

MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations

for the Quarter Ended June 30, 2009

(All monetary figures are expressed in Canadian dollars unless otherwise stated)

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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 June 30, 2009. This discussion should be read in conjunction with DPM's interim unaudited consolidated financial statements for the quarter ended June 30, 2009 and the notes thereto and DPM's audited consolidated financial statements for the year ended December 31, 2008, the notes thereto and the related MD&A. Additional Company information, including the Company's most recent Financial Statements 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's website at www.dundeeprecious.com. Information contained on the Company's website is not incorporated herein and does not form part of this MD&A.

This information is provided as at July 30, 2009.

OVERVIEW

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

DPM's business objectives are to identify, acquire, finance, develop and operate low-cost, long-life mining properties.

The Company's operating interests include its 100% ownership of Chelopech Mining EAD ("Chelopech"), a gold, copper, silver concentrates producer, owner of the Chelopech mine located approximately 70 kilometres east of Sofia, Bulgaria and a 95% interest in Vatrln Investment Limited ("Vatrln"), a private entity which holds 100% of Deno Gold Mining Company CJSC ("Deno Gold"), its principal asset being the Kapan mine, a gold, copper, zinc, silver concentrates producer located about 320 kilometres south east of the capital city of Yerevan in southern Armenia.

DPM's interests also include a 100% interest in the Krumovgrad development stage gold property located in south-eastern Bulgaria, near the town of Krumovgrad, through its wholly-owned subsidiary, Balkan Mineral and Mining EAD ("BMM") and numerous exploration properties in one of the larger gold-copper-silver mining regions in Serbia.

The Company is committed to creating shareholder value through a disciplined but opportunistic business model. The Company has assembled 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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

RESULTS OF OPERATIONS

Executive Summary

Second quarter of 2009 financial results, relative to the second quarter of 2008, benefited from improved operating performance at Chelopech and Deno Gold, an 86% reduction in exploration expense and a 23% reduction in administrative expense.

Chelopech's cash cost per tonne of ore processed¹ decreased 8% to US\$62.34 relative to the second quarter of 2008, in part due to increased production and material processed and a weaker Euro to U.S. dollar exchange rate. Improved processing throughput, ore grades and recovery rates in the current quarter contributed to a 58% increase in concentrate production relative to the second quarter of 2008. During the second quarter of 2009, Chelopech successfully agreed a new two-year contract with its unionized employees, including a 5% wage increase.

Activities related to the Chelopech mine and mill expansion project also progressed in the areas of the paste fill plant, upgrade to the tailings facility and modifications to the process circuit to allow tailings reclaim.

Following its restart in April 2009 and despite lower than planned copper grades due to excess mine dilution experienced in several high grade copper veins, Deno Gold achieved full production of 30,000 tonnes of ore mined in the month of June. Immediate action has been taken to address the copper grade shortfalls and further modifications are being introduced to realize additional manpower savings. Overall improved operating performance in the second quarter of 2009, alongside reductions in headcount and external contractors, and a 20% devaluation of the Armenian dram to U.S. dollar exchange rate contributed to a 40% period over period reduction in cash cost per tonne of ore processed¹, to \$66.66. Improved gold and zinc grades and metal recovery rates resulted in a 17% increase in concentrate production when compared to the second quarter of 2008.

On June 9, 2009, DPM completed the previously announced sale of the Back River exploration project in Nunavut to Sabina Silver Corporation ("Sabina"). Pursuant to the transaction, the Company received in exchange for the Back River project a cash payment of \$7 million, 17 million Sabina common shares and 10 million Special Warrants, each exercisable for one common share and ½ common share purchase warrant upon Sabina achieving certain exploration and production milestones or upon the occurrence of certain other events.

The Company is currently evaluating value enhancing strategic opportunities available to it in respect of its Serbian assets.

¹ A reconciliation of the Company's cash cost per tonne ore processed to cost of sales under Canadian GAAP for the second quarters of 2009 and 2008 is shown in the table entitled "Non-GAAP Financial Measures."

Market Trends

Commodity prices are one of the principal determinants of DPM's results of operations and financial condition. Fluctuations in exchange rates between the U.S. dollar relative to the Euro, the Armenian dram and the Canadian dollar may also impact DPM's results of operations and financial condition.

The average London Bullion gold price² in the second quarter of 2009 of US\$922 per ounce was 3% higher than the second quarter of 2008 average price of US\$896 per ounce. The average London Metal Exchange ("LME") cash copper price² in the second quarter of 2009 of US\$2.12 per pound was 45% lower than the second quarter of 2008 average price of US\$3.83 per pound. The average LME cash zinc price² in the second quarter of 2009 of US\$0.67 per pound was 30% lower than the second quarter of 2008 average price of US\$0.96 per pound.

The average London Bullion gold price² in the first six months of 2009 of US\$915 per ounce was comparable to the corresponding prior year period average price of US\$912 per ounce. The average LME cash copper price² in the first six months of 2009 of US\$1.83 per pound was 50% lower than the corresponding prior year period average price of US\$3.68 per pound. The average LME cash zinc price² in the first six months of 2009 of US\$0.60 per pound was 42% lower than the first six months of 2008 average price of US\$1.03 per pound.

In the second quarter and first half of 2009, the average U.S. to Canadian dollar exchange rates were 1.1672 and 1.2058, respectively, compared to 1.0100 and 1.0073 in the second quarter and first half of 2008, respectively. In the second quarter and first half of 2009, the average Euro to U.S. dollar exchange rates were 1.3620 and 1.3346, respectively, compared to 1.5625 and 1.5312 in the second quarter and first half of 2008, respectively. In the second quarter and first half of 2009, the average U.S. dollar to Armenian dram exchange rates were 371 and 348, respectively, compared to 308 and 307 in the second quarter and first half of 2008, respectively.

On June 30, 2009, the U.S. to Canadian dollar exchange rate closed at 1.1630 compared to 1.2613 on March 31, 2009 and 1.2180 on December 31, 2008. The Euro to U.S. dollar exchange rate closed at 1.4048 on June 30, 2009, compared to 1.3208 on March 31, 2009 and 1.4097 on December 31, 2008.

² Refer to the quarterly information section for the average metal prices used to illustrate the Company's average metal price exposure based on its key reference prices.

Summary of Net Earnings (Loss)

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

Condensed Income Statement

<i>\$ thousands, except per share amounts</i> Ended June 30,	Three Months		Six Months	
	2009	2008	2009	2008
Net revenue	\$ 32,690	\$ 32,719	\$ 59,737	\$ 72,471
Cost of sales	23,130	28,800	46,578	50,716
Gross profit from mining operations	9,560	3,919	13,159	21,755
Investment and other income (expense)	1,082	(1,433)	200	996
Earnings before the undernoted	10,642	2,486	13,359	22,751
Exploration expense	1,208	8,936	2,784	13,976
Administrative expense	3,937	5,126	7,967	10,064
Other expenses	1,796	2,628	5,685	3,730
Total expenses – net	6,941	16,690	16,436	27,770
Income tax expense (recovery)	385	(86)	(293)	671
Net earnings (loss)	\$ 3,316	\$ (14,118)	\$ (2,784)	\$ (5,690)
Net earnings (loss) per share				
- basic	\$ 0.03	\$ (0.23)	\$ (0.03)	\$ (0.09)
- diluted	\$ 0.03	\$ (0.23)	\$ (0.03)	\$ (0.09)

Net earnings in the second quarter of 2009 were \$3.3 million compared to a net loss of \$14.1 million in the corresponding prior year period. The increase in earnings was primarily due to higher gross profit from mining operations and a decrease in exploration and administrative expenses. The increase in gross profit from mining operations was primarily due to higher deliveries of concentrates produced at Chelopech, lower production costs at Chelopech and reduced operating loss at Deno Gold. These positive variances were partially offset by a 45% decrease in copper price in the second quarter of 2009 relative to the corresponding prior year period.

Net loss in the first six months of 2009 was \$2.8 million compared to a net loss of \$5.7 million in the corresponding prior year period. The lower net loss was primarily due to a decrease in exploration and administrative expenses partially offset by a decrease in gross profit from mining operations. The decrease in gross profit from mining operations was primarily due to a 50% decrease in copper price partially offset by higher deliveries of concentrates produced at Chelopech, lower production costs at Chelopech and reduced operating loss at Deno Gold.

Earnings before Expenses:

Net Revenue

Net revenue from the sale of concentrates of \$32.7 million in the second quarter of 2009 was comparable to the net revenue in the second quarter of 2008. The benefits of higher deliveries of concentrates produced at Chelopech due to increased volume of ore mined and processed, higher metal grades and metal recovery rates in the second quarter of 2009 relative to the prior year period and the favourable impact of a weaker Canadian to U.S. dollar exchange rate were offset by a 45% decrease in copper price and lower deliveries of concentrates produced at Deno Gold. The weakening of the Canadian dollar relative to the U.S. dollar increased revenue by \$4.7 million in the period. Deliveries of concentrates produced at Chelopech of 17,685 tonnes in the second quarter of 2009 were 49% higher than second quarter of 2008 deliveries of 11,891 tonnes. Deliveries of concentrates produced at Deno Gold of 905 tonnes in the second quarter of 2009 were lower than deliveries of 3,592 tonnes in the second quarter of 2008 due to a build-up of concentrate inventories in the second quarter of 2009. Net favourable mark-to-market adjustments and final settlements of \$1.3 million, related to the open positions of provisionally

priced concentrate sales, were recorded in the second quarter of 2009 compared to net unfavourable mark-to-market adjustments and final settlements of \$1.5 million in the second quarter of 2008. In the second quarter of 2009, DPM recorded unrealized and realized losses on its copper derivatives of \$0.3 million and \$2.5 million, respectively. The copper derivative contracts were entered into to mitigate substantially all the copper price exposure and associated earnings volatility as a result of the time lag between the receipt of provisional sales revenue associated with the contractual sales of concentrates and the specified final pricing period.

Net revenue from the sale of concentrates of \$59.7 million in the first six months of 2009 was \$12.7 million or 18% lower than the corresponding prior year period due primarily to a 50% decrease in copper price and lower deliveries of concentrates produced at Deno Gold partially offset by higher deliveries of concentrates produced at Chelopech and the favourable impact of a weaker Canadian to U.S. dollar exchange rate, which increased revenue by \$9.7 million in the period. Deliveries of concentrates produced at Chelopech of 34,258 tonnes in the first six months of 2009 were 13% higher than the corresponding prior year period deliveries of 30,420 tonnes due to increased production in 2009. Deliveries of concentrates produced at Deno Gold of 905 tonnes in the first six months of 2009 were lower than deliveries of 4,464 tonnes in the corresponding prior year period due to a build-up of concentrate inventories in the second quarter of 2009. Deno Gold was on care and maintenance in the first quarter of 2009. Net favourable mark-to-market adjustments and final settlements of \$5.9 million, related to the open positions of provisionally priced concentrate sales, were recorded in the first six months of 2009 compared to net favourable mark-to-market adjustments and final settlements of \$1.3 million recorded in the corresponding prior year period. In the first six months of 2009, DPM recorded unrealized and realized losses on its copper derivatives of \$0.3 million and \$3.8 million, respectively.

Cost of Sales

Cost of sales of \$23.2 million in the second quarter of 2009 was \$5.6 million or 20% lower than the corresponding prior year period due primarily to lower production costs at Chelopech and Deno Gold and lower deliveries of concentrates produced at Deno Gold partially offset by the unfavourable impact of a weaker Canadian to U.S. dollar exchange rate and higher deliveries of concentrates produced at Chelopech. A weaker Canadian dollar to U.S. dollar exchange rate in the second quarter of 2009, compared to the corresponding prior year period, increased cost of sales by \$3.3 million in the period.

Cost of sales of \$46.6 million in the first six months of 2009 was \$4.1 million or 8% lower than the corresponding prior year period due primarily to lower deliveries of concentrates produced at Deno Gold and lower production costs at Chelopech partially offset by the unfavourable impact of a weaker Canadian to U.S. dollar exchange rate and higher deliveries of concentrates produced at Chelopech. A weaker Canadian to U.S. dollar exchange rate in the first half of 2009, compared to the corresponding prior year period, increased cost of sales by \$6.7 million in the period.

Cash cost per tonne of ore processed¹ at Chelopech in the second quarter and first half of 2009 of US\$62.34 and US\$55.25, were, respectively, 8% and 13% lower than the corresponding prior year periods due to the favourable impact of a weaker Euro relative to the U.S. dollar, higher volumes of material processed, lower employment expenses and reduced spending on services as a result of cost savings initiatives implemented in late 2008 and first quarter of 2009. These favourable variances were partially offset by higher royalties reflecting the new royalty rates effective July 31, 2008, higher spending on backfill resulting from higher volumes of backfill placed in stopes and higher prices for and usage of certain materials.

Cash cost per tonne of ore processed¹ at Deno Gold in the second quarter of 2009 of US\$66.66 was 40% lower than the corresponding prior year period due primarily to a 20% depreciation of the Armenian dram relative to the U.S. dollar, improved operating performance and reductions in headcount and external contractors.

¹ A reconciliation of the Company's cash cost per tonne ore processed to cost of sales under Canadian GAAP for the second quarters of 2009 and 2008 is shown in the table entitled "Non-GAAP Financial Measures."

Gross Profit from Mining Operations

The following table shows the breakdown of gross profit from mining operations by location:

\$ thousands Ended June 30,	Three Months		Six Months	
	2009	2008	2009	2008
Chelopech	\$ 11,953	\$ 9,232	\$ 19,184	\$ 29,605
Deno Gold	(2,393)	(5,313)	(6,025)	(7,850)
Total gross profit	\$ 9,560	\$ 3,919	\$ 13,159	\$ 21,755

Chelopech recorded a gross profit from mining operations of \$11.9 million in the second quarter of 2009 compared to a gross profit of \$9.2 million in the second quarter of 2008. The increase in gross profit from mining operations of \$2.7 million was due to a 49% increase in deliveries of concentrates, higher gold contained in concentrate produced due to higher metal grades and recovery rates and lower production costs partially offset by a 45% decrease in copper price. Net favourable mark-to-market adjustments and final settlements of \$2.4 million, related to the open positions of provisionally priced concentrate sales, were recorded in the second quarter of 2009 compared to net unfavourable mark-to-market adjustments and final settlements of \$0.3 million in the second quarter of 2008. Net losses of \$2.8 million related to the copper derivatives were recorded in the second quarter of 2009.

Chelopech recorded a gross profit from mining operations of \$19.2 million in the first half of 2009 compared to a gross profit of \$29.6 million in the corresponding prior year period. The decrease in gross profit from mining operations of \$10.4 million was due to a 50% decrease in copper price partially offset by a 13% increase in deliveries of concentrates due to higher metal grades and recovery rates, lower production costs and net favourable mark-to-market adjustments and final settlements, net of losses on copper derivatives. Net favourable mark-to-market adjustments and final settlements of \$6.3 million, related to the open positions of provisionally priced concentrate sales, were recorded in the first six months of 2009 compared to net favourable mark-to-market adjustments and final settlements of \$1.2 million in the first half of 2008. Offsetting the net favourable mark-to-market adjustments and final settlements recorded in the first half of 2009 were net losses related to the copper derivatives of \$4.1 million.

Deno Gold recorded a gross loss from mining operations of \$2.4 million in the second quarter of 2009 compared to a gross loss from mining operations of \$5.3 million in the corresponding prior year period due to improved and more efficient operations in 2009. Net unfavourable mark-to-market adjustments and final settlements of \$1.1 million, related to the open positions of provisionally priced concentrate sales, were recorded in the second quarter of 2009 compared to net unfavourable mark-to-market adjustments and final settlements of \$1.2 million in the second quarter of 2008.

Deno Gold recorded a gross loss from mining operations of \$6.0 million in the first six months of 2009 compared to a gross loss from mining operations of \$7.8 million in the first six months of 2008. The operations were on care and maintenance in the first quarter of 2009. Net unfavourable mark-to-market adjustments and final settlements of \$0.4 million, related to the open positions of provisionally priced concentrate sales, were recorded in the first six months of 2009 compared to net favourable adjustments and final settlements of \$0.1 million in the corresponding prior year period.

Investment and Other Income (Expense)

Investment and other income was \$1.1 million in the second quarter of 2009 compared to an investment and other expense of \$1.4 million in the second quarter of 2008. DPM recorded a gain on sale of the Back River project of \$0.7 million in the second quarter of 2009. Included in the second quarter of 2008 were net realized losses on sale of investments of \$1.3 million and write-down of investments of \$1.0 million.

Investment and other income was \$0.2 million in the first half of 2009 compared to investment and other income of \$1.0 million in the corresponding prior year period.

Administrative Expense

Administrative expenses were \$3.9 million and \$8.0 million in the second quarter and first half of 2009, respectively, compared to \$5.1 million and \$10.1 million in the corresponding prior year periods. The decrease in both periods was primarily due to lower employment costs and associated expenses and lower spending on outside services as a result of the cost savings initiatives introduced in the first quarter of 2009.

Exploration Expense

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

<i>\$ thousands</i> Ended June 30,	Three Months		Six Months	
	2009	2008	2009	2008
Serbia	\$ 716	\$ 8,125	\$ 1,527	\$ 12,484
Canada	214	460	690	716
Bulgaria	220	351	468	776
Armenia	58	-	99	-
Total exploration expense	\$ 1,208	\$ 8,936	\$ 2,784	\$ 13,976

DPM expenses all early stage exploration costs until the date it can be established that a property has mineral resources which have the potential of being economically recoverable, at which time, all such expenditures are capitalized. The decrease in exploration expense in the second quarter and first half of 2009 relative to the corresponding prior year periods was due to a decrease in the level of exploration activities in Serbia following the suspension of activities in the fourth quarter of 2008.

Other Expenses

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 Company granted 2,455,000 stock options in the second quarter of 2009. During the three months and six months ended June 30, 2009, \$0.1 million and \$0.5 million, respectively, were charged to stock option expense. The DSUs vest immediately and the associated compensation expense is recognized at the time of grant. The outstanding liability is marked-to-market each quarter. During the second quarter and first half of 2009, minor amounts were charged to compensation expense for the issuance of DSUs and \$0.2 million and \$0.1 million, respectively, were charged to compensation expense as a result of the increase in the Company's stock price.

Foreign Exchange

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the period end exchange rates, whereas non-monetary assets and liabilities and related expenses denominated in foreign currencies are translated at the exchange rate in effect at the transaction date. Income and expense items are translated at the exchange rate in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statement of earnings. In the second quarter and first half of 2009, DPM recorded foreign exchange losses of \$0.3 million and \$3.0 million, respectively, compared with foreign exchange losses of \$1.2 million and \$0.7 million in the corresponding prior year periods, respectively.

Income Tax Expense (Recovery)

DPM's effective tax recovery rate of 10% for the first six months of 2009 was lower than the statutory rate of 33.0% due primarily to the unrecognized tax benefits relating to operating losses and non-deductible stock compensation and write-down of investments partially offset by the benefit of profits earned in

jurisdictions having a lower tax rate. Following the sale of the Back River project, a reversal of the flow-through shares liability of \$6.0 million was recognized as recovery in the period. In addition, there was an increase in the valuation allowance on investments and property of \$6.1 million in the period.

Summary of Operating Cash Flow, Investing and Financing Activities

Operating Cash Flow (Shortfall)

The following table summarizes the Company's cash flow (shortfall) from operating activities for the periods indicated:

<i>\$ thousands</i>	Three Months		Six Months	
Ended June 30,	2009	2008	2009	2008
Net earnings (loss)	\$ 3,316	\$ (14,118)	\$ (2,784)	\$ (5,690)
Non-cash charges (credits) to earnings:				
Amortization of property, plant and equipment	4,749	3,613	9,317	7,142
Net losses (gains) on sale of investments	-	1,289	47	(496)
Write-downs of investments to market value	-	951	1,130	951
Losses on copper derivatives	523	-	1,847	-
Other	(2,438)	(289)	(1,706)	(65)
Total non-cash charges to earnings	2,834	5,564	10,635	7,532
Decrease (increase) in non-cash working capital	(8,376)	30,225	(22,781)	12,481
Net cash provided by (used in) operating activities	\$ (2,226)	\$ 21,671	\$ (14,930)	\$ 14,323

Cash used in operating activities in the second quarter of 2009 was \$2.2 million compared with cash provided by operating activities of \$21.7 million in the second quarter of 2008. The increase in cash used in operating activities in the second quarter of 2009 relative to the corresponding prior year period was primarily due to an increase in working capital requirements partially offset by higher gross profit from mining operations. The non-cash working capital requirements of \$8.4 million in the second quarter of 2009 was primarily due to an increase in inventories as a result of a build-up of concentrate inventories at Deno Gold following the restart of operations in April 2009, an increase in accounts receivable resulting from increased revenue in the period and a decrease in accounts payable.

Cash used in operating activities in the first half of 2009 was \$14.9 million compared with cash provided by operating activities of \$14.3 million in the first half of 2008. The increase in cash used in operating activities in the first half of 2009 relative to the corresponding prior year period was primarily due to an increase in working capital requirements and lower gross profit from mining operations. The non-cash working capital requirements of \$22.8 million in the first half of 2009 was primarily due to a decrease in accounts payable, an increase in accounts receivable and an increase in inventories.

Investing Activities

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

<i>\$ thousands</i>	Three Months		Six Months	
Ended June 30,	2009	2008	2009	2008
Proceeds on sale of exploration property	\$ 7,000	\$ -	\$ 7,000	\$ -
Proceeds on sale of investments at fair value	-	16,214	2,304	19,191
Proceeds on sale of short-term investments	34,695	-	29,137	-
Loan advances	(1,120)	-	(4,887)	-
Capital expenditures	(7,698)	(27,637)	(16,168)	(47,360)
Proceeds on sale of property, plant and equipment	43	709	137	709
Net cash provided by (used in) investing activities	\$ 32,920	\$ (10,714)	\$ 17,523	\$ (27,460)

Refer to the “Investments at Fair Value” section of this MD&A for a discussion on the investment activities for the period. In the three and six months ended June 30, 2009, DPM advanced \$1.1 million (US\$1.0 million) and \$4.9 million (US\$4.0 million), respectively, to Namibia Custom Smelters (Pty) Limited (“NCS”), a subsidiary of Weatherly International plc (“WTI”), as per the agreement DPM signed with NCS in December 2008 to advance up to US\$7.0 million of loans to NCS. The total commitment of US\$7.0 million had been advanced as at June 30, 2009.

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

<i>\$ thousands</i> Ended June 30,	Three Months		Six Months	
	2009	2008	2009	2008
Chelopech	\$ (5,943)	\$ (12,591)	\$ (11,966)	\$ (24,249)
Deno Gold	(1,334)	(7,717)	(3,781)	(13,296)
Back River	-	(7,004)	-	(8,903)
Other	(421)	(325)	(421)	(912)
Total capital expenditures	\$ (7,698)	\$ (27,637)	\$ (16,168)	\$ (47,360)

Capital expenditures at Chelopech in the second quarter and first half of 2009 were, respectively, 53% and 51% lower than the corresponding prior year periods due to a reduction in non-critical expenditures, including those related to the expansion project. Capital expenditures at Deno Gold in the second quarter and first half of 2009 were, respectively, 83% and 72% lower than the corresponding prior year periods due primarily to the suspension of exploration activities in the fourth quarter of 2008.

As at June 30, 2009, the Company had capitalized the following amounts:

Property, Plant and Equipment

<i>\$ millions</i>	Acquisition Cost	Project Cost	Total Cost
Chelopech (<i>Bulgaria</i>)	\$ 20.3	\$ 240.4	\$ 260.7
Krumovgrad (<i>Bulgaria</i>)	30.1	13.8	43.9
Serbia	0.1	8.4	8.5
Deno Gold (<i>Armenia</i>)	36.5	59.4	95.9
Corporate	-	2.0	2.0
Total	\$ 87.0	\$ 324.0	\$ 411.0

In the second quarter of 2009, DPM completed the sale of the Back River exploration project to Sabina. Total proceeds received from the transaction were \$35.0 million, including \$7.0 million of cash, resulting in a gain on sale of exploration property of \$0.7 million and associated future income tax recovery of \$6.0 million.

Financing Activities

The following table summarizes the Company’s financing activities for the periods indicated:

<i>\$ thousands</i> Ended June 30,	Three Months		Six Months	
	2009	2008	2009	2008
Redemption of deferred share units	\$ -	\$ -	\$ -	\$ (58)
Repayment of debt	(1,409)	(1,271)	(2,120)	(1,834)
Repayment of lease	(209)	-	(416)	-
Net cash used in financing activities	\$ (1,618)	\$ (1,271)	\$ (2,536)	\$ (1,892)

Mining Activities

Chelopech Gold/Copper Mine, Bulgaria

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

In July 2008, the Company received Bulgarian Government approval of its Environmental Impact Assessment ("EIA") for the Chelopech expansion project (the "Project"), which includes the doubling of the mine and mill production capacity to two million tonnes of ore per year and construction of a metal processing facility ("MPF") to process up to 150,000 tonnes of concentrate per year and produce gold doré and copper cathode. Pursuant to a Memorandum of Understanding with the Bulgarian Government, the Bulgarian Government has the right to acquire a 25% interest in a yet to be formed joint stock company that will construct, own and operate the Chelopech MPF. In addition, the Company will pay a higher royalty in accordance with the Bulgarian Ordinance on Royalty Computation for all the metals that can be mined economically from the Chelopech deposit. The royalty will be calculated on a sliding scale of 2% to 8% at a profitability ratio of 10% to 60%. The new royalty, which came into effect on July 31, 2008, replaced the previous 1.5% fixed rate entered into in 2004. The royalty in excess of 1.5% is accrued but is not payable until construction of the MPF commences.

DPM has also agreed to provide a financial guarantee for the estimated environmental closure and rehabilitation costs for the Chelopech mine upon completion and government acceptance of a closure and rehabilitation plan. The Company will prepare and submit a closure and rehabilitation plan for approval to the Ministries of Economy and Energy ("MoEE") and of Environment and Water ("MoEW") by January 2010.

Results of the updated definitive feasibility study ("DFS") for the Project, released on March 26, 2009, confirmed the commercial viability of the Project and indicated an internal rate of return of over 27%. Refer to the "Definitive Feasibility Study Update and Summary" section of DPM's first quarter of 2009 MD&A for more information on the DFS, including metal price assumptions.

Having received all required permits and regulatory approvals, the Company is presently finalizing its implementation plan for the mine and mill expansion and will commence construction in the third quarter of 2009.

In December 2008, Chelopech contracted with NCS, a subsidiary of WTI, for the sale of all or substantially all of its concentrate production through the year 2013. This arrangement provides the Company with assurances regarding the processing of its concentrate while it finalizes its plans and obtains the permits required to commence construction of the MPF. See the "Risks and Uncertainties" section of this MD&A for information on counterparty risk.

In December 2008, Chelopech also signed a long-term US\$7.0 million loan agreement with NCS to assist in the funding of certain capital requirements related to improvements at NCS's Tsumeb smelter and for working capital purposes. As at June 30, 2009, the total commitment of US\$7.0 million had been advanced.

Mineral Reserves and Resources

An updated calculation of the Chelopech reserves and resources, all as of September 2008, is set out below.

Resources	Tonnes (million)	Gold		Silver		Copper	
		Grade (g/t)	Ounces (‘000)	Grade (g/t)	Ounces (‘000)	Grade (%)	Lbs (‘000)
Measured	15.70	4.1	2,070	10.8	5,453	1.5	508,902
Indicated	19.08	3.5	2,159	7.4	4,551	1.1	462,634
Measured and Indicated	34.78	3.8	4,229	8.9	10,003	1.3	971,536
Inferred	9.79	2.7	856	11.4	3,602	0.9	187,813

- (1) The rounding of tonnage and grade figures has resulted in some columns showing relatively minor discrepancies in sum totals.
- (2) All Mineral Resource Estimates have been determined and reported in accordance with NI 43-101 and the classification adopted by the CIM Council in August 2000.
- (3) Cut-off Grade @ 3.2g/t Gold Equivalent is based on the following formula: $(Au\ g/t + 2.5xCu\%)$; the MPF outlined in the DFS is not designed for the recovery of silver in commercial quantities however, studies have been initiated in order to maximize the payable metal content of the Chelopech deposit. Metals that will be targeted include zinc, silver and other elements.
- (4) The “Technical Report for the Chelopech Project” was prepared by Peter Wade and Brian R. Wolfe from Coffey Mining Pty Ltd. (“Coffey”), Gary Jobson from GRD Minproc Pty Ltd. (“Minproc”), Brett Stevenson from Knight Piésold Pty Ltd. (“KPP”) and J. Fergus Anckorn from AMEC Earth and Environmental UK Ltd. (“AMEC”), all of whom are Qualified Persons under NI 43-101 and all of whom are independent of the Company, and was filed on Sedar at www.sedar.com on March 31, 2009.

Reserves	Tonnes (million)	Gold		Copper	
		Grade (g/t)	Ounces (‘000)	Grade (%)	Lbs (‘000)
Proven	11.68	3.89	1,460	1.42	366,030
Probable	12.69	3.53	1,440	1.15	321,860
Total Reserves	24.37	3.70	2,900	1.28	687,890

- (1) All Mineral Reserve Estimates have been determined and reported in accordance with NI 43-101 and the classifications adopted by the CIM Council in August 2000.
- (2) All Mineral Reserves are completely included within the quoted Mineral Resources.
- (3) Cut-off Grade @ 3.2g/t Equivalent Gold; the average sulphur content in mill feed is 14.0%; Mineral Reserves are based on metal prices of US\$800/oz gold and copper prices of US\$1.75/pound; overall metallurgical recoveries, copper @ 81.0%, gold @ 55.3%, silver @ 1.7%; due to low recovery of silver within the MPF outlined in the DFS, silver is excluded from the Mineral Reserves. Mineral Reserves do not include depletion.
- (4) The “Technical Report for the Chelopech Project” was prepared by Peter Wade and Brian R. Wolfe from Coffey, Gary Jobson from Minproc, Brett Stevenson from KPP and J. Fergus Anckorn from AMEC, all of whom are Qualified Persons under NI 43-101 and all of whom are independent of the Company, and was filed on Sedar at www.sedar.com on March 31, 2009.

Chelopech - Production, Costs, Deliveries and Net Revenue

Ended June 30,	Three Months		Six Months	
	2009	2008	2009	2008
Ore mined (mt)	236,975	215,288	497,999	423,587
Ore processed (mt)	257,721	201,887	501,178	421,257
Head grade (ore milled)				
Copper (%)	1.38	1.15	1.33	1.18
Gold (g/mt)	5.06	4.40	4.60	4.12
Silver (g/mt)	6.91	6.86	6.84	6.82
Concentrate produced (mt)	18,902	11,987	35,207	26,170
Metals contained in concentrate produced				
Copper (lbs)	6,973,614	4,424,214	12,852,383	9,585,281
Copper (% recovered)	88.80	86.31	87.55	87.26
Gold (ounces)	30,723	18,618	51,155	37,163
Gold (% recovered)	73.29	65.18	69.01	66.61
Silver (ounces)	34,612	22,121	60,130	48,646
Silver (% recovered)	60.48	49.71	54.53	52.64
Cash cost per tonne of ore processed (US\$) ^{(1),(3)}	\$ 62.34	\$ 68.03	\$ 55.25	\$ 63.52
Cash cost per pound of copper in concentrate produced (US\$) ^{(1),(2),(3)}	\$ 0.78	\$ 1.54	\$ 0.71	\$ 1.38
Cash cost per ounce of gold in concentrate produced (US\$) ^{(1),(2),(3)}	\$ 331	\$ 351	\$ 347	\$ 340
Value of payable metals sold (US\$000) ⁽⁶⁾	\$ 37,134	\$ 27,855	\$ 63,911	\$ 75,691
Net Revenue				
US\$000 ^{(4),(5)}	\$ 29,002	\$ 24,530	\$ 50,207	\$ 62,196
Cdn\$000 ^{(4),(5)}	\$ 34,052	\$ 24,666	\$ 60,494	\$ 62,475
Deliveries				
Concentrate (dmt)	17,685	11,891	34,258	30,420
Copper in concentrate (lbs) ⁽⁷⁾	6,160,425	4,078,819	11,684,392	10,360,272
Gold in concentrate (ounces) ⁽⁷⁾	26,135	17,793	45,619	42,542
Silver in concentrate (ounces) ⁽⁷⁾	26,234	21,385	56,092	48,515

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

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

(3) A reconciliation of these non-GAAP measures is shown in the table entitled "Reconciliation of Non-GAAP Measures to Canadian GAAP Cost of Sales" under "Non-GAAP Financial Measures" below.

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

(5) Included in net revenue are mark-to-market adjustments and final settlements related to provisionally priced sales. Net favourable adjustments and final settlements of US\$2.0 million and US\$5.1 million were recorded in the second quarter of 2009 and first half of 2009, respectively, compared with net unfavourable adjustments and final settlements of US\$0.3 million recorded in the second quarter of 2008 and net favourable adjustments and final settlements of US\$1.2 million in the first half of 2008. Partially offsetting the net amounts recorded in 2009 were net losses of US\$1.7 million and US\$2.7 million related to the copper derivatives entered into by Chelopech recorded in the second quarter and first half of 2009, respectively. Excludes net losses on copper derivatives entered into by DPM on behalf of Chelopech of US\$0.6 million and US\$0.7 million in the second quarter and first half of 2009, respectively.

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

(7) Represents payable metals in concentrate sold.

Production

Total tonnes of ore mined in the second quarter and first half of 2009 were, respectively, 10% and 18% higher than the same periods in 2008. The increase in mine output was due to increased availability of working stopes resulting in higher utilization of labour and equipment, a change in shift arrangements allowing the reduction of re-entry time after blasting and increased productivity.

Total ore processed in the second quarter and first half of 2009 were, respectively, 28% and 19% higher than the same periods in 2008 due to higher process plant utilization. Copper and gold grades in the second quarter and first half of 2009 were higher than the corresponding periods in 2008 due to the higher number of working stopes available and improved orebody definition.

Concentrate production in the second quarter and first half of 2009 of 18,902 tonnes and 35,207 tonnes were, respectively, 58% and 35% higher than the corresponding periods in 2008 due to increased ore mined, higher gold and copper grades and higher recoveries for all metals. Copper contained in concentrate produced in the second quarter and first half of 2009 of 7.0 million pounds and 12.9 million pounds were, respectively, 58% and 34% higher than the corresponding prior year periods. Gold contained in concentrate produced in the second quarter and first half of 2009 of 30,723 ounces and 51,155 ounces were, respectively, 65% and 38% higher than the corresponding prior year periods. Silver contained in concentrate produced in the second quarter and first half of 2009 of 34,612 ounces and 60,130 ounces were, respectively, 56% and 24% higher than the corresponding prior year periods.

Unprocessed ore stock piles at surface totalled 27,882 tonnes at June 30, 2009, down from 48,628 tonnes at March 31, 2009. Inventory of concentrates totalled 9,866 tonnes at June 30, 2009, up from 8,650 tonnes at March 31, 2009.

During the second quarter of 2009, Chelovech successfully agreed a new two-year contract with its unionized employees, including a 5% wage increase.

Cash Cost per Tonne of Ore Processed

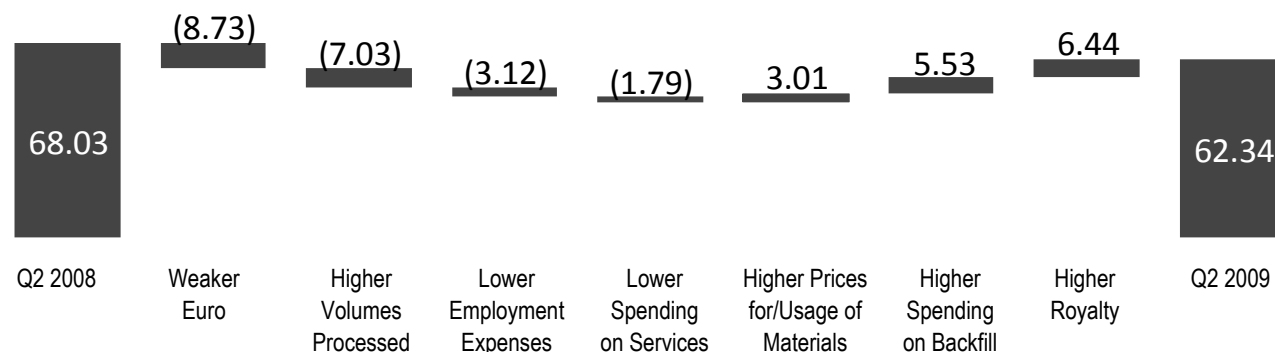
Cash cost per tonne of ore processed¹ in the second quarter of 2009 of US\$62.34 was 8% lower than the second quarter of 2008 cash cost per tonne of ore processed¹ of US\$68.03 due to a 13% depreciation of the average Euro to U.S. foreign exchange rate, higher volumes of material processed, lower employment expenses and reduced spending on services as a result of cost savings initiatives implemented in late 2008 and first quarter of 2009. These favourable variances were partially offset by higher royalties reflecting the new royalty rates effective July 31, 2008, higher spending on backfill due to higher volumes of backfill placed in stopes and higher prices for and usage of certain materials.

Cash cost per tonne of ore processed¹ in the first half of 2009 of US\$55.25 was 13% lower than the first half of 2008 cash cost per tonne of ore processed¹ of US\$63.52 for the reasons mentioned above.

¹ A reconciliation of the Company's cash cost per tonne ore processed to cost of sales under Canadian GAAP for the second quarters of 2009 and 2008 is shown in the table entitled "Non-GAAP Financial Measures."

Principal factors affecting the second quarter of 2009 unit cash cost per tonne of ore processed¹ in comparison with the second quarter of 2008:

US\$ per Tonne
Increase (decrease)



A reconciliation of this non-GAAP measure is shown in the table entitled “Reconciliation of Non-GAAP Measures to Canadian GAAP Cost of Sales” under “Non-GAAP Financial Measures”.

Project Developments

In July 2008, the Company received Bulgarian Government approval of the EIA for the Chelopech Project, which includes the doubling of the mine and mill production capacity to two million tonnes of ore per year and the installation of an MPF that incorporates pressure oxidation (“POX”), carbon in leach (“CIL”) cyanidation and extraction and electrowinning (“SX/EW”) to treat the copper/gold concentrate and produce copper cathode and gold doré; upgrade of the existing tailings management facilities (“TMF”) and construction of a new facility for storage of the POX-CIL tailings (the “POX TMF”). Pursuant to a Memorandum of Understanding with the Bulgarian Government, the Bulgarian Government has the right to acquire a 25% interest in a yet to be formed joint stock company that will construct, own and operate the MPF.

The MPF is in the process of being permitted with construction expected to commence in 2010, subject to financing and approval by DPM’s board of directors. Discussions with government representatives on its acquisition of a 25% interest in the MPF have progressed but were put on hold leading up to the Bulgarian elections in July 2009. The Company expects to resume discussions in the near term. The design phase of the MPF is progressing well and expected to be complete in the third quarter of 2009.

As at June 30, 2009, the Company had invested US\$108.9 million in the Project for engineering, procurement and construction management (“EPCM”) on the POX plant, mine upgrades, the construction of the Nadejda decline for access from surface to underground, acquisition and refurbishment of an oxygen plant, the first phase of the mine backfill plant and upgrades and improvements to existing site infrastructure.

In the second quarter of 2009, activities related to the Chelopech mine and mill expansion project also progressed in the areas of the paste fill plant, upgrade to the tailings facility and modifications to the process circuit to allow tailings reclaim.

Certain permits required to advance the construction of the mine and mill expansion, including the SAG mill and concentrator expansion, have been received. DPM is currently finalizing its detailed implementation plan for the mine and mill expansion, which may result in certain value-enhancing scope changes and revisions to the recently updated DFS capital cost estimate. The expected construction completion date for this first phase of the Project development is the second quarter of 2011.

¹ A reconciliation of the Company’s cash cost per tonne ore processed to cost of sales under Canadian GAAP for the second quarters of 2009 and 2008 is shown in the table entitled “Non-GAAP Financial Measures.”

Development of the Project requires the acquisition of land from a variety of landowners in the Chelopech and Chavdar Municipalities. The land is required for the new TMF and a buffer zone around the existing and new TMF. The land purchase program is well advanced and the Company is projecting that all land issues will be resolved by end of year 2009.

Project Permitting

The permitting process for the construction of the MPF involves various ministries and government agencies. The environmental permits, such as the EIA, the Integrated Pollution Prevention Control (“IPPC”) and Working with Hazardous Substances (“Seveso”) are prerequisites for issuance of the construction permit. The TMFs are being permitted under the European Mine Waste Directive law as it is applied in Bulgaria. The EIA, completed by the Balkan Science and Education Centre of Ecology and Environment in November 2005, and registered in February 2006, was approved by the MoEW in July 2008. The IPPC and Seveso applications have been filed with the MoEW and are being processed. Both the IPPC and Seveso permits are expected to be issued in the fourth quarter of 2009. The Project is fully compliant with all European safety and environmental directives and industry Best Available Techniques requirements, as determined by IPPC, and the engineering has passed through rigorous audit and been certified by The International Cyanide Management Institute as being compliant with the International Cyanide Management Code. Other permits required for construction of various components of the facility are either in hand or in process.

On October 29, 2008, the Company received a subpoena from the Supreme Administrative Court of Bulgaria for a court hearing on February 18, 2009, to which Chelopech Mining EAD was summoned as an interested party to litigation proceedings initiated by the village of Poibrene, Bulgaria, which is approximately 50 kilometres away from Chelopech. Subsequently, the Company found that the claim was made against the EIA Resolution and had been consolidated with three other claims into one hearing. The first court hearing on all the claims took place on February 18, 2009. A second hearing took place on June 3, 2009 to allow the Company and the MoEW to review the new evidence presented by the claimant at the hearing and to allow a court expert to provide an expert answer on whether the water balance calculations included in the Project investment proposal were correctly prepared. The expert statement was positive for the Company, confirming the correctness of the calculations. Upon request by the claimant, the court assigned another task to a court expert, namely to determine whether alternatives for the entire investment proposal or only for some parts of it have been considered in the EIA. A hearing is scheduled for September 30, 2009 to review the expert statement. On June 3, 2009, the court also considered a request from the Village of Poibrene to withdraw their claim and accepted the request, thus reducing the number of claims from four to three. No specific reason was included in the request for withdrawal. Based on a review of certified copies of the appeals, it is the Company’s view that the claims are unsubstantiated and should be rejected by the court. It should be taken into consideration that none of the claimants have appealed the MoEW direction for pre-emptive execution, included in the EIA Resolution, which means that the Company can continue with the implementation of the Project while the court proceedings are ongoing.

Deno Gold Copper/Gold/Zinc Mine, Armenia

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

Deno Gold's underground mining operation is located on the Shahumyan concession. The complex includes two primary crushing stations, a processing plant (which historically processed in excess of one million tonnes of ore per year) and various infrastructure facilities that were built to support the operation. The processing plant produces two concentrates, a copper, gold, silver concentrate and a zinc concentrate, by staged flotation. Both concentrates are transported by road to the town of Ararat (60 kilometres south of Yerevan) where they are offloaded onto a rail system for transport to the Black Sea via Georgia. Neither of the deposits contains material quantities of deleterious elements which would incur penalties in the treatment of concentrate.

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

- (i) In accordance with the requirements of RA Law on Concessions, Deno Gold's Shahumyan mine license will be extended for an additional 12 years to 2032 and the license agreement will be extended to the full extent of the mining license,
- (ii) The annual mine production schedule, as defined by the license agreement, will be reduced to 300,000 tonnes (subject to automatic adjustment in the event of unusual economic hardship including exceptionally low metal prices), and
- (iii) The Centralni licence would be terminated and all contractual responsibility of Deno Gold, in its entirety, with respect to such license would be waived with the exception of certain very limited reclamation/re-cultivation works and the preparation and implementation of a mine underground closure and conservation plan, all in compliance with RA legislation. The Centralni license was returned to the Armenian government in March 2009.

Deno Gold has agreed commercial terms for the sale of all its zinc and copper/gold concentrates production for 2009.

Deno Gold - Production, Costs, Deliveries and Net Revenue

Ended June 30,	Three Months		Six Months	
	2009	2008	2009	2008
Ore mined (mt)	70,501	79,057	70,501	156,258
Ore processed (mt)	67,787	74,955	67,787	154,734
Head grade (ore milled)				
Copper (%)	0.35	0.42	0.35	0.32
Gold (g/mt)	2.51	1.52	2.51	1.43
Zinc (%)	2.06	1.52	2.06	1.28
Silver (g/mt)	55.92	28.70	55.92	26.99
Concentrate produced (mt)	3,173	2,704	3,173	4,589
Metals contained in concentrate produced				
Copper (lbs)	474,846	596,015	474,846	916,084
Copper (% recovered)	89.88	86.40	89.88	84.13
Gold (ounces)	4,782	3,059	4,782	5,706
Gold (% recovered)	87.47	83.33	87.47	80.16
Zinc (lbs)	2,800,857	1,837,817	2,800,857	3,193,015
Zinc (% recovered)	91.00	73.34	91.00	72.86
Silver (ounces)	104,244	58,765	104,244	102,930
Silver (% recovered)	85.53	85.00	85.53	76.70
Cash cost per tonne of ore processed (US\$) ^{(1),(3)}	\$ 66.66	\$ 110.65	\$ 66.66	\$ 109.05
Cash cost per pound of copper in concentrate produced (US\$) ^{(1),(2),(3)}	\$ 0.90	\$ 4.11	\$ 0.90	\$ 4.55
Cash cost per ounce of gold in concentrate produced (US\$) ^{(1),(2),(3)}	\$ 387	\$ 958	\$ 387	\$ 1,171
Cash cost per pound of zinc in concentrate produced (US\$) ^{(1),(2),(3)}	\$ 0.29	\$ 1.04	\$ 0.29	\$ 1.32
Value of payable metals sold (US\$000) ⁽⁶⁾	\$ 855	\$ 10,618	\$ 855	\$ 11,778
Net Revenue				
US\$000 ^{(4),(5)}	\$ (558)	\$ 8,016	\$ (558)	\$ 9,951
Cdn\$000 ^{(4),(5)}	\$ (653)	\$ 8,053	\$ (653)	\$ 9,996
Deliveries				
Concentrate (dmt)	905	3,592	905	4,464
Copper in concentrate (lbs) ⁽⁷⁾	-	842,649	-	842,649
Gold in concentrate (ounces) ⁽⁷⁾	151	4,835	151	5,026
Zinc in concentrate (lbs) ⁽⁷⁾	956,260	1,967,039	956,260	2,883,813
Silver in concentrate (ounces) ⁽⁷⁾	2,172	85,089	2,172	87,287

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

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

(3) A reconciliation of these non-GAAP measures is shown in the table entitled "Reconciliation of Non-GAAP Measures to Canadian GAAP Cost of Sales" under "Non-GAAP Financial Measures" below.

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

(5) Included in net revenue are mark-to-market adjustments and final settlements related to provisionally priced sales. Net unfavourable adjustments and final settlements of US\$1.0 million were recorded in the second quarter of 2009 compared with net unfavourable adjustments and final settlements of US\$1.2 million in the second quarter of 2008. Net unfavourable adjustments and final settlements of US\$0.4 million were recorded in the first half of 2009 compared with net favourable adjustments and final settlements of US\$0.1 million in the first half of 2008.

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

(7) Represents payable metals in concentrate sold.

Production

In the first quarter of 2009, the operations were on care and maintenance. Mining and milling operations restarted in April 2009.

Ore mined in the second quarter of 2009 of 70,501 tonnes was 11% lower than the corresponding prior year period. Ore processed in the second quarter of 2009 of 67,787 tonnes was 10% lower than the corresponding prior year period as a result of lower volumes of ore mined. Despite lower than planned copper grades due to excess mine dilution experienced in several high grade copper veins, Deno Gold achieved full production of 30,000 tonnes of ore mined in the month of June 2009. Immediate action has been taken to address the copper grade shortfalls and modifications are being introduced to realize additional manpower savings.

Grades for gold, zinc and silver in the second quarter of 2009 were significantly higher than the corresponding period in 2008 due to improvements in the mining methods used. Copper grades in the second quarter of 2009 were 17% lower than the corresponding prior period. Recoveries for all metals in the period were higher than the corresponding prior year period.

Concentrate production in the second quarter of 2009 of 3,173 tonnes was 17% higher than the corresponding prior year period due to higher grades for gold, zinc and silver and higher recoveries for all metals partially offset by lower grades for copper. Copper contained in concentrate produced in the second quarter of 2009 of 0.5 million pounds was 20% lower than the corresponding prior year period. Zinc contained in concentrate produced of 2.8 million pounds was 52% higher than the corresponding prior year period. Gold and silver contained in concentrate produced in the second quarter of 2009 of 4,782 ounces and 104,244 ounces were, respectively, 56% and 77% higher than the corresponding prior year period.

Unprocessed ore stock piles at surface totalled 2,873 tonnes at June 30, 2009 and inventory of concentrates totalled 4,110 tonnes at June 30, 2009.

Cash Cost per Tonne of Ore Processed

Cash cost per tonne of ore processed¹ in the second quarter of 2009 of US\$66.66 was 40% lower than second quarter of 2008 cash cost per tonne of ore processed¹ of US\$110.65 due primarily to a 20% devaluation of the Armenian dram relative to the U.S. dollar in the second quarter of 2009 relative to the second quarter of 2008, improved operating performance and reductions in headcount and external contractors.

A reconciliation of this non-GAAP measure is shown in the table entitled "Reconciliation of Non-GAAP Measures to Canadian GAAP Cost of Sales" under "Non-GAAP Financial Measures".

Project Development

In the fourth quarter of 2008, the Company received an updated resource estimate for the Shahumyan Deposit from Coffey. The resource estimate was prepared using an historical database containing approximately 291 kilometres of historical diamond drilling, 18 kilometres of development channel sampling, 40 kilometres of vein channel sampling and 6 kilometres of more recent non-DPM small diameter diamond drilling. In addition, 12,833 metres of diamond drilling, completed and supervised by DPM, was used as a reference data set in statistical analysis during the resource estimate. Coffey used a series of estimation constraints including an initial mineralization indicator kriging estimation pass to identify blocks containing mineralization, followed by 'cutting' of 'outlier' grade samples (7% Cu, 25g/t Au, 20% Zn and 300g/t Ag) and a multi pass estimation process wherein the higher grade population (defined as greater than 3.5% Cu, 10g/t Au, 10% Zn and 120g/t Ag) was omitted from all but the initial close range estimation pass. The grade estimate was classified as a Mineral Resource in accordance with the Canadian Institute of Mining ("CIM") guidelines and reported in accordance with NI 43-101.

¹ A reconciliation of the Company's cash cost per tonne ore processed to cost of sales under Canadian GAAP for the second quarters of 2009 and 2008 is shown in the table entitled "Non-GAAP Financial Measures."

The Coffey resource estimate shows that a very significant polymetallic resource exists at Shahumyan.

Shahumyan Deposit

Inferred Mineral Resource – Ordinary Kriging Estimate

10mE x 10mN x 10mRL Block Size – 5m Capped Input Composite Data

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

Note: AuEq US\$ price assumptions: Cu \$5,511.6/t, Au \$850/oz, Ag \$16/oz and Zn \$2,204.6/t.

- (1) The “Technical Report for the Shahumyan Deposit” prepared by Coffey, in accordance with NI 43-101, was filed on SEDAR on March 31, 2009.
- (2) The information in the above table has been prepared under the supervision of Dr. Julian Barnes, Executive Vice President of DPM and a Qualified Person within the meaning of NI 43-101.

DPM reviews the safety and environmental risks at Deno Gold on a periodic basis and manages the risks accordingly. While progress in both areas has been made since acquiring Deno Gold, there are still some risks that must be continually managed in order to progress toward an acceptable level of mitigation. This is an ongoing process and, although considerable improvements have already been made, management expects that its long term goals and targets will be met over a period of two to three years.

The Geghanush TMF is being operated with the restart of the mining and milling operations and will continue to be managed as a temporary facility. Work on the planned replacement of the TMF with a best practice facility continues and will be an integral part of any new development project.

EXPLORATION

Krumovgrad Gold Project, Bulgaria

The Krumovgrad gold project (the “Gold Project”) has a proven and probable Mineral Reserve of approximately 4.86 million tonnes of ore grading 5.08 grams of gold per tonne (cut-off grade of 1.3 g/t gold) as of August 2004 as disclosed in a technical report which was amended and restated on January 5, 2007. The resource estimate was included in the DFS of the Gold Project and was prepared by Brett Gossage, John Hearne, Michael Davis, Christopher Hogg and John Fergus Anckorn, Qualified Persons as defined in NI 43-101 and independent of the Company. DPM maintains the rights to develop the Gold Project through its declaration of a commercial discovery, through which the Company filed an application for a mining license. It is the Company’s understanding, based on a legal opinion, that insofar as BMM has fulfilled the requirements of the law for the registration of its commercial discovery, it is the only entity that is entitled to receive the certificate for the commercial discovery. The Company has fulfilled all the requirements of the law for the registration of its commercial discovery and is presently waiting for the necessary approvals by the competent Bulgarian authorities.

On December 1, 2008, DPM received a letter from the MoEW requesting that DPM prepares a Compatibility Assessment Report (the “Report”) for the Gold Project and provides an update of the Gold Project’s EIA in accordance with the findings of the Report. The Report is to assess the compatibility of the Gold Project within the scope and purpose of Natura 2000, the European network of protected sites, and is a prerequisite for the issuance of a decision on the EIA. The letter stated that following the submission of an assessment of compatibility with the Natura conservation objectives of the protected zone the project lies within (the “Compatibility Assessment”) and an addendum to the EIA based on the

requirements of the Compatibility Assessment (the “EIA addendum”), both the EIA addendum and the Compatibility Assessment will be submitted for consideration by the Supreme Expert Environmental Council at the MoEW (“SEEC”). As the Compatibility Assessment and the EIA procedures are aligned, the MoEW should issue a single final resolution for the Gold Project based on the findings of both procedures following the review by the SEEC.

The compatibility assessment work was undertaken by independent experts and initially indicated that there would be Natura 2000 compatibility concerns with the TMF and waste rock locations proposed in the EIA but that the open pit, plant, and infrastructure areas did not present any problems. Follow-up discussions were held with the independent experts and an alternative TMF and waste location, upstream from the original proposal, was proposed by the Company and found to be satisfactory to all parties. A final compatibility assessment report, which reached a positive conclusion on the compatibility of the project, was issued in June 2009 based on the new project footprint.

At present, the Company is carrying out a wider assessment of the proposed scope of the Gold Project, including a review of the process technology and tailings facilities, to ensure the optimum plan is advanced for consideration and development. It is currently anticipated that the final test work, plans and decisions surrounding the future development of the Gold Project will be completed by the second quarter of 2010.

A full summary of the history of events in connection with the Gold Project is included in DPM’s MD&A for the year ended December 31, 2008. See the “Risks and Uncertainties” section of this MD&A for a discussion on the risks related to the Krumovgrad Gold Project.

Serbia

DPM has been exploring in Serbia since 2004 and is the largest holder of mineral exploration licenses in the country. Exploration targets within the licenses include porphyry copper-gold and molybdenum deposits, skarn-hosted base metal and gold, sediment-hosted epithermal gold, low sulphidation epithermal gold-silver and high sulphidation epithermal gold-silver-copper mineralization. The DPM exploration tenements are located within several significant mining districts in Serbia including the Timok Magmatic Complex (hosting the Bor and Majdanpek deposits), the Lece Magmatic Complex (hosting the Lece mine) and the Besna Kobila-Osgovo Metallogenic Belt (hosting the historic Mackatica molybdenum mine).

In response to the economic slowdown and the significant decrease in metal prices in the second half of 2008, DPM is undertaking very limited exploration and drilling activities on its Serbian properties in 2009. The Company is taking steps to ensure that its titles and licenses are preserved.

The Company is currently evaluating value enhancing strategic opportunities available to it in respect of its Serbian assets.

INVESTMENTS AT FAIR VALUE

As at June 30, 2009, the Company’s investments had a fair value of \$25.8 million compared with \$4.5 million at December 31, 2008.

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

As of June 30, 2009, the Company holds 15.8% of the issued and outstanding common shares of Sabina (reflecting Sabina's recently completed private placement). The market value of DPM's investment in Sabina, as of June 30, 2009, was \$24.1 million, of which \$16.0 million related to Sabina common shares and \$8.1 million to Sabina Special Warrants. The Sabina investment represented 93% of the total investments at fair value as of June 30, 2009.

QUARTERLY INFORMATION

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

<i>Cdn\$ millions, except per share amounts</i>	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Net revenue	\$ 32.7	\$ 27.0	\$ 15.9	\$ 16.7	\$ 32.7	\$ 39.8	\$ 22.3	\$ 26.8
Cost of sales	23.2	23.4	35.1	23.8	28.8	21.9	25.6	17.9
Gross profit (loss)	9.5	3.6	(19.2)	(7.1)	3.9	17.9	(3.3)	8.9
Investment income (expense)	1.1	(0.9)	(54.6)	27.9	(1.4)	2.4	8.1	(1.9)
Earnings (loss) before undernoted Expenses	10.6	2.7	(73.8)	20.8	2.5	20.3	4.8	7.0
Income tax recovery (expense)	(6.9)	(9.5)	(14.9)	(11.0)	(16.7)	(11.1)	(13.1)	(17.8)
Net earnings (loss)	(0.4)	0.7	8.7	(3.3)	0.1	(0.8)	(1.2)	1.1
Net earnings (loss) per share	\$ 3.3	\$ (6.1)	\$ (80.0)	\$ 6.5	\$ (14.1)	\$ 8.4	\$ (9.5)	\$ (9.7)
- Basic	\$ 0.03	\$ (0.06)	\$ (1.03)	\$ 0.11	\$ (0.23)	\$ 0.14	\$ (0.15)	\$ (0.16)
- Diluted	\$ 0.03	\$ (0.06)	\$ (1.03)	\$ 0.11	\$ (0.23)	\$ 0.14	\$ (0.15)	\$ (0.16)

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

<i>US\$, Average</i>	2009		2008				2007	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
London Bullion gold (\$/oz)	\$ 922	\$ 908	\$ 796	\$ 869	\$ 896	\$ 927	\$ 788	\$ 681
LME settlement copper (\$/lb)	2.12	1.55	1.77	3.48	3.83	3.54	3.26	3.50
LME settlement SHG zinc (\$/lb)	0.67	0.53	0.54	0.80	0.96	1.10	1.19	1.46
LBM spot silver (\$/oz)	\$ 13.73	\$ 12.61	\$ 10.20	\$ 15.03	\$ 17.17	\$ 17.68	\$ 14.22	\$ 12.70

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2009, the Company had cash, cash equivalents and short term investments totalling \$74.9 million and investments at fair value of \$25.8 million. The Company's excess cash is invested in bankers' acceptances and treasury bills.

On June 9, 2009, DPM completed the sale of the Back River exploration project in Nunavut to Sabina. Pursuant to the transaction, the Company received in exchange for the Back River project a cash payment of \$7.0 million, 17 million Sabina common shares and 10 million Special Warrants. At June 30, 2009, the market value of DPM's investment in Sabina was \$24.1 million, of which \$16.0 million related to Sabina common shares and \$8.1 million to Sabina Special Warrants.

In December 2008, Chelopech signed a facility agreement with NCS, a subsidiary of WTI, committing to advance NCS up to US\$7.0 million of loans. The total commitment of US\$7.0 million had been advanced as at June 30, 2009. The loan is to be repaid in 12 equal quarterly instalments, commencing on June 1, 2011 and bears interest at U.S. dollar LIBOR plus 4.0%. By way of separate agreement, no amounts of principal or interest shall become due and payable under the terms of the Facility Agreement until the earlier of the date on which all amounts due and payable by WTI on certain of its indebtedness (maturity

date of May 8, 2011) is repaid on the date falling 30 days after May 8, 2011. During this period, all interest that would otherwise become due and payable will be capitalized as part of the loan amount and bears interest in accordance with the terms of the Facility Agreement.

As at June 30, 2009, outstanding copper derivatives totalled 700 tonnes of payable copper at a swap price of US\$4,742 per tonne (US\$2.15 per pound). The contract matures in July 2009.

For the year 2009, the Company currently plans to invest approximately US\$35 million at Chelopech for sustaining and capital projects. The permits required to commence construction of the mine and mill expansion have been received and work is progressing. The MPF is in the process of being permitted with construction expected to commence in the year 2010, subject to financing and approval by DPM's board of directors.

It is presently anticipated that the Company's current level of cash, cash equivalents and short-term investments at June 30, 2009 will enable DPM to meet its 2009 operating and capital requirements, including its contractual commitments and mandatory debt repayments, subject to current levels of metals prices and concentrate production at Chelopech and Deno Gold. DPM may access the debt and/or equity market to assist in the financing of such activities. There can be no assurance that additional capital or other types of financing will be available, if needed. In addition, 100% of the expected 2009 sales of Chelopech concentrates are to NCS. There can be no assurance that the Company will not experience a loss for non-performance by NCS.

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

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

Contractual Obligations

<i>\$ thousands</i>	Payments Due by Period				
	Total	Up to 1 Year	1 – 3 Years	4 – 5 Years	Over 5 years
Long-term debt	\$ 23,770	\$ 4,871	\$ 8,432	\$ 6,978	\$ 3,489
Capital lease obligations	2,879	1,134	1,745	-	-
Operating lease obligations	833	581	23	23	206
Purchase obligations	19,620	12,687	6,933	-	-
Other long-term obligations	329	179	87	63	-
Total contractual obligations	\$ 47,431	\$ 19,452	\$ 17,220	\$ 7,064	\$ 3,695

Total long-term debt includes US\$18.8 million owed by Chelopech and US\$1.7 million owed by Deno Gold.

Included in the purchase obligations above are \$13.5 million for Chelopech's Project purchase commitments, \$4.9 million for Chelopech's site capital projects and operating expenditures, \$0.9 million in contracts for BMM, \$0.2 million for Deno Gold and \$0.1 million for Serbia.

In December 2008, Chelopech entered into a long-term lease agreement for the purchase of mine and mobile equipment, expiring on December 28, 2011. The lease amount is payable in 36 equal monthly instalments and matures on December 28, 2011. The aggregate amount of minimum lease payments over the term of the lease is EUR1.7 million (Cdn\$2.9 million) based on an interest rate of 8.05%.

On April 15, 2008, Chelopech concluded a US\$5.0 million short-term, revolving credit facility for working capital purposes, fixed advances and the issuance of bank guarantees and letters of credit. The credit facility was renewed in April 2009 and now matures on April 30, 2010. Advances under the credit facility, which are guaranteed by DPM, bear interest at the U.S. dollar LIBOR plus 4.0%. As at June 30, 2009, there was nil outstanding against this credit facility.

On April 6, 2005, Chelopech signed a US\$10.0 million loan agreement with the European Bank for Reconstruction and Development (“EBRD”). The loan is guaranteed by the Company. It bears interest at LIBOR plus 1.0% and is repayable in eight semi-annual instalments beginning June 2007.

On July 24, 2008, Chelopech concluded an amendment and restatement agreement with the EBRD to amend and restate its existing US\$10 million long-term loan agreement, increasing it to an aggregate amount of US\$25 million. The additional US\$15 million of indebtedness is guaranteed by the Company, bears interest at the U.S. dollar LIBOR plus 1.6% and is repayable in 10 equal semi-annual instalments beginning December 22, 2010. Under the amended agreement, Chelopech must maintain: (i) a forecast debt service coverage ratio of at least 1.2:1, tested annually, (ii) a current ratio in excess of 1.2:1, and (iii) a minimum net worth, defined as consolidated shareholders’ equity, of US\$45 million. DPM must maintain a current ratio of 1.5:1 and a minimum net worth of US\$200 million. Both Chelopech and DPM are in compliance with their respective debt covenants.

On December 22, 2005, Deno Gold obtained a US\$4.5 million loan from the EBRD. The loan is secured by: (1) a first ranking pledge over the Deno Gold bank account through which all concentrate sales are credited and which shall maintain, at all times, an amount no less than the next three months debt service requirement; (2) a first priority pledge of the shares in Deno Gold and 3) as of June 2009, a DPM parent company guarantee. On June 19, 2009 DPM and the EBRD entered into a guarantee arrangement wherein DPM unconditionally undertakes to ensure full payment of all interest and principal currently owing under the loan. In response, the EBRD agreed to waive, for the period up to and including May 10, 2010 compliance by Deno Gold with certain covenants, including all financial covenants. The loan bears interest at LIBOR plus 5.5% and is repayable in eight equal semi-annual instalments, beginning March 2007. In a loan amendment dated June 23, 2009, the margin on the loan was reduced from 5.5% to 2.5%.

BMM has entered into a US\$0.3 million credit agreement for the purpose of providing letters of guarantee for certain of its obligations under its exploration license agreements. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As of June 30, 2009, letters of guarantee amounting to \$0.1 million had been written against this credit facility.

Chelopech has entered into a US\$2.0 million credit agreement for the purpose of providing letters of guarantee for future royalty payments under its concession license agreements. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As of June 30, 2009, letters of guarantee amounting to \$1.4 million had been written against this credit facility.

FINANCIAL AND OTHER INSTRUMENTS

The Company’s investment portfolio as at June 30, 2009 was carried at fair value.

During the six months ended June 30, 2009, the Company reported a net loss of \$0.01 million from mark-to-market adjustments on its long-term debt. The adjustments were based on the U.S. dollar spot LIBOR as at June 30, 2009 of 0.28% plus the applicable interest rate margins.

In the first six months of 2009, the Company entered into certain cash settled derivative transactions with respect to 5,000 tonnes of payable copper in concentrate sold by Chelopech on a provisional pricing basis. As at June 30, 2009, DPM had one outstanding contract to swap its July copper price exposure on 700 tonnes of payable copper at an average fixed price of US\$4,742 per tonne (US\$2.15 per pound). The derivative contracts were entered into to mitigate substantially all of the copper price exposure and associated earnings volatility as a result of the time lag between the receipt of provisional sales revenue and the specified final pricing period.

Gains or losses on outstanding copper contracts are calculated with respect to the corresponding LME forward copper prices and recorded in net revenue. As of June 30, 2009, DPM had unrealized and realized losses of US\$0.3 million (Cdn\$0.3 million) and US\$3.1 million (Cdn\$3.8 million), respectively, on its copper contracts.

OFF BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARE DATA

DPM's shares and share purchase warrants are traded on the TSX under the symbols DPM, DPM.WT and DPM.WT.A. As at July 30, 2009, there were 97,540,538 common shares and 23,204,500 common share purchase warrants outstanding. There were also 3,911,992 stock options outstanding as of the date of this MD&A with a weighted average exercise price of \$3.69 per share. Stock options outstanding have expiry dates ranging from March 15, 2010 to May 14, 2014.

RISKS AND UNCERTAINTIES

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

Current Global Financial Condition

Current financial conditions globally have been subject to increased volatility starting in the second half of 2008 and numerous financial institutions have either filed for bankruptcy or have been rescued by governmental authorities. Access to financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations, financial condition, results of operations and share price could be adversely impacted.

Financing

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

Metal Prices

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

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

Depending on market conditions, the Company may enter into copper and/or gold derivative contracts. In the first six months of 2009, the Company entered into certain cash settled derivative transactions with respect to 5,000 tonnes of payable copper in concentrate sold by Chelovech on a provisional pricing basis. As at June 30, 2009, DPM had one outstanding contract to swap its July copper price exposure on 700 tonnes of payable metals at an average fixed price of US\$4,742 per tonne (US\$2.15 per pound). The derivative contracts were entered into to mitigate substantially all of the copper price exposure and associated earnings volatility as a result of the time lag between the receipt of provisional sales revenue associated with the contractual sale of concentrates and the specified final pricing period.

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

Refer to note 4 to the unaudited consolidated financial statements for a summary of quantitative data on the Company's exposure to metal prices.

Foreign Exchange

Translational Risk:

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the period end exchange rate, whereas non-monetary assets and liabilities and related expenses denominated in foreign currencies are translated at the exchange rate in effect at the transaction date. Income and expense items are translated at the exchange rate in effect on the date of transaction. Exchange gains and losses resulting from the translation of these amounts are included in the statement of earnings.

Operational Risk:

While the Company's functional currency is Canadian dollars and its revenues are denominated in U.S. dollars, the majority of the Company's operating and capital expenditures are in Euro, Armenian dram and U.S. dollar. Fluctuations in exchange rates between the U.S. dollar and the Euro and the U.S. dollar and the Armenian dram give rise to foreign exchange exposures, either favourable or unfavourable, which could have a material impact on the Company's results of operations and financial condition. However, given the very strong positive correlation between the Euro (in U.S. dollar terms) and the gold price, the Company has a natural hedge in place – limiting the impact foreign exchange movements have on the Company's profit margin. As a result, the Company does not currently hedge its foreign exchange exposure.

Refer to note 4 to the unaudited consolidated financial statements for a summary of quantitative data on the Company's exposure to foreign exchange.

Counterparty Risk

Under the terms of the Company's concentrate sales contracts, the purchaser makes a provisional payment of 85% of the provisional value of each lot at the time title, but not risk, of the concentrate transfers, with a further advance payment of 5% following presentation of sales documents to the purchaser. A final adjusting payment, reflecting the actual metal prices for the specified quotational period, is made when final weights and assays are agreed upon. All contractual commitments are subject to force majeure clauses which, if implemented, could have a significant impact on revenue. Approximately 80% of the Company's aggregate projected sales in 2009 are to one customer. There can be no assurance that the Company will not experience a loss for non-performance by any counterparty with whom it has a commercial relationship. In November 2008, with the fall of copper prices, WTI had to undertake a number of cost cutting measures, place mines on care and maintenance and sell assets. While the Company does not currently expect a non-performance by WTI's subsidiary of its obligations to DPM under the concentrate sales contract and an impairment of the loan receivable from NCS which is guaranteed by WTI, there is no complete assurance that DPM will not experience a failure by NCS to perform its obligation or that the loan will be repaid. Non-performance of NCS under the concentrate sales contract or a default under the loan to NCS may have negative effects on the financial condition of DPM.

Environmental Risks and Hazards

All phases of the Company's operations are subject to environmental regulations 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 regulations, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining 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.

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, copper, zinc and silver, 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 supplies 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.

Production, Operating and Shipping Costs

Many unforeseen factors, both related and unrelated to the Company's plans for future production and total cash costs of production, such as the raw cost of inputs, 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 and production cost estimates will be achieved. Failure to achieve production or total cash cost estimates could have an adverse impact on future cash flows, earnings and financial condition.

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

Mineral Resources and Reserves

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

Fluctuations in gold, copper, zinc and silver prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such 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.

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.

Development Projects

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

Political

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

These risks and uncertainties vary from country to country and include, but are not limited to, terrorism; corruption; crime; hostage taking or detainment of personnel; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; absence of reliable regulatory and judiciary process; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; changing political conditions; currency controls; and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Any changes in

mining or investment policies or shifts in political attitude in Eastern Europe and Eurasia may adversely affect the Company's operations and financial condition.

In addition, Eastern European and Eurasian authorities and court systems have been shown to be unpredictable. Challenges to foreign companies' asset ownership, operations and regulatory compliance may be brought by government authorities for reasons that cannot be predicted. It is also not unusual, in the context of dispute resolution, for parties in these jurisdictions to use the uncertainty of the legal environment as leverage in business negotiations.

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

Krumovgrad Gold Project

The current exploration license for the Krumovgrad gold project expired on June 13, 2008. DPM has made application to the MoEW for a commercial discovery certificate, which is required for the Company to obtain a mining license. Bulgarian officials advised DPM that a commercial discovery certificate would be issued following the delivery of an EIA after it has been approved by the MoEW. The EIA was filed with the MoEW in April 2005 and has since been held in abeyance by the MoEW.

On September 11, 2007, a new Regulation on the Conditions and Procedures for Assessment of the Compatibility of Plans, Programs, Projects and Investment Proposals with the Scope and Objectives of Conservation of the Protected Sites (the "Regulation") was adopted following a June 29, 2007 legislative amendment that introduced a requirement to comply with a procedure for compatibility of investment projects with the scope and objectives of conservation with protected sites ("CA Procedure"), together with the EIA procedure.

On December 1, 2008, DPM received a letter from the MoEW requesting DPM to prepare a Compatibility Assessment Report (the "Report") for the Gold Project and provide an update of the EIA in accordance with the findings of the Report. This Report will assess the compatibility of the Gold Project within the scope and purpose of Natura 2000, the European network of protected sites, and is a prerequisite for the issuance of a decision on the EIA. The letter states that following the submission of the requested documents, both the EIA and the Report will be submitted for consideration by the Supreme Expert Environmental Council at the MoEW to enable the Minister of Environment and Waters to issue an EIA decision. As the compatibility assessment and the EIA procedures are aligned, the MoEW should issue a single final resolution on both matters.

The compatibility assessment work was undertaken by independent experts and initially indicated that there would be Natura 2000 compatibility concerns with the TMF and waste rock locations proposed in the EIA but that the open pit, plant, and infrastructure areas did not present any problems. Follow-up discussions were held with the independent experts and an alternative TMF and waste location, upstream from the original proposal, was proposed by the Company and found to be satisfactory to all parties. A final compatibility assessment report, which reached a positive conclusion on the compatibility of the project, was issued in June 2009 based on the new project footprint.

Despite the latest achievements, there is risk and uncertainty around obtaining the required permits to advance the Gold Project. In the event that all permits are not obtained and all legal avenues are exhausted, an impairment of the project carrying value may be required. Management continues to take steps to advance its permits and remains committed to the future development of the Gold Project.

Insurance and Uninsured Risks

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 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 regulations, as applicable. Because the Company has and may continue to invest primarily in securities issued by Resource Issuers engaged in the mining industry or related resource businesses (including junior issuers), the value of the Company's investment portfolio of securities may be more volatile than portfolios with a more diversified investment focus. Also, the value of the Company's investment portfolio of securities may fluctuate with underlying market prices for commodities produced by those sectors of the economy.

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.

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

Labour Relations

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

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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 64% of total assets at June 30, 2009. 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.

Inventories

Inventories of gold/copper/zinc concentrate are valued at the lower of average production cost and net realizable value. Production costs that are inventoried include the costs directly related to bringing the

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

Revenue Recognition

Revenue from the sale of gold/copper/zinc/silver concentrate is recognized when significant risks and ownership title are transferred to the buyer. Revenue is initially recorded based on a percentage (e.g. 85% to 90%) of provisional value which is a function of prevailing market prices. Typically, under the terms of the concentrate sales contracts, the final metal price ("settlement price") for the payable metal is set based on a predetermined and defined quotational period that is either a) the average of the specified reference metal price for the month of scheduled shipment, b) the third month after the month of arrival at the port of destination, or c) as otherwise mutually agreed. The price of the concentrate is the sum of the metal payments less the sum of the deductions so specified in the concentrate sales contract. The terms of the contracts result in embedded derivatives because of the timing difference between the provisional price and the final settlement price. These embedded derivatives are adjusted to fair value through revenue each period until the date of final price determination.

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

Gains and losses on outstanding commodity contracts are recorded in net revenue.

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

Commodity Contracts

The Company manages its exposure to changes in commodity prices and associated earnings volatility by periodically entering into derivative contracts in accordance with the risk management policy approved by the Company's board of directors. These derivative assets and liabilities are not designated as hedges and are classified as a financial instrument "held-for-trading" as per the CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement. Financial assets and financial liabilities classified as "held-for-trading" are measured at fair value with changes in fair value recorded in net earnings in the period in which they occur. The estimated fair value of the derivative commodity instruments is based on major commodity exchanges.

2009 ACCOUNTING DEVELOPMENTS

Accounting changes and recent pronouncements

In December 2008, the CICA issued amendments to Financial Instruments sections 3855, 3861 and 3862 permitting reclassification of a financial asset or liability out of the held-for-trading or available-for-sale category to other financial instruments categories in specified circumstances effective on or after July 1, 2008. The adoption of these amendments had no impact on the financial results of the Company.

In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract on Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, EIC-173. This Abstract discusses the conclusion reached by the EIC that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. The recommendations on the accounting treatment discussed in this Abstract should be

applied retroactively without restatement of prior periods. The Company has adopted these recommendations for fiscal periods beginning January 1, 2009 and there was no impact to the financial results from credit risk resulting from DPM's financial instruments and commodities contracts in the reporting period.

In March 2009, the CICA issued an EIC Abstract on Impairment Testing of Mineral Exploration Properties, EIC-174. This Abstract discusses the analysis recommended to be performed to determine if there has been impairment in mineral exploration properties. The Company has considered the recommendations discussed in this Abstract, effective for fiscal periods beginning January 1, 2009, when testing for impairment of mineral properties in the period. No impairment adjustments were required in the reporting period.

International Financial Reporting Standards

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

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

DPM has identified differences between Canadian GAAP and IFRS relevant to DPM and an initial assessment was made of the impact of the required changes to the existing accounting systems, business processes, and requirements for personnel training and development. Based on the initial assessment of the differences applicable to DPM, a project team was assembled and a conversion plan was developed in October 2008 to manage the transition to IFRS. As part of the conversion plan, DPM is in the process of analyzing the detailed impacts of these identified differences and developing solutions to address these differences. The Company is currently on target with its original conversion plan.

The major deliverables of the conversion project include:

- diagnostic report to explore potential impact of changes in accounting standards (completed),
- project plan (to be updated as needed to reflect new developments and progress),
- detailed analysis of impact of changes to each accounting standard (in progress),
- revision of accounting policy and procedures manual, and
- development of a process and system to prepare financial statements in both Canadian GAAP and IFRS (in progress).

Highlights of the work completed in the period:

1. Work has continued on detailed technical papers to assess the impact on:
 - a. Exploration for and evaluation of mineral resources,
 - b. PP&E (Property, Plant and Equipment),
 - c. Foreign currency,
 - d. Borrowing costs, and
 - e. Non-financial liabilities (asset retirement obligations, contingent liabilities, etc.).
2. Work has continued on refining existing financial reporting systems to enable reporting in both Canadian GAAP and IFRS. The system is planned for completion in 2009.

The above disclosure related to IFRS is based on management's current interpretation of requirements and may change as new information becomes available.

NON-GAAP FINANCIAL MEASURES

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

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

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

\$ thousands, unless otherwise indicated

For the quarter ended June 30, 2009	Chelopech	Deno Gold	Total
Ore processed (<i>mt</i>)	257,721	67,787	
Concentrate produced:			
Gold in concentrate (<i>ounces</i>)	30,723	4,782	
Copper in concentrate (<i>pounds</i>)	6,973,614	474,846	
Zinc in concentrate (<i>pounds</i>)	-	2,800,857	
Cost of sales (<i>Cdn\$</i>)	\$ 21,390	\$ 1,740	\$ 23,130
Cost of sales (<i>US\$</i>)	\$ 17,834	\$ 1,536	\$ 19,370
Add/(deduct):			
Amortization	(2,991)	(661)	
Reclamation costs and other	(497)	(128)	
Change in concentrate inventory	1,720	3,772	
Total cash cost of production before by-product credits (<i>US\$</i>)	\$ 16,066	\$ 4,519	
Silver credits (<i>US\$</i>)	(480)	(1,438)	
Total cash cost of production after by-product credits (<i>US\$</i>)	\$ 15,586	\$ 3,081	
Cash cost per tonne ore processed (<i>US\$</i>)	\$ 62.34	\$ 66.66	
Cash cost per pound Copper produced (<i>US\$</i>) ⁽¹⁾	\$ 0.78	\$ 0.90	
Cash cost per ounce Gold produced (<i>US\$</i>) ⁽¹⁾	\$ 331	\$ 387	
Cash cost per pound Zinc produced (<i>US\$</i>) ⁽¹⁾	\$ -	\$ 0.29	

<i>\$ thousands, unless otherwise indicated</i>			
For the quarter ended June 30, 2008	Chelopech	Deno Gold	Total
Ore processed (mt)	201,887	74,955	
Concentrate produced:			
Gold in concentrate (ounces)	18,618	3,059	
Copper in concentrate (pounds)	4,424,214	596,015	
Zinc in concentrate (pounds)	-	1,837,817	
Cost of sales (Cdn\$)	\$ 15,346	\$ 13,454	\$ 28,800
Cost of sales (US\$)	\$ 14,905	\$ 13,069	\$ 27,974
Add/(Deduct):			
Amortization and other	(2,423)	(733)	
Change in concentrate inventory	1,251	(4,042)	
Total cash cost of production before by-product credits (US\$)	\$ 13,733	\$ 8,294	
Silver credits (US\$)	(380)	(1,012)	
Total cash cost of production after by-product credits (US\$)	\$ 13,353	\$ 7,282	
Cash cost per tonne ore processed (US\$)	\$ 68.03	\$ 110.65	
Cash cost per pound Copper produced (US\$) ⁽¹⁾	\$ 1.54	\$ 4.11	
Cash cost per ounce Gold produced (US\$) ⁽¹⁾	\$ 351	\$ 958	
Cash cost per pound Zinc produced (US\$) ⁽¹⁾	\$ -	\$ 1.04	

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

INTERNAL CONTROL CHANGES

During 2008, the Company completed a detailed evaluation of the effectiveness of ICFR (Internal Controls over Financial Reporting) using the COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework. This exercise resulted in improvements being made to strengthen the portfolio of internal controls in all significant locations. Additional improvements were made in the first and second quarters of 2009 and will continue to be made for the balance of 2009 to further enhance ICFR.

CONSOLIDATED BALANCE SHEETS

As at June 30, 2009 and December 31, 2008

(unaudited, in thousands of Canadian dollars)

	June 30, 2009	December 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 51,419	\$ 51,362
Short-term investments	23,525	52,662
Accounts receivable and other assets (note 6)	35,983	28,605
Inventories (note 7)	37,477	32,779
Total Current Assets	148,404	165,408
Investments at fair value (note 8)	25,809	4,532
Restricted cash (note 9)	10,653	5,852
Other long-term assets (note 10)	10,555	10,162
Property, plant and equipment (note 11)	351,181	377,443
Future income tax assets (note 16)	775	5,237
Total Assets	\$ 547,377	\$ 568,634
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 22,900	\$ 34,526
Deferred revenue (note 12)	7,872	6,169
Current portion of long-term debt, reclamation and other long-term liabilities (notes 13 and 14)	5,154	6,541
Total Current Liabilities	35,926	47,236
Long-term Liabilities		
Long-term debt (note 13)	18,682	20,392
Reclamation and other long-term liabilities (note 14)	27,450	24,339
Long-term compensation (note 17)	831	689
Future income tax liabilities (note 16)	7,971	14,010
Total Long-term Liabilities	54,934	59,430
SHAREHOLDERS' EQUITY		
Share capital	331,802	331,802
Warrants	16,658	16,658
Contributed surplus	11,473	10,948
Retained earnings	102,531	105,315
Accumulated other comprehensive loss	(5,947)	(2,755)
Total Shareholders' Equity	456,517	461,968
Total Liabilities and Shareholders' Equity	\$ 547,377	\$ 568,634

Contingent Liabilities and Commitments (note 15)

See accompanying notes to the unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the three and six months ended June 30, 2009 and June 30, 2008

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2009	2008	2009	2008
Mining operations				
Gold/copper/zinc concentrates net revenue	\$ 32,690	\$ 32,719	\$ 59,737	\$ 72,471
Cost of sales	23,130	28,800	46,578	50,716
Gross profit	9,560	3,919	13,159	21,755
Investment and other income (expense)				
Dividends, interest and other income	378	912	982	1,590
Loss on equity accounted investments	-	(105)	-	(126)
Property impairment provisions	-	-	(309)	(13)
Net realized gains (losses) on sale of investments	-	(1,289)	(47)	496
Gain on sale of exploration property (notes 8 and 11)	704	-	704	-
Impaired investments written down to market value (note 8)	-	(951)	(1,130)	(951)
Investment and other income (expense)	1,082	(1,433)	200	996
Earnings before undernoted items	10,642	2,486	13,359	22,751
Expenses				
Administrative and other expenses	3,937	5,126	7,967	10,064
Stock based compensation expense (notes 17 and 18)	310	483	624	621
Exploration expense	1,208	8,936	2,784	13,976
Amortization of property, plant and equipment	578	589	1,128	1,238
Financing and other costs	632	379	957	1,185
Foreign exchange loss	276	1,177	2,976	686
Total expenses - net	6,941	16,690	16,436	27,770
Earnings (loss) before income taxes	3,701	(14,204)	(3,077)	(5,019)
Provision for (recovery of) income taxes (note 16)				
Current	844	797	1,181	2,565
Future	(459)	(883)	(1,474)	(1,894)
Total provision for (recovery of) income taxes	385	(86)	(293)	671
Net earnings (loss) for the period	\$ 3,316	\$ (14,118)	\$ (2,784)	\$ (5,690)
Basic net earnings (loss) per share (note 19)	\$ 0.03	\$ (0.23)	\$ (0.03)	\$ (0.09)
Diluted net earnings (loss) per share (note 19)	\$ 0.03	\$ (0.23)	\$ (0.03)	\$ (0.09)

See accompanying notes to the unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)

For the three and six months ended June 30, 2009 and June 30, 2008

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

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30,</u> <u>2009</u>	<u>2008</u>	<u>June 30,</u> <u>2009</u>	<u>2008</u>
Comprehensive earnings (loss)				
Net earnings (loss)	\$ 3,316	\$(14,118)	\$ (2,784)	\$(5,690)
Other comprehensive earnings (loss), net of taxes				
Net unrealized losses on available-for-sale investments (<i>note 8(a)</i>)	(3,777)	(1,248)	(3,123)	(6,694)
Reclassification of realized (gains) losses on available-for-sale investments to earnings (<i>note 8</i>)	-	257	(69)	(1,193)
Other comprehensive loss	(3,777)	(991)	(3,192)	(7,887)
Total comprehensive loss	\$ (461)	\$(15,109)	\$ (5,976)	\$(13,577)

The income tax benefit allocated to each component of other comprehensive earnings (loss) is presented in the table below:

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30,</u> <u>2009</u>	<u>2008</u>	<u>June 30,</u> <u>2009</u>	<u>2008</u>
Net unrealized losses on available-for-sale investments	\$ -	\$ 251	\$ -	\$ 1,347
Reclassification of gains (losses) on available-for-sale investments to earnings	-	(52)	-	239
Total income tax benefit	\$ -	\$ 199	\$ -	\$ 1,586

See accompanying notes to the unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the three and six months ended June 30, 2009 and June 30, 2008

(unaudited, in thousands of Canadian dollars)

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES				
Net earnings (loss) for the period	\$ 3,316	\$(14,118)	\$ (2,784)	\$ (5,690)
Non-cash charges (credits) to earnings:				
Amortization of property, plant and equipment	4,749	3,613	9,317	7,142
Stock based compensation expense	310	483	624	621
Gain on sale of exploration property	(704)	-	(704)	-
Net losses (gains) on sale of investments	-	1,289	47	(496)
Impaired investments written down to market value	-	951	1,130	951
Unrealized loss on revaluation of debt	176	68	12	277
Future income tax recovery	(459)	(883)	(1,474)	(1,894)
Losses on copper derivatives	523	-	1,847	-
Accretion expense	408	343	803	674
Impairment of property, plant and equipment	-	-	309	13
Other non-cash charges (credits)	(2,169)	(300)	(1,276)	244
Changes in non-cash working capital:				
(Increase) decrease in accounts receivable and other assets	(3,917)	12,531	(7,525)	(3,559)
(Increase) decrease in inventories	(4,007)	708	(5,186)	(2,131)
(Increase) decrease in other receivables and advances	715	4,203	(541)	3,142
Increase (decrease) in accounts payable	(3,478)	3,227	(14,323)	5,459
Increase (decrease) in deferred revenue	(579)	9,562	1,703	9,562
Increase (decrease) in other liabilities	2,890	(6)	3,091	8
Net cash provided by (used in) operating activities	(2,226)	21,671	(14,930)	14,323
INVESTING ACTIVITIES				
Proceeds on sale of exploration property	7,000	-	7,000	-
Proceeds on sale of investments at fair value	-	16,214	2,304	19,191
Proceeds on sale of short-term investments	34,695	-	29,137	-
Loan advances	(1,120)	-	(4,887)	-
Acquisition of property, plant and equipment	(7,698)	(27,637)	(16,168)	(47,360)
Proceeds on sale of property, plant and equipment	43	709	137	709
Net cash provided by (used in) investing activities	32,920	(10,714)	17,523	(27,460)
FINANCING ACTIVITIES				
Redemption of deferred share units	-	-	-	(58)
Repayment of debt	(1,409)	(1,271)	(2,120)	(1,834)
Repayment of lease	(209)	-	(416)	-
Net cash used in financing activities	(1,618)	(1,271)	(2,536)	(1,892)
Increase (decrease) in cash and cash equivalents	29,076	9,686	57	(15,029)
Cash and cash equivalents at beginning of period	22,343	24,460	51,362	49,175
Cash and cash equivalents at end of period	\$ 51,419	\$ 34,146	\$ 51,419	\$ 34,146
Supplemental Disclosures				
Interest paid (received)	\$ 288	\$ 15	\$ (125)	\$ (601)
Taxes paid	\$ 111	\$ 2,178	\$ 400	\$ 3,363

See accompanying notes to the unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

As at June 30, 2009 and December 31, 2008

(unaudited, in thousands of Canadian dollars)

	Six months ended		Year ended	
	June 30, 2009		December 31, 2008	
	Number	Amount	Number	Amount
Share Capital				
Authorized				
Unlimited common shares				
Issued				
Common Shares				
Balance at beginning of period	97,540,538	\$ 331,802	61,984,538	\$ 268,669
Shares issued on financing	-	-	35,556,000	69,690
Future income tax recognized on flow-through shares		-		(3,472)
Financing fees		-		(4,592)
Future income tax recognized on financing fees		-		1,507
Balance at end of period	97,540,538	331,802	97,540,538	331,802
Warrants				
Balance at beginning of period	23,204,500	16,658	2,760,000	4,758
Warrants issued on financing	-	-	20,444,500	11,900
Balance at end of period	23,204,500	16,658	23,204,500	16,658
Contributed surplus				
Balance at beginning of period		10,948		9,081
Stock based compensation expense		525		1,867
Balance at end of period		11,473		10,948
Retained earnings				
Balance at beginning of period		105,315		184,510
Net loss		(2,784)		(79,195)
Balance at end of period		102,531		105,315
Accumulated other comprehensive earnings (loss)				
Balance at beginning of period		(2,755)		4,362
Net change on available-for-sale investments		(3,192)		(7,117)
Balance at end of period		(5,947)		(2,755)
Shareholders' equity at end of period		\$ 456,517		\$ 461,968

See accompanying notes to the unaudited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2009

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

1. NATURE OF OPERATIONS AND BASIS OF PRESENTATION

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

The Company’s operating interests include its 100% ownership of Chelopech Mining EAD (“Chelopech”), a gold, copper, silver concentrates producer, owner of the Chelopech mine located east of Sofia, Bulgaria and a 95% interest in VatrIn Investment Limited (“VatrIn”), a private entity which holds 100% of Deno Gold Mining Company CJSC (“Deno Gold”), its principal asset being the Kapan mine, a gold, copper, zinc, silver concentrates producer located south east of the capital city of Yerevan in southern Armenia.

DPM’s interests also include a 100% interest in the Krumovgrad development stage gold property located in south eastern Bulgaria, near the town of Krumovgrad, through its wholly-owned subsidiary, Balkan Mineral and Mining EAD (“BMM”) and numerous exploration properties in one of the larger gold-copper-silver mining regions in Serbia. On June 9, 2009, DPM completed the sale of its Back River properties (note 11).

These consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (“GAAP”) applicable to a “going concern” which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Management expects that it will be able to fund its cash requirements and that additional financing will be available and may be sourced in sufficient time to allow the Company to continue its planned and future exploration and development activities.

The preparation of these consolidated financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except for those items discussed in note 2(a). 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, 2008, since they do not contain all disclosures required by 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

(a) Adoption of New Accounting Standards

Accounting Changes and Recent Pronouncements

In December 2008, the Canadian Institute of Chartered Accountants (“CICA”) issued amendments to Financial Instruments sections 3855, 3861 and 3862 permitting reclassification of a financial asset or liability out of the held-for-trading or available-for-sale category to other financial instruments categories in specified circumstances effective on or after July 1, 2008. The adoption of these amendments had no impact on the financial results of the Company.

In January 2009, the CICA issued an Emerging Issues Committee (“EIC”) Abstract on Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, EIC-173. This Abstract discusses the conclusion reached by the EIC that an entity’s own credit risk and the credit risk of the counterparty should be taken into account when determining the fair value of financial assets and financial liabilities, including derivative instruments. The recommendations on the accounting

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treatment discussed in this Abstract should be applied retroactively without restatement of prior periods. The Company has adopted these recommendations effective for fiscal periods beginning January 1, 2009 and there was no impact to the financial results from credit risk resulting from DPM's financial instruments and commodities contracts in the reporting period.

In March 2009, the CICA issued an EIC Abstract on Impairment Testing of Mineral Exploration Properties, EIC-174. This Abstract discusses the analysis recommended to be performed to determine if there has been an impairment of mineral exploration properties. The Company considered the recommendations discussed in this Abstract, effective for fiscal periods beginning January 1, 2009, when testing for impairment of mineral properties in the period and no impairment adjustments were required.

(b) Commodity Contracts

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

These derivative assets and liabilities are classified as financial instruments "held-for-trading" as per CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement. Financial assets and financial liabilities classified as "held-for-trading" are measured at fair value with changes in fair value recorded in net earnings in the period in which they occur.

The estimated fair value of the derivative commodity instruments is based on major commodity exchanges.

(c) Revenue Recognition

Revenue from the sale of gold/copper/zinc/silver concentrate is recognized when significant risks and ownership title are transferred to the buyer. Revenue is initially recorded based on a percentage (e.g. 85% to 90%) of provisional value which is a function of prevailing market prices. Typically, under the terms of the concentrate sales contracts, the final metal price ("settlement price") for the payable metal is set based on a predetermined and defined quotational period that is either a) the average of the specified reference metal price for the month of scheduled shipment, b) the third month after the month of arrival at the port of destination or c) as otherwise mutually agreed. The price of the concentrate is the sum of the metal payments less the sum of the deductions so specified in the concentrate sales contract. The terms of the contracts result in embedded derivatives because of the timing difference between the provisional price and the final settlement price. These embedded derivatives are adjusted to fair value through revenue each period until the date of final price determination.

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

Gains and losses on outstanding commodity contracts are recorded in net revenue.

3. CAPITAL MANAGEMENT

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

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The Company manages its capital structure and makes adjustments to it based on prevailing market conditions and according to its business plan. Most of the Company's capital comes from the issuance of equity. Other sources of capital are derived from DPM's subsidiary companies' (Chelopech and Deno Gold) third party debt. Capital is monitored on the basis of debt as a percentage of total capital, calculated as total debt divided by the aggregate of shareholders' equity (as shown in the balance sheet), plus total debt. As at June 30, 2009, the Company's debt as a percentage of total capital was 5%. DPM and its subsidiaries are subject to certain defined loan covenants and related requirements. See note 13 for discussion on the Company's compliance with these requirements.

4. FINANCIAL INSTRUMENT RISK FACTORS

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

Credit risk

Under the terms of the Company's concentrate sales contracts, the purchaser makes an initial advance payment of 85% of the provisional value of each lot at the time title, but not risk, of the concentrate transfers, with a further advance payment of 5% following presentation of sales documents to the purchaser. A final adjusting payment, reflecting the actual metal prices for the specified quotational period, is made when final weights and assays are agreed upon. All contractual commitments are subject to force majeure clauses which, if implemented, could have a significant impact on revenue. Approximately 80% of the Company's aggregate projected concentrate sales for the year 2009 are expected to be completed with one customer (note 15(b)). There can be no assurance that the Company will not experience a loss for non-performance by any counterparty with whom it has a commercial relationship. While the Company does not currently expect a non-performance by Namibia Custom Smelters (Pty) Limited ("NCS") of its obligations to DPM under the concentrate sales contract and an impairment of the loan receivable from NCS which is guaranteed by Weatherly International plc ("WTI"), its parent, there is no complete assurance that DPM will not experience a failure by NCS to perform its obligation or that the loan will be repaid. Non-performance of NCS under the concentrate sales contract or default under the loan to NCS may have negative effects on the financial condition of DPM (note 10(a)).

Market risk

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

i) Foreign currency risk

Monetary assets and liabilities denominated in foreign currencies are translated from U.S. dollars into Canadian dollars at the period end exchange rates. The rate published by the Bank of Canada at the close of June 30, 2009 was 1.16 Canadian dollars to one U.S. dollar. The Company's financial instruments denominated in U.S. dollars are customer receivables, restricted cash, loans receivable, long-term debt and derivative financial instruments. Based on the balances at June 30, 2009, the earnings impact of a 5% increase or decrease in the U.S. dollar to Canadian dollar exchange rate on the Company's financial instruments would be \$0.6 million.

ii) Price/Market risk

The Company sells its products at prices that are effectively determined through trading on major commodity exchanges, in particular the London Metal Exchange ("LME") and London Bullion Market. The prices of gold, copper, zinc and silver are major factors influencing the

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Company's business, results of operations, financial condition, cash flow from operations, exploration, mining and development activities and trading price for its common shares and common share purchase warrants. As at June 30, 2009, the prices of gold and silver were US\$935/oz and US\$13.94/oz, respectively, as per the London Bullion Market Association, and the prices of copper and zinc were US\$2.32/lb and US\$0.71/lb, respectively, as per the LME.

Gold, copper, zinc and silver prices may fluctuate widely and are affected by numerous factors beyond the Company's control. DPM periodically enters into derivative contracts to manage its exposure to fluctuations in copper prices. The year-to-date earnings impact of a 5% increase or decrease in realized gold and copper prices is an increase or decrease of \$1.4 million and \$0.5 million, respectively, net of the copper derivative contracts in place at June 30, 2009 (note 5). The impact on earnings of a 5% increase or decrease in zinc and silver prices is not significant.

iii) Interest rate risk

Interest rate risk is the potential impact on DPM's earnings of changes in bank lending rates and short-term deposit rates. During the six months ended June 30, 2009, the Company earned \$0.8 million of interest income on its excess cash held in various currencies, the majority of which is invested in Bankers' Acceptances and treasury bills, as well as on its long-term loans receivable, which accrue interest based on the London Inter-Bank Offer Rate ("LIBOR") (note 10). The year-to-date earnings impact of a 1% change in the short-term deposit rate is a \$0.4 million increase or decrease. The impact on earnings from a 100 basis point change in the LIBOR is not significant.

During the six months ended June 30, 2009, the Company incurred \$0.8 million of interest expense on its financial liabilities. The interest expense on long-term debt owed by both Chelopech and Deno Gold is calculated based on the LIBOR. A 100 basis point change in the LIBOR impacts year-to-date earnings by plus or minus \$0.1 million.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's investment portfolio as at June 30, 2009 was carried at fair value.

In the first half of 2009, the Company entered into cash settled derivative contracts with respect to 5,000 tonnes of payable copper in concentrate sold by Chelopech on a provisional pricing basis. The derivative contracts were entered into to mitigate a substantial majority of the copper price exposure and associated earnings volatility as a result of the time lag between the receipt of provisional sales revenue and the specified final pricing period. These derivative contracts mature over the period of April through July 2009. As at June 30, 2009, DPM had one outstanding contract to swap its July copper price exposure on 700 tonnes of payable copper at an average fixed price of US\$4,742/tonne. Gains and losses on outstanding copper contracts are calculated with respect to the corresponding LME forward copper prices and recorded in net revenue. During the six months ended June 30, 2009, the Company reported realized and unrealized losses of US\$3.1 million (Cdn\$3.8 million) and US\$0.3 million (Cdn\$0.3 million), respectively. DPM is exposed to credit risk in the event of non-performance by counterparties in connection with its derivative contracts. This risk is mitigated by dealing only with financially sound counterparties and, accordingly, a loss for non-performance is not anticipated.

During the six months ended June 30, 2009, the Company reported a net loss of \$0.01 million from mark-to-market adjustments on its long-term debt. The adjustments were based on the U.S. dollar spot LIBOR as at June 30, 2009 of 0.28% plus the applicable interest rate margins.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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The following table provides a comparison of the financial instruments' carrying and fair values as at June 30, 2009 and fair values at December 31, 2008:

	As at June 30, 2009						December 31, 2008		
	Carrying value and fair value of financial instruments						Total fair value	Total fair value	Total fair value
	Designated as available- for-sale	Designated as held-to maturity	Designated as held-for trading	Classified as loans	Classified as loans and receivables	Total carrying value			
Investments (note 8(a))	\$ 25,809	\$ -	\$ -	\$ -	\$ -	\$ 25,809	\$ 25,809	\$ 4,532	
Short-term investments	-	23,525	-	-	-	23,525	23,525	52,647	
Long-term loans receivable	-	-	-	-	8,315	8,315	8,315	3,654	
Long-term debt	-	-	-	(22,844)	-	(22,844)	(22,844)	(26,025)	
Fair value of copper derivatives	-	-	(296)	-	-	(296)	(296)	-	

6. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	June 30, 2009	December 31, 2008
Accounts receivable	\$ 28,555	\$ 19,717
Restricted cash (a)	-	1,858
Prepaid expenses	7,428	7,030
	\$ 35,983	\$ 28,605

- (a) In May 2009, the Company received restricted cash previously held as collateral against bank guarantees provided to the Serbian government for concession licenses. These licenses were relinquished in November 2008.

7. INVENTORIES

	June 30, 2009	December 31, 2008
Gold/copper/zinc/silver ore and concentrate (a)	\$ 16,354	\$ 10,658
Spare parts and supplies	21,123	22,121
	\$ 37,477	\$ 32,779

- (a) Includes a US\$0.5 million (Cdn\$0.6 million) reversal of a prior period write-down recorded at Deno Gold in the first half of 2009 to adjust concentrate inventory to its net realizable value as at June 30, 2009. For the year 2008, the Company recorded net provisions of US\$2.4 million (Cdn\$2.5 million) at Deno Gold to adjust concentrate inventory to its net realizable value.

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8. INVESTMENTS AT FAIR VALUE

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

	Six months ended June 30, 2009	Year ended December 31, 2008
Available-for-sale investments, beginning of period	\$ 4,532	\$ 34,567
Adjustment to fair value at end of period	(3,123)	(4,692)
Transfer of market value gains to net income from sale of securities	(69)	(1,422)
Cost of investments received for sale of exploration property (a)	27,950	-
Cost of investments purchased during the period	-	3,872
Cost of investments sold during the period:		
Proceeds from sales	(2,304)	(61,869)
Net realized gains (losses) on sale of investments	(47)	27,737
Non-cash share exchange	-	13,871
Impaired investments written down to market value (b)	(1,130)	(7,532)
Total available-for-sale investments at fair value, end of period	\$ 25,809	\$ 4,532
Equity accounted investments at cost, beginning of period	\$ -	\$ 13,665
Non-cash share exchange	-	(13,871)
Reclassification of equity loss to gain on sale	-	332
Loss on equity investments	-	(126)
Total equity accounted investments, end of period	\$ -	\$ -
Investments, end of period	\$ 25,809	\$ 4,532

- (a) Following the completion of the sale of the Back River exploration project to Sabina Silver Corporation ("Sabina") on June 9, 2009, the Company held (i) 17,000,000 common shares of Sabina, (ii) 5,000,000 Series A Special Warrants, which will be automatically exercised upon a decision by Sabina to proceed to a feasibility study or proceed to production on the Back River project or upon the occurrence of certain other events and (iii) 5,000,000 Series B Special Warrants, which will be automatically exercised upon a positive production decision with respect to the project or upon the occurrence of certain other events. Each of the Special Warrants is exercisable for one common share and one-half of one common share purchase warrant ("Warrant") of Sabina. Each whole Warrant, if issued, will be exercisable for five years from the date of closing, at the discretion of DPM, for one Sabina common share at a price of \$1.07 per Sabina common share (notes 5, 11 and 16).

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

Sabina Series A Special Warrants:		Sabina Series B Special Warrants:	
Risk free interest rate	2.35%	Risk free interest rate	1.24%
Expected life in years	3	Expected life in years	2
Expected volatility	77.74%	Expected volatility	86.60%
Dividends per share	-	Dividends per share	-
Discount rate	3%	Discount rate	3%

On June 30, 2009, the Sabina investment was valued at \$24.1 million, of which a) \$16.0 million related to Sabina common shares and b) \$8.1 million related to Sabina Special Warrants with the fair value estimated using the Black-Scholes pricing model with the following assumptions:

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Sabina Series A Special Warrants:

Risk free interest rate	2.34%
Expected life in years	3
Expected volatility	69.78%
Dividends per share	-
Discount rate	3%

Sabina Series B Special Warrants:

Risk free interest rate	1.26%
Expected life in years	2
Expected volatility	74.43%
Dividends per share	-
Discount rate	3%

- (b) In March 2009, DPM wrote down one investment recognizing a loss of \$1.1 million through current period earnings. Management determined that the decline in the market value of this security was other than temporary.

9. RESTRICTED CASH

	June 30, 2009	December 31, 2008
Escrow deposit for asset retirement obligation (note 15a)	\$ 3,421	\$ 3,583
Restricted cash (a)	7,232	1,985
Letters of credit (LCs) (b)	-	284
	\$ 10,653	\$ 5,852

- (a) Restricted cash consists of \$1.6 million held as collateral against bank guarantees provided to the Serbian government until July 2010, \$1.0 million held as collateral against certain foreign exchange transactions, and \$4.6 million held as collateral against certain of the derivative contracts (note 5).
- (b) Consists of LCs issued to guarantee future reclamation expenditures on the Back River properties. The LCs were cancelled following the sale of the Back River properties in June 2009 (note 11).

10. OTHER LONG-TERM ASSETS

	June 30, 2009	December 31, 2008
Loans receivable (a)	\$ 8,315	\$ 3,654
Taxes recoverable (b)	1,846	6,009
Other	394	499
	\$ 10,555	\$ 10,162

- (a) In December 2008, Chelopech signed a facility agreement with NCS committing to advance up to US\$7.0 million of loans to NCS ("Facility Agreement"). As at June 30, 2009, the total commitment of US\$7.0 million had been advanced. The loan is to be repaid in 12 equal quarterly installments commencing on June 1, 2011 and bears interest at U.S. dollar LIBOR plus 4%. By way of separate agreement, no amounts of principal or interest shall become due and payable under the terms of the Facility Agreement until the earlier of the date on which all amounts due and payable by WTI on certain of its indebtedness (maturity date of May 8, 2011) is repaid or the date falling 30 days after May 8, 2011. During this period, all interest that would otherwise become due and payable will be capitalized as part of the loan amount and bears interest in accordance with the terms of the Facility Agreement. The loan is guaranteed by the parent company of NCS, WTI, Ongopolo Mining Limited ("OML"), and Weatherly (Namibia Custom Smelters) Limited. The loan is secured, in part, by a first ranking mortgage bond over the NCS smelter lease with OML, first ranking security over the assets and issued share capital of NCS,

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proceeds and debt service accounts and direct agreements allowing Chelopech the right to "step in" and manage the smelter under certain circumstances (note 4).

The loan repayment schedule is presented in the table below:

Principal repayments (in US\$ 000's)	Payments Due by Period			Total
	up to 1 year	1 - 3 Years	4 - 5 Years	
	\$ -	\$ 2,917	\$ 4,083	\$ 7,000

(b) As at June 30, 2009, Deno Gold had \$5.7 million of value added tax ("VAT") receivable. Refunds of VAT are limited to 20% of sales and, as such, \$1.8 million of the VAT has been classified as long-term.

11. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2009			December 31, 2008		
	Cost	Accumulated depreciation & depletion	Net book value	Cost	Accumulated depreciation & depletion	Net book value
Mineral properties						
Chelopech	\$ 112,276	\$ 10,507	\$ 101,769	\$ 107,595	\$ 9,787	\$ 97,808
Krumovgrad	41,463	199	41,264	41,493	180	41,313
Serbia	4,045	305	3,740	4,046	245	3,801
Deno Gold	61,300	1,108	60,192	59,408	693	58,715
Back River	-	-	-	33,387	-	33,387
	\$ 219,084	\$ 12,119	\$ 206,965	\$ 245,929	\$ 10,905	\$ 235,024
Buildings, plant and equipment						
Chelopech	\$ 148,429	\$ 36,864	\$ 111,565	\$ 142,758	\$ 32,699	\$ 110,059
Krumovgrad	2,394	392	2,002	2,354	347	2,007
Serbia	4,482	1,633	2,849	4,576	1,329	3,247
Deno Gold	34,569	7,363	27,206	32,577	6,135	26,442
Back River	-	-	-	582	313	269
Corporate	2,064	1,470	594	1,795	1,400	395
	\$ 191,938	\$ 47,722	\$ 144,216	\$ 184,642	\$ 42,223	\$ 142,419
	\$ 411,022	\$ 59,841	\$ 351,181	\$ 430,571	\$ 53,128	\$ 377,443

The property, plant and equipment is presented net of impairments, if any.

On June 9, 2009, DPM completed the sale of its Back River exploration project in Nunavut to Sabina. As more fully detailed in note 8(a), the total proceeds received from the transaction were \$35.0 million, including \$7.0 million cash, resulting in a gain on sale of exploration property of \$0.7 million and associated future income tax recovery of \$6.0 million (notes 8 and 16).

There is risk and uncertainty around obtaining the required permits to advance the Krumovgrad project. In the event that all permits necessary to develop the project are not obtained and all legal avenues are exhausted, an impairment of the project carrying value may be required. Management continues to take steps to advance its permits and remains committed to the future development of the Krumovgrad property.

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12. DEFERRED REVENUE

As at June 30, 2009, the Company had a deferred revenue balance of US\$6.8 million (Cdn\$7.9 million), due to an advance payment received on a concentrate sale. The sale will be recorded in July when title of ownership has transferred.

13. LONG-TERM DEBT

	June 30, 2009	December 31, 2008
Long-term debt	\$ 22,844	\$ 26,025
Less: current portion	4,162	5,633
	\$ 18,682	\$ 20,392

On April 6, 2005, Chelopez signed a US\$10 million loan agreement with the European Bank for Reconstruction and Development ("EBRD"). The loan is guaranteed by the Company. It bears interest at LIBOR plus 1.0% and is repayable in eight equal semi-annual installments beginning June 2007.

On July 24, 2008, Chelopez concluded an amendment and restatement agreement with the EBRD to amend and restate its existing US\$10 million long-term loan agreement, increasing it to an aggregate amount of US\$25 million. The additional US\$15 million of indebtedness is guaranteed by the Company, bears interest at U.S. dollar LIBOR plus 1.6% and is repayable in 10 equal semi-annual installments beginning December 22, 2010. Under the amended agreement, Chelopez must maintain: (i) a forecast debt service coverage ratio of at least 1.2:1, tested annually, (ii) a current ratio in excess of 1.2:1, and (iii) a minimum net worth, defined as consolidated shareholders' equity, of US\$45 million. Under its guarantee arrangement with the EBRD, DPM must maintain a current ratio of 1.5:1 and a minimum net worth of US\$200 million. As of June 30, 2009, Chelopez and DPM both were in compliance with their respective debt covenants.

On December 22, 2005, Deno Gold obtained a US\$4.5 million loan from the EBRD. The loan is secured by: (1) a first ranking pledge over a Deno Gold bank account through which all concentrate sales are credited and must maintain, at all times, an amount no less than the next three months debt service requirement, which was \$0.02 million as at June 30, 2009; (2) a first priority pledge of the shares in Deno Gold and (3) as of June 2009, DPM parent company guarantee. On June 19, 2009 DPM and the EBRD entered into a guarantee arrangement wherein DPM unconditionally undertakes to ensure full payment of all interest and principal currently owing under the loan. In response, the EBRD agreed to waive, for the period up to and including May 10, 2010, compliance by Deno Gold with certain covenants, including all financial covenants. The loan bears interest at LIBOR plus 5.5% and is repayable in eight equal semi-annual installments, beginning March 2007. In a loan amendment dated June 23, 2009, the margin on the loan was reduced from 5.5% to 2.5%.

The debt repayment schedule is presented in the table below:

Principal repayments (in US\$ 000's)	Payments Due by Period				Total
	up to 1 year	1 - 3 Years	4 - 5 Years	over 5 years	
Chelopez EBRD	\$ 2,500	\$ 7,250	\$ 6,000	\$ 3,000	\$ 18,750
Deno Gold EBRD	1,125	563	-	-	1,688
	\$ 3,625	\$ 7,813	\$ 6,000	\$ 3,000	\$ 20,438

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14. RECLAMATION AND OTHER LONG-TERM LIABILITIES

	June 30, 2009	December 31, 2008
Asset retirement obligations (a)	\$ 19,165	\$ 18,362
Environmental commitments (note 15a)	3,421	3,582
Long-term leases (b) and (c)	2,646	2,939
Royalties (note 15a)	2,868	-
Other	342	364
	28,442	25,247
Less: current portion	992	908
	\$ 27,450	\$ 24,339

- (a) In 2008, a US\$7.2 million increase in the undiscounted, inflation-adjusted estimated mine site closure costs at Deno Gold was recorded, for a total estimated legal obligation of US\$10.5 million. This amount is expected to be expended between 2009 and 2017. The anticipated future cash flows are discounted using a credit adjusted risk free rate of 9% after inflation growth of 3% per annum.

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

	Chelopech	Deno Gold	Total
Carrying value, December 31, 2007	\$ 11,291	\$ 2,163	\$ 13,454
Change in estimate	-	3,512	3,512
Accretion expense	1,109	287	1,396
Carrying value, December 31, 2008	\$ 12,400	\$ 5,962	\$ 18,362
Accretion expense	542	261	803
Carrying value, June 30, 2009	\$ 12,942	\$ 6,223	\$ 19,165

- (b) On December 22, 2008, Chelopech entered into a long-term lease agreement for the purchase of mine and mobile equipment. The lease amount is payable in 36 equal monthly installments and matures on December 28, 2011. The aggregate amount of minimum lease payments over the term of the lease is EUR1.7 million (\$2.9 million), excluding imputed interest of EUR0.2 million (\$0.4 million). The interest rate is 8.05%. As at June 30, 2009, the gross amount of the Chelopech leased assets included in property, plant and equipment was \$2.9 million and the related accumulated amortization was \$0.4 million.

Following is the schedule of future minimum lease payments:

Minimum lease payments (in EUR 000's)	Payments Due by Period				Total
	up to 1 year	1 - 3 Years	4 - 5 Years	over 5 years	
	642	963	-	-	1,605

- (c) On April 29, 2009, DPM entered into a long-term lease agreement for the purchase of computer equipment. The lease amount is payable in 36 equal monthly installments and matures in June 2012. The aggregate amount of minimum lease payments over the term of the lease is \$0.3 million, excluding imputed interest of \$0.02 million. The interest rate is 5%. As at June 30, 2009, the gross amount of the DPM leased assets included in property, plant and equipment was \$0.3 million and the related accumulated amortization was nil.

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

Following is the schedule of future minimum lease payments:

Minimum lease payments (in Cdn\$ 000's)	Payments Due by Period				Total
	up to 1 year	1 - 3 Years	4 - 5 Years	over 5 years	
	88	176	-	-	264

15. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Concession Obligations

In July 2008, the Company received Bulgarian Government approval of its Environmental Impact Assessment ("EIA") for the Chelopech expansion project (the "Project"), which includes the doubling of the mine and mill production capacity to two million tonnes of ore per year and construction of a metal processing facility ("MPF") to process up to 150,000 tonnes of concentrate per year and produce gold doré and copper cathode. Pursuant to a Memorandum of Understanding with the Bulgarian Government, the Bulgarian Government has the right to acquire a 25% interest in a yet to be formed joint stock company that will construct, own and operate the Chelopech MPF. In addition, the Company will pay a higher royalty in accordance with the Bulgarian Ordinance on Royalty Computation for all the metals that can be mined economically from the Chelopech deposit. The royalty will be calculated on a sliding scale of 2% to 8% at a profitability ratio of 10% to 60%. The new royalty, which came into effect on July 31, 2008, replaced the previous 1.5% fixed rate entered into in 2004. The royalty in excess of 1.5% is accrued but is not payable until construction of the MPF commences.

DPM has also agreed to provide a financial guarantee for the estimated environmental closure and rehabilitation costs for the Chelopech mine upon completion and government acceptance of a closure and rehabilitation plan. The Company will prepare and submit a closure and rehabilitation plan for approval to the Ministries of Economy and Energy and of Environment and Water by January 2010.

Under the new agreement, there is no requirement to make deposits into the environmental escrow account. Prior to entering into this new agreement, DPM was required to deposit 50% of the original concession fees into an escrow account to fund future environmental risk management and remediation costs. The balance in the escrow account on June 30, 2009 was US\$2.9 million (\$3.4 million) and is included in restricted cash (note 9), and the related commitments are included in other long-term liabilities (note 14).

(b) Gold/Copper Concentrate Sales

In December 2008, the Chelopech concentrate sales contract with NCS was extended to 2013, giving Chelopech the right to sell up to 120,000 tonnes of concentrate per year to NCS for the years 2011, 2012 and 2013 and to reduce concentrate sales on 12 months' notice to allow for the start-up of its planned investment in a new metals processing plant in Bulgaria. This arrangement provides the Company with assurances regarding the processing of its concentrate while it finalizes its plans for the completion of the Chelopech expansion project.

Deno Gold has agreed commercial terms for the sale of all its zinc and copper/gold concentrates production for 2009.

The Company currently has sales contracts with three customers for its 2009 production and from time to time contracts for the sale of concentrates to other entities. Approximately 80% of the Company's aggregate projected concentrate sales for the year 2009 are to one customer.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2009

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(c) Contractual Obligations

The Company had the following minimum future contractual obligations at June 30, 2009:

Contractual Obligations	Payments Due by Period				
	Total	up to 1 year	1 - 3 Years	4 - 5 Years	over 5 years
Long term debt	\$ 23,770	\$ 4,871	\$ 8,432	\$ 6,978	\$ 3,489
Capital lease obligations	2,879	1,134	1,745	-	-
Operating lease obligations	833	581	23	23	206
Purchase obligations	19,620	12,687	6,933	-	-
Other long term obligations	329	179	87	63	-
Total contractual obligations	\$ 47,431	\$ 19,452	\$ 17,220	\$ 7,064	\$ 3,695

(d) Credit Agreements

On April 15, 2008, Chelopech concluded a US\$5.0 million short-term, revolving credit facility for working capital purposes, fixed advances and the issuance of bank guarantees and letters of credit. The credit facility was renewed in April 2009 and matures on April 30, 2010. Advances under the credit facility, which are guaranteed by DPM, bear interest at the U.S. dollar LIBOR plus 4%. As at June 30, 2009, there was nil outstanding against this credit facility.

Chelopech has entered into a US\$2.0 million credit agreement for the purpose of providing letters of guarantee for future royalty payments under its concession license agreements. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As at June 30, 2009, letters of guarantee amounting to US\$1.4 million had been written against this credit facility.

BMM has entered into a US\$0.3 million credit agreement for the purpose of providing letters of guarantee for certain of its obligations under its exploration license agreements. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As at June 30, 2009, letters of guarantee amounting to US\$0.1 million had been written against this credit facility.

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For the three and six months ended June 30, 2009

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

16. 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:

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Combined federal and provincial statutory income tax rates	33.00%	33.50%	33.00%	33.50%
Income tax (recovery) at statutory rates	1,222	\$ (4,758)	\$ (1,015)	\$ (1,681)
Adjusted for the effect of:				
Lower rate on foreign (earnings) losses	867	(2,288)	(4,322)	(8,212)
Unrecognized tax benefit relating to foreign (earnings) losses	(1,864)	5,231	4,344	9,166
Non-taxable portion of capital (gains) losses	(232)	216	(240)	(83)
Change in allowance on investments and property	6,147	-	6,147	-
Reversal of flow-through shares tax liability from Back River sale	(6,036)	-	(6,036)	-
Non-deductible writedown of investments	187	159	373	159
Non-deductible stock compensation	87	154	206	260
Other, net	7	1,200	250	1,062
Provision for (recovery of) income taxes	\$ 385	\$ (86)	\$ (293)	\$ 671

As at June 30, 2009, the Company had gross future income tax assets of \$10.8 million against which a valuation allowance of \$10 million was recognized (\$6.1 million of which was recognized in the second quarter of 2009) due to the uncertainty around the potential use of these assets against future Canadian taxable income.

In the second quarter of 2009, DPM reversed \$6.0 million of future income tax liabilities related to flow through share financing as a result of the sale of the Back River properties on June 9, 2009 (notes 8 and 11).

17. LONG-TERM COMPENSATION

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

Under the Employee DSU Plan, grants to employees of the Company are determined by the board of directors or the compensation committee in lieu of a cash bonus. The DSUs vest immediately and are redeemable in cash on the date the employee ceases to be employed by the Company. Under the Director DSU Plan, effective January 1, 2005, directors receive a portion of their annual compensation in the form of DSUs. The DSUs vest immediately and are redeemable in cash on the date the director ceases to be a director of the Company. During the quarter, 6,000 Director DSUs were granted (2008 – 6,000) under the Director DSU Plan and \$11 (2008 - \$40) was recognized as stock based compensation expense. During the six month period, 12,000 Director DSUs were granted (2008 – 12,000) and \$19 (2008 - \$81) was recognized as stock based compensation expense. There were no DSUs redeemed during the quarter (2008 – nil). During the six month period, there were no DSUs redeemed (2008 – 9,090 for \$58). The outstanding DSUs were marked to market at June 30, 2009 and, as a result of the increase in the market value of the Company's shares, \$178 was debited to earnings (2008 – \$18 credited to earnings) in the quarter and \$123 was debited to earnings (2008 - \$236 credited to earnings) over the six month period ended June 30, 2009.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2009

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

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

	Six months ended June 30, 2009		Twelve months ended December 31, 2008	
	Number	Amount	Number	Amount
Balance at beginning of period	462,705	\$ 689	447,795	\$ 3,233
Issued during the period	12,000	19	24,000	115
Redeemed during the period	-	-	(9,090)	(58)
Mark-to-market adjustments	-	123	-	(2,601)
Balance at end of period	474,705	\$ 831	462,705	\$ 689

18. STOCK BASED COMPENSATION

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

In May 2008, the stock option plan was amended to allow for the grant of options with an expiry date of up to 10 years following the date of such grant. In addition, the plan was also amended to include the addition of share appreciation rights ("SARs"). This amendment will allow the board of directors, at its discretion, to grant the holders of the options the ability to terminate such options and receive a cash payment from the Company in an amount equal to the product of the number of options terminated multiplied by the difference between the exercise price of such options and the current price of the common shares. The common shares not issued as a result of the options being terminated pursuant to SARs will be returned to the pool of common shares reserved for issuance under the plan.

The following is a continuity of stock options outstanding for the periods indicated:

	Six months ended June 30, 2009		Year ended December 31, 2008	
	Options (number)	Weighted average exercise price	Options (number)	Weighted average exercise price
Balance at beginning of period	5,229,492	\$ 7.40	5,217,500	\$ 7.94
Granted	2,455,000	1.37	510,325	2.92
Exercised	-	-	-	-
Cancelled or expired	(3,772,500)	7.32	(498,333)	8.45
Balance at end of period	3,911,992	\$ 3.69	5,229,492	\$ 7.40

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding as at June 30, 2009	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable as at June 30, 2009	Weighted average exercise price
\$1.37-\$2.25	2,845,000	4.70	\$ 1.43	-	\$ -
\$6.00-\$7.26	159,325	3.66	6.70	45,566	6.82
\$7.70-\$9.59	527,667	2.29	9.30	347,001	9.23
\$10.50-\$14.35	380,000	2.13	11.53	296,666	11.80
\$1.37-\$14.35	3,911,992	4.09	\$ 3.69	689,233	\$ 10.18

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The fair value of options granted during the six months ended June 30, 2009 was estimated using a Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1.5%-1.75%
Expected life in years	4.75
Expected volatility	40.47%-41.96%
Dividends per share	-

During the quarter and six months ended June 30, 2009, the Company granted 2,455,000 stock options with a fair value of \$1.2 million. During the quarter and six months ended June 30, 2008, the Company granted 40,000 stock options with a fair value of \$0.2 million and 97,700 stock options with a fair value of \$0.4 million, respectively. No stock options were exercised during the six months ended June 30, 2009 and 2008.

The estimated value of the options granted will be recognized over the vesting period. The stock option expense for the quarter and six months ended June 30, 2009 was \$142 (2008 - \$549), of which \$21 (2008 - \$88) was capitalized and \$525 (2008 - \$943) of which \$43 (2008 - \$166) was capitalized, respectively. As at June 30, 2009, there was \$2.3 million (June 30, 2008 - \$2.8 million) of cost remaining to be charged to earnings in future periods relating to stock option grants.

19. EARNINGS PER SHARE

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Basic net earnings (loss) per share				
Net earnings (loss) available to shareholders	\$ 3,316	\$ (14,118)	(2,784)	(5,690)
Weighted average number of common shares outstanding	97,540,538	61,984,538	97,540,538	61,984,538
Basic net earnings (loss) per share	\$ 0.03	\$ (0.23)	(0.03)	(0.09)

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Diluted net earnings (loss) per share				
Net earnings (loss) available to shareholders	\$ 3,316	\$ (14,118)	(2,784)	(5,690)
Weighted average number of common shares outstanding	97,540,538	61,984,538	97,540,538	61,984,538
Dilutive effect of stock options	602,033	-	-	-
Weighted average number of diluted common shares outstanding	98,142,571	61,984,538	97,540,538	61,984,538
Diluted net earnings (loss) per share	\$ 0.03	\$ (0.23)	(0.03)	(0.09)

Earnings per share is computed by dividing net earnings available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. The number of additional shares for inclusion in diluted earnings per share is determined using the treasury stock method, whereby stock options and warrants, whose exercise price is less than the average market price of the Company's common shares, are assumed to be exercised and the proceeds are used to

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

purchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and warrants is included in the calculation of diluted earnings per share.

20. SEGMENT INFORMATION

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

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

	Three months ended June 30,		Six months ended June 30,	
	2009	2008	2009	2008
Net revenue (expense)				
Mining operations	\$ 32,690	\$ 32,719	\$ 59,737	\$ 72,471
Investments	1,082	(1,433)	509	1,009
	\$ 33,772	\$ 31,286	\$ 60,246	\$ 73,480
Segment earnings (loss)				
Mining operations	\$ 9,560	\$ 3,919	\$ 13,159	\$ 21,755
Exploration	(1,208)	(8,936)	(2,784)	(13,976)
Investments	1,082	(1,433)	509	1,009
Earnings (loss) of combined segments	9,434	(6,450)	10,884	8,788
Property impairment provisions	-	-	(309)	(13)
Corporate and administration	(5,457)	(6,577)	(10,676)	(13,108)
Foreign exchange loss	(276)	(1,177)	(2,976)	(686)
Income tax recovery (provision)	(385)	86	293	(671)
Net earnings (loss)	\$ 3,316	\$ (14,118)	\$ (2,784)	\$ (5,690)
Capital expenditures				
Exploration	\$ 85	\$ 7,348	\$ 85	9,895
Mining	7,613	20,289	16,083	37,465
		June 30, 2009		December 31, 2008
Assets				
Mining operations		\$ 390,594		\$ 369,151
Exploration		60,062		101,577
Investments		96,721		97,906
		\$ 547,377		\$ 568,634
		June 30, 2009		December 31, 2008
Assets				
Canada		\$ 101,602		\$ 132,998
Europe		326,973		323,072
Armenia		118,802		112,564
		\$ 547,377		\$ 568,634

21. COMPARATIVE FIGURES

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