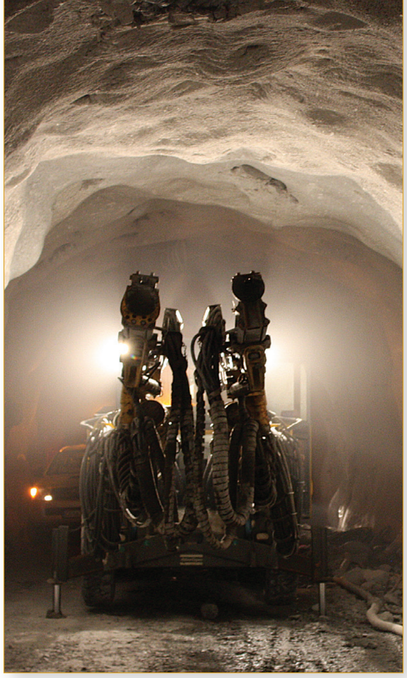
While the market has begun to reward us for our progress, we still have a long way to go to reach our stated goal of annual gold production of 400,000 ounces by 2015. We remain focused on the execution of our plans and look forward to achieving the next series of milestones.

We are extremely proud of the work that has been done by the DPM team and would like to thank them for their many achievements this year. Thank you also to our shareholders who continue to show us great support.

Jonathan Goodman
*President and Chief Executive Officer*

William G. Wilson
*Chairman of the Board*

March 24, 2011



# Chelopech Mine, Bulgaria

## 2010 Highlights

- Processed over 1 million tonnes of ore, produced 65,512 ounces of gold and 27 million pounds of copper
- Continued to advance the mine/mill expansion
- Reduced cash cost per tonne of ore processed (excluding royalties) by 7% over 2009
- Secured the long term processing of Chelopech concentrate through the purchase of the Tsumeb Smelter in Namibia

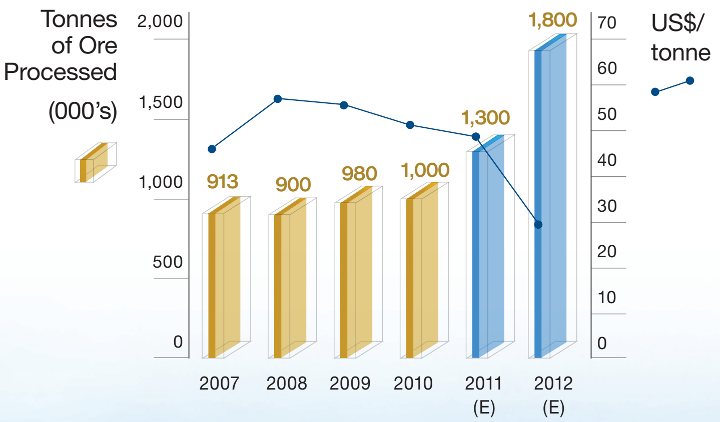
Chelopech Mine is DPM's flagship underground gold/copper mine and the largest underground gold/copper mine in Europe

## Mine/Mill Expansion Milestones

- Completed construction and commissioning of paste fill plant
- Completed construction of mill upgrade including a new SAG mill and modernization of the existing concentrator
- 60% completion of the underground crushing and conveying system at year end

| | GOLD (OZ) | COPPER (LBS) |
|---|---|---|
| M&I Resources (at Sept. 2010) | 3,770,000 | 866,600,000 |
| Reserves (at Jan. 2011) | 2,600,000 | 583,000,000 |

## Ore Processed and Cost/Tonne




## 2011 Objectives

- Complete construction of the underground crushing and conveying system
- Complete commissioning of SAG mill
- Work to reduce cost/tonne to approximately US$30.00 by 2012

## Exploration Strategy

- Convert 2009 discoveries into reserves
- Continue the ongoing Chelopech Western Deeps program to extend known mineralization at depth
- Complete drilling and DHEM survey of the Chelopech South West program

# **Tsumeb Smelter,** Namibia

## 2010 Highlights

- Completed purchase of Tsumeb Smelter to secure downstream processing of Chelopech concentrate
- Improved recoveries and costs
- Completed key environmental improvements
- Completed the initial oxygen plant expansion to increase capacity from 120,000 to 170,000 tonnes of concentrate per year

The Tsumeb smelter is a strategic asset and one of only a few smelters in the world designed to treat complex concentrates like those produced at Chelopech

## 2011 Objectives

Addition of a second oxygen plant to increase smelter capacity to 240,000 tonnes of concentrate per year by 2012

Continuation of environmental and plant optimization projects including:

- Construction of a hazardous waste disposal site
- Upgrade of the dust management systems

# **Krumovgrad Gold Project,** Bulgaria

The Krumovgrad Gold Project is a high grade gold deposit at feasibility stage, located in southern Bulgaria. The new project design has a reduced footprint and uses flotation technology to recover gold resulting in a simpler permitting process, lower capital and operating costs and positive feedback from the local community.

The Krumovgrad Gold Project will produce over 800,000 ounces of gold over the life of mine

## 2010 Highlights

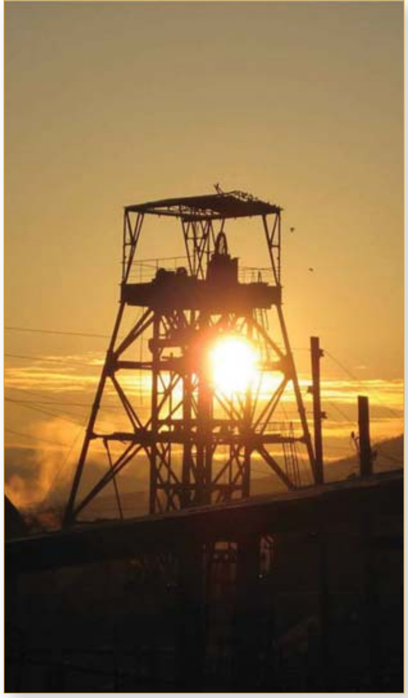
- Completed scoping study and necessary technical work confirming the financial viability of the new project profile
- Submitted a revised Environmental Impact Assessment ("EIA") and the Natura 2000 Compatibility Assessment Report (the "Report") for the project proposal
- Ministry of Environment and Waters delivered a positive grade to both the EIA and the Report in early 2011
- In early 2011 Council of Ministers of the Republic of Bulgaria approved the granting of a 30-year concession to develop the project

## Project Highlights

- Future annual production rate is estimated at 85,000 to 110,000 ounces of gold over eight years
- Gold recoveries of approximately 85%
- Reduced footprint also includes a small integrated tailings and mine waste facility

## 2011 Objective

Complete EIA permitting process and advance towards a production decision



# Deno Gold Project,
## Kapan, Armenia

The Deno Gold Mine is located in the town of Kapan which is approximately 320 kilometres south east of the capital city of Yerevan. The processing plant produces two concentrates, a copper concentrate with high grade gold and silver and a zinc concentrate.

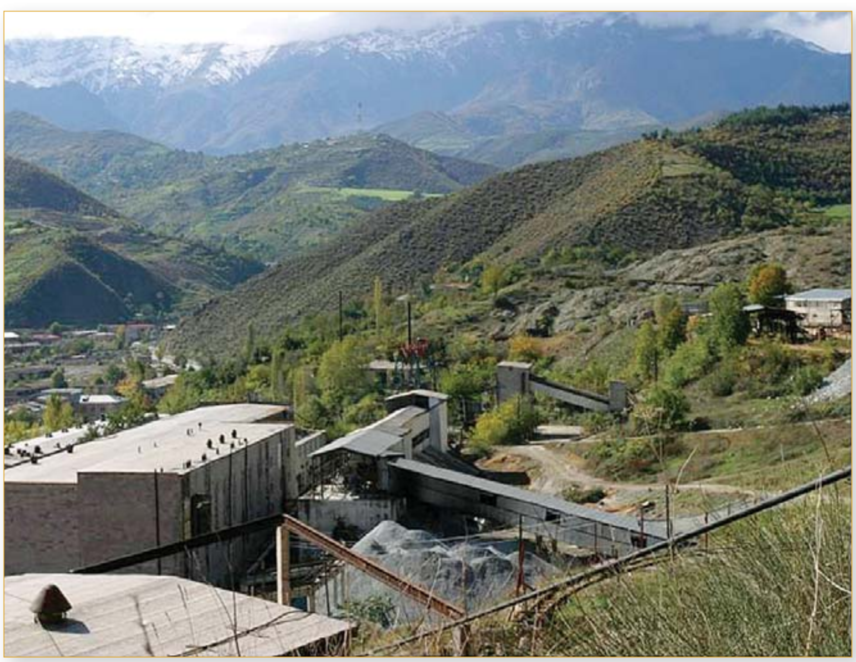
Deno Gold Mine Rescue Team members became Armenia's first certified and recognized mine rescue team

### 2010 Highlights

- Record breaking year for profitability and production
- Processed 428,865 tonnes of ore, 29,216 ounces of gold, almost 3 million pounds of copper, 527,376 ounces of silver and 19 million pounds of zinc
- Reduced cash cost per tonne of ore processed (excluding royalties) by 8% over 2009
- Completed the expansion of the underground mine/mill rate from 400,000 to 600,000 tonnes per year

### 2011 Objective

Undertake an intensive drilling program designed to determine the bulk mineable open pit potential of the Shahumyan deposit



# Sustainability

At all its operations and facilities DPM continues to work towards meeting its commitment of achieving and maintaining recognized 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.

In 2010 Chelopech was awarded the National Social Responsibility award by the Bulgarian Mining and Geological Chamber

## Health, Safety and Environment

**DPM and its subsidiaries are committed to sustainable business practices through ensuring that:**

- The business is economically sustainable and able to provide long term benefits to all stakeholders whether shareholders, employees, the communities that support our operations and others
- Both immediate and long term sustainable community benefits are provided through targeted projects that anticipate an economic 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 to be unchanged after our operations cease and to ensure that, while we are in operation, environmental effects are minimized
- Risks to people and environment associated with our operations are properly identified and mitigated
- Product stewardship ensures that our vision and values are applied where they are used or processed downstream
- Critical and non-renewable resources are used effectively

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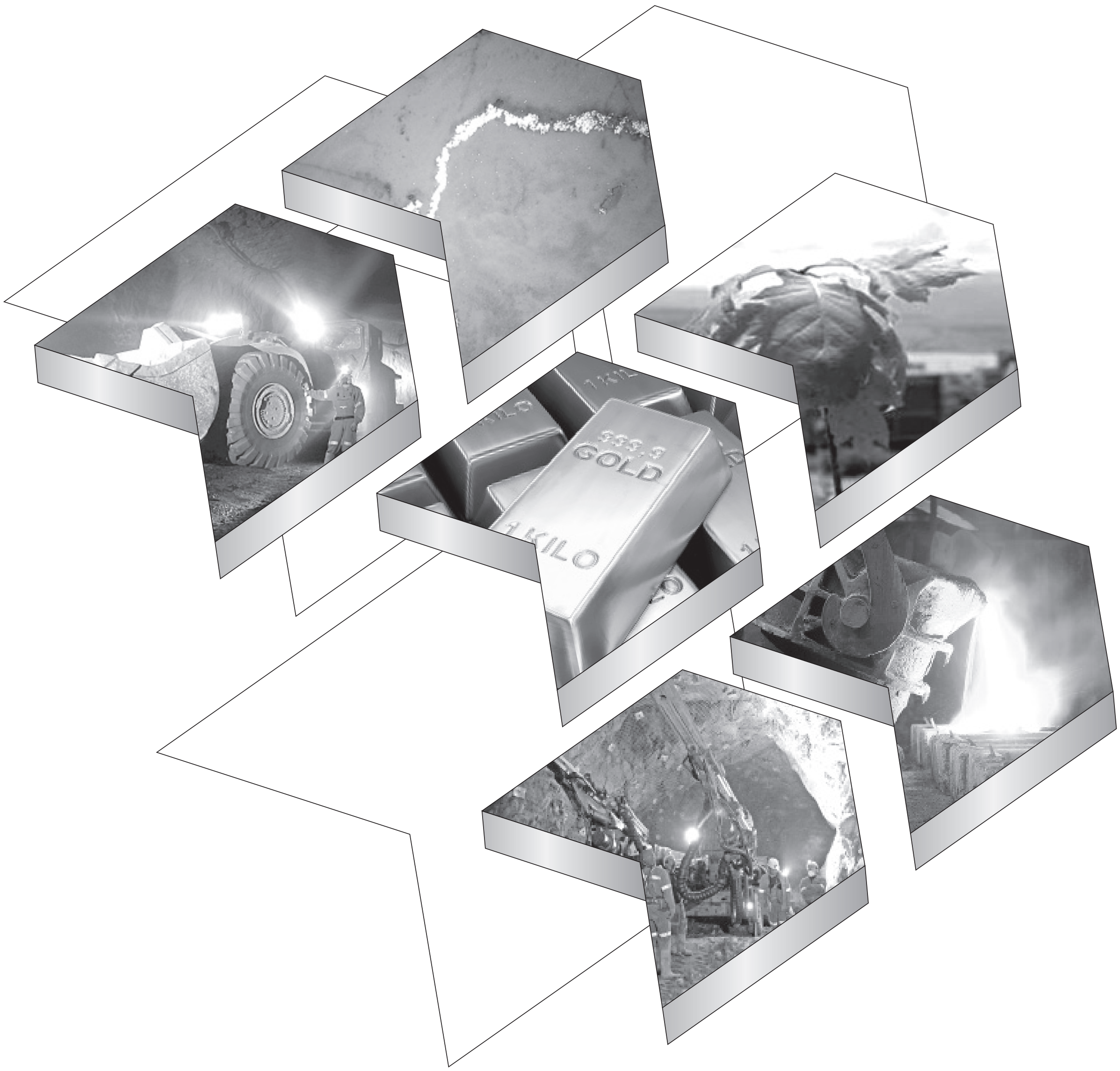


*Annual Report for the Year Ended*
*December 31, 2010*

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations

*for the Year Ended December 31, 2010*

***(All monetary figures are expressed in U.S. dollars unless otherwise stated)***

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Dundee Precious Metals Inc. ("DPM" or the "Company") for the financial year ended December 31, 2010. This discussion should be read in conjunction with DPM's audited consolidated financial statements for the year ended December 31, 2010 and the notes thereto. Additional Company information, including the Company's most recent Financial Statements and Annual Information Form ("AIF"), can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and the Company's website at www.dundeeprecious.com. Information contained on the Company's website is not incorporated by reference herein and does not form part of this MD&A.

This information is provided as at February 23, 2011.

## OVERVIEW

DPM is a Canadian-based, international mining company engaged in the acquisition, exploration, development, mining and processing of precious metals properties. Its common shares and share purchase warrants (symbol: DPM, DPM.WT and DPM.WT.A) are traded on the Toronto Stock Exchange ("TSX"). DPM's business objectives are to identify, acquire, finance, develop and operate low-cost, long-life mining properties.

The Company's operating interests include its 100% ownership of Chelopech Mining EAD ("Chelopech"), its principal asset being the Chelopech mine, a gold, copper, silver concentrate producer, located approximately 70 kilometres east of Sofia, Bulgaria, 100% ownership of Namibia Custom Smelters (Pty) Ltd. ("NCS"), a copper concentrate processing facility located in Tsumeb, Namibia, and a 100% interest in Deno Gold Mining Company CJSC ("Deno Gold"), its principal asset being the Kapan mine, a gold, copper, zinc, silver concentrates producer located about 320 kilometres south east of the capital city of Yerevan in southern Armenia.

In July 2010, the Company established DPM Assurance (Barbados) Inc. ("DPMA"), a qualifying insurance company in Barbados, principally to provide reinsurance coverage for surety risks originating from its affiliates.

DPM's interests also include a 100% interest in the Krumovgrad development stage gold property located in south-eastern Bulgaria ("Krumovgrad Gold Project"), near the town of Krumovgrad, through its wholly-owned subsidiary Balkan Mineral and Mining EAD ("BMM"), and certain exploration and exploitation properties in Serbia. The Company also presently holds a 50.9% controlling interest in Avala Resources Ltd. ("Avala"), a TSX Venture Exchange ("TSXV") listed company (TSXV:AVZ) focused on the exploration and development of the Timok and Potoj Cuka copper and gold projects in Serbia.

The Company is committed to creating shareholder value through a disciplined but opportunistic business model in a safe and socially responsible manner. It has assembled a pipeline of mining and processing projects at various stages of development, including: (1) the operating and redevelopment stage; (2) the feasibility and development stage; (3) the scoping and advanced exploration stage; and (4) the early exploration stage. DPM intends to maximize the potential of and realize value through the exploration, development and operation of its existing properties and through the identification of new opportunities.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking statements" that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold, copper, zinc and silver, the estimation of mineral reserves and resources, the realization of mineral estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation. 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. Such factors include, among others: the actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold, copper, zinc and silver; possible variations in ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, fluctuations in metal prices, as well as those risk factors discussed or referred to in this MD&A under the heading "Risks and Uncertainties" and other documents filed from time to time with the securities regulatory authorities in all provinces and territories of Canada and available at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Unless required by securities laws, the Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

**Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources:** This MD&A uses the terms "Measured", "Indicated" and "Inferred" Mineral Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission ("SEC") does not recognize them. "Inferred Mineral Resources" have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or other economic studies. **United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.**

## SELECTED ANNUAL INFORMATION

The financial information has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Certain non-GAAP measures, which are clearly disclosed as such, are discussed in this MD&A.

The following is a summary of selected annual information for the Company's latest three fiscal years.

| *$ thousands, except per share amounts*<br>**At December 31,** | **2010** | 2009 | 2008 |
|---|---|---|---|
| Net revenue | **$ 201,795** | $ 137,573 | $ 101,257 |
| Gross profit (loss) from mining and processing operations | **51,640** | 40,729 | (893) |
| Investment and other expense | **(3,155)** | (3,075) | (15,653) |
| Net earnings (loss) attributable to equity shareholders | **23,496** | 5,126 | (63,871) |
| | | | |
| Basic net earnings (loss) per share | **$ 0.20** | $ 0.05 | $ (0.97) |
| Diluted net earnings (loss) per share | **$ 0.19** | $ 0.05 | $ (0.97) |
| | | | |
| Total assets | **813,352** | 535,418 | 466,859 |
| Long-term debt, including current portion | **$ 47,532** | $ 17,947 | $ 21,367 |

Key events impacting DPM's financial results over the period of 2008 to 2010 include: (i) stronger gold, copper and zinc prices in the year 2010 relative to the years 2009 and 2008: (ii) first quarter 2010, equity offering for aggregate net proceeds of approximately $62.0 million (issuance of 20,000,000 common shares); (iii) first quarter 2010, acquisition of NCS, a metals processing and smelting operation in Tsumeb, Namibia (the "Smelter"), from Weatherly International plc ("WTI") through the purchase of 100% of NCS shares for $18.0 million in cash and the issuance of 4,446,420 fully paid common shares of DPM; (iv) first quarter 2010, a $54.0 million write-down in the carrying value of the Chelopech metals processing facility ("MPF") following the Bulgarian court's decision to revoke the MPF Environmental Impact Assessment ("EIA"); (v) third quarter 2010, sale of DPM's Serbian subsidiary, Dundee Plemeniti Metali d.o.o. ("Metali"), to Avala in return for a 50.3% equity interest in Avala, 36.7 million warrants and special rights ("Special Rights") to acquire an additional 50 million Avala common shares for no additional consideration upon the occurrence of certain events; (vi) fourth quarter 2010, completion of a $66.75 million long-term debt financing with the European Bank for Reconstruction and Development ("EBRD") and Unicredit Bulbank ("UCB") to assist in the financing of the Chelopech mine and mill expansion project and to refinance existing Chelopech debt; (vii) in the year 2010, unrealized favourable mark-to-market adjustments in the Company's holdings in Sabina Gold & Silver Corp. ("Sabina") of $49.7 million; (viii) the sale of the Back River exploration project in June 2009 to Sabina for cash payment of $6.2 million, 17 million Sabina common shares and 10 million special warrants ("Sabina Special Warrants"); (ix) in December 2008, a $48.7 million (Cdn$47.0 million) write-down in the carrying value of the Back River project to its estimated fair value; and (x) 2008 equity offering for aggregate net proceeds of approximately $62.4 million (issuance of 35,556,000 common shares and 20,444,500 common share purchase warrants).

## RESULTS OF OPERATIONS

### Executive Summary

DPM reported *net earnings attributable to equity shareholders* of $23.5 million or $0.20 per share in the twelve months ended December 31, 2010 compared to $5.1 million or $0.05 per share in the twelve months ended December 31, 2009. The period over period increase in *net earnings attributable to equity shareholders* was primarily due to unrealized favourable mark-to-market adjustments in the Company's holdings of Sabina Special Warrants and higher *gross profit from mining and processing operations* partially offset by a $54.0 million write-down in the carrying value of the Chelopech MPF following the Bulgarian court's decision to revoke the MPF EIA.

DPM recorded a *gross profit* of $51.7 million in the twelve months ended December 31, 2010 compared to $40.7 million in the corresponding prior year period. The period over period increase was primarily due to higher metal prices and deliveries of concentrates partially offset by lower gold in concentrate sold. Deliveries of concentrates in the twelve months of 2010 of 91,157 tonnes were 4,982 tonnes higher than the corresponding prior year period deliveries of 86,175 tonnes due to increased production and deliveries of concentrates from Deno Gold. In the twelve months of 2010, gold in concentrate sold totalled 80,352 ounces compared to 104,314 ounces in the corresponding prior year period. The decrease in gold in concentrate sold was primarily due to lower gold grades at Chelopech in 2010 relative to 2009 and lower gold recoveries, which were adversely impacted by the processing of high sulphur to copper ratio ore (Block 151). Chelopech ore mined in 2009 contained lower sulphur to copper ratio ore resulting in higher gold recoveries.

*Chelopech*

Chelopech recorded a *gross profit from mining operations* of $41.2 million in the year ended December 31, 2010 compared to $41.6 million in the corresponding prior year period. Stronger metal prices in the year 2010 relative to the corresponding prior year period were offset by lower gold in concentrate sold.

In the year 2010, Chelopech continued to advance its mine and mill expansion project to approximately double its annual concentrate production capacity to 150,000 tonnes. The commissioning of the new paste fill plant was successfully completed in the third quarter of 2010 and the commissioning of the new semi-autogenous grinding ("SAG") mill was completed in January 2011. Construction of the mine and mill expansion is expected to be completed in the fourth quarter of 2011.

On December 3, 2010, DPM and Chelopech finalized a $66.75 million long-term loan agreement with the EBRD and UCB. The proceeds from this loan are to be used to assist in the financing of the Chelopech mine and mill expansion and to refinance existing debt. As of December 31, 2010, $44.25 million had been drawn under the facility, of which $16.25 million was used to refinance existing EBRD debt. The loan, which is guaranteed by DPM and secured by a first ranking charge over the shares of Chelopech, is repayable in ten equal semi-annual instalments, commencing June 2013 and bears interest at a rate of LIBOR plus 3.25% until completion of the Chelopech mine and mill expansion and LIBOR plus 2.80% thereafter.

In compliance with its obligations under its Concession Contract, on November 15, 2010, Chelopech delivered a $25 million insurance policy/performance bond to the Bulgarian Ministry of Economy, Energy and Tourism ("MoEET") to ensure the performance of Chelopech's obligations for the planned or pre-term closure and rehabilitation of the Chelopech operations.

Under the terms of its loan agreement with the EBRD and UCB, the Company is required to provide metal price protection on 15% of Chelopech's 2012, 2013 and 2014 projected payable copper production. In fulfillment of this obligation, in January 2011, the Company entered into monthly settled forward sales contracts to fix 2,868 tonnes of the year 2012 projected payable copper production at a fixed price of $9,224/tonne ($4.18/lb), 3,036 tonnes of the year 2013 projected payable copper production at a fixed price of $8,814/tonne ($4.00/lb) and 3,264 tonnes of the year 2014 projected payable copper production at a fixed price of $8,386/tonne ($3.80/lb). All gains and losses on these contracts will be reported through the income statement.

*Deno Gold*

Deno Gold recorded a *gross profit from mining operations* of $13.6 million in the year ended December 31, 2010 compared to a *gross loss from mining operations* of $0.9 million in the corresponding prior year period. Deliveries of copper and zinc concentrates in the year 2010 of 5,478 tonnes and 12,618 tonnes were, respectively, 2,921 tonnes and 4,542 tonnes higher than the corresponding prior year period deliveries due to operational improvements and the ramp-up of the mine/mill expansion. Following the significant drop in metal prices in 2008, Deno Gold was placed on temporary care and maintenance in November 2008. During this period of care and maintenance, training and facilities rehabilitation works were carried out to position Deno Gold for reopening which occurred in April 2009. In the fourth quarter of

2010, Deno Gold completed a mine and mill expansion to increase its annual throughput to 600,000 tonnes of ore from 400,000 tonnes of ore. The expansion included the installation of flotation cells and additional underground mining equipment.

On December 20, 2010, DPM purchased a five percent interest in Vatrin Investment Limited ("Vatrin"), to increase its equity interest to 100%, for net cash consideration of $1.5 million and the elimination of all associated third party indebtedness. Vatrin holds 100% equity interest in Deno Gold.

*Krumovgrad*

On February 9, 2011, it was announced that the Council of Ministers of the Republic of Bulgaria had approved the granting of a 30 year concession to BMM to develop the Khan Krum Deposit in Krumovgrad. The Council of Minister's resolution is subject to publication in the State Gazette of the Republic of Bulgaria and can be appealed within 14 days of the date of this publication. The Council of Minister's resolution was published in the State Gazette on February 18, 2011. Exercise of the concession rights by the Company is also subject to a positive EIA resolution being issued by the Bulgarian Minister of Environment and Waters ("MoEW").

In January 2011, the MoEW delivered a "positive grade" to both the EIA and the Natura 2000 Compatibility Assessment Report (the "Report") for the Krumovgrad Gold Project proposal, which had been submitted in October 2010, meaning that all information required under the EIA regulation is complete. Based on this positive assessment of the quality of the submissions, and in compliance with the requirements under the Bulgarian environmental legislation, DPM has commenced the public dissemination of the EIA documentation which will culminate with organized public hearings with the Municipality of Krumovgrad and other potentially affected municipalities or villages.

*Acquisition of Tsumeb Smelter Assets and Related Business*

On March 24, 2010, DPM completed the acquisition of NCS from WTI through the purchase of 100% of the shares of NCS. The total consideration paid to WTI for NCS was $33.0 million consisting of: (i) $18.0 million in cash and (ii) the issuance of 4,446,420 fully paid common shares of DPM.

On May 26, 2010, DPM completed its agreement with Louis Dreyfus Commodities Metals Suisse SA ("LDC") to settle approximately $11.4 million of financial obligations owed by NCS to LDC, through a cash payment of $2.0 million and the issuance of 2,903,525 common shares of DPM. LDC will continue to have exclusive rights to purchase the Chelopech concentrate for toll processing through NCS (including return of blister copper to LDC) and to source the balance of the concentrate for the Tsumeb smelter through to and including 2020.

*Sale of Serbian Assets*

In July 2010, DPM concluded its agreement with PJV Resources Inc. ("PJV") and Rodeo Capital Corp. (now Avala Resources Ltd.) wherein it received a 50.3% direct controlling interest in Avala, 36.7 million share purchase warrants exercisable at Cdn$0.50 per share and $1.6 million cash in exchange for Metali. DPM was also issued Special Rights to acquire an aggregate of 50,000,000 additional Avala common shares for no additional consideration, of which 25,000,000 are issuable upon a positive decision to proceed to a feasibility study on all or part of the projects and an additional 25,000,000 are issuable upon a positive decision to bring all or part of the projects into production. As at December 31, 2010, DPM held 50.9% of Avala common shares.

Pursuant to the certificates and indenture governing certain of the Avala warrants issued on July 30, 2010, Avala had the right to accelerate the expiry date of such warrants any time after October 25, 2010 if the closing price of its common shares is above Cdn$1.00 for 20 consecutive trading days. On December 13, 2010, having met this precondition, Avala issued notification of its decision to accelerate the expiry date of this portion of the share purchase warrants to January 14, 2011. In response, DPM exercised 2,428,500 full warrants to purchase the same number of Avala common shares at Cdn$0.50 per share in December 2010. Avala also has the right to accelerate the expiry date on the 34,290,179 common share purchase warrants issued to DPM on July 30, 2010, as part of the consideration for its acquisition of

Metali, any time after January 26, 2011 if the closing price of its common share is above Cdn$1.00 for 20 consecutive trading days. Upon notification of acceleration, the Company will have 30 days to exercise such warrants.

In October 2010, DPM entered into an option agreement with Queensland Minerals Ltd. ("QML"), an exploration company listed on the TSXV, in respect of DPM's remaining Serbian properties, namely its Surdulica molybdenum, Tulare copper/gold and other early stage projects located in Serbia directly held by its Serbian subsidiary, Dundee Moly Company d.o.o. ("Molyco"), (the "Option Agreement"). Pursuant to the Option Agreement, QML is entitled, subject to the terms and conditions of the Option Agreement, to exercise its right to acquire 100% of DPM's indirectly held interest in all of the issued and outstanding capital of Molyco upon: (i) QML having raised in one or more financings aggregate gross proceeds of Cdn$10 million; (ii) QML having expended aggregate exploration expenditures of Cdn$3 million on the Serbian properties; and (iii) QML obtaining all requisite regulatory, shareholder, stock exchange or governmental authorizations and consents. The option is valid for one year from the date of the Option Agreement, October 4, 2010.

*Equity Financing*

In the first quarter of 2010, DPM raised gross proceeds of $64.8 million (Cdn$66.0 million) or net proceeds of $62.0 million (Cdn$63.1 million) through the sale and issuance of 20,000,000 common shares at a price of Cdn$3.30 per share. Proceeds from the offering have been used for: (i) the payment of the cash consideration for the acquisition of NCS and capital expenditures to sustain operations at the Tsumeb smelter, (ii) the deposit of a portion of the financial guarantee for estimated environmental and rehabilitation costs at Chelopech, (iii) the Chelopech mine and mill expansion project; and (iv) general corporate purposes.

*2011 Outlook*

Total capital expenditures for the year 2011 are expected to range between $155 million and $165 million, including $62 million to complete the mine and mill expansion at Chelopech, $35 million for environmental and plant optimizations projects at NCS and $25 million at Deno Gold to further enhance underground operations and advance the proposed open pit project. This current estimate is about $15 million higher than the guidance provided in November 2010 due to additional expenditures for environmental and operating improvements at NCS. Pending completion of the definitive feasibility study for the Krumovgrad project in Bulgaria and receipt of approvals of its EIA, the Company also expects to move forward with the construction of this project.

For the year 2011, mine output at Chelopech is expected to range between 1.2 million and 1.3 million tonnes of ore, in line with its planned ramp up to an annualized production rate of two million tonnes of ore. At this level, Chelopech is expected to produce approximately 100,000 tonnes of concentrate. Following completion of its mine/mill expansion to 600,000 tonnes of ore in 2010, Deno Gold is expected to produce between 25,000 and 30,000 tonnes of concentrate.

The Company's estimated metals in concentrate produced for the year 2011 is set forth in the following table:

| **Metals in Concentrate Produced:** | Chelopech | Deno Gold | Total |
|---|---|---|---|
| Gold (ounces) | 90,000 – 92,000 | 30,000 – 33,000 | 120,000 – 125,000 |
| Copper (million pounds) | 32.5 – 35.5 | 3.0 – 3.5 | 35.5 – 39.0 |
| Zinc (million pounds) | – | 21.0 – 23.0 | 21.0 – 23.0 |
| Silver (ounces) | 150,000 – 160,000 | 500,000 – 530,000 | 650,000 – 690,000 |

Unit cash cost per tonne of ore processed, excluding royalties, at Chelopech for the year 2011 is expected to be approximately 5% lower than the year 2010 average unit cash cost of ore processed assuming current exchange rate Euro to U.S. dollar. Unit cash cost per tonne of ore processed, excluding royalties, at Deno Gold for the year 2011 is expected to be comparable to the fourth quarter of 2010 average cash cost per tonne of ore processed.

## Market Trends

Commodity prices are one of the principal determinants of DPM's results of operations and financial condition. Fluctuations in exchange rates between the U.S. dollar relative to the Euro, the Armenian dram ("AMD"), the Namibian dollar, which is tied to the South African Rand ("ZAR") in proportion 1:1, and the Canadian dollar may also impact DPM's results of operations and financial condition.

The following table, summarizing the metal prices for the London Bullion Market Association ("LBMA") gold, London Metal Exchange ("LME") copper Grade A, LME special high grade ("SHG") zinc and LBMA silver prices, illustrates the Company's metal price exposures based on its key reference prices for the three months and twelve months ended December 31, 2010 and 2009.

| **Metal Prices (Average)** | **Three Months** | | | **Twelve Months** | | |
|---|---|---|---|---|---|---|
| Ended December 31, | **2010** | 2009 | **Change** | **2010** | 2009 | **Change** |
| London Bullion gold ($/oz) | **$ 1,369** | $ 1,102 | 24% | **$ 1,224** | $ 973 | 26% |
| LME settlement copper ($/lb) | **$ 3.92** | $ 3.02 | 30% | **$ 3.42** | $ 2.34 | 46% |
| LME settlement SHG zinc ($/lb) | **$ 1.05** | $ 1.00 | 5% | **$ 0.98** | $ 0.75 | 31% |
| LBMA spot silver ($/oz) | **$ 26.43** | $ 17.58 | 50% | **$ 20.16** | $ 14.65 | 38% |

The following table sets out the average exchange rates between the U.S. dollar relative to the Euro, the AMD, the ZAR and the Canadian dollar for the three months and twelve months ended December 31, 2010 and 2009.

| **Average Exchange Rates** | **Three Months** | | | **Twelve Months** | | |
|---|---|---|---|---|---|---|
| Ended December 31, | **2010** | 2009 | **Change** | **2010** | 2009 | **Change** |
| US$/Cdn$ | **$ 1.0132** | $ 1.0572 | (4%) | **$ 1.0305** | $ 1.1415 | (10%) |
| Euro/US$ | **$ 1.3604** | $ 1.4772 | (8%) | **$ 1.3280** | $ 1.3940 | (5%) |
| US$/AMD | **$ 361** | $ 384 | (6%) | **$ 374** | $ 363 | 3% |
| US$/ZAR | **$ 6.9302** | $ 7.5212 | (8%) | **$ 7.3467** | $ 8.4447 | (13%) |

The following table sets out the closing exchange rates between the U.S. dollar relative to the Euro, the AMD, the ZAR and the Canadian dollar at December 31, 2010 and December 31, 2009.

| **Closing Exchange Rates**<br>December 31, | **2010** | 2009 | **Change** |
|---|---|---|---|
| US$/Cdn$ | **$ 0.9946** | $ 1.0510 | (5%) |
| Euro/US$ | **$ 1.3253** | $ 1.4333 | (8%) |
| US$/AMD | **$ 363** | $ 378 | (4%) |
| US$/ZAR | **$ 6.6468** | $ 7.4174 | (10%) |

## Summary of Net Earnings

The following table summarizes the Company's consolidated net earnings for the periods indicated:

**Condensed Income Statement (Unaudited)**

| *$ thousands, except per share amounts* | Three Months | | Twelve Months | |
|---|---|---|---|---|
| **Ended December 31,** | **2010** | 2009 | **2010** | 2009 |
| Net revenue | **$ 61,453** | $ 42,085 | **$ 201,795** | $ 137,573 |
| Cost of sales | **43,826** | 29,499 | **150,155** | 96,844 |
| Gross profit from mining and processing operations | **17,627** | 12,586 | **51,640** | 40,729 |
| Exploration expense | **3,214** | 1,305 | **7,287** | 4,792 |
| Administrative and other expenses | **5,117** | 4,549 | **15,703** | 15,392 |
| Other expenses | **3,999** | 343 | **14,480** | 8,228 |
| Total expenses | **12,330** | 6,197 | **37,470** | 28,412 |
| Earnings before undernoted items | **5,297** | 6,389 | **14,170** | 12,317 |
| Net impairment provisions | **(3,605)** | (300) | **(54,579)** | (4,441) |
| Investment and other income | **12,628** | 407 | **51,424** | 1,366 |
| Earnings before income taxes | **14,320** | 6,496 | **11,015** | 9,242 |
| Provision for (recovery of) income taxes | **(5,150)** | 2,966 | **(9,508)** | 4,116 |
| Net earnings for the period | **$ 19,470** | $ 3,530 | **$ 20,523** | $ 5,126 |
| Attributable to: | | | | |
| Non-controlling interest | **(1,452)** | - | **(2,973)** | - |
| Equity shareholders of the Company | **20,922** | 3,530 | **23,496** | 5,126 |
| Net earnings per share | | | | |
| - basic | **$ 0.17** | $ 0.04 | **$ 0.20** | $ 0.05 |
| - diluted | **$ 0.15** | $ 0.04 | **$ 0.19** | $ 0.05 |

In the fourth quarter of 2010, the Company recorded *net earnings attributable to equity shareholders* of $20.9 million compared to $3.5 million in the corresponding prior year period. The period over period increase in *net earnings attributable to equity shareholders* was primarily due to unrealized favourable mark-to-market adjustments of $11.6 million in the Company's holdings of Sabina Special Warrants and higher *gross profit from mining and processing operations.*

DPM recorded a *gross profit from mining and processing operations* of $17.6 million in the fourth quarter of 2010 compared to $12.6 million in the corresponding prior year period. The period over period increase was due primarily to higher metal prices partially offset by lower gold in concentrate sold. Deliveries of concentrates in the fourth quarter of 2010 of 23,346 tonnes were marginally higher than the corresponding prior year period deliveries of 23,009 tonnes but contained 20,469 ounces of gold compared to 25,540 ounces in the corresponding prior year period due to a drawdown of 2,157 tonnes of high grade gold concentrate inventory in the fourth quarter of 2009.

In the twelve months of 2010, the Company recorded *net earnings attributable to equity shareholders* of $23.5 million compared to $5.1 million in the corresponding prior year period. The higher, period over period, *net earnings attributable to equity shareholders* was due primarily to unrealized favourable mark-to-market adjustments of $49.7 million in the Company's holdings of Sabina Special Warrants and higher *gross profit from mining and processing operations* partially offset by a $54.0 million impairment provision taken against the MPF at Chelopech. The write-down in the carrying value of the MPF project to its estimated fair value was partially offset by the reversal of $3.4 million of royalties accrued in respect of the MPF project. In view of the Bulgarian court's final decision to revoke the MPF EIA, it is unlikely that the MPF project will proceed. In addition, the July 2008 amendments to Chelopech's mining concession contract with the Bulgarian government, as they relate to the royalty provisions, no longer apply and no excess royalty above the 1.5% fixed rate is required to be accrued. As a result, the excess royalty accrual above the 1.5% was reversed in the first quarter of 2010 and applied against the MPF property impairment provision.

DPM recorded a *gross profit from mining and processing operations* of $51.7 million in the twelve months of 2010 compared to $40.7 million in the corresponding prior year period. The period over period increase was due primarily to higher gold, copper and zinc prices and an increase in concentrate deliveries partially offset by unfavourable mark-to-market adjustments and final settlements on provisional sales and lower gold in concentrate sold. In the twelve months of 2010, gold in concentrate sold totalled 80,352 ounces compared to 104,314 ounces in the corresponding prior year period. The decrease in gold in concentrate sold was primarily due to lower gold grades at Chelopech in 2010 relative to 2009 and lower gold recoveries, which were adversely impacted by the processing of high sulphur to copper ratio ore (Block 151) in 2010. Chelopech ore mined in 2009 contained lower sulphur to copper ratio ore resulting in higher gold recoveries.

Deliveries of concentrates in the twelve months of 2010 of 91,157 tonnes were 4,982 tonnes higher than the corresponding prior year period deliveries of 86,175 tonnes due primarily to increased production of concentrates at Deno Gold in 2010. Net unfavourable mark-to-market adjustments and final settlements of $3.3 million, related to the open positions of provisionally priced concentrate sales, were recorded in the twelve months of 2010 compared to net favourable mark-to-market adjustments and final settlements of $6.5 million in the twelve months of 2009.

### Earnings before Expenses

#### *Net Revenue*

*Net revenue* of $61.4 million in the fourth quarter of 2010 was $19.3 million higher than the corresponding prior year period *net revenue* of $42.1 million due primarily to a 24% increase in gold prices and 30% increase in copper prices partially offset by lower gold in concentrate sold. The drawdown and sale of higher grade gold concentrate in the fourth quarter of 2009 contributed to the relative reduction in gold in concentrate sold in the fourth quarter of 2010. Also contributing to the period over period increase in *net revenue* was the inclusion of NCS's revenue following its acquisition by DPM in March 2010. Net unfavourable mark-to-market adjustments and final settlements of $0.5 million, related to the open positions of provisionally priced concentrate sales, were recorded in the fourth quarter of 2010 compared to net favourable mark-to-market adjustments and final settlements of $0.4 million in the fourth quarter of 2009.

Deliveries of concentrates produced at Chelopech of 17,883 tonnes in the fourth quarter of 2010 were comparable to the fourth quarter of 2009 deliveries of 17,791 tonnes. Gold in concentrate sold in the fourth quarter of 2010 of 13,076 ounces was 31% lower than the corresponding prior year period. Copper in concentrate sold of 6.1 million pounds was comparable to the corresponding prior year period.

Deliveries of copper and zinc concentrates produced at Deno Gold of 1,828 tonnes and 3,635 tonnes in the fourth quarter of 2010 were, respectively, 194 tonnes and 51 tonnes higher than the corresponding prior year period. Gold in concentrate sold in the fourth quarter of 2010 of 7,393 ounces was 10% higher than the corresponding prior year period. Copper and zinc in concentrate sold in the fourth quarter of 2010 of 0.8 million pounds and 4.1 million pounds were, respectively, 2% and 6% higher than the corresponding prior year period.

*Net revenue* of $201.8 million in the twelve months of 2010 was $64.3 million higher than the corresponding prior year period *net revenue* of $137.5 million due to a 26% increase in gold prices, a 46% increase in copper prices, a 31% increase in zinc prices and higher deliveries of concentrates partially offset by lower gold in concentrate sold. Net unfavourable mark-to-market adjustments and final settlements of $3.3 million, related to the open positions of provisionally priced concentrate sales, were recorded in the twelve months of 2010 compared to net favourable mark-to-market adjustments and final settlements of $6.5 million in the twelve months of 2009. In the twelve months of 2010, DPM recorded net losses on its copper and zinc derivatives of $0.2 million, compared to net losses on copper derivatives of $4.4 million in the twelve months of 2009. Also contributing to the period over period increase in *net revenue* was the inclusion of NCS's revenue following its acquisition by DPM in March 2010.

Deliveries of concentrates produced at Chelopech of 73,061 tonnes in the twelve months of 2010 were 3% lower than the corresponding prior year period deliveries of 75,542 tonnes. Gold in concentrate sold in the twelve months of 2010 of 58,065 ounces was 38% lower than the corresponding prior year period. Copper in concentrate sold of 25.0 million pounds was 4% lower than the corresponding prior year period.

Deliveries of copper and zinc concentrates produced at Deno Gold in the year 2010 of 5,478 tonnes and 12,618 tonnes were, respectively, 2,921 tonnes and 4,542 tonnes higher than the corresponding prior year period due to operational improvements and the ramp-up of the mine/mill expansion. In addition, Deno Gold was on care and maintenance in the first quarter of 2009. Gold in concentrate sold in the twelve months of 2010 of 22,287 ounces was 98% higher than the corresponding prior year period. Copper in concentrate sold in the twelve months of 2010 was 2.4 million pounds compared to 1.2 million pounds in the corresponding prior year period. Zinc in concentrate sold in the twelve months of 2010 of 14.3 million pounds was 62% higher than the corresponding prior year period.

***Cost of Sales***

*Cost of sales* of $43.8 million and $150.1 million in the fourth quarter and twelve months of 2010 were $14.3 million and $53.3 million higher than the corresponding prior year periods *cost of sales* of $29.5 million and $96.8 million, respectively, due primarily to the inclusion of expenses related to the processing of concentrates at NCS.

Cash cost per tonne of ore processed[1], excluding royalties, at Chelopech in the fourth quarter of 2010 of $56.34 was 14% lower than the corresponding prior year period cash cost per tonne of ore processed[1], excluding royalties, of $65.26 due to higher volume of material mined and processed, the favourable impact of an 8% depreciation of the Euro relative to the U.S. dollar period over period and lower cement usage in backfill activities partially offset by higher consumption of and prices for power and diesel, higher employment expenses and increased maintenance costs. Cash cost per tonne of ore processed[1], including royalties, at Chelopech in the fourth quarter of 2010 of $61.66 was 14% lower than fourth quarter of 2009 cash cost per tonne of ore processed[1], including royalties, of $71.61.

Cash cost per tonne of ore processed[1], excluding royalties, at Chelopech in the twelve months of 2010 of $51.54 was 7% lower than the corresponding prior year period cash cost per tonne of ore processed[1], excluding royalties, of $55.23 due primarily to higher volume of material mined and processed, the favourable impact of a weaker Euro relative to the U.S. dollar, period over period, and lower cement usage in backfill activities partially offset by higher spending on supplies and services, higher employment expenses and increased prices for and consumption of power and fuels. Cash cost per tonne of ore processed[1], including royalties, at Chelopech in the twelve months of 2010 of $56.22 was 8% lower than the corresponding prior year period cash cost per tonne of ore processed[1], including royalties, of $61.00.

Cash cost per tonne of ore processed[1], excluding royalties, at Deno Gold in the fourth quarter and twelve months of 2010 of $63.66 and $66.33 were, respectively, 12% and 8% lower than the corresponding prior year periods cash cost per tonne of ore processed[1], excluding royalties, of $72.01 and $72.27 due to higher volume of material processed partially offset by higher maintenance costs, higher vein drive development costs to access additional working spaces and higher employment expenses. Cash cost per tonne of ore processed[1], including royalties, at Deno Gold in the fourth quarter and twelve months of 2010 were $69.87 and $70.31, respectively. Deno Gold did not pay a profit based royalty in 2009.

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[1] Cash cost per tonne ore processed is a non-GAAP measure. A reconciliation of the Company's cash cost per tonne ore processed to cost of sales under Canadian GAAP for the years 2010 and 2009 is shown in the table entitled "Non-GAAP Financial Measures."

***Gross Profit***

The following table shows the breakdown of gross profit (loss) by location:

| *$ thousands* | Three Months | | Twelve Months | |
|---|---|---|---|---|
| **Ended December 31,** | **2010** | 2009 | **2010** | 2009 |
| Chelopech | **$ 14,444** | $ 9,698 | **$ 41,214** | $ 41,594 |
| Deno Gold | **6,865** | 2,888 | **13,558** | (865) |
| NCS | **(3,682)** | - | **(3,132)** | - |
| **Total gross profit** | **$ 17,627** | $ 12,586 | **$ 51,640** | $ 40,729 |

In December 2010, a year-to-date charge of $2.1 million on the net value of the metals in concentrate held by the smelter and smelter fee advances, as per the tolling agreement between LDC and NCS, was reclassified from financing costs to net revenue, resulting in a reduction in net revenue. Included in the NCS gross loss in the fourth quarter and twelve months of 2010 was a depreciation expense of $1.4 million and $2.4 million, respectively, on the intangible assets identified as part of the finalization of purchase price allocation for the acquisition of NCS which was completed in the fourth quarter.

**Investment and Other Income**

Investment and other income were $12.6 million and $51.4 million in the fourth quarter and twelve months of 2010, respectively, compared to investment and other income of $0.4 million and $1.4 million in the corresponding prior year periods. Included in the fourth quarter and twelve months of 2010 were unrealized favourable mark-to-market adjustments related to the Sabina Special Warrants, which are held for trading, of $11.6 million and $49.7 million, respectively.

**Exploration Expense**

The following table shows the breakdown of exploration expense by country:

| *$ thousands* | Three Months | | Twelve Months | |
|---|---|---|---|---|
| **Ended December 31,** | **2010** | 2009 | **2010** | 2009 |
| Serbia | **$ 3,008** | $ 1,068 | **$ 6,808** | $ 3,206 |
| Canada | **-** | 4 | **-** | 617 |
| Bulgaria | **146** | 207 | **261** | 859 |
| Armenia | **60** | 26 | **218** | 110 |
| **Total exploration expense** | **$ 3,214** | $ 1,305 | **$ 7,287** | $ 4,792 |

Expenses reported under Serbia include expenditures incurred by Avala from August 1, 2010 to December 31, 2010.

DPM expenses all early stage exploration costs until the date it can be established that a property has mineral resources which have the potential of being economically recoverable, at which time all such expenditures are capitalized.

**Other Expenses**

*Stock Based Compensation Expense*

In the fourth quarter and twelve months of 2010, stock based compensation expenses were $2.4 million and $5.8 million, respectively, compared to $0.5 million and $1.9 million in the corresponding prior year periods. Stock based compensation expenses include costs associated with the vesting of stock options granted and costs related to the Company's employee and director deferred share unit ("DSU") plans.

In the fourth quarter and twelve months of 2010, the Company granted, respectively, 100,000 and 2,046,914 stock options. During the fourth quarter and twelve months of 2010, $0.8 million and $2.6 million, respectively, were charged to stock option expense compared to $0.4 million and $0.9 million in the corresponding prior year periods.

The compensation expense associated with the DSUs is recognized at the time of grant. During the fourth quarter and twelve months of 2010, 7,073 DSUs (2009 – 5,771) and 50,623 DSUs (2009 – 23,771), respectively, were granted to directors and $0.4 million was recognized as stock based compensation expense in the twelve months of 2010. The outstanding liability is marked-to-market each quarter. In the fourth quarter and twelve months of 2010, mark-to-market adjustments of $1.6 million and $3.0 million were, respectively, charged to compensation expense as a result of the increase in the Company's stock price ($0.9 million in the twelve months of 2009). There were nil DSUs and 12,000 DSUs redeemed during the fourth quarter and twelve months of 2010, respectively. During the twelve months of 2010, there were 31,446 DSUs issued to an employee in lieu of a portion of a cash bonus (2009 – nil).

***Income Tax Expense***

In the fourth quarter of 2010, DPM reported an income tax recovery of $5.1 million at an effective tax recovery rate of 36% on earnings before income taxes of $14.3 million. At a 31% statutory tax rate for 2010, the expected income tax expense was $4.4 million. The variance was due primarily to the lower rates on foreign earnings and the non-taxable portion of unrealized gains on warrants.

For the year ended December 31, 2010, DPM reported an income tax recovery of $9.5 million at an effective tax recovery rate of 86% on earnings before income taxes of $11.0 million. At a 31% statutory tax rate for 2010, the expected income tax expense was $3.4 million. The variance was due primarily to the reversal of the tax valuation allowance and the non-taxable portion of capital gains and unrealized gains on special warrants, partially offset by an unrecognized tax benefit relating to foreign losses. The valuation allowance was reversed since it is more likely than not that DPM will be able to recognize future tax assets against future taxable income.

**Summary of Operating Cash Flow, Investing and Financing Activities**

The following table summarizes the Company's cash flow activities for the periods indicated:

| *$ thousands* | **Three Months** | | **Twelve Months** | |
|---|---|---|---|---|
| **Ended December 31,** | **2010** | 2009 | **2010** | 2009 |
| Net cash provided by operating activities | **$ 28,821** | $ 22,325 | **$ 50,287** | $ 21,233 |
| Net cash used in investing activities | **(43,333)** | (23,522) | **(88,725)** | (31,639) |
| Net cash provided by (used in) financing activities | **26,064** | (1,631) | **103,894** | (4,741) |
| Increase (decrease) in cash and cash equivalents | **11,552** | (2,828) | **65,456** | (15,147) |
| Cash and cash equivalents at beginning of period | **84,673** | 33,034 | **30,769** | 42,169 |
| Change due to conversion to U.S. dollar reporting | **-** | 563 | **-** | 3,747 |
| Cash and cash equivalents at end of period | **$ 96,225** | $ 30,769 | **$ 96,225** | $ 30,769 |

**Operating Activities**

*Cash provided by operating activities* in the fourth quarter of 2010 was $28.8 million compared to $22.3 million in the fourth quarter of 2009. The increase in cash provided by operating activities, period over period, was due to improved *gross profit from mining and processing operations* resulting from stronger metal prices partially offset by lower gold in concentrate sold.

*Cash provided by operating activities* in the twelve months of 2010 was $50.3 million compared to $21.2 million in the corresponding prior year period. The period over period increase in *cash provided by operating activities* was due primarily to improved *gross profit from mining and processing operations* resulting from stronger metal prices and higher deliveries of concentrates partially offset by lower gold in concentrate sold.

**Investing Activities**

*Cash used in investing activities* in the fourth quarter and twelve months of 2010 was $43.3 million and $88.7 million, respectively, compared to *cash used in investing activities* of $23.5 million and $31.6 million in the corresponding prior year periods.

Proceeds on sale of short-term investments totalled $31.6 million in the twelve months of 2010 compared to $3.8 million in the corresponding prior year period. Short-term investments include bankers' acceptances and treasury bills with original maturities between three months and less than one year at the time the investment is made.

In the twelve months of 2010, there was an increase in restricted cash of $15.1 million due primarily to the funding of DPMA, a qualifying insurance company established to provide reinsurance coverage for surety risks originating from DPM's affiliates.

On December 20, 2010, DPM, through a wholly owned subsidiary company, purchased the remaining five percent interest in Vatrin it did not own, resulting in DPM holding a 100% equity interest, for net cash consideration of $1.5 million and the elimination of all associated third party indebtedness. Vatrin holds 100% of Deno Gold.

In August 2010, DPM purchased 1,539,713 common shares of Sabina for $4.0 million (Cdn$4.2 million).

In April 2010, the Company subscribed for 4,857,000 units of PJV at a unit price of Cdn$0.35 per unit for total cash consideration of $1.7 million (Cdn$1.7 million). Each unit consisted of one common share of PJV and one half of one common share purchase warrant. Each full warrant was exercisable to purchase a common share of Avala at Cdn$0.50 per share. The shares of PJV were issued and converted to shares of Avala as part of the July 2010 business combination between PJV, Avala and Metali and are eliminated on consolidation.

On March 24, 2010, the Company completed the acquisition of NCS from WTI through the purchase of 100% of the shares of NCS. The cash consideration provided to WTI by DPM was $17.0 million, net of cash acquired of $1.0 million.

Prior to its acquisition of NCS in March 2010, DPM advanced $3.0 million to NCS in accordance with the binding letter of intent signed in January 2010 with WTI for the purchase of NCS. In the twelve months ended December 31, 2009, DPM advanced $4.0 million to NCS in accordance with the agreement DPM signed with NCS in December 2008.

In June 2009, DPM completed the sale of its Back River exploration project in Nunavut to Sabina for a cash payment of $6.2 million (Cdn $7.0 million), 17 million Sabina common shares and 10 million Sabina Special Warrants.

The following table provides a summary of the Company's capital expenditures:

| *$ thousands* | Three Months | | Twelve Months | |
|---|---|---|---|---|
| **Ended December 31,** | **2010** | 2009 | **2010** | 2009 |
| Chelopech | **$ (17,562)** | $ (9,510) | **$ (47,495)** | $ (27,347) |
| Deno Gold | **(4,344)** | (1,861) | **(18,894)** | (6,067) |
| NCS | **(3,407)** | - | **(8,357)** | - |
| BMM | **(1,776)** | (909) | **(4,650)** | (1,001) |
| Other | **(27)** | (136) | **(334)** | (356) |
| Total capital expenditures | **$ (27,116)** | $ (12,416) | **$ (79,730)** | $ (34,771) |

Capital expenditures at Chelopech in the fourth quarter and twelve months of 2010 were, respectively, 85% and 74% higher than the corresponding prior year periods due to the ramp-up of the mine and mill expansion project in 2010. Capital expenditures at Deno Gold in the fourth quarter and twelve months of 2010 were significantly higher than the corresponding prior year periods due to the mine and mill expansion and land acquisition in 2010.

As at December 31, 2010, the Company had capitalized the following amounts (net of impairment provisions):

**Property, Plant and Equipment**

| *$ millions* | Acquisition Cost | Project Cost | Total Cost |
|---|---|---|---|
| Chelopech *(Bulgaria)* | $ 19.3 | $ 210.3 | $ 229.6 |
| Krumovgrad *(Bulgaria)* | 28.6 | 19.0 | 47.6 |
| Avala *(Serbia)* | 0.1 | 7.4 | 7.5 |
| Deno Gold *(Armenia)* | 34.7 | 76.8 | 111.5 |
| NCS *(Namibia)* | 46.3 | 8.4 | 54.7 |
| Corporate | - | 2.7 | 2.7 |
| Total | $ 129.0 | $ 324.6 | $ 453.6 |

An oxygen plant and other MPF related fixed assets owned by Chelopech have been reclassified to long term assets held for sale and the carrying value of these assets was $25.8 million at December 31, 2010. A property impairment provision of $2.3 million to write-down the carrying value of the oxygen plant to its estimated fair value less cost to sell was recorded in the fourth quarter of 2010.

A property impairment provision of $54.0 million to write-down the carrying value of the Chelopech MPF project to its estimated fair value was recorded in the first quarter of 2010, in response to the Bulgarian court's decision in April 2010 to revoke the MPF EIA resolution.

**Financing Activities**

*Cash provided by financing activities* in the fourth quarter and twelve months of 2010 totalled $26.1 million and $103.9 million, respectively, compared to *cash used in financing activities* of $1.6 million and $4.7 million in the corresponding prior year periods.

In the twelve months of 2010, debt and leases repayments were $2.4 million and $3.8 million, respectively, compared to $3.6 million and $1.1 million in the corresponding prior year periods.

On December 3, 2010, DPM and Chelopech finalized a $66.75 million long-term loan agreement with the EBRD and UCB. The proceeds from this loan agreement are to be used to refinance existing debt and to assist in the financing of the Chelopech mine and mill expansion. As of December 31, 2010, $44.25 million had been drawn under the facility, of which $16.25 million was used to refinance the existing EBRD debt. The proceeds from debt financing, net of fees and expenses, were $27.1 million.

On July 30, 2010, DPM concluded its previously announced agreement with PJV and Avala wherein it received a 50.3% direct controlling interest in Avala, 36.7 million warrants (including the April 2010 subscription of shares and warrants), $1.6 million in cash as well as Special Rights to acquire an additional 50 million Avala common shares for no additional consideration if certain events occur in exchange for DPM's Serbian subsidiary, Metali. Net proceeds on the sale of DPM's interest in Metali were $20.9 million.

In the first quarter of 2010, the Company completed an equity financing for gross proceeds of $64.8 million (Cdn$66.0 million). The equity financing consisted of the sale of 20,000,000 common shares at Cdn$3.30 per share. The proceeds, net of expenses and fees, were $62.0 million (Cdn$63.1 million).

## Mining and Processing Activities

### *Chelopech Gold/Copper Mine, Bulgaria*

The Chelopech mineral deposit lies in the northern part of the Panagyurishte mining district where a number of copper-bearing massive sulphide and porphyry copper deposits exist. Chelopech's Mining License covers an area of 266 hectares and includes the area of the Chelopech mining operation and the immediate surrounds. The Company owns the land upon which the facilities are constructed and operates under a concession agreement that was granted by the Republic of Bulgaria in 1999 for a period of 30 years.

The operating facilities include an underground mine and a mineral processing facility capable of processing approximately 3,000 tonnes of ore per day by comminution and flotation to produce a copper, gold and silver concentrate. Other facilities include a fully operational and permitted tailings dam, two head frames and hoists, two ventilation shafts, a trackless decline from surface, surface and underground workshops, and sufficient surface buildings and installations necessary to support current and future operations of the mine.

Concentrate is periodically hauled out in trucks to a rail loading station and dispatched to the Port of Bourgas for sea transportation to the Company's Tsumeb smelter in Namibia.

Key features of the ore mineralization are summarized below:

- the mineralization occurs within sulphide-rich zones of replacement silicification surrounded by haloes of silica-sericite alteration;
- the ore bodies, which formed as both complex branched bodies and discrete pipes, are grouped into two mining areas. The central zone consists of 11 ore bodies while the western zone comprises a further nine ore bodies. Of the total, seven are considered significant to the defined mineral resources;
- the mineralized zones vary from 150-300 metres in length, are 30-120 metres thick and can extend at least 350 metres down plunge; and
- there is good correlation between copper, gold and sulphur, thus indicating that the main phase of mineralization is, as observed, dominantly copper-gold-sulphur associated with pyrite (and other sulphides and arsenides).

An accelerated exploration program to increase reserves around the existing ore bodies was introduced in 2007. Independent exploration drives on both sides of the mine have been developed with the dual purpose of drilling the Chelopech "Deeps" program and providing access for grade control drilling. As a result of the increased exploration and dedicated access, a number of additional targets have been defined, new lodes have been identified and new discoveries made (e.g. Blocks 145, 147 and 150HW, respectively).

In July 2008, DPM agreed with the Bulgarian Government that Chelopech would replace its existing 1.5% fixed rate royalty (as per its Mining Concession Contract signed in 2004) with a royalty payable in accordance with the Bulgarian Ordinance on Royalty Computation which is calculated on a sliding scale rate of 2% to 8% at a profitability ratio of 10% to 60%. Under the terms of this agreement, the royalty amount computed in excess of the 1.5% fixed rate would not be payable until after construction of the planned MPF commenced.

In November 2009, a three-member panel of the Bulgarian court revoked the EIA resolution issued by the MoEET in July 2008 and returned the EIA administrative file to the MoEW for another review. The Company appealed this decision in front of an appellate court. A hearing before the appellate court took place on March 11, 2010 and on April 15, 2010, a five member panel of the Court, confirmed the decision of the three member panel of the Court finally revoking the EIA resolution.

In light of the Court's decision, it is unlikely that the MPF project will proceed. As a result, the July 2008 amendments to Chelopech's mining concession contract with the Bulgarian government, as they relate to the royalty provisions, no longer apply and no excess royalty above the 1.5% fixed rate is payable. The excess royalty accrual above the 1.5% was therefore reversed in the first quarter of 2010 and applied against the property impairment provision related to the MPF fixed assets. An MPF impairment provision of $50.6 million, net of reversal of accrued royalties, was recorded in the first quarter of 2010.

In March 2010, pursuant to its agreement between the Bulgarian government and DPM, Chelopech submitted for approval to the MoEET and MoEW its closure and rehabilitation plan covering the estimated closure and rehabilitation costs for the Chelopech mine. The plan was approved by the MoEET on April 15, 2010 and by the MoEW on May 21, 2010. Chelopech was the first mining company in Bulgaria to submit a closure and rehabilitation plan in compliance with the legal regulations on providing financial guarantees for closure and rehabilitation of mine sites. The total value of the closure and rehabilitation of mine site is estimated at 40.5 million Bulgarian leva (approximately $28 million). In the fourth quarter of 2010, the Company completed the financial assurance obligation for the Chelopech mine by submitting to the MoEET a mine closure and rehabilitation performance bond underwritten by a leading European insurance group covering the estimated cost of closure and rehabilitation of the mine, the industrial site and the tailings management facility.

Chelopech is presently expanding its mine and mill operations to approximately double its annual concentrate production capacity to 150,000 tonnes (the "Project"). The Project comprises: (i) the expansion of mine production capacity to 2.0 million tonnes of ore per year, including the installation of an underground crushing and conveying system and construction of a paste fill plant; (ii) the installation of a new SAG mill; and (iii) the modernization and upgrade of the existing concentrator. Management's expectations are that the Project will be completed in the fourth quarter of 2011. An updated life of mine plan, reflecting the expanded 2.0 million tonnes of ore per year mine rate, has been approved by the MoEET and MoEW.

In December 2008, Chelopech contracted with NCS, then a wholly owned subsidiary of WTI, for the sale of all or substantially all of its concentrate production through the year 2013. In July 2009, the concentrate purchase arrangement between NCS and Chelopech was extended from 2014 to, and including, the year 2020, giving Chelopech the right to sell up to 140,000 tonnes of concentrate per year to NCS in that period. On March 24, 2010, DPM completed the purchase of NCS from WTI.

Under the terms of an agreement (amended and extended during the second quarter of 2010) between LDC, Chelopech and NCS, all Chelopech concentrate, through to and including 2020, will be purchased by LDC for toll processing by NCS.

***Exploration Activities***

In the year 2010, an intensive underground exploration diamond drilling program of 27 kilometres was conducted, focusing on converting Blocks 145 and 147 into Measured and Indicated Resources, exploring the Chelopech North, Chelopech Western "Deeps" zones underneath Blocks 103, 150 and 151 and Chelopech South West. These areas were systematically defined through geological review and identified as having the highest potential for delivering reserves to the life of mine plan. In doing so, a new small economic discovery was defined in the hanging wall proximal to Block 150.

While exploration will continue in the year 2011 to better define the podiform nature of Block 145, drilling so far has defined the strike and up dip extents of Block 147. The 'down dip' extent of the massive to normal stockwork system still remains open and will be tested as mine development advances. While exploring north of Block 147, multiple mineralized zones of similar widths and mineralogy were intersected (Targets 181 and 182). On completion of Block 147 drilling, mining was commenced to extend existing development by a further 60 metres in order to get a better position to drill Targets 181 and 182.

Metallurgical evaluation of Blocks 145 and 147 have shown them to be of economic significance under the current processing flow sheet. Laboratory testwork indicated recovery ranges of 75% to 90% for copper and 35% to 79% for gold, respectively, for Block 145 and for Block 147, recoveries ranged from 67% to 91% for copper and from 41% to 73% for gold.

Exploration at Chelopech North commenced to the north and west of Block 19 following its trend towards Block 147 and Targets 181 and 182. To date, drilling has tested the area north of Block 19, defining the extents of known silica and mineralized zones. Drilling is planned to continue throughout the year 2011 in what has been identified as fertile ground for the discovery of lower tonnes (+500kt) and higher grade gold deposits (Block 149-type).

The evaluation of the Central "Deeps" program underneath Blocks 16, 18 and 19 has indicated that economic grades have been exhausted at depth with downhole geophysics confirming the absence of additional drill targets. The exploration focus was then transferred to the Western "Deeps" program which initially concentrated on Block 103. Further drilling tested the hanging wall of Block 150, in which earlier grade control drilling identified several high grade zones, situated 10 metres into the hanging wall of Block 150, with down dip extents of over 50 metres (from 220mRL to 100mRL), strike lengths of 40 metres and widths of 15 metres situated in the hanging wall. Significant results are presented below. Drilling continues to determine the continuity of mineralization and convert this discovery into reserves.

The first hole (EXT103_320_01) of an initial nine hole program to explore the Chelopech South West zone was completed during the fourth quarter of 2010. While no visible mineralization was intersected, the presence of argillic clay (dickite and koalinite), sericite and hematite alteration along with faulting within brecciated andesitic porphyry highlighted the similarities with the existing mining area and the continued potential for high tonnage, medium grade deposits, within the south west plunging 'corridor' that encompasses the current Chelopech mine. Drilling at Chelopech South West will continue during the year 2011 and holes will be prepared for further downhole geophysics, which will be conducted at the completion of drilling.

A total of seven holes (PTDD021 – 27) for 2,973.3 metres of diamond drilling were completed in the fourth quarter of 2010 at the Smolsko license, due north of Chelopech, in order to follow up the Chelopech North and Petrovden trend drilling results published in September 2008. Drilling on a 100 metre infill grid defined the presence of five separate narrow (3-10 metres) mineralized zones (brecciated and silicified volcanics hosting sulphides and +/-sulfosalts). The potential to convert these zones into economic reserves has been down-graded with further drilling deferred. Other areas of the Smolsko license are accessible from underground and will be drilled as part of the Chelopech North and South West programs.

**Blocks 145, 147, 150HW and Smolsko**
**Significant intercept results received in the fourth quarter of 2010**

| | | | | | Grades | |
|---|---|---|---|---|---|---|
| **Block** | **Hole ID** | **From** *(m)* | **To** *(m)* | **Interval** *(m)* | **Cu** *(%)* | **Au** *(g/t)* |
| 145 | EXT145_260_17 | 181.5 | 190.5 | 9.0 | 1.12 | 5.35 |
| 145 | EXT145_260_17 | 292.5 | 316.5 | 24.0 | 1.37 | 8.12 |
| 145 | EXT145_260_21 | 90.0 | 108.0 | 18.0 | 2.23 | 4.16 |
| 147 | 149_225_90 | 225.0 | 238.6 | 13.6 | 0.17 | 7.74 |
| 147 | 149_225_91 | 232.5 | 239.4 | 6.9 | 0.14 | 4.68 |
| 147 | 149_225_92 | 249.0 | 256.5 | 7.5 | 0.13 | 11.25 |
| 147 | 149_225_94 | 261.0 | 273.0 | 12.0 | 0.36 | 21.78 |
| 147 | 149_225_96 | 204.8 | 211.5 | 6.7 | 1.25 | 11.59 |
| 150HW | G150_200_04 | 123.0 | 195.0 | 72.0 | 0.43 | 8.32 |
| 150HW | G150_225_01 | 90.0 | 129.0 | 39.0 | 0.18 | 7.20 |
| 150HW | G150_225_02 | 76.5 | 114.0 | 37.5 | 0.28 | 4.36 |
| 150HW | G150_225_02 | 120.0 | 135.0 | 15.0 | 0.64 | 5.48 |
| 150HW | G150_225_06 | 82.5 | 141.0 | 58.5 | 0.48 | 6.86 |
| SMO | PTDD025 | 112.0 | 116.0 | 4.0 | 0.00 | 8.26 |
| SMO | PTDD026 | 254.6 | 257.0 | 2.4 | 0.83 | 4.89 |

The information above has been prepared under the supervision of Dr. Julian Barnes, a Qualified Person within the meaning of National Instrument 43-101 ("NI 43-101") and independent of the Company.

### Sampling and Analysis

All drill core is sampled in intervals up to a maximum of 3 metres, with 1.5 metre sample intervals being the common length within mineralized zones. The dimensions of the mineralized zones far exceed the standard sample length. Two sizes of core are drilled, that being NQ and BQ for exploration and development drilling, respectively. NQ core is cut by diamond saw, with half core samples submitted for assaying and the residual half core is retained in aluminium core trays while, all BQ core samples are for analysis as whole core. All drill core is photographed. Following DPM Exploration standard procedures, a full suite of field and laboratory duplicates and replicates along with internationally accredited standards have been submitted with each batch of samples. Diamond drill core has been prepared and assayed at the SGS managed laboratory at Chelopech in Bulgaria. Samples are routinely assayed for copper, gold, silver, sulphur and arsenic.

Sample tickets are entered into the bags with a numbering system, which reconciles sample and assayed results in the Acquire database. The average core recovery within the modelled resource constraints is 98.5% and 92% in waste. The weight of a core sample varies between 3kg and 7kg.

### Mineral Reserves and Resources

The Chelopech Mineral Resources, as of September 2010, are set out below.

| **Mineral Resources** | | **Gold** | | **Silver** | | **Copper** | |
|---|---|---|---|---|---|---|---|
| | Tonnes *(million)* | Grade *(g/t)* | Ounces *(M)* | Grade *(g/t)* | Ounces *(M)* | Grade *(%)* | Lbs *(M)* |
| Measured | 15.84 | 4.2 | 2.14 | 10.9 | 5.55 | 1.6 | 558.7 |
| Indicated | 12.70 | 4.0 | 1.63 | 7.2 | 2.94 | 1.1 | 307.9 |
| Measured and Indicated | 28.54 | 4.1 | 3.77 | 9.1 | 8.49 | 1.4 | 866.6 |
| Inferred | 8.10 | 2.9 | 0.76 | 10.3 | 2.68 | 0.9 | 160.7 |

*(1) The rounding of tonnage and grade figures has resulted in some columns showing relatively minor discrepancies in sum totals.*

*(2) All Mineral Resource Estimates have been determined and reported in accordance with NI 43-101 and the classification adopted by the Canadian Institute of Mining ("CIM") Council in August 2000.*

*(3) Cut-off Grade @ 3.2g/t Gold Equivalent is based on the following formula: (Au g/t + 2.5xCu%). The Mineral Resource has been depleted as of September 30, 2010. Resource estimates are based on various other assumptions and key parameters and are subject to risks as more fully described in the supporting technical report (see note 4).*

*(4) The "Chelopech Cu-Au Resource and Reserve, Bulgaria, Technical Report for the Chelopech Project" is currently being prepared by Brian R. Wolfe from Coffey Mining Pty ltd. ("Coffey") and Gordon Fellows from Chelopech Mining, both of whom are Qualified Persons under NI 43-101. The former is independent of the Company. The report will be filed on Sedar at www.sedar.com by March 31, 2011.*

*(5) The information in the above table has been prepared under the supervision of Dr. Julian Barnes, a Qualified Person within the meaning of NI 43-101 and independent of the Company.*

The Chelopech Mineral Reserves, as of January 1, 2011, are set out below.

| **Mineral Reserves** | | **Gold** | | **Copper** | |
|---|---|---|---|---|---|
| | Tonnes *(million)* | Grade *(g/t)* | Ounces *(M)* | Grade *(%)* | Lbs *(M)* |
| Proven | 14.59 | 3.66 | 1.72 | 1.37 | 439 |
| Probable | 6.26 | 4.37 | 0.88 | 1.04 | 144 |
| Total Reserves | 20.85 | 3.87 | 2.60 | 1.27 | 583 |

*(1) The rounding of tonnage and grade figures has resulted in some columns showing relatively minor discrepancies in sum totals.*

*(2) All Mineral Reserve Estimates have been determined and reported in accordance with NI 43-101 and the classifications adopted by the CIM Council in August 2000.*

*(3) All Mineral Reserves are completely included within the quoted Mineral Resources.*

*(4) NSR cut-off is +$10/t; the average sulphur content in mill feed is 14.0%; Mineral Reserves are depleted, and are based on metal prices of $900/oz gold and copper price of $2.50/lb; metallurgical recoveries are based on current and modelled algorithms for each block. The weighted average recoveries are 84.4%CuRec, 54.89%AuRec and 21.48%AgRec. Smelting and Transport costs are $189/t and $139/t, respectively with smelter recoveries of 93%AuRec, 94%CuRec and 90%AgRec. Reserve estimates are based on various other assumptions and key parameters and are subject to risks as more fully described in the supporting technical report (see note 5).*

*(5) The "Chelopech Cu-Au Resource and Reserve, Bulgaria, Technical Report for the Chelopech Project" is currently being prepared by Brian R. Wolfe from Coffey and Gordon Fellows from Chelopech Mining, both of whom are Qualified Persons under NI 43-101. The former is independent of the Company. The report will be filed on Sedar at www.sedar.com by March 31, 2011.*

*(6) The information in the above table has been prepared under the supervision of Dr. Julian Barnes, a Qualified Person within the meaning of NI 43-101 and independent of the Company.*

*Definition of Mineral Resource and Reserve*

The Mineral Resource and Reserve estimate has been performed in compliance with the NI 43-101 and as defined by the CIM Standards. According to the standards, a Mineral Resource is defined as "a concentration or occurrence of base and/or precious metals in or on the earth's crust in such form and quantity and of such grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge". A Mineral Reserve is defined as "the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This Study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined" (CIM Definitions Standards November 27, 2010).

*Scientific and Technical Data*

Since the 2008 Mineral Resource and 2009 Mineral Reserve estimate had been computed, additional drilling, development and mapping have better defined the resources at depth while, the updated reserves have been calculated using the newly adopted net smelter return ("NSR") methodology instead of the previously practised single cut-off grade and Mineable Reserves Optimizer ("MRO") analysis.

The Mineral Resource estimate is based on a single cut-off grade of 3.2g/tAuEq using a gold equivalent formula of AuEq = 2.5xCu + Au with wireframes based on geological and grade continuity (>3g/tAuEq). On evaluation of the results and comparison with the 2008 Mineral Resource estimate, not taking into consideration the mined out material from the period between the estimates, the tonnes were reduced by 22% for Measured and Indicated Resources and 21% for Inferred Resources. Gold and copper grades increased by 8% and 9%, respectively, for Measured and Indicated Resources, while Inferred Resources saw a 7% increase in gold grade and no change to copper grade compared to the 2008 Mineral Resource. Gold and copper metal decreased by 12% and 11% for Measured and Indicated Resources while, down 13% and 21% for Inferred Resources, respectively.

Primarily, the changes in the Mineral Resource estimate compared to the 2008 Mineral Resource have been attributed to a number of factors including an updated void model, additional drilling and improved ore body delineation. At depth, Blocks 16, 18, 19 and 151 were better constrained due to the "Deeps" drilling while grade control drilling tightened the boundaries of Blocks 19 and 151. Additional Mineral Resources with higher gold grades were gained from Blocks 145, 147 and 149 while, in areas where the Mineral Resource wireframes were expanded, more low-grade material was included inside the modeled wireframe, which resulted in a lower overall grade estimate and a reduction in the volume influenced by higher grade intersections.

For the January 1, 2011, Mineral Reserve estimate, DPM applied the NSR methodology with designed stopes and development instead of a single cut-off grade and MRO analysis. This approach was adopted after the completion of a "hill of values" study in 2009 conducted by Coffey. It was shown that the break-even grade of Block 151 is significantly higher than the other mining blocks. This implies the use of a single mine cut-off grade was not the economic optimum.

NSR refers to the revenues expected from the mill feed, taking into consideration metal prices, mill and smelter recoveries, concentrate grades, transportation costs of the concentrate to the smelter, treatment and refining charges, and other deductions at the smelter. There are numerous benefits of a net smelter return model compared to a single metal cut off grade approach. These benefits include a) polymetallic ores can be converted into a dollar per tonne variable; b) investigation of the potential viability of selected reserve blocks can be quickly assessed; c) the profitability of planned stopes can be assessed as a daily task; d) the effect of commodity price fluctuations can be quickly applied to the reserve model and e) minimum profit per tonne appraisals can be easily applied prior to a decision to mine a stope.

Limitations of the NSR block valuation approach include a tendency to smooth the statistical distribution of block values, relative to the statistical distribution of the copper, gold and additional element block estimates.

Recovery algorithms used for the Mineral Reserve estimate are based on the current Chelopech operation using gold, copper, silver and sulphur grades, DPM long term metal price forecasts for gold of $900 per ounce, for copper of $2.50 per pound and for silver $17 per ounce and smelter costs and transport costs of $185 per tonne and $139 per tonne, respectively. Also, based on the results presented by Coffey, a fair and responsible cut-off grade that balances economic risk and mine life was chosen at +$10 per tonne.

Therefore, due to the higher than average sulphur content of Block 151, recoveries are lower compared to all other blocks, hence a higher grade cut-off should be applied. The NSR methodology automatically takes this into account while previous reserves did not. To illustrate the difference in recoveries, Blocks 19 and 150 return an average recovery range of 86-88% for copper and 63-66% for gold while Block 151 has an average recovery of 82% for copper and 47% for gold.

This change in methodology from a single cut-off of 3.2g/tAuEq to an NSR model has therefore reduced the Mineral Reserves of Block 151 by 3%, compared to the 2009 Mineral Reserves. A majority of the uneconomical material in Block 151 under NSR methodology is in the lower levels where gold and sulphur grades are high (>4g/tAu and >23%S) and copper grades are low (<0.5%Cu). Petrological and metallurgical analysis is planned to determine if changes to the current processing workflow can occur, in order to convert this material to Mineral Reserves.

A direct comparison between the 2009 and 2010 Proven Reserves saw a tonnage increase of 34% and a drop in gold and copper grade of 4% and 2%, respectively. This resulted in an increase in gold and copper metal of 32% and 29%, respectively. Probable Reserves, on the other hand, dropped with tonnes down 49%, gold grade up 28%, copper grade down 5% and gold and copper metal both down 32% and 52%, respectively. This change in Proven and Probable Reserves was due to the increase in the amount of capital and ore development conducted in 2010, in order to ramp up production to 2 million tonnes per annum. The definition used for Probable Reserves is defined as designed stopes and development that lies more than 15 metres (1/2 stope height) below any level with crosscutting ore development. Data was unavailable to compare the Proven and Probable Reserves separately, taking into account what was mined out between the 2009 and 2010 Mineral Reserve.

However, when taking into consideration the mined out material between Mineral Reserve estimates, the total Chelopech Mineral Reserve (Proven and Probable) result is positive. The 2010 Mineral Reserve contains 4% less tonnes, a 7% increase in gold grade and a 2% increase in gold metal, a 7% increase in copper grade and a 1% decrease in copper metal. These differences are attributed to the updated voids model and additional exploration and grade control drilling which has better defined the extents and boundaries of Blocks 19, 103, 150, 151 and 149 while new discoveries, Blocks 145 and 147, added high-grade gold Mineral Reserves.

*Risks and Uncertainties*

See the "Risks and Uncertainties" section of the MD&A for a discussion on the risks related to Mineral Resources and Reserves and the "Cautionary Note Regarding Forward-Looking Statements" section for cautionary note concerning estimates of Measured, Indicated and Inferred Resources.

**Chelopech - Production, Costs, Deliveries and Net Revenue**

| | Three Months | | Twelve Months | |
|---|---|---|---|---|
| **Ended December 31,** | **2010** | 2009 | **2010** | 2009 |
| Ore mined *(mt)* | **274,399** | 227,725 | **1,088,431** | 957,043 |
| Ore processed *(mt)* | **249,154** | 239,947 | **1,000,781** | 980,928 |
| Head grade *(ore milled)* | | | | |
| Copper *(%)* | **1.56** | 1.26 | **1.46** | 1.39 |
| Gold *(g/mt)* | **3.93** | 3.62 | **3.86** | 4.34 |
| Silver *(g/mt)* | **7.36** | 8.75 | **8.74** | 7.87 |
| Concentrate produced *(mt)* | **20,259** | 15,634 | **75,278** | 71,657 |
| Metals contained in concentrate produced | | | | |
| Copper *(lbs)* | **7,416,985** | 5,685,837 | **27,482,687** | 26,155,662 |
| Copper *(% recovered)* | **86.3** | 85.1 | **85.4** | 87.2 |
| Gold *(ounces)* | **17,996** | 14,509 | **65,512** | 88,433 |
| Gold *(% recovered)* | **57.1** | 52.0 | **52.8** | 64.6 |
| Silver *(ounces)* | **24,653** | 24,892 | **113,078** | 118,073 |
| Silver *(% recovered)* | **41.8** | 36.9 | **40.2** | 47.6 |
| Cash cost per tonne of ore processed: | | | | |
| including royalties (1),(3) | **$ 61.66** | $ 71.61 | **$ 56.22** | $ 61.00 |
| excluding royalties (1),(3) | **$ 56.34** | $ 65.26 | **$ 51.54** | $ 55.23 |
| Cash cost per pound of copper in concentrate produced (1),(2),(3) | **$ 1.08** | $ 1.56 | **$ 1.06** | $ 0.95 |
| Cash cost per ounce of gold in concentrate produced (1),(2),(3) | **$ 374** | $ 543 | **$ 379** | $ 375 |
| Value of payable metals sold ($000) (6) | **$ 42,479** | $ 39,718 | **$ 158,024** | $ 153,884 |
| Net Revenue ($000) (4),(5) | **$ 31,607** | $ 30,001 | **$ 113,793** | $ 118,401 |
| Deliveries | | | | |
| Concentrate *(dmt)* | **17,883** | 17,791 | **73,061** | 75,542 |
| Copper in concentrate *(lbs)* (7) | **6,130,685** | 6,063,419 | **24,970,472** | 25,974,972 |
| Gold in concentrate (ounces) (7) | **13,076** | 18,833 | **58,065** | 93,081 |
| Silver in concentrate *(ounces)* (7) | **21,380** | 26,492 | **103,272** | 122,358 |

*(1) Costs are reported in U.S. dollars for the purpose of comparing costs to revenues, though the majority of costs incurred are denominated in non-U.S. dollars. Cash costs consist of all production related expenses including mining, processing, services, royalties (paid and accrued) and general and administrative costs.*

*(2) Gold and copper are accounted for as co-products. Copper units are converted into gold units using the ratio of the average gold value to the average copper value for the period. Total cash costs are net of by-product silver sales revenue.*

*(3) Cash cost per tonne of ore processed, cash cost per pound of copper in concentrate produced and cash cost per ounce of gold in concentrate produced are non-GAAP measures. A reconciliation of these non-GAAP measures is shown in the table entitled "Reconciliation of Non-GAAP Measures to Canadian GAAP Cost of Sales" under "Non-GAAP Financial Measures" below.*

*(4) Deductions from the value of payable metals sold are made for treatment charges, penalties, transportation and other selling costs to arrive at the value received for concentrate sold.*

*(5) Included in net revenue are mark-to-market adjustments and final settlements related to provisionally priced sales. Net unfavourable adjustments and final settlements of $0.5 million were recorded in the fourth quarter of 2010 compared with net favourable adjustments and final settlements of $0.4 million in the corresponding prior year period. Net unfavourable adjustments and final settlements of $3.0 million were recorded in the twelve months of 2010 compared with net favourable adjustments and final settlements of $6.0 million in the corresponding prior year period. There were $nil losses or gains on copper derivatives in the fourth quarter and twelve months of 2010 whereas net losses of $0.3 million and $3.1 million were recorded in the corresponding prior year periods, respectively. Excludes net losses on copper derivatives entered into by DPM on behalf of Chelopech of $0.2 million and $1.2 million in fourth quarter and twelve months of 2009, respectively.*

*(6) Excludes mark-to-market adjustments and final settlements related to provisionally priced sales and gain or loss on copper derivatives.*

*(7) Represents payable metals in concentrate sold based on provisional invoices.*

## Production

Total tonnes of ore mined in the fourth quarter and twelve months of 2010 of 274,399 tonnes and 1,088,431 tonnes were, respectively, 20% and 14% higher than the corresponding prior year periods due to operational optimizations.

Total tonnes of ore processed in the fourth quarter and twelve months of 2010 of 249,154 tonnes and 1,000,781 tonnes were, respectively, 4% and 2% higher than the corresponding prior year periods. The ore stock pile inventory has been increased, year over year, in anticipation of the commissioning of the upgraded concentrator in January 2011.

Concentrate production in the fourth quarter of 2010 of 20,259 tonnes was 30% higher than the corresponding prior year period due to higher copper grades and recoveries. Concentrate production in the twelve months of 2010 of 75,278 tonnes was 5% higher than the corresponding prior year period due to higher copper grades partially offset by lower copper recoveries.

Copper contained in concentrate produced in the fourth quarter and twelve months of 2010 of 7.4 million pounds and 27.5 million pounds were, respectively, 30% and 5% higher than the corresponding prior year periods due primarily to higher grades and higher recoveries in the fourth quarter of 2010. Gold contained in concentrate produced in the fourth quarter of 2010 of 17,996 ounces was 24% higher than the corresponding prior year period due to higher grades and recoveries. Gold contained in concentrate produced in the twelve months of 2010 of 65,512 ounces was 26% lower than the corresponding prior year period due to lower grades and recoveries. Gold recoveries in the twelve months of 2010 were adversely impacted by the processing of high sulphur to copper ratio ore (Block 151). Material mined in the twelve months of 2009 contained lower sulphur to copper ratio ore resulting in higher recoveries. Copper and gold grades and metal recoveries will vary from period to period depending on the area that is being mined.

Unprocessed ore stock piles at surface totalled 94,827 tonnes at December 31, 2010, up from 7,176 tonnes at December 31, 2009. Inventory of concentrates totalled 7,250 tonnes at December 31, 2010, up from 5,032 tonnes at December 31, 2009.

## Cash Cost per Tonne of Ore Processed

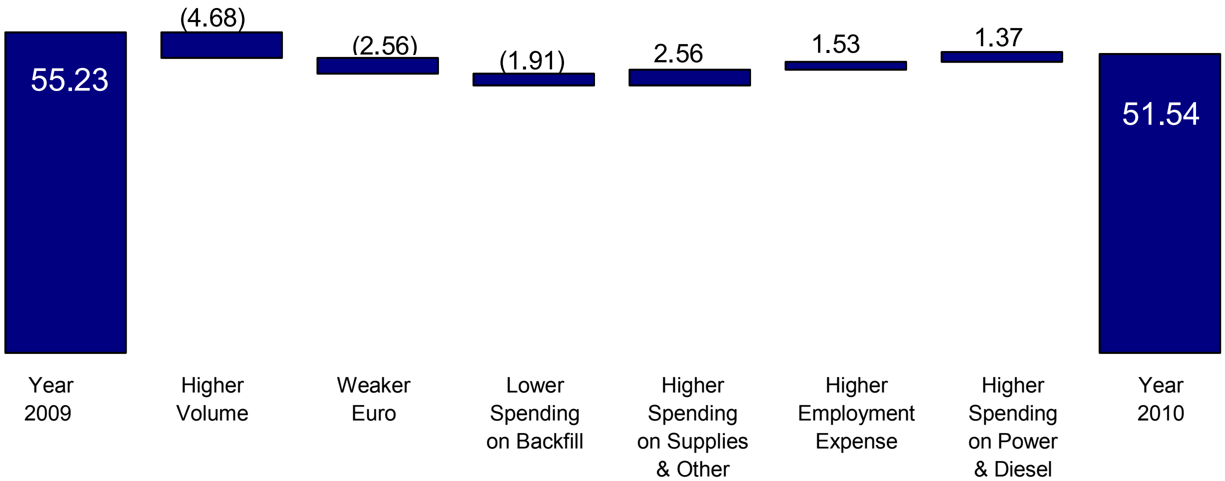
Cash cost per tonne of ore processed[1], excluding royalties, at Chelopech in the fourth quarter of 2010 of $56.34 was 14% lower than the corresponding prior year period cash cost per tonne of ore processed[1], excluding royalties, of $65.26 due to higher volume of material mined and processed, the favourable impact of an 8% depreciation of the Euro relative to the U.S. dollar period over period and lower cement usage in backfill activities partially offset by higher consumption of and prices for power and diesel, higher employment expenses and increased maintenance costs. Cash cost per tonne of ore processed[1], including royalties, at Chelopech in the fourth quarter of 2010 of $61.66 was 14% lower than fourth quarter of 2009 cash cost per tonne of ore processed[1], including royalties, of $71.61.

Cash cost per tonne of ore processed[1], excluding royalties, at Chelopech in the twelve months of 2010 of $51.54 was 7% lower than the corresponding prior year period cash cost per tonne of ore processed[1], excluding royalties, of $55.23 due primarily to higher volume of material mined and processed, the favourable impact of a weaker Euro relative to the U.S. dollar, period over period, and lower cement usage in backfill activities partially offset by higher spending on supplies and services, higher employment expenses and increased prices for and consumption of power and fuels. Cash cost per tonne of ore processed[1], including royalties, at Chelopech in the twelve months of 2010 of $56.22 was 8% lower than the corresponding prior year period cash cost per tonne of ore processed[1], including royalties, of $61.00.

[1] Cash cost per tonne ore processed is a non-GAAP measure. A reconciliation of the Company's cash cost per tonne ore processed to cost of sales under Canadian GAAP for the years 2010 and 2009 is shown in the table entitled "Non-GAAP Financial Measures."

**Principal factors affecting the year 2010 unit cash cost per tonne of ore processed[1], excluding royalties, in comparison with the year 2009:**

*$ per tonne*
*Increase/ (decrease)*




**Project Development**

*Mine/Mill Expansion Project*

Chelopech is presently expanding its mine and mill operations to approximately double its annual concentrate production capacity to 150,000 tonnes, containing on average, from 2012 to 2017, 50.7 million pounds of copper and 148,000 ounces of gold. The Project comprises: (i) the expansion of mine production capacity to 2.0 million tonnes of ore per year, including the installation of an underground crushing and conveying system, upgrade of the mine ventilation system and construction of a paste fill plant, (ii) the installation of a new SAG mill, and (iii) the modernization and upgrade of the existing concentrator. It is expected that the Project will be completed in the fourth quarter of 2011. An updated life of mine plan, reflecting the expanded 2.0 million tonnes of ore per year mine rate, was approved by the MoEET and the MoEW.

The implementation of the mine and mill expansion comprises four main phases: (i) pre-construction, (ii) construction, (iii) pre-operation, and (iv) operations. The endorsements, approvals, permits and/or licenses required for each of the four phases are detailed in the NI 43-101 technical report for the Chelopech Project dated January 22, 2010 which has been filed on Sedar.

As at December 31, 2010, the Company had invested $81.2 million in the Project and the estimated cost to complete the Project was $69.2 million. The capital cost includes owner's costs and contingency but excludes special projects associated with ongoing operations and sustaining capital. Following commissioning, the unit operating cost for the expanded facility is expected to decrease by approximately 40% relative to the year 2009 average cash cost per tonne of ore processed.

The paste fill plant, which was commissioned at the end of September 2010, is fully operational and is already an integral part of the operational circuit. The primary construction activity in the fourth quarter of 2010 was the completion of the installation of various facets of the concentrator upgrade in readiness for the commissioning scheduled for January 2011. Work related to the concentrator upgrade in the fourth quarter of 2010 included the installation of major equipment (SAG mill, flotation capacity and conveyors), process control system, water and power supply, development of the commissioning plan and assembly of commissioning team. The change-over to the new circuits was completed in January 2011 and the

[1] Cash cost per tonne ore processed is a non-GAAP measure. A reconciliation of the Company's cash cost per tonne ore processed to cost of sales under Canadian GAAP for the years of 2010 and 2009 is shown in the table entitled "Non-GAAP Financial Measures."

upgraded concentrator has been operational since early February 2011. The successful commissioning of the upgraded concentrator represents a critical milestone in the expansion of the mine and mill.

The underground crushing and conveying project commenced in January 2010, with hard rock mining of an inclined tunnel (the "Vyara" incline). The tunnel will be 4,295 metres long and approximately 5 metres in diameter lined with fibrecrete. It is mined by drilling and blasting at an inclined angle of 16%. Seven conveyors are to be installed in the inclined tunnel and an underground crusher will be situated at the bottom end of the tunnel on level 165. Tunnelling works have been in progress from three headings since late 2009. A fourth heading from surface was commenced in late September 2010 following the completion of the surface portal. As at December 31, 2010, approximately 60% of the required 4,295 metres of tunnelling for the conveyor drives had been completed.

Work on engineering of the ore passes, transfer stations, crushing station and all mechanical, electrical and instrumentation works is on schedule. Detailed engineering drawings of the first phase of the underground crusher/conveyor project were completed and shop detailing commenced in January 2011. All long lead time equipment has been ordered.

Another important section of the new crusher/conveying/milling circuit is the above ground stockpile and the reclaim facility. Crushed ore from underground will be deposited on to the stockpile, collected via a reclaim conveyor and fed on to the surface conveyor system and to the mill. Subject to issue of a construction permit, construction may commence after the existing run-of-mine pad is cleared, following start-up of the new mill equipment.

***Deno Gold Copper/Gold/Zinc Mine, Armenia***

The Deno Gold operations are situated in the town of Kapan, which is located approximately 320 kilometres south east of Yerevan, the capital city of the Republic of Armenia ("RA").

Deno Gold's underground mining operation is located on the Shahumyan concession. The complex includes two primary crushing stations, a processing plant (which historically processed in excess of one million tonnes of ore per year) and various infrastructure facilities that were built to support the operation. The processing plant produces two concentrates, a copper concentrate with high grade gold and silver, and a zinc concentrate, by staged flotation. Both concentrates are transported by road to the town of Ararat (60 kilometres south of Yerevan) where they are offloaded onto a rail system for transport to the Black Sea via Georgia. The Shahumyan deposit does not contain material quantities of deleterious elements which would incur penalties in the treatment of concentrate.

Deno Gold operates the Shahumyan mine under a 25 year license agreement, in effect since 1995. Initially, under the license agreement, Deno Gold was given the right to develop and mine the Shahumyan and Centralni mine concessions until 2010 and 2017, respectively. However, in an agreement reached on January 15, 2009 between Deno Gold and the RA's Ministry, amongst other things, it was agreed:

(i) in accordance with the requirements of RA Law on Concessions, Deno Gold's Shahumyan mine license will be extended for an additional 12 years to 2032 and the license agreement will be extended to the full extent of the mining license,

(ii) the annual mine production schedule, as defined by the license agreement, will be a minimum of 300,000 tonnes (subject to automatic adjustment in the event of unusual economic hardship including exceptionally low metal prices), and

(iii) the Centralni licence will be terminated and all contractual responsibility of Deno Gold, in its entirety, with respect to such license will be waived with the exception of certain very limited reclamation/re-cultivation works and the preparation and implementation of a mine underground closure and conservation plan, all in compliance with RA legislation. The waiving certificate given on March 26, 2009 has become effective on January 24, 2011.

Deno Gold is required to pay a royalty in each quarter it has achieved a profitability margin in excess of 25% of total revenues for the period, all calculated in accordance with RA legislation. The royalty payable is equal to 0.1% of the sales revenue for the period multiplied by a factor equal to the number of points the profitability is in excess of 25% for the period divided by 0.8.

Deno Gold has agreed commercial terms for the sale of all its zinc and copper concentrates production for the year 2011.

**Mineral Resource Estimate**

As part of a requirement to update the reserves periodically, the underground resource was revaluated, in country by Geoeconomica, and approved by the RA State Reserve Committee in 2009. Geoeconomica is a group of consultants under the Minister of Energy and Natural Resources that performs mining project work in compliance with Armenian legislation. This reserve estimate concentrates on the mining of narrow vein resources and is currently being utilized in the underground development in conjunction with updated drilling.

The Mineral Resource estimate for the pitable Shahumyan deposit was prepared by Coffey using an historical database containing approximately 291 kilometres of diamond drilling, 18 kilometres of development channel sampling, 40 kilometres of vein channel sampling and 6 kilometres of more recent non-DPM small diameter diamond drilling. In addition, 12,833 metres of diamond drilling, completed and supervised by DPM, was used as a reference data set in statistical analysis during the resource estimate. Coffey used a series of estimation constraints including an initial mineralization indicator kriging estimation pass to identify blocks containing mineralization, followed by 'cutting' of 'outlier' grade samples (7% Cu, 25g/t Au, 20% Zn and 300g/t Ag) and a multi pass estimation process wherein the higher grade population (defined as greater than 3.5% Cu, 10g/t Au, 10% Zn and 120g/t Ag) was omitted from all but the initial close range estimation pass. The grade estimate was classified as an Inferred Mineral Resource in accordance with the CIM guidelines and reported in accordance with NI 43-101. The Coffey resource estimate shows that a very significant, potentially open-pitable, polymetallic resource exists at Shahumyan.

**Shahumyan Deposit**

**Inferred Mineral Resource – Ordinary Kriging Estimate as of September 2008**
*10mE x 10mN x 10mRL Block Size – 5m Capped Input Composite Data*

| **Cutoff** (AuEq - g/t) | **Tonnage** (Mt) | **Gold Equiv.** (g/t) | **Copper** (%) | **Gold** (g/t) | **Silver** (g/t) | **Zinc** (%) |
|---|---|---|---|---|---|---|
| 0.50 | 335.8 | 1.19 | 0.11 | 0.48 | 8.39 | 0.41 |
| 0.75 | 226.5 | 1.47 | 0.13 | 0.61 | 10.32 | 0.49 |
| 1.00 | 147.1 | 1.80 | 0.15 | 0.79 | 12.62 | 0.57 |
| 1.25 | 98.3 | 2.14 | 0.17 | 0.99 | 14.99 | 0.65 |
| 1.50 | 69.8 | 2.45 | 0.18 | 1.19 | 17.00 | 0.72 |
| 1.75 | 49.2 | 2.80 | 0.19 | 1.43 | 19.14 | 0.78 |
| 2.00 | 36.3 | 3.13 | 0.19 | 1.68 | 20.87 | 0.83 |

*Note: AuEq US$ price assumptions: Cu $5,511.6/t, Au $850/oz, Ag $16/oz and Zn $2,204.6/t. The resource estimate is based on various assumptions and key parameters and are subject to risks as more fully described in the supporting technical report (see note 1).*

*(1) The "Technical Report for the Shahumyan Deposit" prepared by Coffey, in accordance with NI 43-101, was filed on SEDAR on March 31, 2009.*

*(2) The information in the above table has been prepared under the supervision of Dr. Julian Barnes, a Qualified Person within the meaning of NI 43-101 and independent of the Company.*

**Deno Gold - Production, Costs, Deliveries and Net Revenue**

| | Three Months | | Twelve Months | |
|---|---|---|---|---|
| **Ended December 31,** | **2010** | 2009 | **2010** | 2009[8] |
| Ore mined *(mt)* | **135,114** | 84,342 | **427,181** | 220,599 |
| Ore processed *(mt)* | **136,256** | 83,982 | **428,865** | 218,235 |
| Head grade *(ore milled)* | | | | |
| Copper *(%)* | **0.34** | 0.35 | **0.34** | 0.35 |
| Gold *(g/mt)* | **2.25** | 2.25 | **2.33** | 2.36 |
| Zinc *(%)* | **2.34** | 2.12 | **2.22** | 2.08 |
| Silver *(g/mt)* | **45.18** | 38.55 | **42.14** | 47.03 |
| Concentrate produced *(mt)* | | | | |
| Copper | **2,161** | 1,213 | **6,396** | 3,155 |
| Zinc | **4,808** | 2,786 | **14,361** | 6,989 |
| Metals contained in concentrate produced | | | | |
| Copper *(lbs)* | **932,643** | 587,426 | **2,890,094** | 1,527,200 |
| Copper *(% recovered)* | **91.4** | 90.7 | **90.9** | 90.6 |
| Gold *(ounces)* | **9,034** | 5,557 | **29,216** | 14,837 |
| Gold *(% recovered)* | **91.6** | 91.6 | **90.8** | 89.6 |
| Zinc *(lbs)* | **6,379,742** | 3,603,542 | **19,089,390** | 9,166,316 |
| Zinc *(% recovered)* | **90.9** | 91.8 | **91.0** | 91.5 |
| Silver *(ounces)* | **178,508** | 95,040 | **527,376** | 289,700 |
| Silver *(% recovered)* | **90.2** | 91.3 | **90.8** | 87.8 |
| Cash cost per tonne of ore processed, including royalties[(1),(3)] | **$ 69.87** | $ N/A | **$ 70.31** | $ N/A |
| Cash cost per tonne of ore processed, excluding royalties[(1),(3)] | **$ 63.66** | $ 72.01 | **$ 66.33** | $ 72.27 |
| Cash cost per pound of copper in concentrate produced[(1),(2),(3)] | **$ 0.83** | $ 1.13 | **$ 1.01** | $ 1.13 |
| Cash cost per ounce of gold in concentrate produced[(1),(2),(3)] | **$ 287** | $ 415 | **$ 364** | $ 426 |
| Cash cost per pound of zinc in concentrate produced[(1),(2),(3)] | **$ 0.22** | $ 0.39 | **$ 0.29** | $ 0.36 |
| Value of payable metals sold *($000)*[(6)] | **$ 19,792** | $ 14,883 | **$ 55,702** | $ 24,993 |
| Net Revenue ($000)[(4),(5)] | **$ 17,096** | $ 12,336 | **$ 46,501** | $ 20,381 |
| Deliveries | | | | |
| Copper concentrate *(dmt)* | **1,828** | 1,634 | **5,478** | 2,557 |
| Zinc concentrate *(dmt)* | **3,635** | 3,584 | **12,618** | 8,076 |
| Copper in concentrate *(lbs)*[(7)] | **773,893** | 758,231 | **2,393,554** | 1,195,472 |
| Gold in concentrate *(ounces)*[(7)] | **7,393** | 6,707 | **22,287** | 11,233 |
| Zinc in concentrate *(lbs)*[(7)] | **4,114,150** | 3,889,493 | **14,252,146** | 8,793,685 |
| Silver in concentrate *(ounces)*[(7)] | **129,176** | 101,434 | **367,463** | 185,886 |

(1) *Costs are reported in U.S. dollars for the purpose of comparing costs to revenues, though the majority of costs incurred are denominated in non-U.S. dollars. Cash costs consist of all production related expenses including mining, processing, services, royalties and general and administrative costs.*

(2) *Gold, copper and zinc are accounted for as co-products. Copper and zinc units are converted into gold units using the ratio of the average gold value to the average copper and zinc values for the period. Total cash costs are net of by-product silver sales revenue.*

(3) *Cash cost per tonne of ore processed, cash cost per pound of copper in concentrate produced, cash cost per ounce of gold in concentrate produced and cash cost per pound of zinc in concentrate produced are non-GAAP measures. A reconciliation of these non-GAAP measures is shown in the table entitled "Reconciliation of Non-GAAP Measures to Canadian GAAP Cost of Sales" under "Non-GAAP Financial Measures" below.*

(4) *Deductions from the value of payable metals sold are made for treatment charges, penalties, transportation and other selling costs to arrive at the value received for concentrate sold.*

(5) *Included in net revenue are mark-to-market adjustments and final settlements related to provisionally priced sales. Net favourable adjustments and final settlements of $nil million were recorded in the fourth quarter of 2010 compared to $0.04 million in the fourth quarter of 2009. Net unfavourable adjustments and final settlements of $0.3 million were recorded in the twelve months of 2010 compared with net favourable adjustments and final settlements of $0.5 million in the corresponding prior year period.*

(6) *Excludes mark-to-market adjustments and final settlements related to provisionally priced sales.*

(7) *Represents payable metals in concentrate sold based on provisional invoices.*

(8) *Deno Gold operations were on care and maintenance in the first quarter of 2009. Operations were restarted in April 2009.*

## Production

Ore mined in the fourth quarter and twelve months of 2010 of 135,114 tonnes and 427,181 tonnes were, respectively, 60% and 94% higher than the corresponding prior year periods due to the mine expansion ramp-up and improvements in overall mining efficiencies, scheduling and availability of equipment.

Ore processed in the fourth quarter and twelve months of 2010 of 136,256 tonnes and 428,865 tonnes were, respectively, 62% and 97% higher than the corresponding prior year periods due to greater tonnage mined, as underground production progressively increased in preparation for the mine and mill expansion, and reductions in mill downtime resulting from more efficient maintenance.

Copper concentrate production in the fourth quarter and twelve months of 2010 of 2,168 tonnes and 6,396 tonnes were, respectively, 78% and 103% higher than the corresponding prior year periods due to higher volume of material processed. Zinc concentrate production in the fourth quarter and twelve months of 2010 of 4,808 tonnes and 14,631 tonnes were, respectively, 73% and 105% higher than the corresponding prior year periods due to higher volume of material processed and higher grades. Deno was on care and maintenance in the first quarter of 2009.

Copper grades averaged 0.34% in the year 2010 and were comparable to the corresponding prior year period grades. Gold grades averaged 2.33 g/mt in the year 2010 and were comparable to the corresponding prior year period grades. Grades for zinc in the year 2010 of 2.22% were 7% higher than the corresponding prior year period.

The increase in ore mined in the fourth quarter and twelve months of 2010 contributed to higher quantities of metals contained in concentrate produced in 2010 relative to 2009. Copper contained in concentrate produced in the fourth quarter and twelve months of 2010 of 0.9 million pounds and 2.9 million pounds were, respectively, 59% and 89% higher than the corresponding prior year periods. Gold contained in concentrate produced in the fourth quarter and twelve months of 2010 of 9,034 ounces and 29,216 ounces were, respectively, 63% and 97% higher than the corresponding prior year period. Zinc contained in concentrate produced in the fourth quarter and twelve months of 2010 of 6.4 million pounds and 19.1 million pounds were, respectively, 77% and 108% higher than the corresponding prior year period.

Unprocessed ore stock piles at surface totalled 834 tonnes at December 31, 2010, down from 2,523 tonnes at December 31, 2009. Inventory of concentrates totalled 4,014 tonnes at December 31, 2010, up from 1,353 tonnes at December 31, 2009.

## Cash Cost per Tonne of Ore Processed

Cash cost per tonne of ore processed[1], excluding royalties, at Deno Gold in the fourth quarter and twelve months of 2010 of $63.66 and $66.33 were, respectively, 12% and 8% lower than the corresponding prior year periods cash cost per tonne of ore processed[1], excluding royalties, of $72.01 and $72.27 due to higher volume of material processed partially offset by higher maintenance costs, higher vein drive development costs to access additional working spaces and higher employment expenses. Cash cost per tonne of ore processed[1], including royalties, at Deno Gold in the fourth quarter and twelve months of 2010 were $69.87 and $70.31, respectively. Deno Gold did not pay a profit based royalty in 2009.

## Mine and Mill Expansion

In October 2010, Deno Gold completed its planned mine and mill expansion to increase throughput from 400,000 tonnes to 600,000 tonnes of ore per year. The expansion included the installation of flotation cells and additional underground mining equipment.

1 Cash cost per tonne ore processed is a non-GAAP measure. A reconciliation of the Company's cash cost per tonne ore processed to cost of sales under Canadian GAAP for the years 2010 and 2009 is shown in the table entitled "Non-GAAP Financial Measures."

### Exploration Drilling Program

In December 2010, surface diamond drilling resumed in the southern portion of the deposit footprint. Two diamond drill rigs were operating as of the end of 2010 with another diamond drill rig and a reverse circulation rig planned to be phased during the first quarter of 2011. An intensive drilling program has been designed to determine the bulk mineable open pit potential of the Shahumyan deposit. The previous assay facility will be commissioned by SGS Laboratory Management Services aiming to provide first assay values by February 2011.

***Tsumeb Smelter, Namibia***

On March 24, 2010, DPM completed the acquisition of NCS, a metals processing and smelting operation from WTI through the purchase of 100% of the shares of NCS. The Smelter was constructed in the early 1960's and is one of only five commercial-scale smelters in Africa. It is linked by rail to the Atlantic port of Walvis Bay in Namibia. The facility consists of two primary smelting furnaces: (i) the reverberatory furnace and (ii) the Ausmelt furnace. As part of the agreement to purchase NCS, the Company has been provided with an indemnification with respect to certain matters, such as any environmental and license breaches or breaches of law that may exist up to the date of completion of the acquisition of NCS, being March 24, 2010.

LDC has exclusive rights to purchase the Chelopech concentrate for toll processing through the Smelter and an exclusive arrangement to further supply concentrate feed for toll processing at the Smelter through to and including 2020. The arsenic trioxide ("$As_2O_3$") produced is sold to third party customers.

The installation of an oxygen plant to increase the efficiency of the Ausmelt furnace was completed in late 2009. The oxygen plant is expected to deliver 170 tonnes of oxygen per day and increase the capacity of the Smelter from 120,000 to 200,000 dry metric tonnes of concentrate per year by the first half of 2011, which is lower than the previous estimate of 240,000 tonnes by the first half of 2011. In order to avoid unnecessary pollution, NCS will use the reverberatory furnace to treat mainly the secondary materials as well as concentrates containing lower levels of arsenic. This will restrict the total throughput in the Smelter until a second oxygen plant is operational and the Ausmelt is used for all the primary smelting. Both blister copper and $As_2O_3$ are produced from the concentrates processed. The Smelter is also one of only a few in the world which is able to treat arsenic and lead bearing copper concentrates.

NCS has embarked on a two-year program to improve its environmental performance and reduce adverse effects of the Smelter on the environment. Key projects include:

- Construction of a landfill facility for the safe disposal of baghouse dust and other waste from the smelting process;
- Projects to reduce emissions from the copper section, e.g. increasing baghouse capacity, upgrading the taphole fume extraction facility, and increasing ducting installation to reduce dust;
- Projects to reduce emissions from the top submerged lance smelting furnace, e.g. installing an automated baghouse dust-removal system, installing new ducting, and lime-dosing to neutralize sulphuric acid production; and
- Construction of an enclosed storage area, bag-filling station and extraction system at the arsenic plant, all aimed at reducing the dispersal of dust.

NCS recently installed cooling towers that have significantly reduced dust emissions from the stacks.

The Company has monitoring stations in and around the town of Tsumeb to measure dust fallout, suspended particulates and sulphur dioxide. The results of this monitoring, publicized on a quarterly basis, are used to evaluate the efficiency of the Smelter's emissions management program.

During the fourth quarter of 2010, the Smelter processed 37,635 tonnes of concentrate, including 17,329 tonnes of concentrate from Chelopech. From April 1, 2010 to December 31, 2010, the Smelter processed 119,557 tonnes of concentrate, including 55,870 tonnes of concentrate from Chelopech. Production in 2010 was negatively impacted by crane breakdowns and water leakages at the Ausmelt, which are expected to be addressed as part of the planned maintenance shutdown currently scheduled for April

2011, and by the maintenance shutdown of the reverberatory furnace for re-bricking which took place in the third quarter of 2010. In addition, downstream processing issues experienced in 2010 have contributed to the lower than expected production and to the build-up of in-circuit material. The increase in the slag mill throughput capacity, which was commissioned in early January 2011, is expected to address this issue.

Capital expenditures totalled $8.4 million from April 1, 2010 to December 31, 2010. In the fourth quarter of 2010, a project to increase grinding and flotation capacities at the slag mill was completed. NCS also completed the compartments and the duct manufacturing for the baghouse expansions of the reverberatory baghouse. The additional baghouse capacity will reduce fugitive roof level emissions to virtually zero. A new Ausmelt baghouse, which will improve the dust handling of the off gas, is expected to be installed and commissioned during the fourth quarter of 2011. The disposal site for the arsenic waste products is progressing well. Once completed, the increased capacity of the disposal site will enable NCS to complete its site clean-up.

## EXPLORATION

### *Krumovgrad Gold Project, Bulgaria*

The Krumovgrad Gold Project has a proven and probable Mineral Reserve of approximately 4.86 million tonnes of ore grading 5.08 grams of gold per tonne (cut-off grade of 1.3 g/t gold) as disclosed in an amended and restated technical report dated January 5, 2007, that was originally issued in August 2004. The resource estimate was prepared by Brett Gossage, John Hearne, Michael Davis, Christopher Hogg and John Fergus Anckorn, all of whom are Qualified Persons as defined in NI 43-101 and independent of the Company.

On August 9, 2010, upon a recommendation by the Ministry of Culture, BMM entered into a frame agreement with the Institute of Archaeology and Museum at the Bulgarian Academy of Sciences ("IAM-BAS"). According to the agreement, BMM will fund the implementation of a two-stage project, the first stage of which includes rescue fieldwork with a view to clear the area required for the implementation of the Krumovgrad Gold Project and the second stage includes socialization of the results acquired during the first stage through scientific publications, museum exhibitions and outdoor museum accessible to the public. It is currently expected that the first stage of the project will be completed by the end of 2012 and the second stage by the end of 2014. The archaeological works are already underway. The agreement provides for the implementation of these works, together with the Krumovgrad Gold Project, subject to the completion of the works and the release of the site.

After entering into the above arrangement for the archaeological works and the completion of various statutory required analyses, on October 7, 2010, BMM filed updated documentation with the MoEET for obtaining a mining concession for the Krumovgrad Gold Project. On February 9, 2011, it was announced that the Council of Ministers of the Republic of Bulgaria had approved the granting of a 30 year concession to BMM to develop the Khan Krum Deposit in Krumovgrad. The Council of Minister's resolution is subject to publication in the State Gazette of the Republic of Bulgaria and can be appealed within 14 days of the date of this publication. The Council of Minister's resolution was published in the State Gazette on February 18, 2011. Exercise of the concession rights by the Company is also subject to a positive EIA resolution being issued by the MoEW.

In a letter dated October 11, 2010, the MoEW advised BMM that the Terms of Reference for BMM's EIA were acceptable and that BMM could proceed with the preparation and submission of the EIA Report. The EIA report with all the statutory required attachments was submitted to the MoEW on October 29, 2010. In addition, the MoEW notified the Company that the Republic of Greece expressed a willingness to participate in the EIA procedure, as allowed under trans-boundary law. The EIA Report will be sent to appropriate parties within the Government of Greece for review. On January 4, 2011, the MoEW issued a positive assessment of the quality of the EIA Report. Following this response from the MoEW and as directed by the competent authorities, the EIA was sent to the Municipality of Krumovgrad and the villages of Zvanarka, Dazdovnik and Ovchari on the basis that these populations could potentially be affected by the project. DPM has commenced the public dissemination of the EIA documentation which will culminate with organized public hearing. The EIA decision to be issued by the MoEW is expected 45 days after the last public hearing.

The definitive feasibility study currently underway is expected to be completed before March 31, 2011.

See the "Risks and Uncertainties" section of this MD&A for a discussion on the risks related to the Krumovgrad Gold Project.

### *Serbia*

On July 30, 2010, DPM concluded its agreement with PJV and Avala wherein it received a 50.3% direct controlling interest in Avala, 36.7 million warrants, Special Rights and $1.6 million cash in exchange for DPM's Serbian subsidiary, Metali. As a result of this transaction and the exchange of PJV subscription receipts, DPM received 73,437,357 common shares and 36,718,679 warrants of Avala. Each warrant is exercisable for three years from the date of closing, at the discretion of DPM, for one Avala common share at a price of Cdn$0.50 per Avala common share. DPM was also issued Special Rights to acquire up to an aggregate of 50,000,000 additional Avala common shares for no additional consideration, of which 25,000,000 are issuable upon a positive decision to proceed to a feasibility study on all or part the projects and an additional 25,000,000 are issuable upon a positive decision to bring all or part of the projects into production. On July 30, 2010, the Avala investment assets were valued at $34.3 million (Cdn$35.3 million) consisting of i) $25.0 million (Cdn$25.7 million) in Avala common shares, ii) $1.2 million (Cdn$1.3 million) in Avala warrants and iii) $8.1 million (Cdn$8.3 million) in Avala Special Rights.

In December 2010, DPM exercised 2,428,500 warrants of Avala to purchase 2,428,500 common shares at an exercise price of Cdn$0.50 per share for total consideration of $1.3 million (Cdn$1.2 million), resulting in an increase of DPM's controlling interest in Avala to 50.9%. As at December 31, 2010, DPM held 75,865,857 common shares and 34,290,179 warrants of Avala.

On October 12, 2010, DPM entered into the Option Agreement with QML in respect of DPM's remaining Serbian properties, namely its Surdulica molybdenum, Tulare copper/gold and other early stage projects located in Serbia directly held by its Serbian subsidiary, Molyco. Pursuant to the Option Agreement, QML is entitled, subject to the terms and conditions of the Option Agreement, to exercise its option to acquire 100% of DPM's indirectly held interest in all of the issued and outstanding capital of Molyco upon: (i) QML having raised in one or more financings aggregate gross proceeds of Cdn$10 million ("Combined Financings"); (ii) QML having expended aggregate exploration expenditures of Cdn$3 million on the Serbian properties; and (iii) QML obtaining all requisite regulatory, shareholder, stock exchange or governmental authorizations and consents. The option is valid for one year from the date of the Agreement, October 4, 2010.

Upon exercise of the option under the Option Agreement, DPM will receive a number of units ("Vendor Units") in the capital of QML, such that, upon completion, DPM will hold 47.5% of the issued and outstanding capital of QML, post-closing on a non-diluted basis (subject to adjustments under certain circumstances). Each Vendor Unit will be comprised of one QML common share and that number of warrants (but not less than half a warrant per Vendor Unit) as is equal to the number of warrants forming part of units sold in various tranches of the Combined Financings on a pro rata basis of each of the tranches of the Combined Financings. Each whole warrant will be exercisable for one common share of QML for a period of not less than two years and at an exercise price not greater than Cdn$0.42 per warrant.

Under a separate services agreement dated October 4, 2010 (the "Services Agreement"), Molyco has contracted with Avala Resources d.o.o. ("Avala Resources"), a wholly owned subsidiary company of Avala, to provide geological services as specified in work programs and budgets approved under the Agreement and when requested by Molyco. In addition, Avala Resources is to provide other services that include, but are not limited to, the filing of applications for exploration licenses. The Services Agreement will continue as long as the Option Agreement is in effect.

## INVESTMENT PORTFOLIO

As at December 31, 2010, the Company held 13% (market value Cdn$103.3 million) or 18,539,713 of the issued and outstanding common shares of Sabina, a Canadian precious metals exploration company with a portfolio of mineral exploration and pre-development properties in Nunavut, Canada. In addition, the Company held 5,000,000 Sabina Series A Special Warrants, which will be automatically exercised upon a decision to proceed to a feasibility study or proceed to production on the Back River project or upon the occurrence of certain other events and 5,000,000 Sabina Series B Special Warrants, which will be automatically exercised upon a positive production decision with respect to the project or upon the occurrence of certain other events. Each of the Sabina Special Warrants is exercisable for one common share and one-half of one common share purchase warrant ("Warrant") of Sabina. Each whole Warrant, if issued, will be exercisable for five years from the date of closing, at the discretion of DPM, for one Sabina common share at a price of Cdn$1.07 per Sabina common share. As detailed in note 9 of the DPM consolidated financial statements for the year ended December 31, 2010, the estimated fair value of the 10,000,000 Sabina Special Warrants as at December 31, 2010 was $58.7 million.

As at December 31, 2010, DPM held 75,865,857 or 50.9% of the issued and outstanding common shares of Avala (market value Cdn$103.2 million), 34,290,179 common share purchase warrants entitling the Company to purchase the same number of common shares of Avala at Cdn$0.50 per share and Special Rights to acquire for no additional consideration (i) 25,000,000 Avala common shares upon a positive decision to proceed to a feasibility study on all or part of its Serbian projects and (ii) 25,000,000 Avala common shares upon a positive decision to bring all or part of its Serbian projects into production. As at December 31, 2010, the estimated fair values of the Avala share purchase warrants and Special Rights were $30.6 million (Cdn$30.4 million) and $18.8 million (Cdn$18.7 million), respectively.

The fair value of the warrants was estimated using the Black-Scholes pricing model with the following assumptions:

| | |
|---|---|
| Risk free interest rate | 1.66% |
| Expected life in years | 3 |
| Expected volatility | 28.27% |
| Dividends per share | - |

DPM's equity investments in Avala are eliminated on consolidation of Avala.

Pursuant to the certificates and indenture governing certain of the Avala warrants issued on July 30, 2010, Avala had the right to accelerate the expiry date of such warrants any time after October 25, 2010 if the closing price of its common shares is above Cdn$1.00 for 20 consecutive trading days. On December 13, 2010, having met this precondition, Avala issued notification of its decision to accelerate the expiry date of this portion of the share purchase warrants to January 14, 2011. In response, DPM exercised 2,428,500 full warrants to purchase the same number of Avala common shares at Cdn$0.50 per share. Avala also has the right to accelerate the expiry date on the 34,290,179 common share purchase warrants issued to DPM on July 30, 2010, as part of the consideration for its acquisition of Metali, any time after January 26, 2011 if the closing price of its common share is above Cdn$1.00 for 20 consecutive trading days. Upon notification of acceleration, the Company will have 30 days to exercise such warrants.

## QUARTERLY INFORMATION (UNAUDITED)

The financial results for the last eight quarters are shown in the table below:

| *$ millions* | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| *Except per share amounts* | **Q4** | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net revenue | **$ 61.4** | $ 59.0 | $ 60.9 | $ 20.5 | $ 42.1 | $ 45.9 | $ 27.8 | $ 21.7 |
| Cost of sales | **43.8** | 41.6 | 42.8 | 21.9 | 29.5 | 28.7 | 19.8 | 18.8 |
| Gross profit (loss) | **17.6** | 17.4 | 18.1 | (1.4) | 12.6 | 17.2 | 8.0 | 2.9 |
| Net impairment provisions | **(3.6)** | (0.4) | - | (50.6) | (0.3) | (3.9) | - | (0.2) |
| Investment income (expense) | **12.6** | 25.6 | 9.9 | 3.2 | 0.4 | 0.4 | 1.0 | (0.5) |
| Earnings (loss) before undernoted | **26.6** | 42.6 | 28.0 | (48.8) | 12.7 | 13.7 | 9.0 | 2.2 |
| Expenses | **(12.3)** | (10.7) | (9.7) | (4.7) | (6.2) | (8.7) | (5.9) | (7.6) |
| Income tax recovery (expense) | **5.1** | 1.0 | (1.8) | 5.2 | (3.0) | (1.3) | (0.3) | 0.5 |
| Net earnings (loss) | **$ 19.4** | $ 32.9 | $ 16.5 | $(48.3) | $ 3.5 | $ 3.7 | $ 2.8 | $ (4.9) |
| Attributable to: | | | | | | | | |
| - Non-controlling interest | **$ (1.5)** | $ (1.5) | $ - | $ - | $ - | $ - | $ - | $ - |
| - Equity shareholders | **$ 20.9** | $ 34.4 | $ 16.5 | $(48.3) | $ 3.5 | $ 3.7 | $ 2.8 | $ (4.9) |
| Net earnings (loss) per share | | | | | | | | |
| - Basic | **$ 0.17** | $ 0.28 | $ 0.13 | $(0.48) | $ 0.04 | $ 0.04 | $ 0.03 | $(0.05) |
| - Diluted | **$ 0.15** | $ 0.26 | $ 0.13 | $(0.48) | $ 0.04 | $ 0.04 | $ 0.03 | $(0.05) |

The following table, summarizing the quarterly average metal prices for the London Bullion Market Association gold, LME copper Grade A, LME SHG zinc and LBMA silver prices, is used to illustrate the Company's average metal price exposures based on its key reference prices for the last eight quarters of concentrate sales activity.

| | 2010 | | | | 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| *Average* | **Q4** | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| London Bullion gold ($/oz) | **$ 1,369** | $ 1,227 | $ 1,195 | $ 1,105 | $ 1,102 | $ 960 | $ 922 | $ 908 |
| LME settlement copper ($/lb) | **3.92** | 3.29 | 3.19 | 3.28 | 3.02 | 2.66 | 2.12 | 1.55 |
| LME settlement SHG zinc ($/lb) | **1.05** | 0.91 | 0.92 | 1.04 | 1.00 | 0.80 | 0.67 | 0.53 |
| LBMA spot silver ($/oz) | **$ 26.43** | $ 18.96 | $ 18.32 | $ 16.92 | $ 17.58 | $ 14.70 | $ 13.73 | $ 12.61 |

## MANAGEMENT AND STAFFING

In November 2010, Richard Howes, the General Manager and Executive Director of Chelopech, was appointed to the position of Executive Vice President and Chief Operating Officer of DPM. The General Director of Deno Gold in Armenia now reports to Mr. Howes. Mr. Howes is a Professional Engineer, holds a Bachelor of Science in Mining Engineering from Queen's University in Kingston, Ontario, Canada and has over 30 years experience in the mining industry. He joined DPM in early 2009.

In November 2010, Adrian Goldstone was appointed to the position of Executive Vice President of Sustainable Business Development of DPM. In his expanded role, Mr. Goldstone will continue to be responsible for DPM's Corporate CSR function and the Krumovgrad gold project as well as assume responsibility for the operations and development at the Tsumeb smelter in Namibia. Mr. Goldstone holds a Bachelor and Master of Science from the University of Auckland and has 30 years of experience in the minerals sector in development and operating mineral projects.

In January 2011, Nikolay Hristov was appointed General Manager Chelopech Mine. Mr. Hristov has a degree in Mineral Processing from the University of Mining and Geology 'St. Ivan Rilski' in Sofia, Bulgaria, and a PhD in the field of 'Enrichment Ores' from the same university. Mr. Hristov has been with

Chelopech Mine since 2004 starting as Plant Metallurgist, moving to Process Plant Production Superintendent and most recently as Process Plant Manager.

In January 2011, Ilyia Garkov was appointed Vice President Mining. Mr. Garkov has over 20 years experience in the mining industry. Mr. Garkov is a Professional Engineer and holds a Master of Science and PhD in Mining Engineering from University of Mining and Geology in Sofia, Bulgaria. He also has a Certificate and Diploma in management from the Open University in Bulgaria.

In January 2011, Simon Meik was appointed Vice President Processing. Mr. Meik has a Bachelor of Science and PhD from the University of Birmingham, UK. He has spent more than 30 years in many aspects of the minerals processing industry around the world, in both project engineering and operations.

In January 2011, Robert Falletta left his role as General Manager of Deno Gold. Ron Mobley has been asked to serve as Acting General Manager in the interim.

On February 4, 2011, it was announced that effective February 28, 2011, Stephanie Anderson, DPM’s Executive Vice President and CFO, will be stepping down. Patrick Lim, CA, Director, Finance and Global Controller of the Company, will be appointed Interim CFO until the search for a successor has been concluded.

## LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2010, the Company had cash and cash equivalents of $96.2 million (including Avala’s cash and cash equivalents of $16.9 million), short term investments of $13.2 million and investments at fair value of $174.5 million. The Company’s excess cash is invested in bankers’ acceptances and guaranteed investment certificates.

In the first quarter of 2010, DPM raised net proceeds of $62.0 million (Cdn$63.1 million) through the sale and issuance of 20,000,000 common shares at a price of Cdn$3.30 per share. Proceeds from the offering was used for: (i) the payment of the cash consideration for the acquisition of NCS and capital expenditures to sustain operations at the Tsumeb smelter; (ii) the deposit of a portion of the financial guarantee for estimated environmental and rehabilitation costs at Chelopech; (iii) the Chelopech mine and mill expansion project; and (iv) general corporate purposes.

On March 24, 2010, DPM completed the acquisition of NCS from WTI through the purchase of 100% of the shares of NCS. The total consideration paid to WTI for NCS was $33.0 million, consisting of: (i) $18.0 million in cash; and (ii) the issuance of 4,446,420 fully paid common shares of DPM.

On May 26, 2010, DPM completed its agreement with LDC to settle approximately $11.4 million of financial obligations owed by NCS to LDC, through a cash payment of $2.0 million and the issuance of 2,903,525 common shares of DPM at a value of $9.4 million based on a deemed price of Cdn$3.50 per share.

In July 2010, DPM equity capitalized a newly formed qualified insurance company in Barbados, DPMA, with $15.0 million of cash for the purpose of providing reinsurance coverage for the Chelopech mine closure and rehabilitation performance bond.

On December 3, 2010, DPM and Chelopech finalized a $66.75 million long-term loan agreement with the EBRD and UCB to assist in the financing of its mine and mill expansion to double the mine and mill output to two million tonnes of ore per year and to refinance $16.25 million of existing debt that was due to fully mature in June 2015. As at December 31, 2010, $44.25 million had been drawn under the facility, of which $16.25 million was used to refinance existing EBRD debt. It is currently expected that the balance of the facility will be drawn in the first quarter of 2011.

On December 20, 2010, DPM purchased a five percent interest in Vatrin, to increase its equity interest to 100%, for net cash consideration of $1.5 million and the elimination of all associated third party indebtedness. Vatrin holds 100% equity interest in Deno Gold.
Total capital expenditures for the year 2011 are projected to range between $155 million and $165 million, including $62 million to complete the mine and mill expansion at Chelopech, $35 million for environmental and plant optimizations projects at NCS and $25 million at Deno Gold to further enhance underground operations and advance the proposed open pit project. Pending completion of the definitive feasibility study for the Krumovgrad project in Bulgaria and receipt of approvals of its EIA, the Company also expects to move forward with the construction of this project in 2011.

It is presently anticipated that the Company's current level of cash, cash equivalents and short-term investments as at December 31, 2010 will enable DPM to meet its next twelve months operating and capital requirements, including its contractual commitments and mandatory debt repayments, subject to current levels of metal prices and concentrate production at Chelopech and Deno Gold. DPM may access the debt and/or equity market to assist in the financing of such activities. There can be no assurance that additional capital or other types of financing will be available, if needed.

DPM's liquidity is affected by a number of key factors and risks. Reference is made to the "Risks and Uncertainties" section of this MD&A for a discussion of these factors and their impact on the Company's liquidity.

*Contractual Obligations, Long-term Debt and Capital Leases*

The Company had the following minimum future contractual obligations as at December 31, 2010:

Contractual Obligations

| | | Payments due by period | | | |
|---|---|---|---|---|---|
| *$ thousands* | Total | Up to 1 year | 1 – 3 years | 4 – 5 years | Over 5 years |
| Total long-term debt | $ 48,964 | $ 1,178 | $ 11,993 | $ 18,093 | $ 17,700 |
| Capital lease obligations | 43,287 | 6,486 | 7,840 | 5,353 | 23,608 |
| Operating lease obligations | 6,398 | 1,420 | 1,604 | 708 | 2,666 |
| Purchase obligations | 29,863 | 29,082 | 781 | - | - |
| Other long-term obligations | 273 | 96 | 82 | 85 | 10 |
| Total contractual obligations | $ 128,785 | $ 38,262 | $ 22,300 | $ 24,239 | $ 43,984 |

*Long-term debt*

As at December 31, 2010, the Company's total long-term debt was approximately $49.0 million of which $44.3 million related to Chelopech and $4.7 million related to NCS. As at December 31, 2010, the Company's debt as a percentage of total capital was 7% (December 31, 2009 – 4%).

On December 3, 2010, Chelopech finalized a $66.75 million long-term loan agreement with the EBRD and UCB to assist in the financing of its mine and mill expansion to double mine and mill output to two million tonnes of ore per year and to refinance $16.25 million of existing debt that was due to fully mature in June 2015. The loan, which is guaranteed by DPM and secured by a first ranking charge over the shares of Chelopech, is repayable in ten equal semi-annual instalments, commencing June 2013 and bears interest at a rate of LIBOR plus 3.25% until the completion of the Chelopech mine and mill expansion and LIBOR plus 2.80% thereafter. The UCB loan is subject to a cash sweep which obligates Chelopech to prepay up to an aggregate amount of 30% of Chelopech surplus cash flow. This mandatory prepayment is limited to the equivalent of two years of UCB loan repayment applied in inverse order of maturity. Under the terms of the loan agreement, Chelopech must maintain: (i) a minimum forecast debt service coverage ratio greater than 1.25:1, tested annually; (ii) a current ratio of greater than 1.2:1; (iii) a net worth of at least $45 million; and (iv) a reserve tail (measurement of the reserves that will remain to be mined after loan maturity to the total reserves at the first drawdown) equal to or exceeding 30%. In addition, DPM must maintain: (i) a current ratio of greater than 1.5:1; and (ii) a net worth of at least $200 million. As at December 31, 2010, Chelopech and DPM were in compliance with their respective debt covenants. As at December 31, 2010,

$44.25 million had been drawn under the facility, of which $16.25 million was used to refinance the existing EBRD debt.

On April 6, 2005, Chelopech signed a $10 million loan agreement with the EBRD. The loan was guaranteed by the Company, bore interest at LIBOR plus 1.0% and was repayable in eight semi-annual instalments beginning June 2007. On July 24, 2008, Chelopech concluded an amendment and restatement agreement with the EBRD to amend and restate its existing $10 million long-term loan agreement, increasing it to an aggregate amount of $25 million. The indebtedness was guaranteed by the Company, bore interest at the U.S. dollar LIBOR plus 1.6% and was repayable in 10 equal semi-annual instalments beginning December 22, 2010. Under the amended agreement, Chelopech was to maintain: (i) a forecast debt service coverage ratio of at least 1.2:1, tested annually; (ii) a current ratio in excess of 1.2:1; and (iii) a minimum net worth, defined as consolidated equity, of $45 million. DPM was to maintain a current ratio of 1.5:1 and a minimum net worth of $200 million. The amounts outstanding under the amended and restated loan agreement were refinanced as part of the December 3, 2010 EBRD/UCB loan agreement.

On December 22, 2005, Deno Gold obtained a $4.5 million loan from the EBRD. The loan, which matured in September 2010, was fully repaid.

NCS has an unsecured loan of $4.7 million from LDC which bears interest at U.S. dollar LIBOR plus 4%. Based on the terms of a modified term loan agreement between NCS and LDC signed on May 17, 2010, this loan is repayable in twelve equal quarterly instalments commencing June 1, 2011.

*Capital lease obligations*

Commencing in 2008, DPM entered into long-term lease agreements for the purchase of equipment payable in various instalments with various maturities and at various interest rates. Future minimum lease payments over the next three years are $5.9 million.

NCS has a long-term lease agreement with Air Liquide Namibia (Pty) Ltd. for the supply of oxygen. The initial term of the lease is 15 years, payable on a monthly basis. The future lease payments, which have an aggregate minimum amount of $37.4 million, were discounted at a rate of 12.5%.

*Purchase obligations*

Included in the purchase obligations above are $15.9 million for Chelopech's Project purchase commitments, $7.3 million for Chelopech's site capital projects and operating expenditures, $4.9 million for NCS, $1.2 million for BMM, $0.5 million for Deno Gold and $0.1 million for Avala.

*Credit Agreements*

On November 26, 2010, Chelopech concluded a $16.0 million credit facility consisting of a (i) $6.0 million multipurpose revolving credit limit that matures on September 30, 2012 and (ii) a $10.0 million conditional loan that matures on November 30, 2011 and used for the issuance of a bank guarantee in favour of the $25 million Chelopech mine closure and rehabilitation insurance policy posted with the MoEET. Advances under the credit facility are guaranteed by DPM and bear interest at an annual rate of U.S. dollar LIBOR plus 3.25%. As at December 31, 2010, there were no amounts drawn against the $6.0 million sublimit and there was a $10.0 million bank guarantee issued against the $10.0 million sublimit.

The above noted $16.0 million credit facility agreement replaces the $10.0 million annual revolving credit facility that was renewed and expanded on September 30, 2010. Advances under this credit facility were guaranteed by DPM and bore annual interest at the rate of U.S. dollar LIBOR plus 4.0%.

On December 29, 2008, Chelopech entered into a $2.0 million revolving credit agreement for the purpose of providing letters of guarantee for future royalty payments under its concession license agreement. This credit agreement is presently due to expire on September 30, 2011. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As at December 31, 2010, letters of guarantee amounting to $2.0 million (December 31, 2009 - $1.4 million) had been written against this credit facility.

On December 29, 2008, BMM entered into a $0.3 million credit agreement for the purpose of providing letters of guarantee for certain of its obligations under its exploration license agreement. This credit agreement is presently due to expire on September 30, 2011. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As at December 31, 2010, letters of guarantee amounting to $0.07 million (December 31, 2009 – $0.04 million) had been written against this credit facility.

## FINANCIAL AND OTHER INSTRUMENTS

As at December 31, 2010, the Company's investments had a fair value of $174.5 million and the Sabina investment represented 93% of DPM's total investments at fair value. The fair values of the Sabina Series A and B Special Warrants are detailed in note 9 to DPM's consolidated financial statements for the year ended December 31, 2010.

In the twelve months of 2010, the Company entered into certain cash settled derivative transactions with respect to 998 tonnes of payable copper and 435 tonnes of payable zinc in concentrate sold on a provisional pricing. As at December 31, 2010, DPM had one outstanding contract to swap its February 2011 copper exposure on 166 tonnes of payable copper at a fixed price of $8,945 per tonne ($4.06 per pound).

Gains or losses on outstanding copper contracts are calculated with respect to the corresponding LME forward copper prices and recorded in net revenue. In the twelve months ended December 31, 2010, DPM reported net realized losses of $0.1 million (2009 - $4.3 million) and net unrealized losses of $0.1 million (2009 -$0.1 million).

Under the terms of its loan agreement with the EBRD and UCB, DPM and/or Chelopech is required to provide metal price protection on 15% of Chelopech's 2012, 2013 and 2014 projected payable copper production. In fulfillment of this obligation, in January 2011, the Company entered into monthly settled forward sales contracts to fix 2,868 tonnes of the year 2012 projected payable copper production at a fixed price of $9,224/tonne ($4.18/lb), 3,036 tonnes of the year 2013 projected payable copper production at a fixed price of $8,814/tonne ($4.00/lb) and 3,264 tonnes of the year 2014 projected payable copper production at a fixed price of $8,386/tonne ($3.80/lb). All gains and losses on these contracts will be reported through the income statement.

## OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

## OUTSTANDING SHARE DATA

DPM's shares and share purchase warrants are traded on the TSX under the symbols DPM, DPM.WT and DPM.WT.A. As at February 23, 2011, there were 124,915,651 common shares and 23,199,500 common share purchase warrants outstanding. In 2007, 2,760,000 warrants were issued and each whole warrant entitles the holder to purchase one common share at a price of Cdn$15.00 until June 29, 2012. In 2008, 20,444,500 warrants were issued and each whole warrant entitles the holder to purchase one common share at a price of Cdn$3.25 until November 20, 2015.

There were also 5,405,109 stock options outstanding as of the date of this MD&A with a weighted average exercise price of Cdn$3.42 per share. Stock options outstanding have expiry dates ranging from March 29, 2011 to January 9, 2016.

## RISKS AND UNCERTAINTIES

The following risks and uncertainties, among others, should be considered when evaluating the Company and its outlook.

### ***Current Global Financial Condition***

Since the second half of 2008, financial conditions globally have been subject to increased volatility and numerous financial institutions have either filed for bankruptcy or have been rescued by governmental authorities. In addition, a considerable level of uncertainty has arisen as a result of excessive government debt levels, most notably in certain Western countries. These factors may impact the ability of the Company to obtain loans, equity financing and other credit facilities in the future and, if obtained, on terms favourable to the Company. Although there have been certain signs of economic recovery, these increased levels of volatility and market turmoil may continue and, as a result, the Company's operations, financial condition, results of operations and share price could be adversely impacted.

### ***Financing***

The Company's ability to continue its operations in the normal course of business is dependent upon its ability to achieve and sustain profitable operations. The Company is also dependent on continued support from shareholders and creditors. Nevertheless, there can be no assurance that the Company's initiatives will be successful. The mining, processing, development and exploration of the Company's properties may require substantial additional financing. Failure to obtain sufficient financing may result in delay or indefinite postponement of development on any or all of the Company's properties, reduction or curtailment of current operations, or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available, if needed, or that, if available, the terms of such financing will be favourable to the Company.

### ***Metal Prices***

The Company sells its products at prices that are effectively determined through trading on major commodity exchanges, in particular the London Metal Exchange and London Bullion Market. The prices of gold, copper, zinc and silver are major factors influencing the Company's business, results of operations, financial condition, cash flow from operations, exploration, mining and development activities and trading price for its common shares and common share purchase warrants.

Gold, copper, zinc and silver prices may fluctuate widely and are affected by numerous factors beyond the Company's control, including the sale or purchase of gold and silver by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the U.S. dollar and foreign currencies, global and regional supply and demand and the political and economic conditions of major gold, silver, zinc and copper-producing countries throughout the world. Depending on the price of gold, silver, zinc and copper, cash flow from mining and processing operations may not be sufficient and the Company could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties.

Depending on market conditions, the Company may enter into copper, zinc and/or gold derivative contracts. In the twelve months ended December 31, 2010, the Company entered into certain cash settled derivative transactions with respect to 998 tonnes of payable copper and 435 tonnes of payable zinc in concentrate sold on a provisional pricing basis. As at December 31, 2010, DPM had one outstanding contract to swap its February 2011 copper exposure on 166 tonnes of payable copper at a fixed price of $8,945 per tonne ($4.06 per pound). The derivative contracts were entered into to mitigate substantially all of the copper and zinc price exposures and associated earnings volatility as a result of the time lag between the receipt of provisional sales revenue associated with the contractual sale of concentrates and the specified final pricing period.

The Company is exposed to credit risk in the event of non-performance by counterparties in connection with its derivative contracts. This risk is mitigated by dealing only with financially sound counterparties and, accordingly, a loss for non-performance is not anticipated.

***Foreign Exchange***

By virtue of its international operations, the Company incurs costs and expenses in a number of foreign currencies. The revenue received by the Company is denominated in U.S. dollars since the prices of the metals that it produces are generally referenced in U.S. dollars, while the majority of the Company's operating and capital expenditures are in Euro, Armenian dram and ZAR. Fluctuations in exchange rates between the U.S. dollar and the Euro, the U.S. dollar and the Armenian dram and the U.S. dollar and the ZAR give rise to foreign exchange exposures, either favourable or unfavourable, which could have a material impact on the Company's results of operations and financial condition.

***Counterparty Risk***

Under the terms of the Company's concentrate sales contracts, the purchaser makes a provisional payment of 85% of the provisional value of each lot at the time title, but not risk, of the concentrate transfers, with a further advance payment of 5% following presentation of sales documents to the purchaser. A final adjusting payment, reflecting the actual metal prices for the specified quotational period, is made when final weights and assays are agreed upon. All contractual commitments are subject to force majeure clauses which, if implemented, could have a significant impact on revenue. Approximately 76% of the Company's aggregate projected sales of concentrates in 2011 are to LDC. There can be no assurance that the Company will not experience a loss for non-performance by any counterparty with whom it has a commercial relationship.

While the Company does not currently expect a non-performance by LDC of its obligations to DPM under contracts, there is no complete assurance that DPM will not experience a failure by LDC to perform its obligations. Non-performance by LDC under the Chelopech copper concentrate sales contract or under its obligation to deliver concentrates to NCS for toll smelting may have negative effects on the financial condition of DPM.

***Environmental Risks and Hazards***

All phases of the Company's operations and business are subject to environmental regulations in the various jurisdictions in which it does or may operate. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of various wastes. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulations, if any, will not adversely affect the Company's operations and business. Environmental hazards may exist on the properties in which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining and processing operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining and processing activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

NCS has embarked on a two-year program to improve its environmental performance and reduce adverse effects of the Smelter on the environment. Key projects include: i) construction of a landfill facility for the safe disposal of baghouse dust and other waste from the smelting process; (ii) projects to reduce emissions from the copper section, e.g. increasing baghouse capacity, upgrading the taphole fume extraction facility, and increasing ducting installation to reduce dust; (iii) projects to reduce emissions from the top submerged lance smelting furnace, e.g. installing an automated baghouse dust-removal system, installing new ducting, and lime-dosing to neutralize sulphuric acid production; and (iv) construction of an enclosed storage area, bag-filling station and extraction system at the arsenic plant, all aimed at reducing the dispersal of dust. Spending on environmental and plant optimizations is expected to be approximately $35 million in 2011. Failure to complete this capital program could adversely affect the Company's operations, financial condition and results of operations.

DPM recognized a liability for its asset retirement obligations ("ARO') when a legal obligation is identified. The liability is measured at fair value using a present value technique and is based on estimated future costs, existing laws, current technology and conditions. At December 31, 2010, the undiscounted future cost for AROs before inflation was estimated to be $49.9 million. The carrying value of the ARO liability was $30.3 million and $19.0 million at December 31, 2010 and 2009, respectively. Changes in the underlying assumptions used to estimate the AROs as well as changes to environmental laws and regulations could cause material changes in the expected cost and the fair value of the AROs and these changes could have a material impact on the Company's results of operations and financial condition.

Chelopech was the first mining company in Bulgaria to submit a closure and rehabilitation plan in compliance with legal regulations on providing financial guarantees for closure and rehabilitation of mine site. The total value of the closure and rehabilitation of mine site is estimated at 40.5 million Bulgarian leva (approximately $28 million). The Company has submitted to the MoEET a surety bond underwritten by a leading European insurance group covering the estimated cost of closure and rehabilitation of the mine, the industrial site and the tailings management facility.

***Operations***

Mining operations and related processing and infrastructure facilities are subject to risks normally encountered in the mining and metals industry. Such risks include, without limitation, environmental hazards, industrial accidents, labour disputes, changes in laws, technical difficulties or failures, equipment failure, failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material. Such risks could result in damage to, or destruction of, mines and other processing facilities, damage to life or property, environmental damage, delays in mining and processing, losses and possible legal liability. Any prolonged downtime or shutdowns at the Company's mining and processing facilities could materially affect the Company's financial condition and results of operations.

Success of the Company's operations also depends on adequate public infrastructure. Reliable roads, bridges, power sources and water supplies are important determinants which affect capital and operating costs. Natural events, such as seismic events and severe climatic conditions, as well as sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

***Production, Operating and Shipping Costs***

Many unforeseen factors, both related and unrelated to the Company's plans for future production and total cash costs of production, such as the raw cost of inputs, cost of fuel, energy, supplies, labour and equipment, availability of concentrates to be processed at the Smelter, regulatory factors, foreign exchange fluctuations, adverse climatic conditions, natural phenomena and industrial accidents, can impact the accuracy of these projections. As such, no assurance can be given that production and production cost estimates will be achieved. Failure to achieve production or total cash cost estimates could have an adverse impact on future cash flows, earnings and financial condition.

The Company contracts for the shipment of its concentrates to its customers on varying terms and conditions, all subject to the prevailing rates, availability and general circumstances surrounding this market. Adverse changes to the shipping markets and/or the shipping contracts' associated terms and conditions could have a material adverse impact on the Company's results of operations and financial condition.

***Mineral Resources and Reserves***

The figures for Mineral Resources and Mineral Reserves disclosed by the Company in this MD&A and other disclosure documents of the Company are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. There are numerous uncertainties inherent in estimating Mineral Resources, including many factors beyond the Company's control. Such estimation is a subjective process and the accuracy of any resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that gold, silver, zinc or copper recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuations in gold, copper, zinc and silver prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimates. The volume and grade of Mineral Reserves mined and processed and recovery rates may not be the same as currently anticipated. Any material reductions in estimates of Mineral Resources could have a material adverse effect on the Company's results of operations and financial condition.

***Exploration***

Exploration is highly speculative in nature and exploration projects involve many risks that even a combination of careful evaluation, experience and knowledge utilized by the Company may not eliminate. Once a site with gold or other precious metal mineralization is discovered, it may take several years from the initial phases of drilling until production is possible. Substantial expenditures are normally required to locate and establish Mineral Reserves and to construct mining and processing facilities. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines.

***Development Projects***

The Company's ability to sustain or increase present levels of production is dependent, in part, on the successful development of new ore bodies and/or expansion of existing mining operations. The commercial viability of development projects is based on many factors, including: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; government regulations; capital and operating costs of such projects; and foreign currency exchange rates. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits, subsequent appeals of such permits, including favourable EIA decisions, and the acquisition of satisfactory surface or other land rights. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

***Foreign Country and Political***

The majority of the Company's operations and business are carried out outside of Canada, primarily in Eastern Europe, Eurasia and Southern Africa, and as such, the Company's operations are exposed to various levels of political risks and uncertainties.

These risks and uncertainties vary from country to country and include, but are not limited to, terrorism; corruption; crime; hostage taking or detainment of personnel; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; absence of reliable rule of law, regulatory and judiciary processes; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; changing political conditions; currency controls; and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Any changes in mining or investment policies or shifts in political attitude in the countries in which DPM currently does or may conduct its business and operations may adversely affect the Company's operations and financial condition.

In addition, authorities and court systems in the countries in which DPM currently does or may conduct its business and operations have been shown to be unpredictable. Challenges to foreign companies' asset ownership, operations and regulatory compliance may be brought by government authorities for reasons that cannot be predicted and on bases that may not be motivated by substantive law. It is also not unusual, in the context of dispute resolution, for parties in these jurisdictions to use the uncertainty of the legal environment as leverage in business negotiations.

Failure to comply with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements.

***Krumovgrad Gold Project***

On September 8, 2009, the MoEW issued a Commercial Discovery Certificate (the "Certificate") for the Krumovgrad gold deposit. The Certificate is the final requirement for conversion of the property to a mining concession, the application for which has been filed with the MoEET by BMM. The EIA report with all the statutory required attachments was submitted to the MoEW on October 29, 2010. In January 2011, the MoEW delivered a "positive grade" to both the EIA and the Report for the Krumovgrad Gold Project, meaning that all information required under the EIA regulation is complete. Based on this positive assessment of the quality of the submissions, and in compliance with the requirements under the Bulgarian environmental legislation, DPM will commence the public dissemination of the EIA documentation which will culminate with organized public hearings with the municipality of Krumovgrad and other potentially affected municipalities or villages. On February 9, 2011, it was announced that the Council of Ministers of the Republic of Bulgaria had approved the granting of a 30 year concession to BMM to develop the Khan Krum Deposit in Krumovgrad. The Council of Minister's resolution is subject to publication in the State Gazette of the Republic of Bulgaria and can be appealed within 14 days of the date of this publication. The Council of Minister's resolution was published in the State Gazette on February 18, 2011. Exercise of the concession rights by the Company is also subject to a positive EIA resolution being issued by the Bulgarian MoEW.

As of December 31, 2010, the net book value of the Krumovgrad Gold Project was $46.9 million.

Despite the latest achievements and progress related to the Krumovgrad Gold Project discussed earlier, there is still some risk and uncertainty around obtaining the required permits to advance the project. The risks relate to community concerns, archaeological clearance of the site, NGOs action and delays to the permit process. The Company has completed a thorough review of the project and is moving toward "de-risking" the project as much as is possible. However, in the event that residual risks remain and permits are not obtained and legal avenues are exhausted, an impairment of the project carrying value may be required. Management continues to take steps to advance its permits and remains committed to the future development of the project.

***Insurance and Uninsured Risks***

The Company's business is subject to a number of other risks and hazards, including severe climatic conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and other natural events such as earthquakes. Such occurrences could result in damage to mineral properties or processing facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining and processing, monetary losses and possible legal liability.

Although the Company maintains various types of insurance to protect against certain risks with scope of coverage and amounts as it considers appropriate, its insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to obtain and/or to maintain insurance to cover these risks at economically feasible premiums. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production may not be available to the Company or to other companies in the mining industry, on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from such events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

***Diversification***

The business activities of issuers in the resource industry ("Resource Issuers") are speculative and may be adversely affected by factors outside the control of those issuers. Resource Issuers may not hold or discover commercial quantities of precious metals or minerals and their profitability may be affected by adverse fluctuations in commodity prices, demand for commodities, general economic conditions and cycles, unanticipated depletion of reserves or resources, native land claims, liability for environmental damage, competition, imposition of tariffs, duties or other taxes and government regulations, as applicable. Because the Company has and may continue to invest primarily in securities issued by Resource Issuers engaged in the mining industry or related resource businesses (including junior issuers), the value of the Company's investment portfolio of securities may be more volatile than portfolios with a more diversified investment focus. Also, the value of the Company's investment portfolio of securities may fluctuate with underlying market prices for commodities produced by those sectors of the economy.

***Sabina Special Warrants***

As at December 31, 2010, the Company held 5,000,000 Sabina Series A Special Warrants, which will be automatically exercised upon a decision to proceed to a feasibility study or proceed to production on the Back River project or upon the occurrence of certain other events and 5,000,000 Sabina Series B Special Warrants, which will be automatically exercised upon a positive production decision with respect to the project or upon the occurrence of certain other events. Each of the Sabina Special Warrants is exercisable for one common share and one-half of one Warrant of Sabina. Each whole Warrant, if issued, will be exercisable for five years from the date of closing (June 9, 2009), at the discretion of DPM, for one Sabina common share at a price of Cdn$1.07 per Sabina common share.

As detailed in note 9 of the DPM consolidated financial statements for the year ended December 31, 2010, the estimated fair value of the 10,000,000 Sabina Special Warrants as at December 31, 2010 was $58.7 million (shares $41.7 million and warrants $17.0 million). The fair value of the Sabina Special Warrants was determined using valuation models that require the use of assumptions, including future stock price volatility and probability of exercise. If Sabina does not proceed to a feasibility study and/or a mine decision before June 9, 2014, the warrant component of the Special Warrants will expire worthless. As such, there can be no assurance that DPM will be able to exercise the warrant component of the Sabina Special Warrants. The Company's results of operations and financial condition may be materially impacted if DPM was not able to exercise the warrants before June 9, 2014.

***Government Laws and Regulations***

The activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, archaeological discovery and other matters. Although the Company currently carries out its operations and business in accordance with all applicable laws, rules and regulations, no assurance can be given that new laws, rules and regulations will not be enacted or that existing laws, rules and regulations will not be changed or be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of mining, milling and processing or more stringent implementation thereof could cause costs and delays that would have a substantial adverse impact on the Company.

The Company's current and future operations and development activities are subject to receiving and maintaining permits from appropriate governmental authorities. Although the Company currently has the required permits for its current operations, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations or additional permits for planned future changes to operations. Prior to any redevelopment of any of its properties, the Company must receive new permits from appropriate governmental authorities.

***Labour Relations***

While the Company has good relations with both its unionized and non-unionized employees, there can be no assurance that it will be able to maintain positive relationships with its employees or that new collective agreements will be entered into without work interruptions. In addition, relations between the Company and its employees may be impacted by regulatory or governmental changes introduced by the relevant authorities in whose jurisdictions the Company carries on business. Adverse changes in such legislations or in the relationship between the Company and its employees may have a material adverse impact on the Company's business, results of operations and financial condition. A two-year collective agreement with the Company's unionized employees at Chelopech is in force from July 1, 2009 to June 30, 2011.

***U.S. Investors***

DPM believes that it is not currently a passive foreign investment company ("PFIC") for U.S. Federal income tax purposes and it does not anticipate becoming a PFIC in the foreseeable future. However, the PFIC rules are complex, and, as a Canadian company publicly listed on the TSX, DPM does not operate its business in a manner specifically intended to avoid being classified as a PFIC. Accordingly, there can be no assurance that DPM will not be considered a PFIC for any taxable year. DPM also does not expect to provide any shareholder with information that will enable a U.S. shareholder to make a qualified electing fund election in respect of DPM. To the extent that DPM is a PFIC in respect of any taxable year, its status as such would have adverse tax consequences for taxable U.S. investors. U.S. investors should consult their own tax advisors regarding the PFIC rules and the potential adverse U.S. Federal income tax consequences to which they may be subject in respect of an investment in DPM's common shares.

***Future Plans***

As part of its strategy, the Company will continue existing efforts to dispose of non-strategic assets and initiate new efforts to acquire new mineral projects. A number of risks and uncertainties are associated with these transactions and DPM may not realize the benefits anticipated. The acquisition and the development of new projects are subject to political, regulatory, design, construction, labour, operating, technical, and technological risks, as well as uncertainties relating to capital and other costs, and financing risks. The failure to develop one or more of these initiatives successfully could have an adverse effect on DPM's financial position and results of operations.

## CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of the Company's consolidated financial statements, in conformity with Canadian GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period end. Critical accounting estimates represent estimates that are uncertain and changes to these estimates could materially impact on the Company's financial statements. DPM's accounting policies are described in Note 2 to the consolidated financial statements. The following is a list of the most critical accounting estimates made by the Company:

### *Exploration, Evaluation and Development Costs*

Exploration, evaluation and development activities involve the search for mineral resources/reserves, the assessment of technical and operational feasibility and the determination of an identified mineral reserve's commercial viability. Costs incurred for the acquisition of land and mineral rights are capitalized and mineral rights are amortized over the life of the permit/license. Once the legal right to explore has been acquired, exploration expenditures are expensed as incurred until production is probable, or in areas that have completed a feasibility study, where there is a reasonable expectation to convert existing estimated mineral resources to estimated ore reserves and add additional mineral resources with additional drilling and evaluations in areas near existing ore reserves and existing or planned production facilities, in which cases they are capitalized as deferred exploration and development assets within mineral properties.

Upon commencement of commercial production, deferred exploration and development assets are amortized on a units-of-production basis over the economically recoverable reserves of the mining property.

Exploration properties that contain estimated proven and probable ore reserves, but for which a development decision has not yet been taken, are subject to periodic review for impairment when events or changes in circumstances indicate the project's carrying value may not be recoverable.

All expenditures related to the construction of the mine declines and orebody access, including mine shafts, and ventilation raises, are considered to be underground capital development and are capitalized. Expenses incurred after reaching the ore body are regarded as operating development cost and are included in the cost of hoisted ore.

Amortization rates for these assets are as follows: i) deferred exploration and development – life of mine on a units-of-production basis; and ii) licenses and other mining rights – life of mine on a units-of-production basis.

The estimation of Mineral Resources is a complex process and requires significant assumptions and estimates regarding economic and geological data. Any revision to any of these assumptions and estimates could result in the impairment of the capitalized exploration costs. As a result, there could be a material impact on the asset balance and results of operations.

### *Asset Retirement Obligations*

Mining, processing, development and exploration activities are subject to various laws and regulations governing the protection of the environment. DPM recognized a liability for its AROs when a legal obligation is identified. The liability is measured at fair value using a present value technique and is based on estimated future costs, existing laws, current technology and conditions. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the related asset. The liability is accreted with the passage of time to its expected settlement fair value and is periodically adjusted for changes in the estimate of the amount, timing and cost of the work to be carried out. Other environmental costs, such as environmental monitoring, water management and waste management costs, incurred at the operating sites are charged to earnings when incurred.

AROs include costs related to the reclamation and/or closure, removal and/or demolition of mine and processing equipment, tailings management facility, buildings and other infrastructure. Significant judgments and estimates are made by management when determining the nature and costs associated with its AROs. The estimates or assumptions required to calculate the fair value of asset retirement obligations include, amongst other items, abandonment and reclamation costs, inflation rates, credit-adjusted risk free rates and timing of retirement of assets.

Changes in the underlying assumptions used to estimate the AROs as well as changes to environmental laws and regulations could cause material changes in the expected cost and the fair value of the AROs.

Chelopech was the first mining company in Bulgaria to submit a closure and rehabilitation plan in compliance with legal regulations on providing financial guarantees for closure and rehabilitation of mine site. The total value of the closure and rehabilitation of mine site is estimated at 40.5 million Bulgarian leva (approximately $28 million). The Company has submitted to the MoEET a surety bond underwritten by a leading European insurance group covering the estimated cost of closure and rehabilitation of the mine, the industrial site and the tailings management facility.

At December 31, 2010, the undiscounted future cost for AROs before inflation was estimated to be $49.9 million. The carrying value of the ARO liability was $30.3 million and $19.0 million at December 31, 2010 and 2009, respectively.

***Property, Plant and Equipment***

Property, plant and equipment represent 46% of total assets at December 31, 2010. As such, the application of the Company's accounting policies for these assets has a material impact on the Company's financial results. Property, plant and equipment and related capitalized expenditures are recorded at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the assets to a working condition for their intended use, the initial estimate of the reclamation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment.

Financing costs directly associated with the construction or with the acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose. Capitalization of borrowing costs ceases when the asset is substantially complete.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory costs or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, mine development or mineable reserve development.

The amortization of mine infrastructure is based on the units-of-production method over the estimated economic life of the related deposit. For all other property, plant and equipment, where the anticipated useful lives of the buildings, machinery and equipment related to mines are less than the life of the deposit, the amortization is based on their remaining anticipated useful lives on a straight line basis. Amortization of property, plant and equipment used in a capitalized exploration or development project is capitalized to the project.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

Following are the amortization rates used for each category of property, plant and equipment which are amortized on a straight line basis:

| Asset Category | Amortization rate (%) |
|---|---:|
| Buildings | **4-7** |
| Machinery and equipment | **6-25** |
| Computer hardware and software | **30-50** |
| Vehicles | **20** |
| Office equipment | **15-20** |

The carrying values of mining properties and property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. The carrying values are tested for recoverability and, if impaired, are written down to their estimated fair value. Impairment assessments are based on estimates of future cash flows, which include: the quantity of Mineral Reserves; future metal prices and future operating and capital costs to mine and process the Company's reserves. The variability of these factors depends on a number of conditions, including the uncertainty of future events and, as a result, accounting estimates may change from one period to another.

Asset balances could be materially impacted if other assumptions and estimates had been used. In addition, future operating results could be impacted if different assumptions and estimates are applied in future periods.

***Income Taxes and Royalties***

Income tax expense comprises current and future income taxes. Current and future income taxes are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income ("OCI").

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases resulting in "temporary differences". Future income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is recognized as an income or an expense in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized. In determining the current and future components of income taxes and royalties, the Company interprets tax legislation in a variety of jurisdictions as well as makes assumptions with respect to such computations, including the expected time of the reversal of future tax assets and liabilities. The provision for or relief of taxes and royalty expenses in future period could be materially impacted if DPM's interpretations or assumptions differ from the tax authorities, or if the timing of the reversal is not properly anticipated.

***Inventories***

Inventories of gold/copper/zinc/silver concentrates are valued at the lower of average production cost and net realizable value. Production costs that are inventoried include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour, other direct costs (including external services and amortization) and related production overheads, but excludes administrative and finance costs. Production costs also include the royalty payable on the value of the ore extracted from the mine. Supplies inventories are valued at the lower of cost and net realizable value. A significant decrease in the selling prices of the metals produced and sold by DPM may result in a non-cash write-down of inventory if the net realizable value of the concentrate inventories is lower than the average production cost at the end of an accounting period.

***Revenue Recognition***

Revenue from the sale of gold/copper/zinc/silver concentrates is recognized when significant risks and ownership title are transferred to the buyer. Revenue is initially recorded based on a provisional value which is a function of prevailing market prices. Typically, under the terms of the concentrate sales contracts, the final metal price ("settlement price") for the payable metal is set based on a predetermined and defined quotational period that is either: a) the average of the specified reference metal price for the month of scheduled shipment, b) the third month after the month of arrival at the port of destination, or c) as otherwise mutually agreed. The price of the concentrate is the sum of the metal payments less the sum of the deductions so specified in the concentrate sales contract, including tolling charges, penalties and freight. The terms of the contracts result in embedded derivatives because of the timing difference between the provisional price and the final settlement price. These embedded derivatives are adjusted to fair value through revenue each period until the date of final price determination.

Any adjustments to the amount receivable or payable for each shipment at the settlement date, caused by the final assay results, are adjusted through revenue at the time of determination.

Net revenue from toll processing is recognized when concentrate is in the process of being delivered to the Smelter from the NCS receiving bay. As part of the tolling agreement between NCS and LDC, NCS incurs a charge on the aggregate of i) pro-forma value of the raw material received, plus ii) value of the tolling fees paid by LDC to NCS commencing upon the date of payment less iii) value of payable metals contained in blister copper received by LDC from the $5^{th}$ day following the arrival of the carrying vessel. This charge is recorded in mining and processing net revenue.

A decrease in the selling prices of the metals produced and sold by DPM may result in unfavourable mark-to-market adjustments and a reduction in net revenue. Conversely, an increase in the selling prices of the metals produced and sold by DPM may result in favourable mark-to-market adjustments and an increase in net revenue.

***Metals Exposure***

The Company's metals exposure is specific to its subsidiary, NCS, a metals processing and smelting operation. LDC has exclusive right to purchase the Chelopech concentrate for toll processing through NCS and an exclusive arrangement to further supply concentrate feed for toll processing at NCS. The Company records receivables from or payables to LDC in the consolidated balance sheets and adjustments to cost of sales in the consolidated statements of earnings, for any over or under recoveries of copper and precious metals relative to the contractual recovery rates. The Company calculates the metals exposure by comparing the copper, gold and silver content in the concentrate received to the copper, gold and silver in the blister returned and in the material still being processed.

Many parts of the calculation are subject to estimation. Metals in concentrate received and metals in the blisters returned are subject to final verification of the amount of copper and precious metals from assay results. The amount of copper and precious metals in process is also subject to estimation where management uses its process knowledge and multiple assay results. The final settlement of the metals exposure may materially differ from those estimates.

***Financial Instruments***

Financial assets and financial liabilities are recognized initially at fair value. Subsequent measurement depends on their classifications as “held-for-trading”, “available-for-sale”, “held-to-maturity”, or “loans payable” as per the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement.

Financial assets and financial liabilities classified as “held-for-trading” are measured at fair value with changes in fair value recorded in net earnings in the period in which they occur. The Company's derivative commodity contracts and the Sabina Special Warrants are classified as “held-for-trading”.

Financial assets and financial liabilities classified as “available-for-sale” are measured at fair value with unrealized gains and losses recorded as adjustments to OCI. The Company's portfolio investments in common shares are classified as “available-for-sale”. Investments are evaluated for impairment based on the market values and consideration of the current circumstances affecting the companies in DPM's investment portfolio. When there has been a decline in value of a portfolio investment that is determined by management to be other-than-temporary, the investment is written down. The related fair market value adjustments that were previously recorded in OCI are reclassified to the statements of earnings when a portfolio investment is sold or written down.

The estimated fair value of the Company's derivative commodity instruments is based on market prices quoted from major commodity exchanges. The fair value of the Company's portfolio investments in publicly traded securities common shares is based on the period-end bid prices reported on recognized security exchanges and over-the-counter markets. Quoted prices are not available for the fair value of the Sabina Special Warrants, in which case the fair value is determined using valuation models that require the use of assumptions, including future stock price volatility and probability of exercise. Changes in the underlying assumptions could materially impact on the Company's investments at fair value.

***Intangible assets***

Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value. Subsequent to initial recognition, they are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific assets to which they relate. All other expenditures are recognized in profit or loss as incurred.

The Company's intangible asset relates to the LDC toll processing contract acquired through the acquisition of NCS. This intangible asset is amortized on a straight-line basis over the term of the contract.

## 2010 ACCOUNTING DEVELOPMENTS

***Reporting Currency***

As a Canadian-based company, DPM had historically prepared its consolidated financial statements in Canadian dollars and in conformity with accounting principles generally accepted in Canada.

To enhance communication with its shareholders and improve comparability with its peer group, effective January 1, 2010, DPM has adopted the U.S. dollar as its reporting currency. All comparative financial information contained herein has been revised to reflect the Company's results as if they had been historically reported in U.S. dollars and in accordance with Canadian GAAP.

All historical revenues, expenses and cash flows for each year up to fiscal 2009 were translated into the U.S. dollar reporting currency using average rates for the reporting periods, or the rates in effect at the date of the transaction for significant transactions. Assets and liabilities were translated using the exchange rate at the end of each reporting period. All resulting exchange differences were reported as a separate component of accumulated other comprehensive earnings, in cumulative translation adjustment shown as follows:

| **Currency Translation Adjustment** | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Balance, beginning of year | **$ 40,374** | $ (20,023) |
| Foreign exchange impact from foreign denominated net assets | **507** | 60,397 |
| Balance, end of year | **$ 40,881** | $ 40,374 |

***Consolidation of Foreign Operations and Functional Currencies***

Effective January 1, 2010, Chelopech and Deno Gold were deemed to be operationally and financially self-sufficient, and accordingly, classified as self-sustaining foreign operations. Prior to 2010, these two operations were considered integrated foreign operations since they were financially and operationally dependent on DPM. Effective January 1, 2010, DPM changed its functional currency to the U.S. dollar.

NCS, which was acquired on March 24, 2010, and DPMA, which was established in July 2010, are also considered to be self-sustaining foreign operations. BMM continues to be an integrated foreign subsidiary.

For the above entities, monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the period end exchange rates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into U.S dollars at the exchange rate at the date the fair value was determined. Income and expense items are translated at the exchange rate in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statements of earnings, except for differences arising on the retranslation of available-for-sale equity instruments that are recorded in OCI. Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are translated at the exchange rate in effect at the transaction date.

Effective July 30, 2010, DPM holds a controlling interest in Avala and therefore consolidates its financial results. Avala is considered a self-sustaining operation with the Canadian dollar as its functional currency and therefore, its financial results are translated into U.S. dollars upon consolidation using the current rate method wherein cumulative foreign exchange translation adjustments are recorded on the consolidated balance sheets.

***Business Combinations***

In January 2009, the CICA issued Business Combinations section 1582, replacing the former Business Combinations section 1581, which establishes standards for the accounting of business combinations. The implementation of section 1582 will impact on how prospective business combinations are accounted for, including the application of fair value measurements, the recognition and measurement of goodwill or gain from a bargain purchase, and the expensing of acquisition related costs. This new section provides the Canadian equivalent to International Financial Reporting Standard ("IFRS") 3(R), "Business Combinations" and applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011, with early adoption permitted. An entity early adopting section 1582 must also apply Consolidated Financial Statements, Section 1601, and Non-controlling Interests, section 1602 at the same time. Sections 1601 and 1602 require the non-controlling interests to be included in the equity section, separate from the parent equity.

DPM has elected to early adopt sections 1582, 1601 and 1602 effective January 1, 2010, on a prospective basis only, to be in alignment with IFRS. The implementation of these sections has impacted the recording of the NCS business combination and the Avala transaction and will impact the recording of future business combinations as well as any partial dispositions creating non-controlling interests.

## INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Accounting Standards Board confirmed in February 2008 that IFRS will replace Canadian GAAP for publicly accountable enterprises for the financial periods beginning on or after January 1, 2011, including comparative figures for the prior year.

DPM will transition to IFRS effective January 1, 2011 and intends to issue its first interim financial statements under IFRS for the three month period ending March 31, 2011 and a complete set of financial statements under IFRS for the year ending December 31, 2011.

DPM has identified differences between Canadian GAAP and IFRS relevant to DPM and a detailed assessment has been made of the impact of the required changes to the existing accounting systems, business processes, and requirements for personnel training and development. Based on the detailed assessment of the differences applicable to DPM, DPM is in the process of implementing solutions to address these differences.

The major deliverables of the conversion project include: (i) diagnostic report to explore potential impact of changes in accounting standards (complete); (ii) project plan (to be updated as needed to reflect new developments and progress); (iii) detailed qualitative analysis of impact of changes to each accounting standard (complete) and quantitative analysis (substantially complete); (iv) revision of accounting policy and procedures manual (in progress); and (iv) development of a process and system to prepare financial statements in IFRS, including a reconciliation to Canadian GAAP (complete).

Status of major deliverables:

1. Technical papers on the impact on foreign currency, borrowing costs, impairment on non-financial assets, share based payments, exploration for and evaluation of mineral resources, property, plant and equipment ("PPE"), non-financial liabilities, revenue recognition, tax, financial instruments and leasing, and consolidation have been finalized.

2. DPM has prepared skeleton IFRS consolidated financial statements and has already identified additional quantitative and qualitative information that is required for IFRS disclosures.

3. A draft IFRS opening balance sheet has been prepared and is currently being analyzed.

4. A special audit committee meeting was held in October 2010 to discuss the impact of adopting IFRS as at the transition date and the skeleton IFRS consolidated financial statements, and to approve the changes to the accounting policies.

5. Apart from additional IFRS disclosures on financial statements, financial reporting models relating to borrowing cost, share-based payments, asset retirement obligations, and income taxes have been modified to enable IFRS reporting from the transition date. There is no significant change to the general ledger, supporting systems and internal controls due to transition to IFRS.

6. IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides companies adopting IFRS for the first time with a number of optional exemptions and certain mandatory exceptions to facilitate the preparation of their opening balance sheet.

DPM's current assessment of IFRS 1 exemptions:

**a) Exploration and Evaluation** – DPM has the option to retain its existing policy or to adopt a new accounting policy. DPM has elected to retain its current policy with some enhancements.

**b) Stock Options** – DPM has the option to apply the requirement of IFRS 2 share-based payments to equity instruments that were granted after November 7, 2002 and vested before January 1, 2010 or apply the requirement of IFRS 2 only to share-based payments that are not vested as of January 1, 2010. DPM has elected to apply the requirements of IFRS 2 to share-based payments that are not vested as of January 1, 2010.

**c) Foreign Currency** – The cumulative translation adjustment ("CTA") balance as of January 1, 2010, can be deemed to be zero. DPM will reclassify the CTA balance of approximately $40 million, resulting in a decrease in other comprehensive income and an increase in retained earnings.

**d) Business Combinations** – A first-time adopter may elect not to apply IFRS 3(R) retrospectively to past business combinations. DPM elected to apply IFRS for business combinations effective January 1, 2010.

**e) Borrowing Costs –** DPM has elected to capitalize borrowing costs on eligible projects prospectively from January 1, 2010 under IFRS.

**f) Asset Retirement Obligation** – this election enables the Company to re-measure the obligation on the transition date instead of full retrospective application. DPM has elected to prospectively calculate the asset retirement obligation.

7. Based on a detailed analysis, no major impact on cash flow is expected as a result of adopting IFRS. Also, the Company currently expects no significant impacts on business activities, key performance indicators and bank covenants.

The differences that may have an impact on DPM's consolidated financial statements have been identified and discussed below based on a detailed impact analysis to date.

a) **Exploration and evaluation (E&E) costs:** DPM's current accounting policy would continue under IFRS. Once the legal right to explore has been acquired, exploration and evaluation expenditures are expensed as incurred except in areas under development, where production is probable, or in areas that have completed a feasibility study, where there is a reasonable expectation to convert existing estimated mineral resources to estimated ore reserves and add additional mineral resources with additional drilling and evaluations in areas near existing ore reserves, and existing or planned production facilities, in which case they are capitalized. This policy is in compliance with the IFRS framework. However, under IFRS, these assets are presented separately as E&E assets, which will result in a decrease in PPE of approximately $60 million to $80 million and a corresponding increase in E&E assets. Therefore, there is no impact on retained earnings on transition to IFRS.

b) **Asset Retirement Obligation:** Under IFRS, constructive obligations must be considered in addition to legal obligations when determining the ARO. Under Canadian GAAP, only legal obligations are considered when determining the ARO. Under IFRS, DPM will be required to re-measure the ARO liability at each period-end in order to recognize any changes in the discount rate and changes in foreign exchange rates, whereas the existing present value of the estimated liability does not require subsequent adjustment for market interest changes in the discount rates or changes in foreign exchange rates under Canadian GAAP. The ARO is considered to be a non-monetary liability under DPM's existing accounting policies. IFRS requires that an entity review the carrying amount of a non-financial liability at each balance sheet date and adjust to reflect the current amount that the entity would rationally pay to settle the present obligation or to transfer it to a third party on the balance sheet date. The Company has made an assessment that there is a $1 million to $3 million decrease in ARO liability on transition date. It is expected that these changes may result in greater volatility in the ARO subsequent to transition date due to changes in discount rates and foreign exchange rates.

c) **Impairment of Non-Financial Assets:** Under IFRS, an entity must assess at each reporting date whether there is any indication that an asset might be impaired. If any such indication exists, the entity must estimate the recoverable amount of the asset, which is defined as the higher of an asset's or cash generating unit's ("CGU") fair value less costs to sell and its value in use. Management has assessed its cash generating units as being an individual mine or smelter site, which is the lowest level for which cash inflows are largely independent of those of other assets. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU. An impairment loss must be recorded if the carrying value of the asset or CGU is less than the recoverable amount which is defined as the higher of the asset or CGUs fair value less cost to sell and its value in use. The first step in recognition of an impairment loss under Canadian GAAP is usually based on undiscounted cash flows, if available, which does not exist under IFRS. Therefore an impairment loss could be recognized under IFRS earlier than under Canadian GAAP. However, a change in the estimates used to determine an asset's recoverable amount since the last impairment loss was recognized could result in a reversal of an impairment loss recognized in prior periods for an asset other than goodwill, whereas no such reversal is possible under Canadian GAAP. The Company has made an assessment of whether there are any impairment indicators on the transition date. The results of this assessment do not indicate that any adjustments will be required upon transition to IFRS.

d) **Functional Currency and Foreign Exchange Translation:** The indicators considered in determining the functional currency of an entity are similar under IFRS and Canadian GAAP. Although unlike IFRS, Canadian GAAP does not have a hierarchy of indicators under which certain indicators are given priority. DPM has determined that the functional currency of the majority of its businesses to be the U.S. dollar under IFRS. With the change from integrated to self-sustaining foreign operations for most of DPM's operating subsidiaries on January 1, 2010, no significant impact is expected other than the transfer of the CTA balance of approximately $40 million as of the transition date to retained earnings.

e) **Warrants**: Under Canadian GAAP, contracts to deliver a fixed number of equity instruments in exchange for a fixed amount of foreign currency are considered equity instruments. Under IFRS, they should be considered financial instruments and classified as liabilities. As a result, Canadian dollar denominated DPM warrants of approximately $14 million may be reclassified from equity to liabilities as of the transition date and re-valued at each period-end date.

f) **Share-based Payments:** The accounting for share-based payments will be modified with respect to graded vesting conditions and forfeitures. Under IFRS, the fair value of each tranche of the share options will be amortized over their respective vesting period rather than on a straight-line basis as permitted under Canadian GAAP. Under Canadian GAAP, forfeitures can be accounted when they occur, whereas under IFRS, the number of stock options that would ultimately vest (non-market vesting conditions) is estimated and only the fair value of the stock options that would ultimately vest is amortized over their vesting period. The Company has made an assessment that this change will result in a small increase, of less than $1 million, in contributed surplus balance for unvested share based payment plans and a corresponding decrease in retained earnings upon transition to IFRS.

g) **Income Tax:** Canadian GAAP requires the recognition of future income tax assets of both the acquirer and the acquiree in a business combination to be recorded as part of the purchase price allocation. IFRS requires the deferred tax assets of the acquirer to be recorded as a separate transaction from the purchase price allocation. As a result, under IFRS, any deferred tax assets of the acquirer would be recognized through earnings or equity, instead of a reduction of goodwill. Currently, the Company has no such past transactions. This will impact the Company on a go forward basis and will not impact on transition date.

h) **Intangible assets:** DPM's current accounting policy would continue under IFRS. Costs relating to intangible assets are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. Intangible assets should be presented separately under IFRS. Approximately $5 million of intangible assets, previously included in PPE, will be presented separately under IFRS.

The above disclosure related to IFRS is based on management's current interpretation of requirements and may change as new information becomes available and if there are changes to existing standards and/or issuance of new standards and interpretations by the International Accounting Standards Board.

## NON-GAAP FINANCIAL MEASURES

This MD&A refers to cash cost per tonne of ore processed, cash cost per pound of copper in concentrate produced, cash cost per ounce of gold in concentrate produced and cash cost per pound of zinc in concentrate produced because certain investors may use this information to assess the Company's performance and also determine the Company's ability to generate cash flow for investing activities. These measurements capture all of the important components of the Company's production and related costs. In addition, management utilizes these metrics as an important management tool to monitor cost performance of the Company's operations. These measurements, which are non-GAAP measures, have no standardized meaning under Canadian GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. These measurements are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with Canadian GAAP.

The following table provides, for the periods indicated, a reconciliation of the Company's cash cost measures to its Canadian GAAP cost of sales:

**Reconciliation of Non-GAAP Measures to Canadian GAAP Cost of Sales:**

| *$ thousands, unless otherwise indicated* <br> **For the year ended December 31, 2010** | **Chelopech** | **Deno Gold** | **Other** | **Total** |
|---|---|---|---|---|
| Ore processed *(mt)* | **1,000,781** | **428,865** | | |
| Concentrate produced: | | | | |
| Gold in concentrate *(ounces)* | **65,512** | **29,216** | | |
| Copper in concentrate *(pounds)* | **27,482,687** | **2,890,094** | | |
| Zinc in concentrate *(pounds)* | | **19,089,390** | | |
| Cost of sales | **$ 72,579** | **$ 32,743** | **$ 44,833** | **$ 150,155** |
| Add/(deduct): | | | | |
| Amortization | **(12,960)** | **(5,374)** | | |
| Reclamation costs and other | **(1,337)** | **(788)** | | |
| Change in concentrate inventory | **(2,018)** | **3,572** | | |
| Total cash cost of production before by-product credits | **$ 56,264** | **$ 30,153** | | |
| Silver credits | **(2,243)** | **(11,096)** | | |
| Total cash cost of production after by-product credits | **$ 54,021** | **$ 19,057** | | |
| Cash cost per tonne ore processed, *including royalties* | **$ 56.22** | **$ 70.31** | | |
| Cash cost per tonne ore processed, *excluding royalties* | **$ 51.54** | **$ 66.33** | | |
| Cash cost per pound Copper produced[(1)] | **$ 1.06** | **$ 1.01** | | |
| Cash cost per ounce Gold produced[(1)] | **$ 379** | **$ 364** | | |
| Cash cost per pound Zinc produced[(1)] | **$ -** | **$ 0.29** | | |

| *$ thousands, unless otherwise indicated* <br> **For the year ended December 31, 2009** | **Chelopech** | **Deno Gold** | **Total** |
|---|---|---|---|
| Ore processed *(mt)* | 980,928 | 218,235 | |
| Concentrate produced: | | | |
| Gold in concentrate *(ounces)* | 88,433 | 14,837 | |
| Copper in concentrate *(pounds)* | 26,155,662 | 1,527,200 | |
| Zinc in concentrate *(pounds)* | - | 9,166,316 | |
| Cost of sales | $ 75,647 | $ 21,197 | $ 96,844 |
| Add/(deduct): | | | |
| Amortization | (12,401) | (3,170) | |
| Reclamation costs and other | (1,841) | (752) | |
| Care and maintenance costs | - | (3,074) | |
| Change in concentrate inventory | (419) | 1,696 | |
| Foreign exchange | (1,148) | (125) | |
| Total cash cost of production before by-product credits | $ 59,838 | $ 15,772 | |
| Silver credits | (1,713) | (4,400) | |
| Total cash cost of production after by-product credits | $ 58,125 | $ 11,372 | |
| Cash cost per tonne ore processed, *including royalties* | $ 61.00 | $ N/A | |
| Cash cost per tonne ore processed, *excluding royalties* | $ 55.23 | $ 72.27 | |
| Cash cost per pound Copper produced[(1)] | $ 0.95 | $ 1.13 | |
| Cash cost per ounce Gold produced[(1)] | $ 375 | $ 426 | |
| Cash cost per pound Zinc produced[(1)] | $ - | $ 0.36 | |

*(1) Gold, copper and zinc are accounted for as co-products. Copper and zinc units are converted into gold units using the ratio of the average gold value to the average copper and zinc values for the period. Total cash costs are net of by-product silver revenue.*

## DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, ("NI 52-109"). Management, under the supervision of the CEO and CFO conducted an assessment of the effectiveness of DC&P and ICFR in place as of December 31, 2010 and concluded that such procedures and controls are adequate and effective to ensure accurate and complete disclosures in annual filings. The board of directors also assesses the integrity of the public financial disclosures through the oversight of the Audit Committee.

## INTERNAL CONTROL CHANGES

The Company's management, under the supervision of the CEO and CFO, has designed ICFR using the control framework developed by COSO (Committee of Sponsoring Organizations of the Treadway Commission). During 2010, management continued with the assessment and detailed evaluation of the ICFR procedures and controls established in all significant locations and continued to develop the internal control framework. This exercise resulted in improvements being made to strengthen effectiveness and reliability of internal controls aiming to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO during the reporting period. Additional improvements were made in 2010 and will continue to be implemented in the foreseeable future with the aim that the information required to be disclosed by the Company in its interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with Canadian GAAP.

## INTERNAL CONTROL EVALUATION

Management evaluated the design and operating effectiveness of the DC&P and ICFR as defined by NI 52-109 as of December 31, 2010. This evaluation was performed under the supervision of, and with the participation of, the CEO and CFO. Based on the evaluation of the design and operating effectiveness of the Company's ICFR and DC&P, management, the CEO and CFO concluded that the Company's DC&P and ICFR were effective as of December 31, 2010.

NI 52-109 also requires Canadian public companies to disclose in their MD&A any change in ICFR that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to the internal controls in the year ended December 31, 2010, however certain enhancements were made.

Only reasonable, rather than absolute assurance, that misstatements are prevented or detected on a timely basis by ICFR can be provided due to the inherent limitations of the ICFR system. Such limitations also apply to the effectiveness of ICFR as it is also possible that controls may become inadequate because of changes in conditions or deterioration in compliance with policies and procedures.

### *Limitation on Scope*

DPM's management, with the participation of its CEO and CFO, has limited the scope of the design and operating effectiveness of DPM's DC&P and ICFR to exclude controls, policies and procedures with respect to NCS and related assets which were acquired by DPM on March 24, 2010 (which is not more than 365 days before the end of the financial period covered by this MD&A).

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The accompanying consolidated financial statements of Dundee Precious Metals Inc. (the "Company") and all information in this financial report are the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, include management's best estimates and judgments. Management has reviewed the financial information presented throughout this report and has ensured it is consistent with the consolidated financial statements.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Board of Directors appoints the Audit Committee, and all of its members are unrelated directors. The Audit Committee meets periodically with management and the auditors to review internal controls, audit results, accounting principles and related matters. The Board of Directors approves the consolidated financial statements on recommendation from the Audit Committee.

PricewaterhouseCoopers LLP, an independent firm of Chartered Accountants, was appointed by the shareholders at the last annual meeting to examine the consolidated financial statements and provide an independent professional opinion. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.

(Signed) "Jonathan Goodman"

Jonathan Goodman
President and Chief Executive Officer

(Signed) "Stephanie Anderson"

Stephanie Anderson
Executive Vice President and
Chief Financial Officer

February 23, 2011

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February 23, 2011

**Independent Auditor's Report**

**To the Shareholders of**
**Dundee Precious Metals Inc.**

We have audited the accompanying consolidated financial statements of Dundee Precious Metals Inc. (the Company), which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of earnings, comprehensive earnings, cash flow and shareholders' equity for the years then ended, and the related notes including a summary of significant accounting policies.

**Management's responsibility for the consolidated financial statements**
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

## (Signed) "PricewaterhouseCoopers LLP"

**Chartered Accountants, Licensed Public Accountants**

"PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate legal entity.

# CONSOLIDATED BALANCE SHEETS

**As at December 31, 2010 and 2009**

*(in thousands of U.S. dollars)*

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents | **$ 96,225** | $ 30,769 |
| Short-term investments | **13,155** | 44,796 |
| Accounts receivable and other assets *(note 7)* | **33,490** | 27,670 |
| Inventories *(note 8)* | **39,485** | 30,600 |
| **Total Current Assets** | **182,355** | 133,835 |
| **Investments at fair value** *(note 9)* | **174,534** | 34,403 |
| **Restricted cash** *(note 10)* | **23,369** | 9,258 |
| **Other long-term assets** *(note 11)* | **1,207** | 10,118 |
| **Property, plant and equipment** *(note 12)* | **370,439** | 319,828 |
| **Intangible assets** *(note 13)* | **32,730** | - |
| **Assets held for sale** *(note 14)* | **25,757** | 27,158 |
| **Future income tax assets** *(note 18)* | **2,961** | 818 |
| **Total Assets** | **$ 813,352** | $ 535,418 |
| **LIABILITIES** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities | **$ 35,624** | $ 22,426 |
| Current portion of long-term debt, reclamation and other long-term liabilities *(notes 15 and 16)* | **7,087** | 8,193 |
| **Total Current Liabilities** | **42,711** | 30,619 |
| **Long-term Liabilities** | | |
| Long-term debt *(note 15)* | **46,354** | 12,837 |
| Reclamation and other long-term liabilities *(note 16)* | **51,747** | 30,930 |
| Long-term compensation *(note 19)* | **5,170** | 1,633 |
| Future income tax liabilities *(note 18)* | **10,364** | 7,357 |
| **Total Long-term Liabilities** | **113,635** | 52,757 |
| **EQUITY** | | |
| Share capital | **370,727** | 283,231 |
| Warrants | **14,116** | 14,117 |
| Contributed surplus | **15,668** | 10,624 |
| Retained earnings | **123,163** | 99,667 |
| Accumulated other comprehensive earnings | **120,932** | 44,403 |
| **Total Equity attributable to the shareholders of the Company** | **644,606** | 452,042 |
| Non-controlling interest | **12,400** | - |
| **Total Equity** | **657,006** | 452,042 |
| **Total Liabilities and Equity** | **$ 813,352** | $ 535,418 |

Contingent Liabilities and Commitments *(note 17)*

*The accompanying notes are an integral part of the consolidated financial statements*

**Approved by the Board of Directors**

(Signed) Jonathan Goodman
Jonathan Goodman, Director

(Signed) Ronald Singer
Ronald Singer, Director

# CONSOLIDATED STATEMENTS OF EARNINGS

**For the years ended December 31, 2010 and 2009**

*(in thousands of U.S. dollars, except per share amounts)*

| | | **2010** | | 2009 |
|---|---|---|---|---|
| **Mining and processing operations** | | | | |
| Mining and processing net revenue | **$** | **201,795** | $ | 137,573 |
| Cost of sales | | **150,155** | | 96,844 |
| **Gross profit** | | **51,640** | | 40,729 |
| **Expenses** | | | | |
| Administrative and other expenses | | **15,703** | | 15,392 |
| Stock based compensation expense *(notes 19 and 21)* | | **5,825** | | 1,940 |
| Exploration expense | | **7,287** | | 4,792 |
| Amortization of property, plant and equipment and other | | **3,237** | | 2,181 |
| Financing and other costs | | **3,519** | | 1,491 |
| Foreign exchange loss | | **1,899** | | 2,616 |
| Total expenses | | **37,470** | | 28,412 |
| **Earnings before undernoted items** | | **14,170** | | 12,317 |
| **Investment and other income (expenses)** | | | | |
| Interest and other income | | **2,425** | | 1,403 |
| Net impairment provisions *(note 12 and 17(a)(i))* | | **(54,579)** | | (4,441) |
| Unrealized gain on financial instrument investments *(note 9(a))* | | **49,732** | | - |
| Other expenses | | **(733)** | | (37) |
| Investment and other expenses | | **(3,155)** | | (3,075) |
| **Earnings before income taxes** | | **11,015** | | 9,242 |
| **Provision for (recovery of) income taxes** *(note 18)* | | | | |
| Current | | **362** | | 3,611 |
| Future | | **(9,870)** | | 505 |
| Total (recovery of) provision for income taxes | | **(9,508)** | | 4,116 |
| **Net earnings** | **$** | **20,523** | $ | 5,126 |
| **Attributable to:** | | | | |
| Non- controlling interest | **$** | **(2,973)** | $ | - |
| Equity shareholders of the Company | | **23,496** | | 5,126 |
| **Net earnings** | **$** | **20,523** | $ | 5,126 |
| **Basic net earnings per share** *(note 22)* | **$** | **0.20** | $ | 0.05 |
| **Diluted net earnings per share** *(note 22)* | **$** | **0.19** | $ | 0.05 |

*The accompanying notes are an integral part of the consolidated financial statements*

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

**For the years ended December 31, 2010 and 2009**

*(in thousands of U.S. dollars)*

| | | **2010** | | 2009 |
|---|---|---|---|---|
| **Net earnings** | **$** | **20,523** | $ | 5,126 |
| **Other comprehensive earnings, net of tax** | | | | |
| Net unrealized gains on available-for-sale investments, net of tax of $(11,114) (2009 - $nil) *(note 9)* | | **76,660** | | 5,673 |
| Reclassification of realized gains on available-for-sale investments to earnings, net of tax of $95 (2009 - $nil) *(note 9)* | | **(638)** | | 618 |
| Currency translation adjustment *(note 2(b))* | | **507** | | 60,397 |
| Other comprehensive earnings | | **76,529** | | 66,688 |
| **Total comprehensive earnings** | **$** | **97,052** | $ | 71,814 |

*The accompanying notes are an integral part of the consolidated financial statements*

# CONSOLIDATED STATEMENTS OF CASH FLOW

**For the years ended December 31, 2010 and 2009**

*(in thousands of U.S. dollars)*

| | | 2010 | | 2009 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Net earnings | $ | 20,523 | $ | 5,126 |
| Items not affecting cash *(note 23(a))* | | 34,560 | | 22,821 |
| Changes in non-cash working capital *(note 23(b))* | | (4,796) | | (6,714) |
| **Net cash provided by operating activities** | | 50,287 | | 21,233 |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of additional interest in Vatrin Investment Ltd. | | (1,500) | | - |
| Purchase of Namibia Custom Smelters (Pty) Ltd. (net of cash acquired of $1,013) *(note 4)* | | (16,987) | | - |
| Proceeds on sale of exploration property | | - | | 6,211 |
| Proceeds on sale of investments at fair value | | 1,530 | | 2,155 |
| Proceeds on sale of short-term investments | | 31,641 | | 3,755 |
| Increase in restricted cash | | (15,097) | | (3,131) |
| Loans and advances | | (3,000) | | (4,000) |
| Purchase of investments | | (5,693) | | (2,000) |
| Acquisition of property, plant and equipment | | (79,730) | | (34,771) |
| Proceeds on sale of property, plant and equipment | | 111 | | 142 |
| **Net cash used in investing activities** | | (88,725) | | (31,639) |
| **FINANCING ACTIVITIES** | | | | |
| Issue of common shares on exercise of stock options and warrants | | 147 | | - |
| Net proceeds of equity financing | | 61,981 | | - |
| Proceeds on sale of interest in Dundee Plemeniti Metali d.o.o (net of cash acquired of $1,123) *(note 4)* | | 20,866 | | - |
| Redemption of deferred share units | | (45) | | (28) |
| Proceeds of debt financing | | 27,090 | | - |
| Repayment of debt | | (2,375) | | (3,626) |
| Repayment of leases | | (3,770) | | (1,087) |
| **Net cash provided by (used in) financing activities** | | 103,894 | | (4,741) |
| **Increase (decrease) in cash and cash equivalents** | | 65,456 | | (15,147) |
| **Cash and cash equivalents at beginning of year** | | 30,769 | | 42,169 |
| **Change due to conversion to U.S. dollar reporting** | | - | | 3,747 |
| **Cash and cash equivalents at end of year** | $ | 96,225 | $ | 30,769 |
| **Supplemental Disclosures** | | | | |
| Interest paid | $ | 2,347 | $ | 103 |
| Taxes paid (received) | $ | 3,552 | $ | (545) |

*The accompanying notes are an integral part of the consolidated financial statements*

# CONSOLIDATED STATEMENTS OF EQUITY

**As at December 31, 2010 and 2009**

*(in thousands of U.S. dollars, except share amounts)*

| | December 31, 2010 | | December 31, 2009 | |
|---|---|---|---|---|
| | **Number** | **Amount** | Number | Amount |
| **Share Capital** | | | | |
| **Authorized** | | | | |
| Unlimited common shares | | | | |
| **Issued** | | | | |
| Common Shares | | | | |
| **Balance at beginning of year** | **97,540,538** | **$ 283,231** | 97,540,538 | $ 283,231 |
| Shares issued on financing *(note 20)* | **20,000,000** | **64,788** | - | - |
| Shares issued on exercise of warrants *(note 20)* | **2,500** | **8** | - | - |
| Shares issued on acquisition *(note 4)* | **4,446,420** | **13,917** | - | - |
| Shares issued on settlement of metals exposure *(note 4)* | **2,903,525** | **10,977** | - | - |
| Shares issued on exercise of stock options *(note 21)* | **100,294** | **139** | - | - |
| Share cancellation | **(80,126)** | **(275)** | - | - |
| Financing costs net of future income taxes of $727 | | **(2,112)** | | - |
| Transferred from warrants on exercise of warrants | | **1** | | - |
| Transferred from contributed surplus on exercise of stock options | | **53** | | - |
| **Balance at end of year** | **124,913,151** | **370,727** | 97,540,538 | 283,231 |
| **Warrants** | | | | |
| **Balance at beginning of year** | **23,204,500** | **14,117** | 23,204,500 | 14,117 |
| Transferred to share capital on exercise of warrants | **(2,500)** | **(1)** | - | - |
| **Balance at end of year** | **23,202,000** | **14,116** | 23,204,500 | 14,117 |
| **Contributed surplus** | | | | |
| **Balance at beginning of year** | | **10,624** | | 9,681 |
| Stock based compensation expense | | **2,566** | | 943 |
| Gain on sale of interest in Dundee Plemeniti Metali d.o.o. *(note 4)* | | **6,259** | | - |
| Settlement on additional 5% Vatrin acquisition *(note 4)* | | **(2,077)** | | - |
| Share cancellation | | **19** | | - |
| Transferred to share capital on exercise of stock options | | **(53)** | | - |
| Other | | **(1,670)** | | - |
| **Balance at end of year** | | **15,668** | | 10,624 |
| **Retained earnings** | | | | |
| **Balance at beginning of year** | | **99,667** | | 94,541 |
| Net earnings attributable to the equity shareholders of the Company | | **23,496** | | 5,126 |
| **Balance at end of year** | | **123,163** | | 99,667 |
| **Accumulated other comprehensive earnings (loss)** | | | | |
| **Balance at beginning of year** | | **44,403** | | (22,285) |
| Other comprehensive earnings | | **76,529** | | 66,688 |
| **Balance at end of year** | | **120,932** | | 44,403 |
| **Total equity attributable to the shareholders of the Company** | | **644,606** | | 452,042 |
| Non-controlling interest at date of transaction (*note 4* ) | | **13,189** | | - |
| Net loss attributable to non-controlling interest | | **(2,973)** | | - |
| Other increase in non-controlling interest | | **2,184** | | - |
| **Total equity at end of year** | | **$ 657,006** | | $ 452,042 |

*The accompanying notes are an integral part of the consolidated financial statements*

## 1. NATURE OF OPERATIONS

Dundee Precious Metals Inc. ("DPM" or "the Company") is a Canadian based, international mining company engaged in the acquisition, exploration, development, mining and processing of precious metals properties.

The Company's operating interests include a 100% ownership of Chelopech Mining EAD ("Chelopech"), its principal asset being the Chelopech mine, a gold, copper, silver concentrate producer located east of Sofia, Bulgaria, a 100% ownership of Namibia Custom Smelters (Pty) Ltd. ("NCS"), a concentrate processing facility located in Tsumeb, Namibia, and a 100% interest in Deno Gold Mining Company CJSC ("Deno Gold"), its principal asset being the Kapan mine, a gold, copper, zinc, silver concentrates producer located south east of the capital city of Yerevan in southern Armenia.

DPM's interests also include a 100% interest in the Krumovgrad development stage gold property ("Krumovgrad Gold Project") located in south eastern Bulgaria, near the town of Krumovgrad, through the Company's wholly-owned subsidiary, Balkan Mineral and Mining EAD ("BMM"), and certain exploration and exploitation properties in Serbia. The Company also holds a 50.9% controlling interest in Avala Resources Ltd. ("Avala"), a TSX Venture Exchange ("TSXV") listed company (TSXV: AVZ) focused on the exploration and development of the Timok and Potoj Cuka copper and gold projects in Serbia.

In July 2010, the Company established DPM Assurance (Barbados) Inc. ("DPMA"), a Qualifying Insurance Company in Barbados, principally to provide reinsurance coverage for surety risks originating from its affiliates.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP").

The principal accounting policies are described hereunder.

### (a) Adoption of New Accounting Standards

In January 2009, the Canadian Institute of Chartered Accountants (CICA) issued Business Combinations section 1582, replacing the former Business Combinations section 1581, which establishes standards for the accounting of business combinations. The implementation of section 1582 impacts on how prospective business combinations are accounted for, including the application of fair value measurements, the recognition and measurement of goodwill or gain from a bargain purchase, and the expensing of acquisition related costs. This new section provides the Canadian equivalent to International Financial Reporting Standard (IFRS) 3(R), "Business Combinations" and applies prospectively to business combinations for which the acquisition date is on or after January 1, 2011, with early adoption permitted. An entity early adopting section 1582 must also apply Consolidated Financial Statements, section 1601, and Non-controlling Interests, section 1602, at the same time. Sections 1601 and 1602 require the non-controlling interests to be included in the equity section, separate from the parent equity.

DPM has elected to early adopt sections 1582, 1601 and 1602 effective January 1, 2010, on a prospective basis only, to be in alignment with IFRS. The implementation of these sections has impacted the recording of the NCS business combination and the Avala transaction and will impact the recording of future business combinations as well as any non-controlling interests in a subsidiary.

(in thousands of U.S. dollars, unless otherwise indicated)

### (b) Reporting Currency

As a Canadian-based company, DPM has historically prepared its consolidated financial statements in Canadian dollars and in conformity with Canadian GAAP.

To enhance communication with its shareholders and improve comparability with its peer group, effective January 1, 2010, DPM adopted the U.S. dollar as its reporting currency. All comparative financial information contained herein has been revised to reflect the Company's results as if they had been historically reported in U.S. dollars and in accordance with Canadian GAAP. Accordingly, U.S. dollars as referenced herein are denoted as "$" and all Canadian dollars are denoted as "Cdn$".

All historical revenues, expenses and cash flows for each year up to fiscal 2009 were translated into the U.S. dollar reporting currency using average rates for the reporting periods, or the rates in effect at the date of the transaction for significant transactions. Assets and liabilities were translated using the exchange rate at the end of each reporting period. All resulting exchange differences were reported as a separate component of accumulated other comprehensive earnings, in currency translation adjustment shown as follows:

| **Currency Translation Adjustment** | | **2010** | | 2009 |
|---|---|---|---|---|
| Balance, beginning of year | **$** | **40,374** | $ | (20,023) |
| Foreign exchange impact from foreign denominated net assets | | **507** | | 60,397 |
| **Balance, end of year** | **$** | **40,881** | $ | 40,374 |

### (c) Consolidation

The consolidated financial statements are presented in U.S. dollars and are prepared in accordance with Canadian GAAP. The consolidated financial statements consolidate the assets, liabilities and results of all entities in which the Company holds a controlling financial interest. Control is established by the Company's ability to determine strategic, operating, investing and financing policies without the co-operation of others. The Company analyzes its level of ownership, voting rights and representation on the board of directors in determining if control exists by any one, or a combination, of these factors. The effects of all transactions between controlled entities are eliminated. Where control of an entity is obtained during a financial year, its results are included in the consolidated statements of earnings from the date on which control commences. Where control of an entity ceases during a financial year, its results are only included for the portion of the year over which control exists.

### (d) Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses for the reporting period. The most significant estimates relate to the carrying values of inventories, investments, property, plant and equipment, intangible assets, amortization and depletion rates, asset retirement obligations, future income tax assets and liabilities, metals exposure, warrants, rights and stock based compensation. Actual results may differ from those estimates.

### (e) Foreign Currency Translation

Effective January 1, 2010, Chelopech and Deno Gold were deemed to be operationally and financially self-sufficient, and accordingly, classified as self-sustaining foreign operations. Prior to 2010, these two operations were considered integrated foreign operations since they were financially and operationally dependent on DPM. Effective January 1, 2010, DPM changed its functional currency to the U.S. dollar.

NCS, which was acquired on March 24, 2010, and DPMA, which was established in July 2010, are also considered to be self-sustaining foreign operations. BMM continues to be an integrated foreign subsidiary.

For the above entities, monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the period end exchange rates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was determined. Income and expense items are translated at the exchange rate in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statements of earnings, except for differences arising on the translation of available-for-sale equity instruments that are recorded in other comprehensive income (“OCI”). Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currencies are translated at the exchange rate in effect at the transaction date.

Effective July 30, 2010, DPM holds a controlling interest in Avala and therefore consolidates its financial results. Avala is considered a self-sustaining operation with Canadian dollar as its functional currency and therefore its financial results are translated into U.S. dollars upon consolidation using the current rate method wherein cumulative currency translation adjustments are recorded on the consolidated balance sheets.

### (f) Cash and Cash Equivalents

Cash and cash equivalents include bank balances and short-term investments in money market instruments with original maturities of less than three months at the time the investment is made.

### (g) Short-term investments

Short-term investments include bankers’ acceptances and treasury bills with original maturities between three months and less than one year at the time the investment is made. Short-term investments are reported at amortized cost, whereby accrued interest is added to the investment balance.

### (h) Inventories

Inventories of gold/copper/zinc/silver concentrate are valued at the lower of average production cost and net realizable value. Production costs that are inventoried include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour, other direct costs (including external services and amortization) and related production overheads, but exclude administrative and finance costs. Production costs also include the royalty payable on the value of the ore extracted from the mine.

Supplies inventories are valued at the lower of cost and net realizable value.

### (i) Metals Exposure

The Company's metals exposure is specific to its newly acquired subsidiary, NCS, a metals processing and smelting operation. Louis Dreyfus Commodities Metals Suisse SA ("LDC") has the exclusive right to purchase the Chelopech concentrate for toll processing through NCS and an exclusive arrangement to further supply concentrate feed for toll processing at NCS. The Company records receivables from or payables to LDC in the consolidated balance sheets and adjustments to cost of sales in the consolidated statements of earnings, for any over or under recoveries of the copper and precious metals relative to contractual recovery rates. The Company calculates the metals exposure by comparing the copper, gold and silver content in the concentrate received to the copper and precious metals in the blisters returned and in the material still being processed.

Many parts of the calculation are subject to estimation. Metals in concentrate received and metals in the blisters returned are subject to final verification of the amount of copper and precious metals from assay results. The amount of copper and precious metals in process is also subject to estimation where management uses its process knowledge and multiple assay results. The final settlement of the metals exposure may materially differ from those estimates.

### (j) Financial Instruments

Financial assets and financial liabilities are recognized initially at fair value. Subsequent measurement depends on their classifications as "held-for-trading", "available-for-sale", "held-to-maturity", or "loans payable" as per the CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement.

Financial assets and financial liabilities classified as "held-for-trading" are measured at fair value with changes in fair value recorded in net earnings in the period in which they occur. The Company's derivative commodity contracts and Sabina Gold & Silver Corp. ("Sabina") Special Warrants are classified as "held-for-trading".

Financial assets and financial liabilities classified as "available-for-sale" are measured at fair value with unrealized gains and losses recorded as adjustments to OCI. The Company's portfolio investments in common shares are classified as "available-for-sale". Investments are evaluated for impairment based on the market values and consideration of the current circumstances affecting the companies in DPM's investment portfolio. When there has been a decline in value of a portfolio investment that is determined by management to be other than temporary, the investment is written down. The related fair market value adjustments that were previously recorded in OCI are reclassified to the statements of earnings when a portfolio investment is sold or written down due to impairments that are determined based on management's best estimates.

Financial assets and financial liabilities classified as "held-to-maturity" and "loans payable" are measured at amortized cost using the effective interest method of amortization. The Company's short term investments are classified as "held-to-maturity" and its long-term debt is classified as "loans payable".

### (k) Valuation of Investments at Fair Value

The fair value of investments in publicly traded securities are determined based on the period end final bid prices reported on recognized securities exchanges and over-the-counter markets. Quoted prices are not available to determine the fair value of Sabina Special Warrants, in which case the fair value is determined using valuation models that require the use of assumptions, including future stock price volatility and probability of exercise.

The average cost basis is used to determine the gain or loss on sales of portfolio investments. Gains and losses realized on sales are recorded in the statement of earnings in the period in which they occur.

Dividend income is recognized on the ex-dividend date. Interest income and expenses are recognized on an accrual basis.

Investments over which the Company exercises significant influence, but does not control, are accounted for using the equity method. All other investments are stated at fair market value.

**(l) Restricted Cash**

Restricted cash consists of escrow deposits for asset retirement obligations, cash held as collateral against bank guarantees, cash held as collateral against foreign exchange transactions and cash and/or securities held as collateral against copper derivative contracts.

**(m) Other Long-term Assets**

Loans receivable are measured at amortized cost using the effective interest method, whereby the loan balance is increased by the amount of accrued interest and decreases with interest payments.

**(n) Property, Plant and Equipment**

*Exploration, evaluation and development costs*

Exploration, evaluation and development activities involve the search for mineral resources/reserves, the assessment of technical and operational feasibility and the determination of an identified mineral reserve's commercial viability. Costs incurred for the acquisition of land and mineral rights are capitalized and mineral rights are amortized over the life of the permit/license. Once the legal right to explore has been acquired, exploration expenditures are expensed as incurred until production is probable, or in areas that have completed a feasibility study, where there is a reasonable expectation to convert existing estimated mineral resources to estimated ore reserves and add additional mineral resources with additional drilling and evaluations in areas near existing ore reserves and existing or planned production facilities, in which cases they are capitalized as deferred exploration and development assets within mineral properties.

Upon commencement of commercial production, deferred exploration and development assets are amortized on a units-of-production basis over the economically recoverable reserves of the mining property.

Exploration properties that contain estimated proven and probable ore reserves, but for which a development decision has not yet been taken, are subject to periodic review for impairment when events or changes in circumstances indicate the project's carrying value may not be recoverable.

All expenditures related to the construction of the mine declines, orebody access including mine shafts and ventilation raises are considered to be underground capital development and are capitalized. Expenses incurred after reaching the ore body are regarded as operating development cost and are included in the cost of hoisted ore.

Amortization rates for these assets are as follows:

Deferred exploration and development – life of mine on a units-of-production basis; and
Licenses and other mining rights – life of mine on a units-of-production basis.

*Property, plant and equipment*

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the assets to a working condition for their intended use, the initial estimate of the reclamation obligation, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment.

Financing costs directly associated with the construction or acquisition of qualifying assets are capitalized at interest rates relating to loans specifically raised for that purpose. Capitalization of borrowing costs ceases when the asset is substantially complete.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and costs are either regarded as inventory costs or expensed, except for costs which qualify for capitalization relating to mining asset additions or improvements, mine development or mineable reserve development.

The amortization of mine infrastructure is based on the units-of-production method over the estimated economic life of the related deposit. For all other property, plant and equipment where the anticipated useful lives of the buildings, machinery and equipment related to mines are less than the life of the deposit, amortization is based on their remaining anticipated useful lives on a straight line basis. Amortization of property, plant and equipment used in a capitalized exploration or development project is capitalized to the project.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss when the asset is derecognized.

Following are the amortization rates used for each category of property, plant and equipment which are amortized on a straight line basis:

| Asset Category | Amortization rate (%) |
|---|---|
| Buildings | **4-7** |
| Machinery and equipment | **6-25** |
| Computer hardware and software | **30-50** |
| Vehicles | **20** |
| Office equipment | **15-20** |

*Impairment*

Reviews for impairment are conducted when circumstances or events indicate that an impairment may exist. The carrying values of mining interests, exploration, development costs, and property, plant and equipment are tested for recoverability if any indication of impairment exists and, if impaired, are written down to their estimated fair value.

### (o) Intangible assets

Intangible assets acquired through asset acquisitions or business combinations are initially recognized at fair value. Subsequent to initial recognition, they are measured at cost less accumulated amortization and any accumulated impairment losses. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific assets to which they relate. All other expenditures are recognized in profit or loss as incurred.

The Company's intangible asset relates to the LDC toll processing contract acquired through the acquisition of NCS. This intangible asset is amortized on a straight-line basis over the term of the contract of 11 years.

### (p) Asset Retirement Obligations

Mining, processing, development and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes a liability for its site restoration obligations when a legal obligation is identified. The liability is measured at fair value based on the net present value of the estimated future costs. A corresponding increase to the carrying amount of the related asset is recorded and depreciated over the life of the related asset. The liability is accreted with the passage of time to its expected settlement fair value and is also adjusted periodically for changes in the estimate of the amount, timing and cost of the work to be carried out. Other environmental costs, such as environmental monitoring, water management and waste management costs, incurred at the operating sites are charged to earnings when incurred.

Significant judgments and estimates are made by management when determining the nature and costs associated with asset retirement obligations. The estimates or assumptions required to calculate the fair value of asset retirement obligations include, among other items, abandonment and reclamation amounts, inflation rates, credit-adjusted risk free rates and timing of retirement of assets. Changes in the underlying assumptions used to estimate the obligation as well as changes to environmental laws and regulations could cause material changes in the expected cost and the fair value of asset retirement obligations.

### (q) Long-term Debt

The company recognizes the long-term debt initially at the fair value of the proceeds net of initial direct costs of borrowing. The fair values are calculated based on the USD spot LIBOR plus the applicable interest rate margin.

Subsequent to initial recognition, the long-term debt is carried at amortized cost using the effective interest rate method, which is calculated by taking into account fees or costs. The borrowing costs directly related to the acquisition, construction and production of qualifying assets are capitalized to the assets until such time that the assets are considered substantially ready for their intended use. All other borrowing costs are recognized in profit or loss using the effective interest method.

### (r) Commodity Contracts

The Company manages its exposure to changes in commodity prices and associated earnings volatility by periodically entering into derivative contracts in accordance with the risk management policy approved by the Company's board of directors.

These derivative assets and liabilities are not designated in a qualifying hedge relationship and accordingly are classified as "held-for-trading" financial instruments and are measured at fair value with changes in fair value recorded in net earnings in the period in which they occur.

The estimated fair value of the derivative commodity instruments is based on market prices quoted from major commodity exchanges.

**(s) Revenue Recognition**

Revenue from the sale of gold/copper/zinc/silver concentrate is recognized when significant risks and ownership title are transferred to the buyer. Revenue is initially recorded based on a provisional value which is a function of prevailing market prices. Typically, under the terms of the concentrate sales contracts, the final metal price ("settlement price") for the payable metal is set based on a predetermined and defined quotational period that is either a) the average of the specified reference metal price for the month of scheduled shipment, b) the third month after the month of arrival at the port of destination or c) as otherwise mutually agreed. The price of the concentrate is the sum of the metal payments less the sum of the deductions so specified in the concentrate sales contract including tolling charges, penalties, and freight. The terms of the contracts result in embedded derivatives because of the timing difference between the provisional price and the final settlement price. These embedded derivatives are adjusted to fair value through revenue each period through to the date of final price determination.

Any adjustments to the amount receivable for each shipment at the settlement date, caused by final assay results, are adjusted through revenue at the time of determination.

Net revenue from toll processing is recognized when concentrate is in the process of being delivered to the smelter from the NCS receiving bay. As part of the tolling agreement between NCS and LDC, NCS incurs a charge on the aggregate of i) the pro-forma value of the raw material received, plus ii) value of tolling fees paid by LDC to NCS commencing upon the date of payment, less iii) value of payable metals contained in blister copper received by LDC from the $5^{th}$ day following the arrival of the carrying vessel. This charge is recorded in mining and processing net revenue.

**(t) Stock Based Compensation**

The Company accounts for stock options using the fair value method. For option awards, fair value is measured at the grant date using a Black-Scholes valuation model and is recognized as a charge to compensation expense and an increase in contributed surplus over the vesting period of the options granted. Grants of stock options are based on the closing price of the day before the effective grant date. Consideration paid by employees on exercise of stock options is recorded as share capital.

Grants of deferred share units (“DSUs”) are recorded at fair value at the time of grant, which are based on the closing stock price at the date of grant. The DSUs are to be settled for cash and are marked to the current market price at each balance sheet date.

**(u) Income Taxes**

Income tax expense comprises current and future income taxes. Current and future income taxes are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Current income tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods.

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases resulting in “temporary differences”. Future income tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

**(v) Earnings Per Share**

Basic earnings per share is calculated by dividing net earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated using the treasury stock method, whereby any "in the money" option and warrant proceeds would be used to purchase common shares of the Company at the average market price during the period.

## 3. CAPITAL MANAGEMENT

The Company's objective when managing capital is to maintain the confidence of shareholders and investors in the implementation of its business plans by: (i) maintaining sufficient levels of liquidity to fund and support its exploration, development stage and operating properties and other corporate activities, and (ii) maintaining a strong balance sheet to ensure ready access to debt and equity markets to facilitate the development of major projects. Management monitors its financial position on an ongoing basis.

The Company manages its capital structure and makes adjustments to it based on prevailing market conditions and according to its business plan. A large portion of the Company's capital comes from the issuance of equity. Other sources of capital are derived from DPM's subsidiary company (principally Chelopech) third party debt. Capital is monitored on the basis of total debt as a percentage of total capital, defined as the sum of the current portion of long-term debt and long-term debt divided by the sum of total equity, current portion of long-term debt and long-term debt, all as shown on the balance sheet. As at December 31, 2010, the Company's debt as a percentage of total capital was 7% (December 31, 2009 – 4%). Under the terms of the Chelopech indebtedness that is guaranteed by DPM, DPM and Chelopech have agreed certain undertakings including the maintenance of specified financial covenants. See *note 15* for discussion on the Company's compliance with these requirements.

## 4. BUSINESS COMBINATIONS AND OTHER TRANSACTIONS

***NCS Acquisition:***

On March 24, 2010, the Company completed the purchase of NCS, a metals processing and smelting operation, in Tsumeb, Namibia, from Weatherly International plc ("WTI") through the purchase of 100% of the shares of NCS. The fair value of the purchase consideration for NCS was $42.4 million, consisting of (i) $18.0 million in cash (less amounts drawn under a $2.0 million plus accrued interest working capital loan to WTI), (ii) the issuance of 4,446,420 fully paid common shares of DPM at a closing share price of Cdn$3.21 per share and (iii) $10.4 million of NCS long-term debt and accrued interest owing to Chelopech.

(in thousands of U.S. dollars, unless otherwise indicated)

The purchase consideration was calculated as follows:

| | | |
|---|---|---|
| Cash | $ | **18,000** |
| DPM common shares | | **13,917** |
| | | **31,917** |
| Loan advanced by Chelopech and interest thereon | | **10,435** |
| **Total consideration** | **$** | **42,352** |

The following table sets forth the allocation of the purchase consideration to assets and liabilities acquired, based on estimates of fair value:

**Purchase Price Allocation**

| | | |
|---|---|---|
| Cash and cash equivalents | $ | **1,013** |
| Accounts receivable and other assets | | **2,588** |
| Inventories | | **1,519** |
| Restricted cash | | **535** |
| Intangible assets | | **35,125** |
| Property, plant and equipment | | **46,285** |
| **Total assets acquired** | **$** | **87,065** |
| Accounts payable and accrued liabilities | $ | **15,219** |
| Long-term debt | | **4,300** |
| Reclamation and other long-term liabilities | | **25,194** |
| **Total liabilities assumed** | **$** | **44,713** |
| **Net assets acquired** | **$** | **42,352** |

DPM initially completed a preliminary purchase price allocation ("PPA") estimate for the acquisition of NCS during the first quarter of 2010 and finalized its valuation and allocations during the fourth quarter of 2010. DPM has finalized the NCS PPA based on fair value estimates for the various assets acquired and liabilities assumed. Management's judgments and estimates included: (i) identification of a complete set of material assets and liabilities based primarily on those outlined in the purchase agreement and knowledge of NCS' business, (ii) fair value measurement of tangible property, plant and equipment with the assistance of an independent appraisal, (iii) valuation of an intangible asset related to NCS' toll processing contract with LDC using discounted cash flow methodology, and (iv) measurement of environmental obligations with the assistance of external environmental specialist.

All underlying transaction costs and the related expenses with the acquisition have been charged directly to earnings.

If the acquisition of NCS had been made on or before January 1, 2010, DPM's consolidated mining and processing net revenue would have increased by $8.5 million to $210.3 million and the consolidated net earnings would have decreased by $2.0 million to $18.5 million for the year ended December 31, 2010 (unaudited).

On May 26, 2010, DPM completed the previously announced settlement with LDC of approximately $11.4 million of financial obligations owed by NCS to LDC, through a cash payment of $2.0 million and the issuance of 2,903,525 common shares of DPM, valued initially at $9.4 million based on a deemed price of Cdn$3.50 per share. On the date of the settlement, the common shares issued were recorded at fair value based on the closing price of Cdn$4.04, resulting in a non-cash loss on settlement of $1.6 million *(note 23(a))*.

(in thousands of U.S. dollars, unless otherwise indicated)

***Avala acquisition:***

In April 2010, DPM subscribed for 4,857,000 units of PJV Resources Inc. ("PJV") at a unit price of Cdn$0.35 per unit for total cash consideration of $1.7 million (Cdn$1.7 million). Each unit consisted of one common share of PJV and one half of one common share purchase warrant. Each full warrant was exercisable to purchase a common share of Avala at Cdn$0.50 per share.

On July 30, 2010, DPM concluded its previously announced agreement with PJV and Rodeo Capital Corp. (now Avala Resources Ltd.) wherein it received, amongst other consideration, a 50.3% direct controlling ownership in Avala and $1.6 million cash in exchange for DPM's Serbian subsidiary, Dundee Plemeniti Metali d.o.o. ("Metali"). The shares of PJV subscribed for in April 2010 were issued and converted to shares of Avala as part of this transaction. The post acquisition impact of the consolidation of Avala into DPM's financial results was a $22.0 million increase in cash and cash equivalents, a net gain of $6.3 million recognized through contributed surplus, and a $13.2 million non-controlling interest on the balance sheet.

As a result of the transaction and exchange of the PJV subscription receipts, DPM received 73,437,357 common shares and 36,718,679 warrants of Avala. Each whole warrant is exercisable for three years from the date of closing, at the discretion of DPM, for one Avala common share at a price of Cdn$0.50 per Avala common share. DPM was also issued special rights (the "Special Rights") to acquire up to an aggregate of 50,000,000 additional Avala common shares for no additional consideration, of which 25,000,000 are issuable upon a positive decision to proceed to a feasibility study on all or part of the projects and an additional 25,000,000 are issuable upon a positive decision to bring all or part of the projects into production.

At the time of acquisition, the Avala warrants and Special Rights were valued at $9.3 million (Cdn$9.6 million) consisting of a) $1.2 million (Cdn$1.3 million) related to 36,718,679 Avala warrants and b) $8.1 million (Cdn$8.3 million) related to 50,000,000 Avala Special Rights. The fair value of the warrants was estimated using the Black-Scholes pricing model with the following assumptions:

| | |
|---|---|
| Risk free interest rate | 1.42% |
| Expected life in years | 3 |
| Expected volatility | 30% |
| Dividends per share | - |

The fair value of the Special Rights was estimated based on the current bid price of the Avala common shares, adjusted for the likelihood of occurrence of a) the positive decision to proceed to a feasibility study on the projects and b) the positive decision to bring all or part of the projects into production.

Pursuant to the certificates and indenture governing certain of the Avala warrants issued on July 30, 2010, Avala had the right to accelerate the expiry date of such warrants any time after October 25, 2010 if the closing price of its common shares is above Cdn$1.00 for 20 consecutive trading days. On December 13, 2010, having met this precondition, Avala issued notification of its decision to accelerate the expiry date of this portion of its share purchase warrants to January 14, 2011. In response, DPM exercised 2,428,500 full warrants to purchase the same number of Avala common shares at Cdn$0.50 per share, resulting in an increase of DPM's controlling interest in Avala to 50.9%. As at December 31, 2010, DPM held 75,865,857 common shares and 34,290,179 warrants of Avala. The associated non-controlling interest share in Avala's net loss for the five month period from July 30, 2010 to December 31, 2010 was $3.0 million. The non-controlling interest on the balance sheet as at December 31, 2010 was $12.4 million. The impact of the consolidation of Avala into DPM's financial results at December 31, 2010 was a $16.9 million increase in cash and cash equivalents.

***Additional 5% share purchase of Vatrin Investment Limited ("Vatrin"):***

On December 20, 2010, DPM purchased a 5% interest in Vatrin, to increase its equity interest to 100%, for net cash consideration of $1.5 million and the elimination of all associated third party indebtedness. Vatrin holds 100% equity interest in Deno Gold.

## 5. FINANCIAL INSTRUMENT RISK FACTORS

A summary of the Company's risk exposures as they relate to financial instruments is provided below.

**Credit risk**

The exposure to credit risk arises through the failure of a customer or another third party to meet its contractual obligations to the Company. Under the terms of the Company's concentrate sales contracts, the purchaser makes an initial advance payment of 85% of the provisional value of each lot at the time title, but not risk, of the concentrate transfers, with a further advance payment of 5% following presentation of sales documents to the purchaser. A final adjusting payment, reflecting the actual metal prices for the specified quotational period, is made when final weights and assays are agreed upon. All contractual commitments are subject to force majeure clauses which, if implemented, could have a significant impact on revenue. Approximately 80% (2009 – 88%) of DPM's total concentrate sales for the year ended December 31, 2010 were with one customer *(note 17(b))*. There can be no assurance that the Company will not experience a loss for non-performance by any counterparty with whom it has a commercial relationship.

**Market risk**

Market risk is the risk of material loss that may arise from changes in market factors including foreign exchange, commodity prices and interest rates.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in the foreign exchange rate. The Company's risk management objective is to reduce cash flow risk related to foreign denominated cash flows by maintaining portions of DPM's cash in Canadian dollars and Euros. Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the period end exchange rates.

The Company's Canadian dollar-denominated financial instruments include primarily cash and cash equivalents and Sabina Special Warrants. Based on the balances as at December 31, 2010, the earnings impact of a 5% increase or decrease in the Canadian dollar to U.S. dollar exchange rate on these financial instruments would be a $3.4 million ($2009 - $0.3 million) increase or decrease for the year ended December 31, 2010.

The Company's Namibian dollar (which is pegged to the South African Rand) denominated financial instruments include primarily NCS's capital lease, accounts payable and accrued liabilities, and other current assets. Based on the balances as at December 31, 2010, the earnings impact of a 5% increase or decrease in the Namibian dollar to U.S. dollar exchange rate on these financial instruments would be a $0.9 million (2009 - $nil) decrease or increase for the year ended December 31, 2010.

The Company's Bulgarian leva (which is pegged to the Euro) denominated financial instruments include primarily Chelopech's accounts payable and accrued liabilities, capital leases, and other current assets. Based on the balances as at December 31, 2010, the earnings impact of a 5%

increase or decrease in the Bulgarian leva to U.S. dollar exchange rate on these financial instruments would be a $0.8 million (2009 - $1.1 million) decrease or increase for the year ended December 31, 2010.

The Company's Armenian dram-denominated financial instruments include primarily Deno Gold's accounts payable and accrued liabilities and other current assets. Based on the balances as at December 31, 2010, the earnings impact of a 5% increase or decrease in the Armenian dram to U.S. dollar exchange rate on these financial instruments would be a $0.1 million (2009 - $0.2 million) increase or decrease for the year ended December 31, 2010.

### Price/Market risk

The Company is subject to price risk associated with fluctuations in the market prices for metals. The Company sells its products at prices that are effectively determined through trading on major commodity exchanges, in particular the London Metal Exchange and London Bullion Market. The prices of gold, copper and zinc are major factors influencing the Company's business, results of operations, financial condition, cash flow from operations, exploration, mining and development activities and trading price for its common shares and common share purchase warrants.

Gold, copper, zinc and silver prices may fluctuate widely and are affected by numerous factors beyond the Company's control. DPM periodically enters into derivative contracts to manage its exposure to fluctuations in copper and zinc prices. For the year ended December 31, 2010, the earnings impact of a 5% increase or decrease in realized gold, copper, zinc and silver prices is an increase or decrease of $5.2 million (2009 - $5.1 million) for gold, an increase or decrease of $4.4 million (2009 - $3.1 million) for copper, an increase or decrease of $0.7 million (2009 - $0.4 million) for zinc, and an increase or decrease of $0.5 million (2009 - $nil) for silver.

The Company is sensitive to the movement in the price of securities in which it invests. Related impacts are recorded in accumulated OCI for its financial assets designated as available-for-sale, and in earnings for its financial assets classified as held-for-trading.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial assets exposed to interest rate risk include primarily cash and cash equivalents and short-term investments. For the year ended December 31, 2010, a 100 basis point increase or decrease in the interest rate is a $1.1 million (2009 - $0.8 million) increase or decrease in the net earnings.

The Company's financial liabilities exposed to interest rate risk include long-term debt and capital lease obligations bearing floating interest rates. The interest on long-term debt is calculated based on the London InterBank Offered Rate ("LIBOR"). A 100 basis point change in the LIBOR impacts the Company's net earnings for the year ended December 31, 2010 by plus or minus $0.5 million (2009 - $0.2 million). The interest expense on the capital leases at Chelopech is calculated based on the Euro Interbank Offered Rate ("Euribor"). The earnings impact of a 100 basis point change in the Euribor is not significant.

(in thousands of U.S. dollars, unless otherwise indicated)

### Liquidity risk

The Company monitors its risk of a shortage of funds by monitoring the maturity dates of existing debt and other payables.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

| | | | | | **December 31, 2010** |
|---|---|---|---|---|---|
| | | **Payments Due by Period** | | | |
| | **Total** | **up to 1 year** | **1 - 3 years** | **4 - 5 years** | **over 5 years** |
| Accounts payable and accrued liabilities | **$ 35,624** | **$ 35,624** | **$ -** | **$ -** | **$ -** |
| Long term debt | **48,964** | **1,178** | **11,993** | **18,093** | **17,700** |
| Capital lease obligations | **43,287** | **6,486** | **7,840** | **5,353** | **23,608** |
| Other long-term obligations | **273** | **96** | **82** | **85** | **10** |
| | **$ 128,148** | **$ 43,384** | **$ 19,915** | **$ 23,531** | **$ 41,318** |

| | | | | | December 31, 2009 |
|---|---|---|---|---|---|
| | | Payments Due by Period | | | |
| | Total | up to 1 year | 1 - 3 years | 4 - 5 years | over 5 years |
| Accounts payable and accrued liabilities | $ 22,426 | $ 22,426 | $ - | $ - | $ - |
| Long term debt | 18,659 | 5,134 | 6,011 | 6,011 | 1,503 |
| Capital lease obligations | 7,562 | 3,093 | 4,441 | 28 | - |
| Other long-term obligations | 280 | 81 | 98 | 101 | - |
| | $ 48,927 | $ 30,734 | $ 10,550 | $ 6,140 | $ 1,503 |

## 6. FAIR VALUE OF FINANCIAL INSTRUMENTS

During the year ended December 31, 2010, the Company entered into cash settled derivative contracts to swap future contracted monthly average prices for fixed prices on 998 tonnes of payable copper and 435 tonnes of payable zinc. The derivative contracts were entered into to mitigate a substantial majority of the metal price exposure and associated earnings volatility associated with such sales due to the time lag between the provisional and final concentrate sales. As at December 31, 2010, DPM had one outstanding contract to swap its average of February 2011 copper price exposure on 166 tonnes of payable copper for a fixed price of $8,945 per tonne. Unrealized gains and losses on outstanding derivative contracts are calculated with respect to corresponding London Metal Exchange forward metal prices and recorded in net revenue. For the year ended December 31, 2010, the Company recorded net realized losses of $0.1 million (2009 - $4.3 million) and net unrealized losses of $0.1 million (2009 - $0.1 million).

DPM is exposed to credit risk in the event of non-performance by counterparties in connection with its derivative contracts. This risk is mitigated by dealing with financially sound counterparties. A loss for non-performance is not anticipated.

(in thousands of U.S. dollars, unless otherwise indicated)

The following table provides a comparison of the financial instruments' carrying and fair values as at December 31, 2010 and December 31, 2009:

| | As at December 31, 2010 | | | | | | December 31, 2009 |
|---|---|---|---|---|---|---|---|
| | **Carrying value and fair value of financial instruments** | | | | | | |
| | Financial instruments classified as | | | | Total | Total | Total |
| | available-for-sale | held-to maturity | held-for trading | loans payable | carrying value | fair value | carrying/ fair value |
| Investments at fair value *(note 9)* | **$115,839** | **$ -** | **$ 58,695** | **$ -** | **$174,534** | **$174,534** | $ 34,403 |
| Short-term investments | **-** | **13,155** | **-** | **-** | **13,155** | **13,155** | 44,796 |
| Long-term loans receivable | **-** | **-** | **-** | **-** | **-** | **-** | 7,335 |
| Total long-term debt *(note 15)* | **-** | **-** | **-** | **(47,532)** | **(47,532)** | **(47,532)** | (17,947) |
| Derivative commodity contracts | **-** | **-** | **(124)** | **-** | **(124)** | **(124)** | (75) |

The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 - Inputs that are not based on observable market data.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2010:

| | **December 31, 2010** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3 *(b)*** | **Total *(a)*** |
| **Financial assets** | | | | |
| Equities | **$ 115,761** | **$ -** | **$ 58,695** | **$ 174,456** |
| **Financial liabilities** | | | | |
| Derivative commodity contracts | **$ (124)** | **$ -** | **$ -** | **$ (124)** |

| | December 31, 2009 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 *(b)* | Total *(a)* |
| **Financial assets** | | | | |
| Equities | $ 22,326 | $ 1,012 | $ 10,253 | $ 33,591 |
| **Financial liabilities** | | | | |
| Derivative commodity contracts | $ (75) | $ - | $ - | $ (75) |

**(a)** Total financial assets measured at fair value exclude $0.08 million (December 31, 2009 - $0.8 million) of investments recorded at cost.

**(b)** Level 3 financial assets measured at fair value relate to the Sabina Special Warrants described in *note 9(a)*.

(in thousands of U.S. dollars, unless otherwise indicated)

The following table reconciles the Company's Level 3 fair value measurements from December 31, 2008 to December 31, 2010:

**Fair value measurements using Level 3 inputs**

| | | **Investments** |
|---|---|---|
| Balance at December 31, 2008 | $ | - |
| Purchases | | 8,963 |
| Gain included in other comprehensive income | | 1,290 |
| Balance at December 31, 2009 | | 10,253 |
| Reclassification of gain to earnings from other comprehensive income | | **(1,290)** |
| Gain included in earnings | | **49,732** |
| **Balance at December 31, 2010** | **$** | **58,695** |

## 7. ACCOUNTS RECEIVABLE AND OTHER ASSETS

| | | **December 31, 2010** | | December 31, 2009 |
|---|---|---|---|---|
| Accounts receivable | **$** | **12,900** | $ | 15,711 |
| Prepaid expenses | | **9,394** | | 4,907 |
| Current portion of tax recoverable *(note 11(b))* | | **9,295** | | 7,052 |
| Current portion of restricted cash *(note 17(a)(ii))* | | **1,539** | | - |
| Current assets held for sale *(note 14)* | | **362** | | - |
| | **$** | **33,490** | $ | 27,670 |

## 8. INVENTORIES

| | | **December 31, 2010** | | December 31, 2009 |
|---|---|---|---|---|
| Gold/copper/zinc/silver ore and concentrate | **$** | **15,053** | $ | 9,960 |
| Spare parts and supplies | | **24,432** | | 20,640 |
| | **$** | **39,485** | $ | 30,600 |

(in thousands of U.S. dollars, unless otherwise indicated)

## 9. INVESTMENTS AT FAIR VALUE

The following are the details of the net changes in investments for the periods indicated:

| | | **December 31, 2010** | | December 31, 2009 |
|---|---|---|---|---|
| Investments at fair value, beginning of year | **$** | **34,403** | $ | 3,721 |
| Mark-to-market adjustments to fair value *(a)* | | **137,499** | | 5,272 |
| Reclassification of realized gains on available-for-sale investments | | | | |
| to earnings from other comprehensive income | | **(779)** | | (276) |
| Fair value of investments received for sale of exploration property *(a)* | | **-** | | 25,315 |
| Cost of investments purchased *(b)* | | **4,097** | | 2,000 |
| Cost of investments sold: | | | | |
| Proceeds from sales | | **(1,530)** | | (2,155) |
| Net realized gains on sale of investments | | **890** | | 151 |
| Write-down of investments *(c)* | | **(46)** | | (894) |
| Change arising from translation to U.S. dollars | | **-** | | 1,269 |
| **Investments at fair value, end of year** | **$** | **174,534** | $ | 34,403 |

### (a) Sabina

On June 9, 2009 (“Date of Closing”), following the completion of the sale of the Back River exploration project to Sabina , the Company held (i) 17,000,000 common shares of Sabina, (ii) 5,000,000 Series A Special Warrants, which will be automatically exercised upon a decision by Sabina to proceed to a feasibility study or proceed to production on the Back River project or upon the occurrence of certain other events and (iii) 5,000,000 Series B Special Warrants, which will be automatically exercised upon a positive production decision with respect to the project or upon the occurrence of certain other events. Each of the Special Warrants is exercisable for one common share and one-half of one common share purchase warrant (“Warrant”) of Sabina. Each whole Warrant, if issued, will be exercisable for five years from the Date of Closing, at the discretion of DPM, for one Sabina common share at a price of Cdn$1.07 per Sabina common share.

On June 9, 2009, the Sabina investment assets were valued at $25.3 million (Cdn$28.0 million) consisting of a) $16.8 million (Cdn$18.5 million) in Sabina common shares and b) $8.5 million (Cdn$9.5 million) in Sabina Special Warrants with the fair value estimated using the Black-Scholes pricing model with the following assumptions:

| **Sabina Series A Special Warrants:** | |
|---|---|
| Risk free interest rate | 2.35% |
| Expected life in years | 3 |
| Expected volatility | 77.74% |
| Dividends per share | - |
| Discount rate | 3% |

| **Sabina Series B Special Warrants:** | |
|---|---|
| Risk free interest rate | 1.24% |
| Expected life in years | 2 |
| Expected volatility | 86.60% |
| Dividends per share | - |
| Discount rate | 3% |

(in thousands of U.S. dollars, unless otherwise indicated)

As at December 31, 2010, the Sabina investment assets were valued at $162.5 million (Cdn$161.6 million), of which a) $103.8 million (Cdn$103.3 million) related to 18,539,713 Sabina common shares and b) $58.7 million (Cdn$58.3 million) related to 10,000,000 Sabina Special Warrants with the fair value estimated using the Black-Scholes pricing model with the following assumptions:

| **Sabina Series A Special Warrants:** | | **Sabina Series B Special Warrants:** | |
|---|---|---|---|
| Risk free interest rate | 1.66% | Risk free interest rate | 1.66% |
| Expected life in years | 1.5 | Expected life in years | 1.0 |
| Expected volatility | 49.36% | Expected volatility | 50.10% |
| Dividends per share | - | Dividends per share | - |
| Discount rate | 3.50% | Discount rate | 3.50% |

For the year ended December 31, 2010, a $49.7 million (2009 - $nil) unrealized gain on fair value adjustments to Sabina Special Warrants was recognized in earnings and an $84.1 million (2009 - $2.9 million) unrealized gain on fair value adjustments to Sabina common shares was recognized in OCI.

**(b)** In August 2010, the Company purchased 1,539,713 common shares of Sabina for $4.0 million (Cdn$4.2 million) to hold 13% of the issued and outstanding common shares of Sabina. In August 2009, the Company purchased 40,468,000 ordinary shares of WTI for $2.0 million which, by agreement, was advanced by WTI to its subsidiary, NCS, to cover the costs of certain capital improvements being made to its Tsumeb copper smelter and for working capital purposes.

**(c)** For the year ended December 31, 2010, DPM wrote down an investment recognizing a loss of $0.05 million (2009 - $0.9 million) through earnings. Management determined that the decline in the market value of the equity instrument was other than temporary.

## 10. RESTRICTED CASH

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Restricted cash *(a)* | **$ 21,967** | $ 6,317 |
| Escrow deposit for asset retirement obligation *(note 17(a)(ii))* | **1,402** | 2,941 |
| | **$ 23,369** | $ 9,258 |

**(a)** Restricted cash consists of $15.0 million (December 31, 2009 - $nil) held as collateral in support of Chelopech's mine closure and rehabilitation performance bond obligations with the Bulgarian government; $1.4 million (December 31, 2009 - $1.4 million) held by Avala as collateral against bank guarantees provided to the Serbian government until September 2011; $1.0 million (December 31, 2009 - $nil) held as collateral against certain foreign exchange transactions; $0.6 million (December 31, 2009 - $nil) held as collateral against bank guarantees provided to Namibia Power Corporation (Pty) Ltd and $4.0 million (December 31, 2009 - $4.9 million) held as collateral against metal price derivative contracts *(note 6)*.

(in thousands of U.S. dollars, unless otherwise indicated)

## 11. OTHER LONG-TERM ASSETS

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| Loans receivable *(a)* | **$ -** | $ 7,335 |
| Tax recoverable *(b)* | **410** | 2,448 |
| Other | **797** | 335 |
| | **$ 1,207** | $ 10,118 |

**(a)** Loans receivable as at December 31, 2009 related to advances made by Chelopech to NCS. An additional $3.0 million was advanced prior to NCS being purchased by DPM on March 24, 2010. As a result of the purchase, the advances now reside between two consolidated subsidiaries of DPM and are eliminated on consolidation.

**(b)** Taxes recoverable as at December 31, 2010 and 2009 related primarily to that portion of the Deno Gold value added tax ("VAT") receivable which is not anticipated to be recoverable within a twelve month period. See note 7 for current portion of tax recoverable.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | **December 31, 2010** | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Accumulated depreciation & depletion** | **Net book value** | Cost | Accumulated depreciation & depletion | Net book value |
| **Mineral properties** | | | | | | |
| Chelopech | **$ 83,489** | **$ 13,766** | **$ 69,723** | $ 66,287 | $ 11,339 | $ 54,948 |
| Deno Gold | **64,315** | **4,841** | **59,474** | 55,445 | 1,510 | 53,935 |
| Krumovgrad | **45,268** | **242** | **45,026** | 40,433 | 205 | 40,228 |
| Avala | **3,690** | **175** | **3,515** | 3,834 | 347 | 3,487 |
| | **$ 196,762** | **$ 19,024** | **$ 177,738** | $ 165,999 | $ 13,401 | $ 152,598 |
| **Buildings, plant and equipment** | | | | | | |
| Chelopech | **$ 146,144** | **$ 46,430** | **$ 99,714** | $ 173,767 | $ 41,811 | $ 131,956 |
| Deno Gold | **47,145** | **11,280** | **35,865** | 39,212 | 9,113 | 30,099 |
| Krumovgrad | **2,352** | **435** | **1,917** | 2,227 | 358 | 1,869 |
| Avala | **3,762** | **1,837** | **1,925** | 4,304 | 1,873 | 2,431 |
| NCS | **54,641** | **2,493** | **52,148** | - | - | - |
| Corporate | **2,793** | **1,661** | **1,132** | 2,273 | 1,398 | 875 |
| | **$ 256,837** | **$ 64,136** | **$ 192,701** | $ 221,783 | $ 54,553 | $ 167,230 |
| | **$ 453,599** | **$ 83,160** | **$ 370,439** | $ 387,782 | $ 67,954 | $ 319,828 |

On April 15, 2010, the Bulgarian Supreme Administrative Court revoked the Ministry of Environment and Water's ("MoEW") July 2008 Environmental Impact Assessment ("EIA") resolution for the construction of the Company's proposed metals processing facility ("MPF") at Chelopech, Bulgaria. A property impairment provision of $54.0 million was recorded in the first quarter of 2010 to write-down the carrying value of the MPF project to its estimated fair value. The write-down was determined by examining the recoverable amounts on the fixed assets relating to the MPF project. The remaining MPF related fixed assets are included in assets held for sale *(note 14)* in the consolidated balance sheets.

(in thousands of U.S. dollars, unless otherwise indicated)

During 2009, following a comprehensive review of the Chelopech mine and mill expansion project, Chelopech recorded a $3.5 million write-down of fixed assets.

Assets under capital leases included in equipment are detailed below:

| | **December 31, 2010** | | | December 31, 2009 | | |
|---|---|---|---|---|---|---|
| | **Cost** | **Accumulated depreciation & depletion** | **Net book value** | Cost | Accumulated depreciation & depletion | Net book value |
| **Equipment** | | | | | | |
| Chelopech | **$ 10,196** | **$ 3,441** | **$ 6,755** | $ 9,354 | $ 774 | $ 8,580 |
| Deno Gold | **792** | **37** | **755** | - | - | - |
| Avala | **-** | **-** | **-** | 14 | - | 14 |
| NCS | **18,614** | **931** | **17,683** | - | - | - |
| Corporate | **713** | **130** | **583** | 270 | 22 | 248 |
| | **$ 30,315** | **$ 4,539** | **$ 25,776** | $ 9,638 | $ 796 | $ 8,842 |

**Krumovgrad Gold Project:**

There is risk and uncertainty around obtaining the required permits to advance the Krumovgrad Gold Project. The risks relate to community concerns, archaeological clearance of the site, Non-Governmental Organizations' action and delays to the permit process. In the event that all permits necessary to develop the project are not obtained and all legal avenues are exhausted, an impairment of the project carrying value may be required. On September 8, 2009, the MoEW issued a Commercial Discovery Certificate for the Krumovgrad Gold Project, the issuance of which is the final requirement for conversion of the property to a mining concession. On October 29, 2010, an EIA on the Krumovgrad Gold Project was submitted for approval. BMM has applied to the Ministry of Economy, Energy and Tourism ("MoEET") for the mining concession permit.

Management continues to take steps to advance its permits and remains committed to the future development of the project. In February 2011, the Council of Ministers of the Republic of Bulgaria approved the granting of a 30 year concession to BMM to develop the Khan Krum Deposit in Krumovgrad. See *note 25*, *"Subsequent events"* for details.

## 13. INTANGIBLE ASSETS

As at December 31, 2010, the Company had $32.7 million intangible assets related to the LDC toll processing contract. This long-term contract was identified and initially valued at $35.1 million as part of the finalization of the purchase price allocation for the acquisition of NCS *(note 4)*. For the year ended December 31, 2010, the Company recorded a $2.4 million amortization expense on this intangible asset.

## 14. ASSETS HELD FOR SALE

**Oxygen plant and MPF project related fixed assets:**

As at December 31, 2010, DPM's assets held for sale include $13.9 million (2009 - $15.8 million) relating to a refurbished oxygen plant purchased by Chelopech for the MPF project and $11.9 million (2009 - $11.4 million) of other MPF related fixed assets *(note 12)*. In the fourth quarter of 2010, the oxygen plant was written down by $2.3 million to its estimated fair value less cost to sell.

(in thousands of U.S. dollars, unless otherwise indicated)

**Dundee Moly Company d.o.o. ("Molyco"):**

On October 4, 2010, DPM entered into an option agreement with Queensland Minerals Ltd. ("QML"), an exploration company listed on the TSXV, in respect of DPM's remaining Serbian properties, namely its Surdulica molybdenum, Tulare copper/gold and other early stage projects in Serbia directly held by Molyco, (the "Agreement"). Pursuant to the Agreement, QML is entitled, subject to the terms and conditions of the Agreement, to exercise its option to acquire 100% of DPM's indirectly held interest in all of the issued and outstanding shares of Molyco upon: (i) QML having raised in one or more financings aggregate gross proceeds of Cdn$10 million ("Combined Financings"); (ii) QML having expended aggregate exploration expenditures of Cdn$3 million on the Serbian properties; and (iii) QML obtaining all requisite regulatory, shareholder, stock exchange or governmental authorizations and consents. The option is valid for one year from the date of the Agreement.

Upon exercise of the option under the Agreement, DPM will receive a number of units ("Vendor Units") in the capital of QML, such that, upon completion, DPM will hold 47.5% of the issued and outstanding capital of QML, post-closing on a non-diluted basis (subject to adjustments under certain circumstances). Each Vendor Unit will be comprised of one QML common share and that number of warrants (but not less than half a warrant per Vendor Unit) as is equal to the number of warrants forming part of units sold in various tranches of the Combined Financings on a pro rata basis of each of the tranches of the Combined Financings. Each whole warrant will be exercisable for one common share of QML for a period of not less than two years and at an exercise price not greater than Cdn$0.42 per warrant.

As a result of the Agreement, the Company reclassified the net assets of Molyco to *assets held for sale* on the DPM consolidated balance sheets.

In the event of a sale, the final consideration for the assets held for sale may differ from the carrying values as at December 31, 2010, which are stated at the lower of their carrying amount and fair value less cost to sell.

## 15. LONG-TERM DEBT

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Long-term debt | **$ 47,532** | $ 17,947 |
| Less: current portion | **1,178** | 5,110 |
| | **$ 46,354** | $ 12,837 |

On December 3, 2010, Chelopech finalized a $66.75 million long-term loan agreement with the European Bank for Reconstruction and Development ("EBRD") and Unicredit Bulbank ("UCB") to assist in the financing of its mine and mill expansion, to double mine and mill output to two million tonnes of ore per year and to refinance $16.25 million of existing EBRD indebtedness that was due to fully mature in June 2015. As at December 31, 2010, $44.25 million had been drawn under the facility, of which $16.25 million was used to refinance the existing EBRD debt.

The loan, which is guaranteed by DPM and secured by a first ranking charge over the shares of Chelopech, is repayable in ten equal semi-annual instalments commencing June 2013 and bears interest at a rate of LIBOR plus 3.25% until completion of the Chelopech mine and mill expansion and LIBOR plus 2.80% thereafter. The UCB loan is subject to a cash sweep which obligates Chelopech to prepay up to an aggregate amount of 30% of Chelopech surplus cash flow. This mandatory prepayment is limited to the equivalent of two years of UCB loan repayments. Under the terms of the loan agreement, Chelopech must maintain a (i) minimum forecast debt service cover ratio of greater than 1.25:1, (ii) current ratio of greater than 1.2:1, (iii) net worth of at least US$45 million and (iv) reserve tail ratio (measurement of the reserves that will remain to be mined after loan maturity to the total reserves as at the first drawdown) equal to or exceeding 30%. In addition, DPM must maintain a (i) current ratio of greater than 1.5:1 and (ii) net worth of at least $200 million. As at December 31, 2010, Chelopech and DPM were in compliance with their respective debt covenants.

(in thousands of U.S. dollars, unless otherwise indicated)

As part of its December 3, 2010 loan agreement with the EBRD and UCB, the Company is required to provide metal price protection on 15% of Chelopech's 2012, 2013 and 2014 projected payable copper production (see *note 25, "Subsequent events")*.

On April 6, 2005, Chelopech signed a $10 million loan agreement with EBRD repayable in eight equal semi-annual instalments beginning June 2007. The loan was guaranteed by the Company and bore interest at LIBOR plus 1.0%. On July 24, 2008, Chelopech amended and restated its $10 million long-term loan agreement, increasing it to an aggregate amount of $25 million. The indebtedness was guaranteed by the Company, bore interest at U.S. dollar LIBOR plus 1.6% and was repayable in ten equal semi-annual instalments beginning December 22, 2010. Under the amended agreement, Chelopech was to maintain: (i) a forecast debt service coverage ratio of at least 1.2:1, tested annually, (ii) a current ratio in excess of 1.2:1, and (iii) a minimum net worth, defined as consolidated equity, of $45 million. Under its guarantee arrangement with the EBRD, DPM must maintain a current ratio of 1.5:1 and a minimum net worth of $200 million. This loan was refinanced as part of the December 3, 2010 EBRD/UCB loan agreement.

On December 22, 2005, Deno Gold obtained a $4.5 million loan from the EBRD. Interest on the loan was calculated at LIBOR plus 2.5% (reduced from 5.5% in June 2009 upon the granting of a DPM parent company guarantee) and was repayable in eight equal semi-annual instalments, beginning March 2007. The debt, which matured in September 2010, was fully repaid.

NCS has an unsecured loan of $4.7 million from LDC which bears interest at U.S. dollar LIBOR plus 4%. Based on a modified term loan agreement between NCS and LDC signed on May 17, 2010, this loan is repayable in 12 equal quarterly instalments commencing June 1, 2011.

The debt repayment schedule is presented in the table below:

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | **up to 1 year** | **1 - 3 years** | **4 - 5 years** | **over 5 years** | **Total** |
| Chelopech EBRD | $ - | $ 8,850 | $ 17,700 | $ 17,700 | **$ 44,250** |
| NCS LDC | 1,178 | 3,143 | 393 | - | **4,714** |
| | **$ 1,178** | **$ 11,993** | **$ 18,093** | **$ 17,700** | **$ 48,964** |
| Unamortized deferred financing costs | | | | | **(1,432)** |
| **Long-term debt** | | | | | **$ 47,532** |

(in thousands of U.S. dollars, unless otherwise indicated)

## 16. RECLAMATION AND OTHER LONG-TERM LIABILITIES

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| Asset retirement obligations *(a) (b) (c)* | **$ 30,330** | $ 19,049 |
| Long-term leases *(d)* | **23,941** | 7,485 |
| Environmental commitments *(note 17(a)(ii))* | **2,941** | 2,941 |
| Royalties *(note 17(a)(i))* | **-** | 3,114 |
| Other | **444** | 1,424 |
| | **57,656** | 34,013 |
| Less: current portion | **5,909** | 3,083 |
| | **$ 51,747** | $ 30,930 |

**(a)** During 2010, a $0.3 million decrease in the undiscounted, inflation-adjusted estimated mine closure costs at Deno (or a $0.6 million discounted decrease in asset retirement obligations) was recorded resulting in a total estimated undiscounted, inflation-adjusted legal obligation of $10.2 million as at December 31, 2010. This amount is expected to be expended between 2011 and 2017. The anticipated future cash flows were discounted using a credit adjusted risk free rate of 9% after inflation growth of 3% per annum.

**(b)** During 2010, a $21.4 million increase in the undiscounted, inflation-adjusted estimated mine closure costs at Chelopech (or a $3.3 million discounted increase in asset retirement obligations) was recorded resulting in a total estimated undiscounted, inflation-adjusted legal obligation of $40.1 million as at December 31, 2010. This amount is expected to be expended between 2020 and 2023. The anticipated future cash flows were discounted using a credit adjusted risk free rate of 8% after inflation growth of 3% per annum.

**(c)** In 2010, $20.4 million undiscounted, inflation-adjusted estimated smelter closure costs at NCS (or a $6.3 million discounted increase in asset retirement obligations) were recorded in connection with the acquisition of NCS *(note 4)*. This amount is expected to be expended in 2020. The anticipated future cash flows were discounted using a credit adjusted risk free rate of 12.5% after inflation growth of 4% per annum.

The following table shows the movement in the asset retirement obligation liabilities for Chelopech, Deno Gold and NCS:

| | **Chelopech** | **Deno Gold** | **NCS** | **Total** |
|---|---|---|---|---|
| Carrying value, December 31, 2008 | $ 10,180 | $ 4,895 | $ - | $ 15,075 |
| Accretion expense | 1,002 | 460 | - | 1,462 |
| Change arising from translation to U.S. dollars | 1,696 | 816 | - | 2,512 |
| Carrying value, December 31, 2009 | 12,878 | 6,171 | - | **19,049** |
| Acquisition of NCS | - | - | 6,290 | **6,290** |
| Change in estimate | 3,345 | (644) | - | **2,701** |
| Accretion expense | 1,169 | 540 | 581 | **2,290** |
| **Carrying value, December 31, 2010** | **$ 17,392** | **$ 6,067** | **$ 6,871** | **$ 30,330** |

### (d) Capital Leases

(i) Starting in 2008, DPM entered into long-term lease agreements for the purchase of equipment payable in various instalments with various maturities and at various interest rates.

(ii) NCS has a long-term lease agreement with Air Liquide Namibia (Pty) Ltd. for the supply of oxygen. The initial term of the lease is 15 years, payable on a monthly basis. The lease payments were discounted at a rate of 12.5%.

## 17. CONTINGENT LIABILITIES AND COMMITMENTS

### (a) Concession Obligations

(i) Following the Bulgarian Court's decision to revoke the Chelopech EIA resolution as it relates to the MPF, it is unlikely that the MPF will proceed. As a consequence, the July 2008 amendments to Chelopech's mining concession contract with the Bulgarian government, as they relate to the royalty provisions, no longer apply and no excess royalty above the 1.5% fixed rate is required to be accrued. In the first quarter of 2010, the excess royalty accrual above 1.5% of $3.4 million was reversed and applied against the MPF property impairment provision related to the MPF fixed assets.

(ii) In March 2010, pursuant to its agreement between the Bulgarian government and DPM, Chelopech submitted for approval to the MoEET and MoEW its closure and rehabilitation plans covering the estimated closure and rehabilitation costs for the Chelopech mine. The plans were approved by the MoEET on April 15, 2010 and by the MoEW on May 21, 2010. The total value of the closure and rehabilitation of mine site is 40.5 million Bulgarian leva (approximately $28 million). The Company completed the Chelopech financial assurance in the fourth quarter of 2010 *(note 17(d))*.

Under the July 28, 2008 Amendment Agreement 3 of the Concession Contract, requirements to make deposits into an environmental escrow account were terminated. Prior to entering into this new agreement, DPM was required to deposit 50% of the original concession fees into an escrow account to fund future environmental risk management and remediation costs. The balance in the escrow account on December 31, 2010 was $2.9 million (December 31, 2009 - $2.9 million), of which $1.4 million was recorded in restricted cash *(note 10)* and the current portion of $1.5 million was recorded in account receivable and other assets *(note 7)*. The related commitments were included in other long-term liabilities *(note 16)* and accounts payable and accrued liabilities, respectively.

(iii) Deno Gold is required to pay a royalty in each quarter it has achieved a profitability margin in excess of 25% of total revenues for the period, calculated in accordance with Armenian legislation. The royalty payable is equal to 0.1% of the sales revenue for the period multiplied by a factor equal to the number of points the profitability margin is in excess of 25% for the period divided by 0.8.

### (b) Gold/Copper Concentrate Sales

In December 2008, Chelopech contracted with NCS, then a subsidiary of WTI, for the sale of all or substantially all of its concentrate production through the year 2013. In July 2009, the concentrate purchase arrangement between NCS and Chelopech was extended from 2014 to, and including, the year 2020, giving Chelopech the right to sell up to 140,000 tonnes of concentrate per year to NCS in that period. The smelter by-product, arsenic trioxide, is sold under contract to third parties. On March 24, 2010, DPM completed the purchase of NCS from WTI *(note 4)*.

(in thousands of U.S. dollars, unless otherwise indicated)

Under the terms of an agreement (amended and extended during the second quarter of 2010) between LDC, Chelopech and NCS, all Chelopech concentrate, through to and including 2020, will be purchased by LDC for toll processing by NCS. LDC also has an exclusive arrangement to further supply concentrate feed for the Tsumeb smelter through to and including 2020.

While the Company does not currently expect non-performance by LDC of its obligations to DPM under its contracts, there is no complete assurance that DPM will not experience a failure by LDC to perform its obligations. Non-performance by LDC under the Chelopech copper concentrate sales contract or under its obligation to deliver concentrates to NCS for toll smelting may have negative effects on the financial condition of DPM.

Deno Gold has agreed commercial terms for the sale of all its zinc and copper concentrates production for 2011.

In aggregate, DPM currently has sales contracts with three customers for its 2011 concentrate production. From time to time it contracts for the sale of concentrates to other entities. Approximately 80% (2009 – 88%) of DPM's concentrate sales for the year ended December 31, 2010 were to a single customer.

### (c) Contractual Obligations

The Company had the following minimum future contractual obligations as at December 31, 2010:

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| | **Total** | up to 1 year | 1 - 3 years | 4 - 5 years | over 5 years |
| Long term debt | **$ 48,964** | $ 1,178 | $ 11,993 | $ 18,093 | $ 17,700 |
| Capital lease obligations | **43,287** | 6,486 | 7,840 | 5,353 | 23,608 |
| Operating lease obligations | **6,398** | 1,420 | 1,604 | 708 | 2,666 |
| Purchase obligations | **29,863** | 29,082 | 781 | - | - |
| Other long term obligations | **273** | 96 | 82 | 85 | 10 |
| Total contractual obligations | **$ 128,785** | $ 38,262 | $ 22,300 | $ 24,239 | $ 43,984 |

### (d) Credit Agreements

On November 26, 2010, Chelopech concluded a $16.0 million credit facility consisting of a (i) $6.0 million multipurpose revolving credit limit that matures on September 30, 2012 and (ii) a $10.0 million conditional loan that matures on November 30, 2011 and is used for the issuance of a bank guarantee in favour of the $25 million Chelopech mine closure and rehabilitation insurance policy posted with the MoEET. Advances under the credit facility are guaranteed by DPM and bear interest at an annual rate of U.S. dollar LIBOR plus 3.25%. As at December 31, 2010, there were no amounts drawn against the $6.0 million sublimit and there was a $10.0 million bank guarantee issued against the $10.0 million sublimit.

The above noted $16.0 million credit facility agreement replaces the $10.0 million annual, revolving credit facility that was renewed and expanded on September 30, 2010. Advances under this credit facility were guaranteed by DPM and bore annual interest at the rate of U.S. dollar LIBOR plus 4.0%.

On December 29, 2008, Chelopech entered into a $2.0 million revolving credit agreement for the purpose of providing letters of guarantee for future royalty payments under its concession license agreement. This credit agreement is presently due to expire on September 30, 2011. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As at December 31, 2010, letters of guarantee amounting to $2.0 million (December 31, 2009 - $1.4 million) had been written against this credit facility.

(in thousands of U.S. dollars, unless otherwise indicated)

On December 29, 2008, BMM entered into a $0.3 million credit agreement for the purpose of providing letters of guarantee for certain of its obligations under its exploration license agreement. This credit agreement is presently due to expire on September 30, 2011. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As at December 31, 2010, letters of guarantee amounting to $0.07 million (December 31, 2009 – $0.04 million) had been written against this credit facility.

## 18. INCOME TAXES

**(a)** The reconciliation of the expected combined federal and provincial statutory income tax rates to the effective tax rate on earnings (loss) was as follows:

| | | **2010** | | 2009 |
|---|---|---|---|---|
| **Combined federal and provincial statutory income tax rates** | | **31.00%** | | 33.00% |
| **Earnings before income taxes** | **$** | **11,015** | $ | 9,242 |
| **Income tax expense at Canadian statutory rates** | **$** | **3,415** | $ | 3,050 |
| Adjusted for the effect of: | | | | |
| Difference due to decrease in enacted tax rates and effect on current year earnings (losses) | | **(1,463)** | | 1,635 |
| Lower rate on foreign earnings | | **(1,438)** | | (8,097) |
| Unrecognized tax benefit relating to foreign and Canadian losses | | **5,686** | | 6,397 |
| Change in allowance on investments and property | | **(6,808)** | | 5,327 |
| Reversal of flow-through shares tax liability from Back River sale | | **-** | | (5,082) |
| Non-taxable portion of capital gains and unrealized gains on special warrants | | **(7,846)** | | (197) |
| Non-deductible stock based compensation | | **571** | | 641 |
| Foreign exchange difference to reporting in U.S. dollars | | **(407)** | | - |
| Other, net | | **(1,218)** | | 442 |
| **(Recovery of) provision for income taxes** | **$** | **(9,508)** | $ | 4,116 |

(in thousands of U.S. dollars, unless otherwise indicated)

**(b)** Significant components of the Company's future income taxes as at December 31, 2010 and 2009 are as follows:

| | December 31, 2010 | December 31, 2009 |
|---|---|---|
| **Future Income Tax Assets** | | |
| Financing costs | $ 1,266 | $ 1,079 |
| Non-capital losses | 5,216 | - |
| Stock based compensation | 1,292 | 409 |
| Investments | - | 1,425 |
| Depreciable property, plant and equipment | 1,559 | 567 |
| Cumulative Canadian exploration expenses | 3,843 | 3,287 |
| Other | 3,192 | 859 |
| Gross future income tax asset | 16,368 | 7,626 |
| Valuation allowance | - | (6,808) |
| Net future income tax asset | 16,368 | 818 |
| **Future Income Tax Liabilities** | | |
| Investments | (15,371) | - |
| Depreciable property, plant and equipment | (2,118) | (1,546) |
| Deferred exploration | (4,720) | (4,543) |
| Other | (1,562) | (1,268) |
| Gross future income liabilities | (23,771) | (7,357) |
| **Net future income tax liability** | $ (7,403) | $ (6,539) |

As at December 31, 2010, the Company recorded $3.0 million future income tax assets and $10.4 million future income tax liabilities in its consolidated balance sheets as a result of offsetting future income tax assets and liabilities incurred by the same legal entities in the same jurisdictions.

As at December 31, 2010, the Company reversed its previously recorded valuation allowance of $6.8 million since it is more likely than not that DPM will be able to recognize the $16.4 million future tax assets against future taxable income. The future tax assets resulted primarily from Canadian non-capital losses expiring in 2030 and cumulative Canadian exploration expenses with no expiry date.

## 19. LONG-TERM COMPENSATION

In 2004, the Company established a Deferred Share Unit ("DSU") Plan for directors and employees. The DSUs are phantom shares which mirror the value of the Company's publicly-traded common shares.

Under the Employee DSU Plan, grants to employees of the Company are determined by the board of directors or the compensation committee in lieu of a cash bonus. The DSUs vest and are redeemable in cash on the date the employee ceases to be employed by the Company. Under the Director DSU Plan, effective January 1, 2005 and amended on March 24, 2010, directors may receive a portion of their annual compensation in the form of DSUs. The DSUs vest and are redeemable in cash on the date the director ceases to be a director of the Company.

For the year ended December 31, 2010, 50,623 (2009 – 23,771) DSUs were granted under the Director DSU Plan and 31,446 (2009 – nil) DSUs were granted to an employee in lieu of a portion of the total cash bonus. The Company recorded $350 (2009 - $54) stock based compensation expense for the year ended December 31, 2010. There were 12,000 (2009 – 8,383) DSUs redeemed for $45

(in thousands of U.S. dollars, unless otherwise indicated)

(2009 - $28). The outstanding DSUs were marked to market at December 31, 2010 and, as a result of the increase in the market value of the Company's shares, $3,038 (2009 - $910) was charged to earnings for the year ended December 31, 2010.

The following is a continuity of the DSUs for the periods indicated:

| | **December 31, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| | **Number** | **Amount** | Number | Amount |
| Balance at beginning of year | **478,093** | **$ 1,633** | 462,705 | $ 566 |
| Issued | **82,069** | **350** | 23,771 | 54 |
| Redeemed | **(12,000)** | **(45)** | (8,383) | (28) |
| Mark-to-market adjustment | **-** | **3,038** | - | 910 |
| Foreign exchange adjustment | **-** | **194** | - | 131 |
| **Balance at end of year** | **548,162** | **$ 5,170** | 478,093 | $ 1,633 |

## 20. COMMON SHARE AND WARRANT ISSUANCE

On March 15, 2010, the Company completed an equity financing for gross proceeds of $64.8 million (Cdn$66.0 million). The equity financing consisted of the sale of 20,000,000 common shares at Cdn$3.30 per share. The proceeds, net of expenses and fees, were $62.0 million (Cdn$63.1 million).

During 2008, 20,444,500 warrants were issued at a fair value of Cdn$11.9 million as part of an equity financing. Each whole warrant entitles the holder to purchase one common share at a price of Cdn$3.25 until November 20, 2015. A relative fair value calculation was used to present the carrying value of the warrants. The fair value of the warrants issued was estimated using a Black-Scholes pricing model with the following assumptions:

| | |
|---|---|
| Risk free interest rate | 3.38% |
| Expected life in years | 7 |
| Expected volatility | 30% |
| Dividends per share | - |

As of December 31, 2010, the Company issued 2,500 common shares on excise of the warrants.

During 2007, 2,760,000 warrants were issued at a fair value of Cdn$4.8 million as part of an equity financing. Each whole warrant entitles the holder to purchase one common share at a price of Cdn$15.00 until June 29, 2012. A relative fair value calculation was used to present the carrying value of the warrants. The fair value of the warrants issued was estimated using a Black-Scholes pricing model with the following assumptions:

| | |
|---|---|
| Risk free interest rate | 4.73% |
| Expected life in years | 5 |
| Expected volatility | 55.11% |
| Dividends per share | - |

(in thousands of U.S. dollars, unless otherwise indicated)

## 21. STOCK BASED COMPENSATION

**DPM:**

The Company has established an incentive stock option plan for the directors and selected employees. Pursuant to the plan, the exercise price of the option cannot be less than the market price of the common stock on the trading date preceding the day the option is granted. In May 2010, the plan was amended to increase the aggregate number of shares from treasury from 6,500,000 shares to 10,000,000 shares. Options vest over a three year period and expire five years after the date of grant.

Total stock options outstanding for the year ended December 31, 2010 and 2009 were:

| | **December 31, 2010** | | December 31, 2009 | |
|---|---|---|---|---|
| | **Options (number)** | **Weighted average exercise price in Cdn$** | Options (number) | Weighted average exercise price in Cdn$ |
| Balance at beginning of year | **3,770,692** | **$ 3.35** | 5,229,492 | $ 7.40 |
| Granted | **2,046,914** | **4.13** | 2,535,000 | 1.41 |
| Exercised | **(100,294)** | **1.43** | - | - |
| Cancelled | **(155,536)** | **8.22** | (682,300) | 9.42 |
| Expired | **(156,667)** | **8.88** | (3,311,500) | 7.00 |
| **Balance at end of year** | **5,405,109** | **$ 3.38** | 3,770,692 | $ 3.35 |

| | **Options outstanding** | | | **Options exercisable** | |
|---|---|---|---|---|---|
| **Range of exercise prices in Cdn$** | **Number outstanding as at December 31, 2010** | **Weighted average remaining contractual life (years)** | **Weighted average exercise price in Cdn$** | **Number exercisable as at December 31, 2010** | **Weighted average exercise price in Cdn$** |
| **$1.37-$4.27** | **4,668,584** | **3.68** | **$ 2.49** | **984,707** | **$ 1.50** |
| **$6.00-$7.40** | **253,025** | **3.22** | **6.99** | **118,683** | **6.76** |
| **$8.77-$9.50** | **263,500** | **1.78** | **9.46** | **263,500** | **9.46** |
| **$10.50-$14.35** | **220,000** | **0.74** | **10.79** | **220,000** | **10.79** |
| **$1.37-$14.35** | **5,405,109** | **3.44** | **$ 3.38** | **1,586,890** | **$ 4.51** |

The fair value of options granted during the year ended December 31, 2010 was estimated using Black-Scholes option pricing models with the following assumptions:

| | |
|---|---|
| Five year risk free interest rate | 1.99%-2.55% |
| Expected life in years | 4.75 |
| Expected volatility | 46.02%-48.35% |
| Dividends per share | - |

| | 2010 | 2009 |
|---|---|---|
| Number of stock options granted | **2,046,914** | 2,535,000 |
| Fair value of stock options granted (Cdn$) | **$ 3,592** | $ 1,309 |
| Number of stock options exercised | **100,294** | - |
| Fair value of stock options exercised (Cdn$) | **$ 53** | $ - |
| Stock options charged during the year (US$) | | |
| Expensed | **$ 1,841** | $ 887 |
| Capitalized | **31** | 56 |
| | **$ 1,872** | $ 943 |

As at December 31, 2010, there was Cdn$3.3 million (December 31, 2009 – Cdn$1.7 million) of stock based compensation cost remaining to be charged to earnings in future periods relating to stock option grants.

**Avala:**

Avala has established an incentive stock option plan for directors, officers, employees and consultants. For the year ended December 31, 2010, DPM recorded a $0.7 million stock option expense under the Avala stock option plan.

As at December 31, 2010, there was Cdn$0.9 million of cost remaining to be charged to earnings in future periods relating to Avala stock option grants.

## 22. EARNINGS PER SHARE

| | 2010 | 2009 |
|---|---|---|
| Net earnings available to shareholders | **$ 23,496** | $ 5,126 |
| Weighted average number of common shares outstanding - basic | **118,681,429** | 97,540,538 |
| Dilutive effect of stock options and warrants | **5,910,495** | 685,416 |
| Weighted average number of common shares outstanding - diluted | **124,591,924** | 98,225,954 |
| **Basic net earnings per share** | **$ 0.20** | $ 0.05 |
| **Diluted net earnings per share** | **$ 0.19** | $ 0.05 |

(in thousands of U.S. dollars, unless otherwise indicated)

## 23. SUPPLEMENTARY CASH FLOW INFORMATION

**(a)** Items not affecting cash comprise the following:

| | | **2010** | | 2009 |
|---|---|---|---|---|
| Amortization of property, plant and equipment and other | **$** | **26,502** | $ | 17,903 |
| Stock based compensation expense | | **5,825** | | 1,940 |
| Gain on sale of exploration property | | **-** | | (706) |
| Net realized gain on sale of investments | | **(890)** | | (151) |
| Write-down of investments *(note 9(c))* | | **46** | | 894 |
| Unrealized loss on fair value of debt | | **678** | | 128 |
| Loss on settlement of metals exposure *(note 4)* | | **1,577** | | - |
| Future income tax expense (recovery) | | **(9,870)** | | 505 |
| Unrealized gain on financial instrument investments *(note 9(a))* | | **(49,732)** | | - |
| Accretion expense *(note 16)* | | **2,290** | | 1,462 |
| Impairment of property, plant and equipment | | **57,996** | | 4,441 |
| Other non-cash charges (credits) | | **138** | | (3,595) |
| **Items not affecting cash** | **$** | **34,560** | $ | 22,821 |

**(b)** Changes in non-cash working capital comprise the following:

| | | **2010** | | 2009 |
|---|---|---|---|---|
| Increase in accounts receivable and other assets | **$** | **(2,026)** | $ | (1,760) |
| (Increase) decrease in inventories | | **(7,366)** | | 408 |
| Decrease in other receivables and advances | | **2,212** | | 4,467 |
| Settlement of metals exposure liability *(note 4)* | | **(2,031)** | | - |
| Increase (decrease) in accounts payable | | **8,788** | | (8,033) |
| Decrease in deferred revenue | | **-** | | (5,705) |
| (Decrease) increase in other liabilities | | **(4,373)** | | 3,909 |
| **Changes in non-cash working capital** | **$** | **(4,796)** | $ | (6,714) |

(in thousands of U.S. dollars, unless otherwise indicated)

## 24. SEGMENT INFORMATION

The Company has three operating segments: 1) a Canadian based corporate and investment business, 2) mining and processing operations in Bulgaria, Armenia and Namibia and 3) exploration operations in Bulgaria, Serbia and Armenia.

The following table summarizes the relative information for the year ended and as at December 31, 2010 and 2009:

| | **2010** | 2009 |
|---|---|---|
| **Net revenue** | | |
| Mining operations | **$ 201,795** | $ 137,573 |
| Investments | **51,470** | 2,260 |
| | **$ 253,265** | $ 139,833 |
| **Net impairment provisions** | | |
| Mining and processing operations | **$ (54,579)** | $ (4,441) |
| Investments | **(46)** | (894) |
| | **$ (54,625)** | $ (5,335) |
| **Segment earnings (loss)** | | |
| Mining and processing operations | **$ (2,939)** | $ 36,288 |
| Exploration | **(7,287)** | (4,792) |
| Investments | **51,424** | 1,366 |
| **Earnings of combined segments** | **41,198** | 32,862 |
| Corporate and administration | **(28,284)** | (21,004) |
| Foreign exchange loss | **(1,899)** | (2,616) |
| Income tax recovery (expense) | **9,508** | (4,116) |
| **Net earnings** | **$ 20,523** | $ 5,126 |
| **Capital expenditures** | | |
| Mining and processing operations | **$ 74,735** | $ 32,393 |
| Exploration | **4,783** | 1,724 |
| Investments | **212** | 654 |

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Assets** | | |
| Mining operations | **$ 453,387** | $ 348,410 |
| Exploration | **72,048** | 57,088 |
| Investments | **261,798** | 102,762 |
| Assets held for sale | **26,119** | 27,158 |
| | **$ 813,352** | $ 535,418 |

| | **December 31, 2010** | December 31, 2009 |
|---|---|---|
| **Assets** | | |
| Canada | **$ 285,984** | $ 102,798 |
| Europe | **296,755** | 315,624 |
| Armenia | **133,458** | 116,996 |
| Africa | **97,155** | - |
| | **$ 813,352** | $ 535,418 |

## 25. SUBSEQUENT EVENTS

As part of its December 3, 2010 loan agreement with the EBRD and UCB, the Company is required to provide metal price protection on 15% of Chelopech's 2012, 2013 and 2014 projected payable copper production. In fulfillment of this obligation, in January 2011, the Company entered into monthly settled forward sales contracts to fix 2,868 tonnes of year 2012 projected payable copper production at a fixed price of $9,224/tonne ($4.18/lb), 3,036 tonnes of year 2013 projected payable copper production at a fixed price of $8,814/tonne ($4.00/lb) and 3,264 tonnes of year 2014 projected payable copper production at a fixed price of $8,386/tonne ($3.80/lb). All gains and losses on these contracts will be reported through the statements of earnings. As security against a portion of such forward sales contracts completed with a Canadian financial institution, $10.5 million (net $6.5 million as $4 million was previously held as collateral) of Canadian government bonds were deposited with the bank.

In February 2011, the Council of Ministers of the Republic of Bulgaria approved the granting of a 30 year concession to BMM to develop the Khan Krum Deposit in Krumovgrad. The Council of Minister's resolution is subject to publication in the State Gazette of the Republic of Bulgaria and can be appealed within 14 days as of the date of this publication. The Council of Minster's resolution was published in the State Gazette on February 18, 2011. Exercise of the concession rights by the Company is also subject to a positive environmental impact assessment resolution being issued by the MoEW in the Republic of Bulgaria.

## 26. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.

# CORPORATE INFORMATION

## Directors

**Derek H.L. Buntain** [4]
Cayman Islands, B.W.I.

**R. Peter Gillin** [2, 4, 5]
Toronto, Ontario, Canada

**Jonathan Goodman** [5]
Toronto, Ontario, Canada

**Ned Goodman** [5]
Innisfil, Ontario & Saint-Sauveur, Québec, Canada

**Murray John** [4]
Toronto, Ontario, Canada

**Jeremy Kinsman** [2, 3]
Victoria, British Columbia, Canada

**Garth MacRae** [1, 4]
Toronto, Ontario, Canada

**Peter Nixon** [2, 3]
Niagara-on-the-Lake, Ontario, Canada

**Ronald Singer** [1, 3, 5]
Montreal, Québec, Canada

**William G. Wilson** [2]
Vancouver, British Columbia, Canada

**Donald Young** [1, 3]
Vancouver, British Columbia, Canada

*[1] Audit Committee*
*[2] Compensation Committee*
*[3] Corporate Governance & Nominating Committee*
*[4] Health, Safety & Environment Committee*
*[5] Hedging Committee*

## Officers

**William G. Wilson**
Chairman

**Jonathan Goodman**
President & Chief Executive Officer

***Stephanie Anderson**
Executive Vice President & Chief Financial Officer

**Adrian Goldstone**
Executive Vice President, Sustainable Business Development

**Richard Howes**
Executive Vice President & Chief Operating Officer

**Lori E. Beak**
Vice President, Investor Relations & Corporate Secretary

**Jeremy Cooper**
Vice President, Commercial Affairs

**Iliya Garkov**
Vice President, Mining, and
General Manager, Deno Gold

**Patrick Lim**
Director, Finance and Global Controller

**Simon Meik**
Vice President, Processing

**Paul Proulx**
Vice President, Human Resources

## Exploration and Operations Offices

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**Bulgaria**
Balkan Mineral and Mining EAD
26 Bacho Kiro Street, 3rd Floor
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Fax: +359 2 9301595

**Namibia**
Namibia Custom Smelter (Pty) Limited
P.O. Box 936
Smelter Road, Tsumeb Namibia
Tel: +264 67 223 4000

## General Managers

**Nikolay Hristov**
Chelopech Mine

**Iliya Garkov**
Deno Gold Mine

**Hans Nolte**
Tsumeb Smelter

## Shareholder Contact

Janet Reid
Manager, Investor Relations
jreid@dundeeprecious.com
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Fax: 416 365-9080

*On February 28, 2011, Stephanie Anderson left her role as Executive Vice-President and Chief Financial Officer of DPM. Patrick Lim, CA., Director, Finance and Global Controller of the company has been appointed Interim Chief Financial Officer.

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## STOCK LISTING & SYMBOLS

**The Toronto Stock Exchange**

DPM - Common Shares
DPM.WT – 2012 Warrants
DPM.WT.A – 2015 Warrants

Copies of the Company's Quarterly and Annual Reports are available on written request from our registrar:

**Computershare Investor Services Inc.**

100 University Avenue, 9th Floor,
Toronto, Ontario, Canada M5J 2Y1

| | | |
|---|---|---|
| Tel: | 514 982-7555 | (International direct dial) |
| Tel (toll-free): | 800 564-6253 | (North America) |
| Fax: | 416 263-9394 | (International) |
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