



MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations

for the Quarter Ended September 30, 2006

(All figures in Canadian Dollars unless otherwise stated)

TABLE OF CONTENTS

Corporate Overview	2	Critical Accounting Estimates	17
2006 Results	3	Risk Management	18
Mining Activities	3	Glossary of Key Terms	23
Investment Activities	10	Other	23
Financial Results	11		

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 quarter ended September 30, 2006. This discussion should be read in conjunction with the financial information included in the interim consolidated financial statements as well as the annual consolidated financial statements for the year ended December 31, 2005 and the notes thereto.

This information is provided as at November 3, 2006.

HIGHLIGHTS

- DPM had net earnings of \$13.4 million or \$0.25 per share (\$0.24 per share on a diluted basis) and \$51.3 million or \$0.95 per share (\$0.92 per share on a diluted basis) for the three and nine months ended September 30, 2006, compared with net earnings of \$19.0 million or \$0.35 per share and \$13.7 million or \$0.26 per share (\$0.25 per share on a diluted basis) for the three and nine months ended September 30, 2005, respectively.
- As at September 30, 2006, the Company had working capital of \$63.6 million and an investment portfolio with a market value of \$162.3 million, which in the aggregate equated to \$4.19 per share, down from \$5.12 per share at December 31, 2005.
- The Chelopech gold/copper mine earned a gross profit of \$8.5 million and \$47.2 million on sales of 9,414 tonnes and 39,360 tonnes of gold/copper concentrate for the three and nine months ended September 30, 2006, respectively, as a result of high commodity prices.
- Investment activities generated investment income of \$19.9 million and \$45.6 million for the three and nine months ended September 30, 2006, respectively.
- On August 23, 2006, DPM acquired 80% of VatrIn Investment Limited ("VatrIn"), a private entity. VatrIn holds 100% of Deno Gold Mining Company, its principal asset being the Kapan Mining Project in Southern Armenia. The transaction amounted to US\$22 million plus an additional \$10 million investment commitment for mine expansion.
- On October 24, 2006, DPM announced that it had agreed to acquire 18.4 million common shares of Goldbelt Resources Ltd. ("Goldbelt") from Resolute Mining Limited at a purchase price of \$1.23 per share. Following the acquisition, DPM will hold aggregate shares representing an approximate 47% interest in Goldbelt, on an undiluted basis.
- On October 24, 2006, the Bulgarian Court ruled in favour of the Company's claim that the Minister of Environment and Waters' ("MoEW") failure to issue a final resolution on the Chelopech Environmental Impact Assessment ("EIA") was unlawful and should be interpreted as a silent refusal and has ordered the Minister to issue a final resolution on the project. The decision is open to appeal for a 14 day period.

- On November 1, 2006, the Court of Appeal in Bulgaria revoked the Ruling that the Company's claim regarding the silent refusal of the MoEW on the Krumovgrad EIA was inadmissible. This confirms that the Environment Protection Act ("EPA") obliges the MoEW to render a decision on the EIA within a three month period, as specified in the legislation. Consequently, the case has been returned to the Supreme Administrative Court of Bulgaria ("the Court") with instructions to decide on the merits of DPM's claim.
- The market for high arsenic bearing concentrate continues to weaken. The ongoing delay in obtaining the final approval of the Chelopech EIA has caused the Company to commence assessing alternative locations for its proposed metal processing facilities. This situation may result in a slowing down or suspension of operations at Chelopech in 2008 until facilities capable of processing the Chelopech material can be constructed and commissioned or alternative markets for the Chelopech concentrate can be found.

CORPORATE OVERVIEW

DPM is a Canadian based, international mining company engaged in the acquisition, exploration, development and mining of precious metal properties. Its common shares (symbol DPM) are traded on the Toronto Stock Exchange ("TSX").

Effective April 1, 2004, DPM changed from a closed-end investment company to an operating mining company. For periods prior to the effective date of conversion, investments were marked-to-market and the operations related only to the investment activities carried on by the Company. As at April 1, 2004, the mining operations previously acquired were consolidated with the accounts of the Company and the basis of accounting for investments was changed to the cost method.

In Bulgaria, the Company currently owns an operating underground gold/copper mine ("Chelopech") which is being expanded and is in the process of obtaining regulatory approval for the expansion and conversion from concentrate to metal production; and a feasibility stage gold project ("Krumovgrad Gold Project") which is awaiting regulatory approval for construction and operation. In addition, DPM holds a number of active exploration properties in the Central and Eastern Rhodope regions of the Balkans. In February 2005, the Company acquired an option to earn an interest in certain exploration properties located in Nunavut in the Canadian Arctic (the "Back River Project"). On July 25, 2006, DPM announced it had completed the purchase of a 100% interest in the Back River Project. On April 26, 2006, DPM announced that it had signed three significant exploration and exploitation concessions in one of the larger gold-copper-silver mining regions in Serbia making the Company the largest concession holder in the country. On August 23, 2006, DPM acquired 80% of Vatrın, a private entity which holds 100% of Deno Gold Mining Company ("Deno Gold"), its principal asset being the Kapan Mining Project ("Kapan"), a gold, copper, zinc concentrates producer, in Southern Armenia.

DPM's business objectives are to identify, acquire, finance, develop and operate low cost, long life gold mining properties; and to provide support to selected mining companies by providing required capital through strategic investments. The Company intends to create shareholder value through its disciplined but opportunistic business model. The Company is assembling a pipeline of mining projects at various stages of development. The Company currently has projects in: (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. The Company is also actively evaluating acquisition opportunities of mining properties to fill and expand its project pipeline as well as continuing to make strategic market purchases of mining securities where synergistic opportunities exist in order to balance its pipeline for continued growth.

DPM had working capital aggregating \$63.6 million and an investment portfolio with a market value of \$162.3 million, which in the aggregate equates to \$4.19 per share as at September 30, 2006. These funds are available to: (1) fund the working capital requirements of the Company's mining, exploration and corporate activities; (2) provide funding to support the planned development activities at its mining properties; and (3) finance DPM's strategic investment and corporate development initiatives. The Company's strategy is to sell certain non-strategic portfolio investments at appropriate times and use the proceeds to make strategic investments and to fund exploration and development activities, as required.

One of the Company's key business strategies is to add to its mining pipeline through corporate and property acquisitions. This is achieved by: (1) providing early stage financing to exploration companies and establishing a relationship in order to be able to participate when a development partner is required; or (2) monitoring mining activities in targeted jurisdictions worldwide to identify and evaluate properties which could fill DPM's project pipeline and then initiating discussions with the owners of these prospective assets. The Company continues to be active on both fronts.

2006 RESULTS

Mining Activities

Chelopech Gold/Copper Mine, Bulgaria

Operations

The Company continues to operate the Chelopech Mine during the period of permitting and redevelopment. The following is a brief summary of the operating performance of mining and concentrate production.

Production, Costs and Sales

Ended September 30,	Three Months		Nine Months	
	2006	2005	2006	2005
Ore mined (mt)	238,411	227,400	667,949	662,771
Ore processed (mt)	231,136	217,194	702,915	624,644
Head grade (ore milled)				
Copper (%)	1.33	1.78	1.31	1.57
Gold (g/mt)	3.96	4.72	3.69	4.23
Concentrate produced (mt)	16,118	19,309	47,719	48,432
Metals contained in concentrate produced				
Copper (lbs)	5,800,141	7,061,459	17,220,680	17,576,543
Copper (% recovered)	85.8	82.6	84.7	81.4
Gold (ounces)	17,797	17,257	46,903	39,674
Gold (% recovered)	60.4	52.3	56.3	46.7
Cash cost per tonne of ore processed (US\$)	\$ 32.42	\$ 33.86	\$ 30.58	\$ 33.67
Cash cost per pound of copper in concentrate (US\$) ⁽¹⁾	\$ 0.70	\$ 0.57	\$ 0.76	\$ 0.67
Cash cost per ounce of gold in concentrate (US\$) ⁽¹⁾	\$ 127	\$ 152	\$ 160	\$ 186
Gross value of copper and gold in concentrate sold (US\$000) ⁽²⁾	\$ 16,262	\$ 7,865	\$ 56,159	\$ 32,663
Sales				
Sales (US\$000) ⁽³⁾	\$ 14,127	\$ 6,382	\$ 67,814	\$ 24,049
Sales (Cdn\$000)	\$ 15,828	\$ 7,656	\$ 76,738	\$ 30,096
Concentrate (dmt)	9,414	9,518	39,360	39,219
Copper in concentrate (lbs)	3,214,053	3,358,638	14,029,642	14,061,305
Gold in concentrate (ounces)	8,788	7,050	34,166	32,459

(1) 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 per ounce are net of by-product silver sales revenue.

(2) Deductions from gross metal values are made for treatment charges, penalties, transportation and other selling costs to arrive at the value received for concentrate sold.

(3) Included in sales is US\$0.9 million and \$24.5 million (2005 - US\$0.4 million and \$1.7 million) for the three and nine months ended September 30, 2006, respectively, related to the increase in metal prices on the settlement date from the provisional sales amounts reported at the end of the prior period. The large increase in 2006 related to the significant increases in metal prices realized in the first nine months of 2006.

Production

Ore hoisted in the third quarter of 2006 was 5% more than the third quarter of 2005 totalling 238,000 tonnes at 1.32% Cu and 3.93 g/t Au (2005 - 227,000 tonnes at 1.78% Cu and 4.72 g/t Au). Ore processed was 231,000 tonnes at 1.33% Cu and 3.96 g/t Au, up 6% from comparable period production in 2005 of 217,000 tonnes.

Concentrate production for the third quarter of 2006 was 16,118 tonnes, 17% less than the 19,309 tonnes produced in the comparable period of the prior year. Copper metal contained in concentrate was 5.8 million pounds, which was less than production for the comparable period of the previous year by 18%. Lower concentrate production and copper metal contained is attributable to the poorer copper grade of the ore being mined during the third quarter of 2006 as compared to 2005. Gold metal contained in concentrate produced was 17,797 ounces, which exceeded the comparable period of the previous year's production by 3%.

Process plant recoveries have shown significant progress, with up to 3% improvement over the regression algorithm model used to predict recovery for copper over the last quarter, and an improvement of 2% recovery for gold. This has assisted in offsetting the reduced grades from mining due to delayed access to higher grade mining areas as scheduled.

Ore hoisted in the first nine months of 2006 was 1% less than the first nine months of 2005 totalling 668,000 tonnes at 1.29% Cu and 3.65 g/t Au (2005 - 663,000 tonnes at 1.57% Cu and 4.23 g/t Au). Ore processed was 703,000 tonnes at 1.31% Cu and 3.69 g/t Au, up 13% from comparable period production in 2005 of 625,000 tonnes. The unprocessed ore stock pile at surface has been reduced to 25,249 tonnes at September 30, 2006.

Concentrate production for the first nine months of 2006 was 47,719 tonnes, 1% less than the 48,432 tonnes produced in the comparable period of the prior year. Copper metal contained in concentrate was 17,221 million lbs, which was lower than production for the comparable period of the previous year by 2%. Gold metal contained in concentrate produced was 46,903 oz, which exceeded the comparable period of the previous year's production by 18%.

Sales

Sales of gold/copper concentrate totalled 9,414 tonnes for the third quarter of 2006, down by 1% from the third quarter of 2005 sales of 9,518 tonnes. Sales yielded revenue, net of freight, treatment charges, penalties and other selling costs, of US\$14.1 million (2005 - US\$6.4 million). The Company benefited from the robust increase in metal prices, realizing average prices for the quarter of US\$615 (2005 - US\$439) per oz of gold and US\$3.38 (2005 - US\$1.70) per lb of copper.

Sales of gold/copper concentrate totalled 39,360 tonnes for the first nine months of 2006, consistent with the first nine months of 2005 sales of 39,219 tonnes. Sales yielded revenue, net of freight, treatment charges, penalties and other selling costs, of US\$67.8 million (2005 - US\$24.0 million). The Company benefited from the robust increase in metal prices, realizing average prices for the first nine months of 2006 of US\$566 (2005 - US\$426) per oz of gold and US\$2.62 (2005 - US\$1.49) per lb of copper.

Expansion and Redevelopment

On December 8, 2005, DPM's Board of Directors approved an investment of US\$175 million to undertake the mine expansion and construction of a Metal Production Facility ("MPF") at Chelopech. This investment is based on the results to date of its Definitive Feasibility Study ("DFS") undertaken by GRD Minproc Ltd. ("GRD Minproc").

The Project

DPM proposes to increase mine production and construct a facility to produce gold and copper metals. The process will also convert the arsenic present in the concentrate into an environmentally stable form suitable for safe disposal into a Tailings Management Facility ("TMF"). The scope of the DFS incorporates the current operation, upgrade of the existing mine and flotation plant, upgrade of existing infrastructure and facilities and the new MPF.

The Chelopech expansion project comprises the expansion of mine production capacity to 2.0 million tonnes per year, including the completion of a decline from surface to underground, and modernization of the existing flotation concentrator to handle the capacity, including the introduction of a new semi-autogenous grinding ("SAG") mill. Based on present measured and indicated resources and other DFS results, the life of mine for the operation is expected to be a minimum of 9.3 years from commissioning of the new facilities.

An EIA was completed by the Balkan Science and Education Centre of Ecology and Environment and submitted to the Bulgarian MoEW on November 3, 2005. On March 10, 2006, the Supreme Expert Environmental Council ("SEEC") voted in favour of the resolution to approve the EIA, with the exception of the Chairman (Deputy Minister of MoEW). As a result of the Deputy Minister's dissenting vote, the Minister of MoEW called for another SEEC hearing on March 28, 2006. At this hearing, the vote was in favour of approving the EIA however the Minister of MoEW has failed to ratify the approval of the EIA, even after positive opinions were received from the Ministry of Economy and Energy. Following the expiry of the legislative deadline for a decision on March 29, 2006, the Company lodged an appeal with the Bulgarian Court against the Minister of MoEW and his failure to issue a final resolution on the Chelopech EIA. On October 24, 2006, the Bulgarian Court ruled in favour of the Company's claim that the MoEW's failure to issue a final resolution on the Chelopech EIA was unlawful and should be interpreted as a silent refusal and has ordered the Minister to issue a final resolution on the project. The decision is open to appeal for a 14 day period.

As a result of the delay in the approval of the EIA, the schedule for ramp-up in production and completion of the facilities by the end of 2007 will not be possible, and is therefore postponed to the first half of 2008. Any further delay in the approval of the EIA may lead to further extension to the schedule. The Company is hopeful that this dispute will be resolved.

The Company has commenced evaluating alternative locations for the MPF.

Current Development Activities

The new mining method currently used at the Chelopech Mine requires the construction of a backfill plant as an integral part of the mining operation. It was originally agreed with the MoEW that the backfill plant did not require an EIA for its construction and operation. The MoEW subsequently informed the Company that a letter from the Minister would be required before installation could occur. The Minister has not yet consented in writing to this request. The continuing delay in obtaining permission from the Minister to proceed could have a negative impact on achieving the targeted levels of production and may result in the early closure of the mine.

The mining method has changed from sublevel caving to long hole open stoping and improvements in equipment and workforce skill training are ongoing in order to increase mine production to a rate of 2.0 million tonnes per year in the first half of 2008. Seven new pieces of underground equipment have been acquired during the quarter, with three of them already commissioned and the remainder scheduled for commissioning in the months to come.

Construction of a 2,500 metre decline, including ancillary development, from surface to the underground mine workings began in April 2004 from both the surface portal and the underground exit point. Actual metres advanced were below target due to poor ground conditions. A new tunnelling machine was brought in to service in mid 2005; however, stabilizing the ground conditions behind the advancing road header has continued to present challenges. As of September 30, 2006, 45% of the decline had been completed.

Development of the project requires the acquisition of land from a variety of stakeholders in the Chelopech and Chavdar Municipalities. The land is required for the new TMF; and a buffer zone around the existing and new TMF's. The land purchase program is well advanced.

Deno Gold / Copper-Zinc Mine, Armenia

On August 23, 2006, DPM announced that it had acquired 80% of Vatrin, effective August 31, 2006. Vatrin holds 100% of Deno Gold, with its principal asset being Kapan, a gold, copper, zinc mine, located in Southern Armenia. The transaction amounted to US\$22 million, plus an additional US\$10 million investment commitment for mine expansion.

The Kapan Mine has annual production of 300,000 tonnes of ore from its current underground operations, where precious metals contribute approximately 50% of its revenues. DPM intends to expand the underground operations and introduce open pit mining to maximize the present mine milling capacity of over 1 million tonnes/year. The concentrate produced at Kapan is readily saleable due to the lack of impurities or deleterious elements.

As part of Deno Gold's plan for the development of Kapan, a loan was sought and approved by the European Bank for Reconstruction and Development for US\$4.5 million. The proceeds have been used for capital equipment and environmental improvements.

The mining operation is based on two deposits, a copper, minor gold-silver underground mine, known as Central, and a polymetallic deposit of gold, copper, silver, zinc and minor lead, known as Shahumyan, which remains open at depth, to the North and possibly to the South. It is located approximately 1.5km from the town of Kapan and some 320km south of the Armenian capital of Yerevan. Concentrates from the project are transported by road to the town of Ararat (60km south of Yerevan) where they are offloaded onto the rail system for transport to the Black Sea via Georgia.

Resources

As part of standard Soviet era practice, extensive diamond drilling and underground development was undertaken at both the Shahumyan and Central deposits. For example, databases compiled by Deno Gold based on Soviet era records, indicate that over 290,000m of surface and underground diamond drilling and 32,000m of underground channel sampling was completed to assess the Shahumyan deposit. No drill core remains from the Soviet era exploration programs. Based on information compiled by Deno Gold, Soviet era reports prepared for, and reportedly approved by, the Armenian government listed the following combined C1 and C2 resources for the Shahumyan and Central deposits.

Deposit	Date of Report	Tonnes (million)	Cu%	Au g/t	Zn%	Ag g/t	Pb%
Shahumyan	1989	12.4	0.56	2.5	2.5	50	0.2
Central	1979	2.9	0.99	-	-	-	-

It is understood that the resources were compiled using a sectional, polygonal estimation method; however, the exact estimation parameters are not known. As part of its due diligence process, DPM staff independently collected over 700kg of samples throughout the accessible sections of the Shahumyan deposit for assay, mineralogical studies and metallurgical testwork. Assaying of the DPM samples confirmed the overall tenor of the mineralization. In addition, mining and processing of the deposit since Deno Gold's acquisition of the project in 2003 has confirmed the tenor of the deposit. DPM has also independently sampled the mill feed and tails from the processing plant, including reference samples from previous years of production.

DPM plans to undertake an extensive drilling programme as part of its proposed activities in order to confirm the scale of the deposit and to enable a National Instrument 43-101 ("NI 43-101") compliant resource to be estimated and to be used as the source for mine scheduling as part of a DFS.

All resource estimates quoted herein are based on prior data and reports obtained and prepared by previous operators and information provided by the State. The Company has not completed the work necessary to verify the classification of the mineral resource estimates. The Company is not treating the mineral resource estimates as NI 43-101 defined resources verified by a qualified person. The historical estimates should not be relied upon. These properties will require considerable further evaluation which DPM's management and consultants intend to carry out in due course.

Geology and Mineralization

The prolific Tethyan Mineralized Belt passes through Southern Armenia. The belt is host to world class porphyry copper-gold, polymetallic vein array and epithermal gold-silver deposits. The same belt is the host to DPM's Chelopech deposit and the deposits of the Bor area in Serbia.

At Shahumyan, mineralization is hosted in strongly altered dacite, andesite and basaltic host rocks. The vein arrays at Shahumyan cover an area of over 2.5km by 1.5km and are known to extend for at least 400m vertical depth. The main ore minerals are chalcopyrite, sphalerite, pyrite and minor galena. The Central deposit is a quartz-carbonate-sulphide (chalcopyrite and pyrite) vein array with strong similarity to porphyry related mineralization.

None of the deposits contain material quantities of deleterious elements which would incur penalties in the treatment of concentrate.

Processing

A crushing and flotation plant has been developed at Shahumyan using typical Soviet era construction and layouts. After primary and secondary crushing, material is transported to a storage area by conveyor to supply the concentrator. The current Shahumyan and Central ore (crusher product size of 30-50mm) passes through a rod-mill, followed by a ball mill and a small re-grind mill. The primary cyclone overflow feeds the flotation circuit comprising conventional Russian Denver style flotation cells to differentially float a gold rich copper concentrate and a zinc concentrate. There are three main thickeners, each 24m diameter, one for each type of concentrate produced (Central mine copper, Shahumyan copper-gold and Shahumyan zinc) and one small 8m diameter thickener serving the uncommissioned lead concentrate circuit. Thickened concentrates are then dried using vacuum filters producing a copper (high gold and high silver) concentrate and a separate high zinc (gold – silver) concentrate. DPM's assessment of the plant suggests that it is capable of 1 million to 1.25 million tonnes per year throughput, and capital has been budgeted to improve current metal recoveries.

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 (794,000 contained ounces of gold). A DFS completed in 2005 was prepared by Ausenco Limited of Perth, Australia. On July 5, 2005, the Board of Directors approved the DFS for the construction and operation of the project situated in southeastern Bulgaria. The DFS estimated construction costs for the proposed open pit mine and related facilities of US\$75 million, with low unit cash operating costs, after tax payback in less than two years and annual gold production of 150,000 ounces per year for the first four years.

The method selected is a conventional open pit, drill, blast, load and haul operation, using a hydraulic excavator to carry out selective mining, similar to many small tonnage open pit gold mining operations throughout the world. The mining equipment will be owner operated and will be maintained by the equipment supplier.

A three stage pit design has been optimized based on practical push back dimensions and ore requirements, minimizing stripping requirements early in the mine life and the mining rates.

The mine is expected to produce a total of 4.9 million tonnes of ore (including the low grade stockpile) over its operating life, which will be processed at an average rate of 850,000 tonnes of ore per year for

the Upper Zone material, reducing to 750,000 tonnes for the Wall Zone material. The schedule envisages blending the two material types.

Permitting

With strong support at the central bureaucratic level and a recent public acknowledgement by the MoEW that the project was designed to exceed key European Union ("EU") environmental guidelines, the Corporation has conducted a comprehensive lobbying effort in an attempt to move the project forward.

In addition, to address the principal concerns expressed by local politicians, DPM has offered to provide financial guarantees to cover the cost of closure and rehabilitation, and to establish a sustainable development fund specifically designed to replace job loss upon mine closure.

An EIA, filed with the Bulgarian MoEW in April 2005, incorporating best available techniques designed to meet or exceed Bulgarian and EU guidelines, is being held in abeyance by the MoEW without explanation. To protect the Corporation's interests, a legal appeal was filed December 2005 with the Court against the MoEW for failure to rule on DPM's EIA submission within the timeframe allowed by Bulgarian legislation.

The Company asserted that it had fulfilled all of the requirements of Bulgaria's EPA and other applicable legislation. These requirements include, but are not limited to:

- (i) signing a Prospecting and Exploration Contract with the Bulgarian Minister of Economy;
- (ii) registering a Geological Discovery with the MoEW;
- (iii) developing an Investment Project;
- (iv) informing the competent state authorities and the communities concerned about the Investment Project;
- (v) preparing a Terms of Reference for an EIA and discussing it with the competent authorities and the community;
- (vi) assigning the preparation of an EIA to independent experts, licensed under the Bulgarian law, and submitting the EIA to the MoEW;
- (vii) obtaining a grade on the evaluation of the EIA from the MoEW (Krumovgrad received a grade of A); and
- (viii) holding public hearings on the EIA.

The Company claimed that the non-rendering of a resolution by the MoEW on the Krumovgrad EIA within three months of the public hearings is a silent refusal that directly infringes on the rights of the Company. The essence of the presumption is that in a case where an administrative body is authorized to issue an individual administrative act, including a decision, and it fails to do so within the statutory time limits, the non-issuance of the act is considered a silent refusal. The Company requested the Court to revoke the silent refusal of the MoEW and approve the EIA or, alternatively, to instruct the MoEW to address the matter appropriately in compliance with Bulgarian law.

After a public hearing of the case on May 15, 2006, the Court, consisting of a panel of three judges, issued its Ruling on July 10, 2006 for the termination of the court proceedings on the grounds of the inadmissibility of the claim. DPM appealed the Court's Ruling. On November 1, 2006, a five member judge panel of the Court of Appeal in Bulgaria revoked the Ruling passed by the Court on July 10, 2006 that the Company's claim regarding the silent refusal of the MoEW on the Krumovgrad EIA was inadmissible. The Ruling by the Court of Appeal confirms that the EPA obliges the Minister to render a decision on the EIA within a three month period, as specified in the legislation, and confirms that DPM's case is admissible. Consequently, the case has been returned to the Court with instructions to decide on the merits of DPM's claim. The Company is hopeful this dispute will be resolved.

As previously announced, all engineering and procurement activities were suspended in May 2006. This is in addition to the suspension of the resettlement program which occurred at the end of February 2006.

Consequently, the Krumovgrad Gold Project will be delayed until such time as the Bulgarian government compels the MoEW to meet its legal obligations and approve the EIA which has been deemed to be fully compliant by independent international and licensed Bulgarian environmental experts.

Exploration

Back River Project, Canada

The Back River Project has completed its 2006 exploration program. As of September 30, 2006, a total of 79 drill holes totalling approximately 24,000m of diamond drilling were completed. The drill program focused on both discovery level targets located on the George Lake, Boot Lake and Boulder Pond mineral claim blocks and also consisted of a resource expansion drill program. The objective of the resource drill program was to test the strike and depth projections of the Goose Lake and George Lake resource footprints. A trenching program at Goose Lake successfully exposed the near surface extension of the Goose Lake mineralization. The trench was geologically mapped and channel sampled.

During the quarter, geological fieldwork consisting of surface mapping and sampling took place on anomalous target areas which were identified by the recently completed airborne geophysical survey. The results of this fieldwork will be integrated with the Back River District structural interpretation for 2007 drilling prioritization. A mineralized shear zone has been identified on the Boulder Pond claim group. A geochemical soil survey was conducted over the shear zone to assist in the assessment of the mineral potential of the area. Together with the wide spaced drilling, the soils will enable the first comprehensive review of the Boulder Pond mineralized system.

RSG Global is currently updating resource estimates for the Goose Lake and George Lake deposits as of the end of 2005 and a scoping study conducted by Roscoe Postle Associates is being expanded to include a wider range of development scenarios.

A significant amount of environmental sampling and baseline monitoring activity was completed during the quarter on both the Goose Lake and George Lake resource areas.

On July 25, 2006, DPM completed the purchase of a 100% interest in the Back River Project from Kinross Gold Corporation for US\$6.0 million (Cdn\$6.8 million).

Serbia

DPM is currently the largest concession holder in Serbia with title to over 18 exploration license agreements located within both the Cretaceous age Timok Magmatic Complex in Eastern Serbia and the Tertiary age Volcanic Complex that passes through Western and Southern Serbia. The geology of Serbia represents a continuation of the Cretaceous and Tertiary Arc systems that are found in Greece, Macedonia, Romania, Bulgaria, Ukraine and Turkey and hosts significant copper and gold deposits and mining operations in the Bor region. The Company can maximize the value of its Serbian investments by capitalizing on synergies with its projects in Bulgaria through the use of modern and systematic exploration methodology.

In April 2006, DPM and the Government of Serbia signed exploration and mining concession contracts for the Coka Kuruga, Coka Kupjatra and Tilva Njagra exploration and exploitation concessions (collectively known as the Crni Vrh concessions). These concessions are contiguous and are located approximately 10 km west and northwest of the town of Bor, representing an area of 153 km². The exploration concession is granted for a three year period, renewable for an additional two years, and includes mining rights which have been granted for 25 years.

DPM has budgeted \$13.6 million for the 2006 exploration program in Serbia. The exploration program will focus on further understanding the geological context of the Timok Magmatic Complex with the aim to define a gold/copper resource within the next two years. Exploration activities in the reporting period have focused on evaluating the Crni Vrh concessions and the Company's exploration licenses in the Timok region of Northeast Serbia. Work completed to date has included flying a detailed aeromagnetic and TEM

heliborne geophysical survey over the Timok licenses. Further data processing and interpretation of this data is required.

In addition, detailed geological mapping, trenching and surface geochemical surveys have been undertaken. A structural interpretation and synthesis of the Timok region is currently being carried out. The environmental baseline study has commenced. Drilling continues at prospects on the Company's exploration licenses in the Timok area targeting zones of hydrothermal alteration with associated geochemical anomalies.

Drilling continues on the Crni Vrh concessions, initially targeting the multiple zones of hydrothermal alteration and testing previously reported mineralized intercepts generated by historical State-funded exploration programs. Further targets are expected to be generated as additional data becomes available from geological mapping, prospecting, geochemical and geophysical surveys. Surface DCIP geophysical surveys are planned for the next quarter targeting zones of hydrothermal alteration.

Additionally, geological mapping, stream sediment sampling and follow-up surface geochemical surveys are ongoing on regional licenses located elsewhere in Serbia.

Investment Activities

As at September 30, 2006, the portfolio had a market value of approximately \$162.3 million. The top three positions as at September 30, 2006, at market are: Tahera Diamond Corporation - \$30.5 million; Cambior Inc. - \$33.0 million; and Miramar Mining Corporation - \$20.0 million. In addition, the Company currently holds equity positions in excess of 10% in the following companies.

- Adamus Resources Limited ("Adamus") is a Perth-based emerging gold producer. Adamus' main focus is on realizing the economic potential of the 90% owned Southern Ashanti Gold Project in Ghana, West Africa.
- Cassidy Gold Corp. ("Cassidy") is a gold exploration and development company with its principal asset being the 100% owned interest, subject to a 15% state participation, in the Kouroussa, Tambiko, and Siguiri gold concessions in Guinea, West Africa. Aggressive exploration is adding new zones of gold mineralization into the Kouroussa resource picture.
- Crescent Gold Limited ("Crescent") is an emerging Australian gold producer with its primary operation being Laverton Gold Project located in Western Australia. Crescent Gold is also exploring in Xinjiang and Inner Mongolia Provinces of Western China.
- Frontier Pacific Mining Corporation ("Frontier Pacific") is a mineral exploration and development company based in Vancouver, B.C. Frontier Pacific is focused on gold and uranium projects in Europe and the Americas with its primary asset being the Perama Hill gold project in Northeastern Greece which is in the advanced permitting stage.
- Goldbelt is committed to becoming a significant and profitable mining company in West Africa by exploring and developing known gold prospects that will create long-life mines. Goldbelt is actively pursuing other mining opportunities in West Africa while continuing work on the Inata Project in the Belahouro License in Burkina Faso.
- Tahera Diamond Corporation ("Tahera") is a Canadian-owned diamond mining company. Tahera's wholly-owned Jericho Diamond Mine represents Canada's third, and Nunavut's first, diamond mine.

DPM disposed of investments for gross proceeds of \$30.4 million and \$73.0 million on which it realized a gain of \$19.9 million and \$45.6 million for the three and nine months ended September 30, 2006, respectively, and invested \$5.4 million and \$13.9 million in strategic investments for the three and nine months ended September 30, 2006, respectively. In accordance with the Company's accounting policies, no investments were written down during the quarter as management determined that no decline in value was other than temporary.

FINANCIAL RESULTS

RESULTS OF OPERATIONS

The Company reported net earnings of \$13.4 million or \$0.25 per share (\$0.24 per share on a diluted basis) and \$51.3 million or \$0.95 per share (\$0.92 per share on a diluted basis) for the three and nine months ended September 30, 2006 compared to net earnings of \$19.0 million or \$0.35 per share and \$13.7 million or \$0.26 per share (\$0.25 per share on a diluted basis) for the three and nine months ended September 30, 2005, respectively. The increase in net income was attributed to an increase in operating income from mine operations, primarily as a result of increased metal prices.

Condensed Income Statement

<i>Cdn\$ millions, except per share amounts</i> Ended September 30,	Three Months		Nine Months	
	2006	2005	2006	2005
Revenue from mining operations				
Gold/copper concentrate	\$ 17.2	\$ 7.7	\$ 78.1	\$ 30.1
Cost of sales	8.1	6.2	30.3	27.4
Gross profit from mining operations	\$ 9.1	\$ 1.5	\$ 47.8	\$ 2.7
Net investment income	16.0	25.9	42.1	27.1
Net earnings before the undernoted	\$ 25.1	\$ 27.4	\$ 89.9	\$ 29.8
Expenses	9.1	4.3	28.0	12.4
Non-controlling interest	0.1	-	0.1	-
Income tax expense	2.5	4.1	10.5	3.7
Net earnings	\$ 13.4	\$ 19.0	\$ 51.3	\$ 13.7
Net earnings per share				
- basic	\$ 0.25	\$ 0.35	\$ 0.95	\$ 0.26
- fully diluted	\$ 0.24	\$ 0.35	\$ 0.92	\$ 0.25

Net Earnings Before Expenses, Non-controlling Interest and Income Tax

Net earnings before expenses, non-controlling interest and income tax of \$25.1 million and \$89.9 million for the three and nine month periods ended September 30, 2006, compared with \$27.4 million and \$29.8 million for the three and nine months ended September 30, 2005, respectively, resulted from the following:

- (1) mining operations for the three and nine month periods ending September 30, 2006 had a gross operating profit of \$9.1 million and \$47.8 million on the sale of 9,764 and 39,710 dry tonnes of gold/copper concentrate, respectively, compared with a profit of \$1.5 million and \$2.7 million on the sale of 9,518 and 39,219 dry tonnes, respectively, reported during the same periods in 2005. Included in the operating profit is the sale of 350 dry tonnes of gold/copper concentrate and 428 dry tonnes of zinc concentrate from the recently acquired Kapan mine. There is no comparative amount for the prior year. The dramatic increase in profitability was primarily a result of the significantly higher metal prices as illustrated by the average prices for gold and copper in the first nine months of 2006 of \$566/oz (2005 - \$426/oz) and \$2.62/lb (2005 - \$1.49/lb), respectively; and
- (2) the financial results of the investment activities for the three and nine month periods ending September 30, 2006 contributed \$16.0 million and \$42.1 million, respectively, compared with \$25.9 million and \$27.1 million in the same periods last year.

Expenses

Administrative and Other Expenses

Administrative costs were \$3.3 million and \$10.1 million for the three and nine months ended September 30, 2006, respectively, compared to \$1.5 million and \$5.0 million for the three and nine month periods ending on the same day last year. The increase over the prior year's quarter was due to continued systems and personnel development to support a new and rapidly growing international mining company, and an increase in business development activities undertaken during the period. Professional fees relating to the further development of internal controls, various permitting matters, and licensing and tender issues in Bulgaria have also contributed to this increase.

Exploration Expense

Exploration costs incurred for the three and nine months ended September 30, 2006 were \$3.5 million and \$8.8 million, respectively, compared to \$1.6 million and \$3.0 million, respectively, in the comparative periods of 2005. Exploration costs during the period of \$2.6 million were incurred in Serbia (\$6.3 million on a year-to-date basis) and \$0.9 million in Bulgaria (\$2.5 million on a year-to-date basis). 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. The level of exploration activity during the third quarter of 2006 has increased significantly and is in line with the Company's expectations.

Stock Based Compensation Expense

Stock based compensation expense includes costs associated with granting stock options and costs related to the Company's Employee and Director Deferred Share Unit ("DSU") Plans. The value of the stock options granted was \$0.5 million and \$1.9 million for the three and nine months ended September 30, 2006, respectively, calculated using a Black-Scholes model. These costs are charged to operations over their three year vesting period. During the three and nine months ended September 30, 2006, stock option expense was \$1.0 million and \$2.9 million, respectively. The DSU's vest immediately and compensation expense is recognized at the time of grant. The outstanding liability is marked-to-market each quarter. During the quarter, \$0.1 million was charged to compensation expense for the issuance of DSU's. As a result of the decline in market value of the Company's shares during the current quarter, \$0.4 million was credited to compensation expense. For the nine months ended September 30, 2006, \$0.2 million relating to the issue of DSU's and \$0.4 million relating to the mark-to-market of the DSU's were charged to compensation expense.

Foreign Exchange

Expenses include a charge relating to fluctuations in foreign currency rates against the Canadian dollar. The majority of monetary assets and liabilities related to the mining operations are not in Canadian dollars, hence fluctuations in the exchange rates result in gains and losses when translated to Canadian currency. The strengthening of the Canadian dollar against both the US dollar and the Euro in recent months has resulted in a \$1.9 million foreign exchange loss in the nine months September 30, 2006.

Cash Flow Summary

<i>Cdn\$ millions</i> Ended September 30,	Three Months		Nine Months	
	2006	2005	2006	2005
Cash provided by (used in)				
Operating activities	\$ 30.0	\$ (5.3)	\$ 29.2	\$ (8.2)
Property, plant and equipment	(63.9)	(12.9)	(103.1)	(52.2)
Investment transactions, net	25.0	51.4	59.1	47.7
Financing activities	0.1	0.5	1.5	7.4
Increase (decrease) in cash	\$ (8.8)	\$ 33.7	\$ (13.3)	\$ (5.3)

Operating Activities

For the three and nine months ended September 30, 2006, the Company's operating activities provided cash of \$30.0 million and \$29.2 million, respectively. For the quarter ended September 30, 2006, this increase is due primarily to an increase in accounts payable of \$20.0 million and a decrease in accounts receivable of \$14.7 million. For the nine months ended September 30, 2006, the increase is mainly due to earnings from operations of \$17.1 million and increases in accounts payable of \$33.5 million which is offset by increases in accounts receivable of \$18.8 million. In the comparative three and nine month periods ended September 30, 2005, the increase in non-cash working capital absorbed \$5.3 million and \$8.2 million, respectively.

Investing Activities

Investing activities used \$38.9 million and \$43.9 million in cash during the three and nine months ending September 30, 2006, respectively. Net changes in investment portfolio activities provided cash of \$25.0 million and \$59.1 million during the three and nine months ended September 30, 2006, respectively, compared with providing \$51.4 million and \$47.7 million for the same periods of 2005.

Capital expenditures on property, plant and equipment for the three and nine months ended September 30, 2006 totalled \$63.9 million and \$103.1 million, respectively. Expenditures for the three and nine months ended September 30, 2006 were comprised of: a) exploration and mine development (\$7.3 million and \$40.2 million, respectively); b) property, plant and equipment (\$22.8 million and \$29.0 million, respectively); and c) property acquisition (\$8.9 million and \$9.0 million, respectively); and d) acquisition of Deno Gold (\$24.9 million in both periods). In the three and nine month periods ended September 30, 2005, the Company expended \$12.9 million and \$52.2 million, respectively, on plant and equipment. The following tables provide details of the amounts:

Chelopech

At Chelopech, \$17.5 million (US\$15.7 million) and \$43.5 million (US\$38.5 million) was spent during the three and nine months ended September 30, 2006, respectively, and \$100.2 million (US\$84.6 million) has been spent on the property from the date of acquisition as follows:

Chelopech Project Costs

<i>US\$ millions</i>	Current Quarter Cost	Year- to-Date Cost	Total Cost from Date of Acquisition
Project:			
Establishing reserves	\$ 0.4	\$ 1.0	\$ 5.6
Decline	0.8	2.5	9.0
Mine development	7.2	10.7	29.2
Mill development	0.1	2.2	4.7
Definitive feasibility study	0.1	0.4	10.0
Oxygen plant	0.5	10.8	10.8
EPCM contractor	3.8	6.0	6.0
Other	2.8	4.9	9.3
Total	\$ 15.7	\$ 38.5	\$ 84.6

Kapan

At Kapan, \$0.7 million (US\$0.6 million) was spent during the three and nine months ended September 30, 2006 and has been spent on the property as follows:

Kapan Project Costs

<i>US\$ millions</i>	Current Quarter Cost	Year- to-Date Cost	Total Cost from Date of Acquisition
Project:			
Mine development	\$ 0.2	\$ 0.2	\$ 0.2
Geghanush TMF	0.3	0.3	0.3
Other	0.1	0.1	0.1
Total	\$ 0.6	\$ 0.6	\$ 0.6

Back River

DPM acquired the option to earn a 60% interest in this advanced stage exploration property early in 2005 for \$9.1 million and, subsequently, a further \$30.1 million was expended on exploration activities. On July 25, 2006, DPM acquired a 100% interest in the Back River Project resulting in an additional \$8.9 million in acquisition costs.

Total

As at September 30, 2006, the Company has capitalized the following costs:

Property, Plant and Equipment

<i>Cdn\$ millions</i>	Acquisition Cost	Project Cost	Total Cost
Back River (<i>Nunavut, Canada</i>)	\$ 18.0	\$ 30.1	\$ 48.1
Chelopech (<i>Bulgaria</i>)	20.3	100.2	120.5
Krumovgrad (<i>Bulgaria</i>)	30.1	20.0	50.1
Serbia	-	6.1	6.1
Kapan (<i>Armenia</i>)	32.3	0.6	32.9
Corporate	-	1.5	1.5
Total	\$ 100.7	\$ 158.5	\$ 259.2

Financing Activities

In the three and nine months ended September 30, 2006, the exercise of stock options provided \$0.1 million and \$1.5 million, respectively. During the comparative periods of 2005, financing activities provided \$0.5 million and \$7.4 million, respectively, from the exercise of stock options and debt financing proceeds offset by payments for the retirement of debt.

LIQUIDITY

The Company has aggregate working capital of \$63.6 million and marketable securities with a market value in excess of \$162.3 million as at September 30, 2006.

The Company has board approval to proceed with two development projects once the necessary regulatory approvals are received. The Chelopech expansion and redevelopment is expected to cost US\$175 million and the Krumovgrad Gold Project is estimated to cost US\$75 million. The ability to complete both development projects is dependent on the Company's capability to raise sufficient funding. Preliminary discussions have been held with international financial institutions regarding debt financing of

between US\$150 - \$175 million for both projects. The equity markets are also available for providing new funds for superior projects and are especially active in strong commodity cycles.

The Company is planning an exploration program which is budgeted at \$72.5 million for 2007. It should be noted that the budget assumes that all of the various programs will be successful and require immediate follow up. Furthermore, a significant portion of expenditures are temporarily discretionary and can be deferred, if necessary, for a period of time.

It is anticipated that these funds, in addition to funds generated from operations, will be sufficient to finance current mining and investment activities as well as the Company's committed obligations in 2007.

The Company has contractual obligations due within the next five years as follows:

Contractual Obligations

<i>Cdn\$ thousands</i>	Payments Due by Period				
	Total	Up to 1 Year	1 - 3 Years	4 - 5 Years	Over 5 years
Long-term debt	\$ 16,207	\$ 2,654	\$ 8,104	\$ 5,449	\$ -
Operating lease obligations	2,311	697	1,331	283	-
Purchase obligations	18,220	17,195	771	254	-
Other long-term obligations	2,238	2,177	35	26	-
Total contractual obligations	\$ 38,976	\$ 22,723	\$ 10,241	\$ 6,012	\$ -

Included in the purchase obligations are \$1.1 million in contracts relating to the 2006 Back River Project, \$8.3 million relating to Chelopech's Engineering, Procurement, and Construction Management purchase commitments and \$6.7 million for the renewal of Chelopech's mobile fleet.

QUARTERLY INFORMATION

<i>Cdn\$ millions, except per share amounts</i>	2006				2005			2004
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4 ⁽¹⁾
Gold/copper								
concentrate sales	\$ 17.2	\$ 41.1	\$ 19.8	\$ 33.1	\$ 7.7	\$ 10.8	\$ 11.6	\$ 11.4
Cost of sales	8.1	12.5	9.7	18.2	6.2	9.4	11.7	13.2
Gross profit (loss)	9.1	28.6	10.1	14.9	1.5	1.4	(0.1)	(1.8)
Net investment income (loss)	16.0	25.7	0.4	(3.2)	25.9	0.3	0.8	10.9
Net earnings before the undernoted	25.1	54.3	10.5	11.7	27.4	1.7	0.7	9.1
Expenses	(9.1)	(12.1)	(6.7)	(7.5)	(4.3)	(5.8)	(2.3)	(7.6)
Non-controlling interest	(0.1)	-	-	-	-	-	-	-
Income tax recovery (expense)	(2.5)	(7.9)	(0.1)	2.0	(4.1)	0.3	0.1	(0.2)
Net income (loss)	13.4	34.3	3.7	6.2	19.0	(3.8)	(1.5)	1.3
Net earnings (loss) per share								
- basic	\$0.25	\$ 0.64	\$ 0.07	\$ 0.11	\$ 0.35	\$ (0.07)	\$ (0.03)	\$ 0.03
- fully diluted	\$0.24	\$ 0.61	\$ 0.07	\$ 0.11	\$ 0.35	\$ (0.07)	\$ (0.03)	\$ 0.03

(1) The Company changed its year end from January to December in 2004. Accordingly, there are only results for the 11 months ending December 31, 2004.

OUTLOOK AND CHALLENGES

Outlook

The Company continues to focus on filling the mining project pipeline. The critical objectives for the immediate future are to:

- successfully complete the permitting processes in Bulgaria for both the Chelopech expansion and conversion to metal production, and for the development and operation of the Krumovgrad gold property,
- maintain and expand production capacity at Chelopech,
- integrate and modernize the Kapan mine in Armenia and initiate a comprehensive exploration program to thoroughly evaluate the potential of this property,
- continue the aggressive exploration of the Serbian concessions and the Back River property in Nunavut,
- continue to pursue additional mining opportunities, either through corporate investments or direct property interests, and
- secure the necessary funding for these activities.

Challenges

There are a number of significant challenges and uncertainties to be addressed:

Political

The majority of the Company's operations are carried out in eastern Europe and Asia and as such, the Company's operations are exposed to various levels of political risks and uncertainties.

Changes, if any, in mining or investment policies or shifts in political attitude in eastern Europe and Asia may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

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.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

Project Approval, Development and Commissioning

The Company's operations and development activities are subject to receiving and maintaining permits from appropriate governmental authorities. Although the Company currently has all required permits for its 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.

Operating and Capital Costs

As commodity prices continue to strengthen, mine exploration and development costs continue to increase and the availability of reliable sources of supply of qualified personnel and supplies at reasonable prices becomes more difficult. The Company has used the most current pricing available in its DFS's; however, continued delays will likely have a negative impact on the estimates of total costs.

In addition, the cost of projects available for acquisition is increasing as the number of companies looking to expand through acquisition increases and the underlying commodity prices continue to strengthen.

Concentrate Market

Chelovech's high arsenic content continues to restrict opportunities to take advantage of smelter demand resulting in mine production having to be restrained until metal production becomes part of the mine's operations. The tightening market for Chelovech concentrate together with a continued delay in the approval of the Chelovech EIA and construction of the MPF could result in a temporary interruption in operations in 2008.

Exploration

Exploration is highly speculative in nature and exploration projects involve many risks that even a combination of careful evaluation, experience and knowledge 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.

Financing

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 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. A decline in gold, copper or zinc prices could adversely affect the Company's ability to obtain financing in the future.

CRITICAL ACCOUNTING ESTIMATES

Management is required to make estimates in preparation of its financial statements conforming with Canadian Generally Accepted Accounting Principles ("GAAP"). Critical accounting estimates represent estimates that are highly uncertain and could materially impact the financial statements. These estimates affect the reported amount of assets and liabilities as well as the revenues and expenses. Changes to these estimates may result in material changes to these line items. The critical accounting estimates made by the Company relate to the following items:

Capitalization of Exploration Expenses

Exploration expenses incurred to the date of establishing that a property has mineral resources, with the potential of being economically recoverable, are charged to operations. All subsequent exploration and development expenses are capitalized and amortization is deferred until the commencement of commercial production. The estimate of mineral resources is a complex process and requires significant assumptions and estimates regarding economic and geological data. Any revision to any of these estimates could result in the impairment of the capitalized exploration expenses. As a result, there could be a material impact on the asset balance.

Asset Retirement Obligations

Mining, development and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company has recorded a liability for future costs related to these regulations with a corresponding adjustment to the carrying amount of the related assets.

Significant judgments and estimates are made when determining the nature and costs associated with asset retirement obligations. 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.

Property, Plant and Equipment

Property, plant and equipment represent 53% of total assets at September 30, 2006. 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. Amortization expense is based on the estimated useful lives of these assets. 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 amounts may not be recoverable. 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

In determining both the current and future components of income taxes, the Company interprets tax legislation in a variety of jurisdictions as well as makes assumptions as to the expected time of the reversal of future tax assets and liabilities. If the interpretations or assumptions differ from the tax authorities or if the timing of the reversal is not properly anticipated, the provision for or relief of taxes could increase or decrease in future periods.

Investments

Investments represent 17% of total assets at September 30, 2006. As such, the application of the Company's accounting policies for these assets has a material effect on the Company's financial results. Investments are recorded at cost. Investments in which the Company has significant influence, but does not control, are accounted for using the equity method. Investments are reviewed for impairment based on the market values of the securities. When the loss on investment is considered other than temporary, the investment is written down to recognize the loss. The volatility of the market values can cause accounting estimates to change from one period to the next. As a result, balances could be materially impacted.

RISK MANAGEMENT

In addition to the challenges mentioned above, there are several other risks the Company must face.

Metal Prices and Currencies

Gold, zinc and copper prices have continued to remain at levels well above historic averages. With the strengthening of commodity prices, there is continuing concern about inflationary pressure leading to increases in interest rates, which may lead to a slowing of economic growth. It is currently the Company's

policy not to hedge gold prices. There were no hedges in place at September 30, 2006. However, in the second quarter of 2006, the Company acquired copper put options on 11,825 mt covering the period from October 2006 to December 2007. These financial instruments represent an option, but not an obligation, to sell copper at US\$2.50 per pound. The put options were purchased in an effort to protect the Company against the potential decline in the value of copper. As the price of copper declines, the value of the unexpired put options increases.

Revenue from mine production of gold and copper is priced in US dollars. The majority of operating and capital expenditures are Euro based or US dollar based. Both the US dollar and the Euro continue to depreciate against the Canadian currency as commodity prices increase.

The Company's investment income is denominated primarily in Canadian dollars as most of the investments trade on the TSX and the majority of cash balances are in Canadian currency.

The demand for copper and zinc metals continues to be strong. A combination of consumer demand, particularly from Asia, low inventories, a number of producer technical and grade difficulties and continued institutional buying has caused both the copper and zinc prices to continue to trade at close to record levels. Short term buyer interest has resulted in record volatilities in the forward markets.

In the copper concentrate market, smelters are actively looking for additional supply, as a result of having completed openings and expansions of their facilities. The demand has led to a reduction of spot treatment and refining charges from the latter part of last year. The deductions are forecast to fall even further as 2007 copper mine production is now forecasted to be below previous anticipated levels.

Declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

The price of the common shares, the Company's financial results and exploration, development and mining activities could be significantly and adversely affected by declines in the price of gold, silver and copper. Gold, silver and copper prices fluctuate widely and are affected by numerous factors beyond the Company's control such as 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 US dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold, silver and copper-producing countries throughout the world. Depending on the price of gold, silver and copper, cash flow from mining 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. Future production from the Company's mining properties is dependent on gold, silver and copper prices that are adequate to make these properties economic.

Political

The majority of the Company's operations are currently conducted in Eastern Europe and Asia and as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, terrorism; hostage taking; 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; 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.

Changes, if any, in mining or investment policies or shifts in political attitude in Eastern Europe and Asia may adversely affect the Company's operations or profitability. Operations may be affected in varying

degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

Foreign Currency

Exchange rate fluctuations may affect the capital costs that the Company incurs in its operations. Gold, silver and copper are sold in US dollars and the Company's costs are incurred principally in Canadian dollars and Bulgarian leva, which is currently fixed to the Euro. The appreciation of non-US dollar currencies against the US dollar can increase the cost of gold, silver and copper production in US dollar terms. The Company monitors these currencies but has not entered into derivative instruments to hedge against this risk.

Credit

The Company is subject to credit risk from its customers; however, it receives a provisional payment on all sales at the time title of the concentrate transfers from many of its customers. For the majority of contracted sales, provisional payments are between 90% and 95% of the contract based on provisional metal prices and assay results. The Company monitors this risk and does not consider the likelihood of a material loss to be significant.

Operations

Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, silver and copper, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

Success of the Company's operations also depends on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, 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.

Insurance

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

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally 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 these 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 regulation, 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.

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 and other matters. Although the Company currently carries out its operations in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not 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 and milling or more stringent implementation thereof could cause costs and delays that would have a substantial adverse impact on the Company.

Development Projects

The Company's ability to sustain or increase the 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 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.

Production and Operating Costs

The Company prepares estimates of future production and total cash costs of production for its operations. Many unforeseen factors both related and unrelated to the project such as the raw cost of inputs, regulatory factors, foreign exchange fluctuations, adverse environmental conditions, natural phenomena, and industrial accidents, can impact the accuracy of these projections. As such, no assurance can be given that

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.

Reserves

The figures for mineral resources contained herein 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 or copper recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuation in gold, silver or copper 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 estimate. The volume and grade of 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.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. 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 solid and hazardous waste. 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 regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on 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 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 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.

GLOSSARY OF KEY TERMS

Units of Measure Abbreviations

a	annum
Ag	silver
Au	gold
Cu	copper
dmt	dry metric tonnes
Eq	equivalent
g	grams
g/t	grams per tonne
km	kilometres
kt	thousands of tonnes
lbs	pounds
m	metres
mt	millions of tonnes
oz	ounces
t	tonnes

Abbreviations

CIL	carbon in leach
DFS	definitive feasibility study
DSU	deferred share unit
EBRD	European Bank for Reconstruction and Development
EIA	environmental impact assessment
EPA	Environmental Protection Act
LME	London Metal Exchange
MoEW	Ministry of the Environment and Waters
MPF	metals production facility
POX	pressure oxidation technology
SAG	semi autogenous grinding
SX/EW	solvent extraction and electrowinning
TMF	tailings management facility

OTHER

The financial information has been prepared in accordance with Canadian GAAP and is reported in Canadian dollars. Additional company information, including the Company's most recent Annual Report and Annual Information Form, can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and the Company website at www.dundeeprecious.com. Certain non-GAAP measures are discussed in this MD&A which are clearly disclosed as such.

Certain statements included in this MD&A and the accompanying financial statements are forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices and other factors described above and in the Company's most recent Annual Information Form under the heading "Risk Factors" which has been filed electronically by means of the Canadian Securities Administrators' website located at www.sedar.com. The Company disclaims any obligation to update or revise any forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

CONSOLIDATED BALANCE SHEETS

As at September 30, 2006 and December 31, 2005

(unaudited, in thousands of Canadian dollars)

	September 30, 2006	December 31, 2005
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 64,277	\$ 77,541
Accounts receivable and other assets (note 4)	31,765	15,143
Inventories (note 5)	19,123	12,051
Total current assets	115,165	104,735
Investments (market value-\$162,293; December 2005-\$184,690) (note 6)	77,373	91,467
Other long-term assets (note 7)	2,140	1,204
Property, plant & equipment (note 8)	239,611	134,241
Future income tax asset	15,482	6,262
Total assets	\$ 449,771	\$ 337,909
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 37,054	\$ 13,320
Deferred revenue	11,793	-
Current portion of long-term debt (note 9)	2,673	-
Current portion of other long-term liabilities (note 10)	24	448
Total current liabilities	51,544	13,768
Long-Term Liabilities		
Long-term debt (note 9)	13,534	11,630
Reclamation and other long-term liabilities (note 10)	12,364	9,649
Long-term compensation (note 13)	4,684	4,109
Future income tax liability	19,612	6,572
Total long-term liabilities	50,194	31,960
Non-controlling interest	120	-
SHAREHOLDERS' EQUITY		
Share capital (note 14a)	192,756	190,666
Contributed surplus (note 14b)	6,553	4,260
Retained earnings	148,604	97,255
Total shareholders' equity	347,913	292,181
Total liabilities and shareholders' equity	\$ 449,771	\$ 337,909

Contingent liabilities and commitments (note 11)

Subsequent events (note 17)

See accompanying notes to the unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

For the three and nine months ended September 30, 2006 and 2005

(unaudited, in thousands of Canadian dollars, except per share amounts)

	Three Months		Nine Months	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Mining operations				
Gold/copper concentrate revenue	\$ 17,167	\$ 7,656	\$ 78,077	\$ 30,096
Cost of sales	8,064	6,158	30,268	27,384
Gross profit	9,103	1,498	47,809	2,712
Investment income				
Dividends, interest and other income	483	235	1,249	485
Net realized gain on sale of investments	19,882	31,867	45,580	34,385
Loss on copper puts	(4,318)	-	(4,704)	-
Impaired investments written down to market	-	(6,132)	(73)	(7,761)
Gross investment income	16,047	25,970	42,052	27,109
Earnings before undernoted items	25,150	27,468	89,861	29,821
Expenses				
Administrative and other expenses	3,346	1,540	10,105	5,021
Stock based compensation expense	658	1,292	3,491	3,222
Exploration expense	3,505	1,635	8,827	3,007
Amortization of property, plant and equipment	333	321	881	529
Financing and other costs	886	155	2,670	770
Foreign exchange loss (gain)	408	(603)	1,899	(124)
Total expenses	9,136	4,340	27,873	12,425
Earnings before non-controlling interest and income taxes	16,014	23,128	61,988	17,396
Non-controlling interest	120	-	120	-
Earnings before income taxes	15,894	23,128	61,868	17,396
Provision for (recovery of) income taxes (note 12)				
Current	3,215	3,361	11,319	1,708
Future	(714)	753	(800)	1,949
Total provision for income taxes	2,501	4,114	10,519	3,657
Net earnings for the period	\$ 13,393	\$ 19,014	\$ 51,349	\$ 13,739
Basic net earnings per share	\$ 0.25	\$ 0.35	\$ 0.95	\$ 0.26
Diluted net earnings per share	\$ 0.24	\$ 0.35	\$ 0.92	\$ 0.25

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the three and nine months ended September 30, 2006 and 2005

(unaudited, in thousands of Canadian dollars)

	Three Months		Nine Months	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Balance at beginning of period	\$ 135,211	\$ 72,090	\$ 97,255	\$ 77,365
Net earnings	13,393	19,014	51,349	13,739
Balance at end of period	\$ 148,604	\$ 91,104	\$ 148,604	\$ 91,104

CONSOLIDATED STATEMENTS OF CASH FLOW

For the three and nine months ended September 30, 2006 and 2005

(unaudited, in thousands of Canadian dollars)

	Three months		Nine months	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
OPERATING ACTIVITIES				
Net earnings for the period	\$ 13,393	\$ 19,014	\$ 51,349	\$ 13,739
Non-cash charges (credits) to earnings				
Amortization of property, plant and equipment	1,917	1,537	5,920	4,259
Stock based compensation expense	658	1,292	3,491	3,222
Gain on sale of investments	(19,882)	(31,867)	(45,580)	(34,385)
Write down of investments to market value	-	6,132	73	7,761
Future income taxes	(714)	6,194	(800)	5,980
Loss on copper puts	4,318	-	4,704	-
Non-controlling interest	120	-	120	-
Other non-cash charges (credits)	(223)	(170)	(360)	42
Changes in non-cash working capital				
Decrease (increase) in accounts receivable and other assets	14,701	(197)	(17,091)	(7,387)
Increase in inventories	(3,897)	(5,818)	(5,008)	(6,729)
Decrease (increase) in other long-term assets	(490)	(1,650)	(936)	1,691
Increase in accounts payable	19,991	63	33,528	3,396
Increase (decrease) in other liabilities	122	216	(194)	216
Net cash provided by (used in) operating activities	30,014	(5,254)	29,216	(8,195)
INVESTING ACTIVITIES				
Purchase of investments	(5,439)	(8,886)	(13,867)	(18,576)
Proceeds on sale of investments	30,429	60,232	72,967	66,230
Acquisition of company, net of cash acquired of \$523 (note 3)	(24,875)	-	(24,875)	-
Acquisition of mineral properties	(8,850)	-	(8,950)	(16,819)
Exploration and development costs capitalized	(7,316)	(10,125)	(40,230)	(24,264)
Acquisition of plant and equipment	(22,834)	(2,787)	(28,992)	(11,159)
Net cash provided by (used in) investing activities	(38,885)	38,434	(43,947)	(4,588)
FINANCING ACTIVITIES				
Issue of common shares	87	505	1,467	505
Proceeds of debt financing	-	-	-	11,706
Debt retired	-	-	-	(4,770)
Net cash provided by financing activities	87	505	1,467	7,441
Increase (decrease) in cash and equivalents	(8,784)	33,685	(13,264)	(5,342)
Cash and equivalents at beginning of period	73,061	30,801	77,541	69,828
Cash and equivalents at end of period	\$ 64,277	\$ 64,486	\$ 64,277	\$ 64,486
Supplemental Disclosures				
Interest paid	\$ 1,278	\$ -	\$ 871	\$ 443
Taxes paid (received)	\$ (352)	\$ (5,421)	\$ 909	\$ (5,421)

See accompanying notes to the unaudited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**For the three and nine months ended September 30, 2006***(unaudited, in thousands of Canadian dollars, unless otherwise indicated)*

1. BASIS OF PRESENTATION

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of the financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended December 31, 2005, since they do not contain all disclosures required by Canadian GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective interim periods presented.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial instruments and commodities contracts

The Company uses put option contracts to hedge the effect of price changes on a portion of the metals sold by the Company. These derivative contracts, which represent a right but not an obligation to sell, are not designated as hedges and are initially recorded on the balance sheet at cost. Subsequent gains and losses arising from changes in market value on these contracts are charged or credited to earnings in the period in which they occur.

3. BUSINESS COMBINATION

On August 23, 2006, the Company acquired 80% of VatrIn Investment Limited ("VatrIn") which holds 100% of Deno Gold Mining Company ("Deno"), its principal asset being the Kapan Mining Project in Southern Armenia.

The Company has accounted for this acquisition as a business combination with the Company as the accounting acquirer. VatrIn's results of operations have been consolidated for the period subsequent to the acquisition. The purchase price was \$25.4 million and was composed of payments of \$24.3 million (US\$22.0 million) and transaction costs of \$1.1 million.

In accordance with the purchase method of accounting, the purchase cost will be allocated to the underlying assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. Any excess of the purchase price over the net identifiable tangible assets acquired will be allocated to goodwill.

The table below sets out the preliminary allocation of the purchase price to the assets acquired and liabilities assumed, based on preliminary estimates of fair value. Final valuations of the assets and liabilities listed below as well as asset retirement obligations and deferred income tax assets/liabilities are not yet complete due to the inherent complexity associated with these valuations. The purchase price allocation is only preliminary and is subject to adjustment over the course of the next twelve months based on the completion of the valuations and the associated tax effects.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2006

*(unaudited, in thousands of Canadian dollars, unless otherwise indicated)***Preliminary Purchase Price Allocation***(in thousands of Canadian dollars)*

Cash	\$ 523
Accounts receivable and other assets	4,234
Inventories	2,064
Future income tax asset	60
Mineral properties	24,871
Buildings, plant and equipment	7,240
Total assets acquired	\$ 38,992
Accounts payable	\$ 1,999
Other long-term liabilities	1,890
Future income tax liabilities	4,731
Long-term debt	4,974
Total liabilities assumed	\$ 13,594
Net assets acquired	\$ 25,398

4. ACCOUNTS RECEIVABLE AND OTHER ASSETS*(in thousands of Canadian dollars)*

	September 30, 2006	December 31, 2005
Accounts receivable	\$ 19,908	\$ 11,316
Copper puts <i>(note 15)</i>	2,577	-
Prepaid expenses	5,457	3,543
Restricted cash <i>(a)</i>	3,539	-
Restricted guaranteed investment certificate (GIC) <i>(b)</i>	284	284
	\$ 31,765	\$ 15,143

(a) The cash is restricted as a bank guarantee until July 2007 and is held for concession licenses in Serbia.

(b) The GIC is restricted and held as collateral for several suppliers until its maturity on May 4, 2007.

5. INVENTORIES*(in thousands of Canadian dollars)*

	September 30, 2006	December 31, 2005
Gold/copper ore and concentrate	\$ 11,394	\$ 5,848
Spare parts and supplies	7,729	6,203
	\$ 19,123	\$ 12,051

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2006

*(unaudited, in thousands of Canadian dollars, unless otherwise indicated)***6. INVESTMENTS**

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

<i>(in thousands of Canadian dollars)</i>	September 30, 2006	December 31, 2005
Investments at cost, beginning of period	\$ 91,467	\$ 117,640
Cost of investments purchased during the period	13,867	22,778
Cost of investments sold during the period		
Proceeds from sales	(72,967)	(68,982)
Net realized gain on sale of investments	45,580	33,801
Impaired investments written down to market	(73)	(13,720)
Loss on equity investments	(501)	(50)
Investments at cost, end of period	\$ 77,373	\$ 91,467

Included in investments at cost is \$7.5 million representing investments that are accounted for by the equity method. The Company's share of the loss on equity investments was \$178,000 and \$501,000 for the three and nine months ended September 30, 2006, respectively, and was included in loss on equity investments and charged to other income for the period ending September 30, 2006.

7. OTHER LONG-TERM ASSETS

<i>(in thousands of Canadian dollars)</i>	September 30, 2006	December 31, 2005
Escrow deposit for asset retirement obligation	\$ 1,855	\$ 810
Deferred financing charges	268	318
Other	17	76
	\$ 2,140	\$ 1,204

8. PROPERTY, PLANT AND EQUIPMENT*(in thousands of Canadian dollars)*

	September 30, 2006			December 31, 2005		
	Cost	Accumulated Depreciation & Depletion	Net Book Value	Cost	Accumulated Depreciation & Depletion	Net Book Value
Mineral properties						
Chelopech	\$ 44,288	\$ 4,435	\$ 39,853	\$ 23,463	\$ 3,053	\$ 20,410
Krumovgrad	52,485	128	52,357	45,350	81	45,269
Kapan	25,251	9	25,242	-	-	-
Back River	48,088	-	48,088	20,931	-	20,931
	170,112	4,572	165,540	89,744	3,134	86,610
Buildings, plant and equipment						
Chelopech	76,238	13,891	62,347	53,587	9,707	43,880
Krumovgrad	3,749	391	3,358	2,832	201	2,631
Kapan	7,570	91	7,479	-	-	-
Corporate	1,540	653	887	1,384	264	1,120
	89,097	15,026	74,071	57,803	10,172	47,631
	\$ 259,209	\$ 19,598	\$ 239,611	\$ 147,547	\$ 13,306	\$ 134,241

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2006

*(unaudited, in thousands of Canadian dollars, unless otherwise indicated)***9. LONG-TERM DEBT**

<i>(in thousands of Canadian dollars)</i>	September 30, 2006	December 31, 2005
Long-term debt	\$ 16,207	\$ 11,630
Less: current portion	2,673	-
	\$ 13,534	\$ 11,630

On April 6, 2005, Chelopech Mining EAD, a wholly-owned subsidiary of the Company, obtained a US\$10.0 million (Cdn\$11.2 million) loan from the European Bank for Reconstruction and Development ("EBRD"). The loan is secured by the Chelopech mine assets and is guaranteed by the Company. It bears interest at LIBOR plus 1.9% and is repayable in eight equal semi-annual installments commencing in June 2007.

On December 22, 2005, Deno obtained a US\$4.5 million (Cdn\$5.0 million) loan from the EBRD. The loan is secured by a first ranking pledge of the accounts receivable and shares of Deno, and is guaranteed by Vatrín. It bears interest at LIBOR plus 5.5% and is repayable in eight equal semi-annual installments commencing in March 2007.

10. RECLAMATION AND OTHER LONG-TERM LIABILITIES

<i>(in thousands of Canadian dollars)</i>	September 30, 2006	December 31, 2005
Asset retirement obligations	\$ 10,126	\$ 9,524
Note payable (a)	1,911	-
Long-term leases	24	448
Other	327	125
	12,388	10,097
Less: current portion	24	448
	\$ 12,364	\$ 9,649

(a) Vatrín holds the note payable owing to the minority shareholder. The note bears interest at 15% per annum.

Asset retirement obligations as at September 30, 2006 were \$10.1 million (2005 - \$9.5 million), which reflects the net present value of the Chelopech mine site closure obligations. During the three and nine month period ending September 30, 2006, accretion expense of \$0.2 million and \$0.6 million (2005 - \$0.2 million and \$0.6 million) was recognized in each period, respectively.

The anticipated cash flows have been estimated using current prices at the time the obligation was recognized and discounted using a real interest rate of 8% after inflation growth of 3% per annum.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2006

*(unaudited, in thousands of Canadian dollars, unless otherwise indicated)***11. CONTINGENT LIABILITIES AND COMMITMENTS****Concession Obligations**

The Company has committed to make capital investments of US\$10.5 million in the underground facilities of the Chelopech mine. As at September 30, 2006, the Company has spent US\$40.3 million in satisfaction of the above concession obligation.

In addition, a concession fee of 1.5% of the current value of the ore extracted is payable to the Republic of Bulgaria. During the period from January 1, 2004 to December 31, 2010, this fee is reduced by 50%, subject to a minimum payment of US\$0.6 million per annum. The balance of the concession fee is to be deposited into an escrow account which will be used to fund environmental risk management and remediation costs. The accumulated balance in the environmental escrow account of US\$1.7 million (Cdn\$1.9 million) is included in other long-term assets (see note 7).

Gold/Copper Concentrate Sales

The Company has signed contracts with the commitment to ship the following minimum quantities of gold/copper concentrate in the following years:

Dry metric tons	
2006	85,000
2007	60,000
	145,000

In 2006, the Company has sales contracts with four customers. The basis of mining operations as a concentrate producer at Chelopech, at the planned levels of production, are dependent on these sales contracts.

12. INCOME TAXES

The reconciliation of the expected combined federal and provincial statutory income tax rates to the effective tax rate on earnings is as follows:

(in thousands of Canadian dollars)

	Three Months		Nine Months	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Combined federal and provincial statutory income tax rates	36.12%	36.12%	36.12%	36.12%
Income tax at statutory rates	\$ 5,741	\$ 8,354	\$ 22,347	\$ 6,283
Adjusted for the effect of:				
Non-taxable portion of capital gains	(3,591)	(5,755)	(8,229)	(6,210)
Investments written down	-	1,108	237	1,402
Lower rate on foreign earnings	572	111	(5,561)	2,334
Non-deductible stock compensation expenses	371	-	1,053	-
Other, net	(592)	296	672	(152)
Provision for income taxes	\$ 2,501	\$ 4,114	\$ 10,519	\$ 3,657

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**For the three and nine months ended September 30, 2006***(unaudited, in thousands of Canadian dollars, unless otherwise indicated)***13. LONG-TERM COMPENSATION**

During the fourth quarter ended December 31, 2004, the Company established a Deferred Share Unit ("DSU") Plan for directors and employees. The DSU's 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 will be determined by the Board of Directors or the Compensation Committee in lieu of a cash bonus. The DSU's vest immediately and are redeemable in cash on the date the employee ceases to be employed by the Company. During the quarter, no DSU's were granted (2005 – nil) under the Employee DSU Plan and there was no stock based compensation expense recognized (2005 - \$nil). The outstanding DSU's were marked to market at September 30, 2006, and, as a result of the decline in the market value of the Company's shares during the period, \$403,300 (2005 - \$403,300 charge) was credited to earnings during the quarter and there was a charge of \$345,700 (2005 - \$615,000) for the nine months ended September 30, 2006.

Under the Director DSU Plan, effective January 1, 2005, directors receive a portion of their annual compensation in the form of DSU's. The DSU's vest immediately and are redeemable in cash on the date the director ceases to be a director of the Company. During the quarter, 6,600 DSU's were granted (2005 – 6,600) under the Director DSU Plan and \$72,300 (2005 - \$60,000) was recognized as stock based compensation expense. The outstanding DSU's were marked to market at September 30, 2006, and, as a result, \$36,900 (2005 - \$12,100) was credited to earnings during the quarter and there was a charge of \$7,700 (2005 - \$12,400) for the nine months ended September 30, 2006.

14. SHAREHOLDER'S EQUITY**a) Common shares***Authorized*

Unlimited common shares without par value

*Issued**(in thousands of Canadian dollars)*

	September 30, 2006		December 31, 2005	
	Number	Amount	Number	Amount
Balance at beginning of period	53,739,007	\$ 190,666	53,639,675	\$ 189,971
Shares issued on exercise of stock options	198,499	1,467	99,332	695
Transferred from contributed surplus on exercise of stock options (b)	-	623	-	-
Balance at end of period	53,937,506	\$ 192,756	53,739,007	\$ 190,666

The weighted average number of shares used to calculate net income per share during the three and nine month periods ended September 30, 2006 were 53,927,941 and 53,859,066, respectively, for basic net income per share, and 55,619,212 and 55,626,795, respectively, for fully diluted net income per share (September 30, 2005 –53,641,189 for basic net income per share for both periods, and 54,354,903 and 54,172,639 for fully diluted net income per share for the three and nine month periods ended September 30, 2005, respectively).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2006

*(unaudited, in thousands of Canadian dollars, unless otherwise indicated)***b) Contributed Surplus**

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

<i>(in thousands of Canadian dollars)</i>	September 30, 2006	December 31, 2005
Balance at beginning of period	\$ 4,260	\$ 1,072
Stock based compensation expense	2,916	3,188
Transferred to capital stock on exercise of stock options (a)	(623)	-
Balance at end of period	\$ 6,553	\$ 4,260

c) Stock Based Compensation

During the period ended December 31, 2004, the Company 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. Under the plan, an aggregate of 6,500,000 shares from treasury were made available. Options vest over a three year period and expire five years after the date of grant.

Total stock options outstanding for the periods ending September 30, 2006 and December 31, 2005 were:

	Nine Months Ended September 30, 2006		Twelve Months Ended December 31, 2005	
	Options (number)	Weighted Average Exercise Price	Options (number)	Weighted Average Exercise Price
Balance at beginning of period	5,096,667	\$ 7.35	4,460,000	\$ 7.00
Granted	360,000	12.36	1,010,000	8.42
Exercised	(198,499)	7.37	(99,332)	7.00
Cancelled or expired	(66,667)	7.69	(274,001)	7.44
Balance at end of period	5,191,501	\$ 7.68	5,096,667	\$ 7.35

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding as at September 30, 2006	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable as at September 30, 2006	Weighted average exercise price
\$7.00	4,019,834	2.42	\$7.00	2,638,155	\$7.00
\$7.70-\$14.35	1,171,667	4.10	\$10.01	104,996	\$8.30
\$7.00-\$14.35	5,191,501	2.80	\$7.68	2,743,151	\$7.05

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**For the three and nine months ended September 30, 2006***(unaudited, in thousands of Canadian dollars, unless otherwise indicated)*

The fair value of options granted during the nine months ended September 30, 2006 was estimated using a Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	3.98%-4.21%
Expected life in years	4.75
Expected volatility	42.4%-48.57%
Dividends per share	-

During the three months ended September 30, 2006, the Company granted 100,000 stock options with a value of \$0.5 million. During the nine months ended September 30, 2006, 360,000 stock options with a value of \$1.9 million were granted. The total number of shares issued pursuant to outstanding stock options exercised for the three and nine months ended September 30, 2006 were 12,500 and 198,499, respectively.

The estimated value of the options granted will be recognized over the vesting period. As at September 30, 2006, there is \$4.3 million (2005 - \$5.4 million) remaining to be charged to income in future periods relating to stock option grants.

15. FINANCIAL INSTRUMENTS

The carrying value of the Company's short-term financial instruments, comprised of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and accrued liabilities, approximate their fair values due to their short-term nature.

During the second quarter of 2006, the Company purchased copper put options in the aggregate amount of US\$6.5 million (Cdn\$7.2 million) giving the Company the right, but not the obligation to sell up to 11,825 mt of copper concentrate at US\$2.50/lb. These options are in place over the period October 2006 – December 2007 and mature evenly by month over this time period. These instruments allow the Company to protect itself, in the short term, against a decline in the value of copper. These financial instruments can be sold at any time prior to their maturity. The Company has not applied hedge accounting for these financial instruments and accordingly, adjustments to the fair value of these puts, amounting to a loss of US\$3.9 million (Cdn\$4.3 million) and USD\$4.2 million (Cdn\$4.7 million), have been recorded as a loss on the statement of earnings for the three and nine months ended September 30, 2006, respectively.

The carrying value of the Company's long-term debt approximates its fair value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2006

*(unaudited, in thousands of Canadian dollars, unless otherwise indicated)***16. SEGMENTED INFORMATION**

The Company has two basic segments, a Canadian based corporate and investment business, and Bulgarian, Canadian, Serbian and Armenian based mining and exploration operations.

The following table summarizes the relative information for the following periods and as at the dates disclosed.

(in thousands of Canadian dollars)

	Three months		Nine months	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Net revenue				
Mining operations	\$ 9,103	\$ 1,498	\$ 47,809	\$ 2,712
Investments	16,047	25,970	42,052	27,109
	\$ 25,150	\$ 27,468	\$ 89,861	\$ 29,821
Net income (loss)				
Mining operations	\$ 5,478	\$ (137)	\$ 38,862	\$ (295)
Investments	16,047	25,970	42,052	27,109
Net income of combined segments	21,525	25,833	80,914	26,814
Corporate and administration	(5,223)	(3,308)	(17,147)	(9,542)
Foreign exchange gain (loss)	(408)	603	(1,899)	124
Income tax provision	(2,501)	(4,114)	(10,519)	(3,657)
Net income	\$ 13,393	\$ 19,014	\$ 51,349	\$ 13,739
Capital expenditures				
Mining	\$ 39,000	\$ 12,912	\$ 78,172	\$ 52,242
		September 30, 2006		December 31, 2005
Assets				
Cash		\$ 64,277		\$ 77,541
Mining operations		293,108		161,572
Investments		92,386		98,796
		\$ 449,771		\$ 337,909
		September 30, 2006		December 31, 2005
Assets				
Canada		\$ 162,833		\$ 185,260
Europe and Asia		286,938		152,649
		\$ 449,771		\$ 337,909

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2006

(unaudited, in thousands of Canadian dollars, unless otherwise indicated)

17. SUBSEQUENT EVENTS

On October 24, 2006, DPM announced that it had agreed to acquire 18.4 million common shares of Goldbelt Resources Ltd. ("Goldbelt") from Resolute Mining Limited at a purchase price of \$1.23 per share. Following the acquisition, DPM will hold aggregate shares representing an approximate 47% interest in Goldbelt, on an undiluted basis.

18. COMPARATIVE FIGURES

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