

MANAGEMENT'S DISCUSSION AND ANALYSIS

of Financial Condition and Results of Operations

for the Financial Year Ended December 31, 2005

(All figures 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 financial year ended December 31, 2005. This discussion should be read in conjunction with the consolidated financial statements and the notes thereto.

This information is provided as at March 10, 2006.

HIGHLIGHTS

- DPM earned \$19.9 million or \$0.37 per share for the year ended December 31, 2005 compared with \$7.9 million or \$0.15 per share for the eleven month period ended December 31, 2004 and \$6.2 million or \$0.11 per share for the quarter ended December 31, 2005 (2004: \$1.3 million or \$0.03 per share).
- As at December 31, 2005, the Company had working capital of \$90.7 million and an investment portfolio with a market value of \$184.7 million, which in the aggregate equated to \$5.12 per share.
- The Chelopech gold/copper mine earned \$17.7 million on sales of 72,000 tonnes of gold/copper concentrate as a result of the high commodity prices and the improved throughput at the mine.
- Investment activities generated earnings of \$23.9 million and \$46.2 million in cash flow in 2005.
- During 2005, DPM completed and filed Environmental Impact Assessments ("EIA") for the Chelopech and Krumovgrad projects, completed Definitive Feasibility Studies ("DFS") and received budget approvals from the Board of Directors for both projects.
- On March 10, 2006, the Supreme Environmental Council of Bulgaria met and voted in favour of a resolution to approve the EIA for the Chelopech expansion project. The final step in the approval process is for the Minister of Environment and Waters ("MoEW") to sign the resolution on or before March 15, 2006.
- DPM has been advised that a hearing date of May 15, 2006 has been set to address the lack of response from the Bulgarian regulators on the EIA filed in April 2005 on the Krumovgrad Gold Project. As a result, the Krumovgrad Gold Project may be delayed.
- DPM was awarded three significant mining concessions in Serbia in one of the larger gold-copper-silver mining regions in Europe. The Company has budgeted \$13.6 million for Serbian exploration activities in 2006.
- The Company recently announced that it has agreed to purchase a 100% interest in the Back River Project in Nunavut for US\$6.0 million (Cdn\$7.0 million). DPM had capitalized \$20.8 million on the property to the end of 2005 under an option agreement, and has budgeted \$15.6 million for 2006 exploration activities.

CORPORATE OVERVIEW

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

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

In Bulgaria, the Company currently owns an operating underground gold/copper mine (“Chelopech”) which is being expanded and is in the process of being permitted for conversion from concentrate to metal production; and a feasibility stage gold project (“Krumovgrad”) which is awaiting regulatory approval for construction and operation. In addition, DPM holds a number of active exploration properties in the Central and Eastern Rhodope regions of the Balkans.

In February 2005, the Company acquired an option to earn an interest in certain exploration properties located in Nunavut in the Canadian Arctic. On March 2, 2006, DPM announced it had entered into a letter agreement to purchase 100% of the Back River Project.

On November 18, 2005, DPM announced that it had been awarded three significant exploration and exploitation concessions in one of the larger gold-silver-copper mining regions in Serbia.

DPM continues to hold a significant investment portfolio of marketable securities of mining companies, principally focused on the exploration, development and production of precious metal and mineral properties throughout the world, with a market value of approximately \$184.7 million as at December 31, 2005. In addition, the Company had working capital of approximately \$90.7 million at year end.

OBJECTIVES, BUSINESS STRATEGIES, DRIVERS AND CAPABILITIES

OBJECTIVES

DPM’s business objectives are to identify, acquire, finance, develop and operate low cost, long life gold mining properties; and to provide support to selected mining companies by providing required capital through strategic investments. The immediate goal is to add shareholder value by becoming a low cost, mid cap gold producer with production in excess of 500,000 ounces per year within the next three years.

BUSINESS STRATEGIES

Mining Activities

The Company intends to create shareholder value through its disciplined but opportunistic business model. The Company is assembling a pipeline of mining projects at various stages of development. The Company currently has projects in: (1) the operating and redevelopment stage; (2) the feasibility and development stage; (3) the scoping and advanced exploration stage; and (4) the early exploration stage. DPM intends to maximize the potential of and realize value through the exploration, development and operation of its existing properties in eastern Europe and Nunavut.

The Company is also actively evaluating acquisition opportunities of mining properties to fill and expand its project pipeline as well as continuing to make strategic market purchases of mining securities where synergistic opportunities exist in order to balance its pipeline for continued growth.

The Company currently has the following projects in its pipeline:

(1) *Operating and Redevelopment Stage Project*

Chelopech Gold/Copper Mine

Operations

The Chelopech Mine, located 75 km east of Sofia, Bulgaria has a mineable reserve of 21.7 million tonnes of ore grading 3.6 grams of gold per tonne and 1.4% copper (2.5 million contained ounces of gold and 300,000 contained tonnes of copper). The underground operations mined over 911,000 tonnes of ore and the mill produced 67,755 tonnes of gold/copper concentrate during 2005.

The concentrate produced at the mine has a high arsenic content which limits the number of potential buyers in the market and results in disadvantageous sales terms. In spite of record high prices for refined copper and gold, the demand for the concentrate produced at Chelopech is declining due to its elevated levels of arsenic (5.9%). Normally, arsenic levels in concentrates are in the range of 0.3% to 1.2%. Arsenic, which is removed during the smelting process in flue dusts, must be collected and disposed. The cost of handling the arsenic is passed back to the supplier through escalating penalty charges. Recently, two trends have evolved which will have a very negative impact on the marketability of the concentrate produced from the Chelopech ore. The first is that during the last two years there has been a distinct increase in the level of arsenic in certain concentrates from other mines associated with a change in their mineralogy and the start up of new mines with higher arsenic content in their ore. The second is that smelters have had to respond to increased environmental concerns over the treatment of concentrates containing significant quantities of deleterious elements. Currently, there are only two smelters which will treat Chelopech concentrates at economically acceptable terms.

DPM has entered into binding contracts with buyers of its concentrates which extend until 2007. The Company has been advised by legal counsel that it can rely on these contracts; however, options to extend the term of the contracts are not being exercised and certain buyers have approached the Company about negotiating terms for the cancellation or reduction of their contracted commitments.

Redevelopment

On December 8, 2005, the Company's Board of Directors approved an investment of US\$175 million based on the results of an independent DFS for the completion of the mine expansion and the construction of Direct Metal Production Facilities ("MPF") at Chelopech using pressure oxidation technology ("POX"). DPM also completed and filed an EIA for this project with the Bulgarian MoEW" on November 3, 2005. Under current Bulgarian legislation, the MoEW has until March 15, 2006 to respond to the Company's EIA submission.

The approval and successful completion of this redevelopment project should result in significantly improved revenues and operating profits as a result of the elimination of third party treatment charges and penalties, and in a significant reduction in transportation costs. An added key benefit from the use of this technology is the conversion of the arsenic to ferric arsenate, which is suitable for safe disposal, within European Union environmental standards, in a Tailings Management Facility ("TMF").

(2) *Feasibility/Advanced Exploration Stage Projects*

Krumovgrad Gold Project - Bulgaria

The Ada Tepe property, located in south-east Bulgaria, near the town of Krumovgrad, has a mineable reserve of approximately 4.9 million tonnes of ore grading 5.1 grams of gold per tonne of ore (794,000 contained ounces of gold). On July 5, 2005, the Company's Board of Directors approved an investment of US\$75 million based on the results of an independent DFS that evaluated the construction and operation of a low cost open pit gold mine with an initial productive life of six years. An EIA, which met and in certain cases exceeded both Bulgarian and European Union environmental standards, was filed with the MoEW on April 29, 2005. The MoEW had not responded to the Company's submission by the legislated November 18, 2005 deadline. DPM is not aware of any specific reason which would account for this delay. On December 2, 2005, the Company filed an appeal submission in order to preserve its rights under Bulgarian law. The Company has been advised that a date of May 15, 2006 has been confirmed for the hearing on the appeal. Recently, DPM has also tabled a number of proposals to the Municipality of Krumovgrad in order to address certain social issues and performance guarantees that were requested as a result of the public hearings held in 2005.

(3) *Scoping - Advanced Exploration Project*

Back River Project – Nunavut, Canada

The properties have an indicated gold resource of approximately 4.4 million tonnes of ore grading 9.8 grams of gold per tonne of ore (1.4 million contained ounces of gold) and an inferred gold resource of approximately 1.9 million tonnes of ore grading 9.9 grams of gold per tonne of ore (0.6 million contained ounces of gold). In February 2005, DPM purchased the option to earn a 60% interest in the project. During 2005, DPM acted as operator of the project, completing 46 diamond drill holes for 15,922 metres at the Goose Lake and George Lake deposits. As at December 31, 2005, the Company had invested \$20.8 million in the Back River Project. On March 2, 2006, the Company announced it had entered into an agreement to purchase a 100% interest in the properties. Resource updates are expected to be completed by June 2006.

(4) *Early Stage Exploration*

Bulgaria

The Company has several exploration concessions in the Southern Rhodope region of Bulgaria and continues to actively conduct exploration activities, primarily in the area of the Krumovgrad Gold Project property, to identify potential new resources to be mined at the Company's proposed production facilities or at support stand alone operations.

Serbia

Following public tender in 2005, the Government of Serbia appointed DPM as concessionaire of three exploration and exploitation concessions in the Crni Vrh region, named Coka Kuruga, Coka Kupjatra and Tilva Njagra. The Company is currently concluding the negotiations of the concession agreements. These concessions are located near the Bor mine, in one of the larger gold-copper-silver mining regions in Europe.

Investment Activities

Investment Management

DPM had working capital aggregating \$90.7 million and an investment portfolio with a market value of \$184.7 million, which in the aggregate equates to \$5.12 per share as at December 31, 2005. These funds are available: (1) to fund the working capital requirements of the Company's mining, exploration and corporate activities; (2) to provide funding to support the planned development activities at Chelopech and Krumovgrad; and (3) to finance DPM's strategic investment and corporate development initiatives. As at the end of 2005, the Company held an equity interest of over 10% in eight companies, which in aggregate represented 71% of DPM's year end portfolio value.

Certain investments have their own investment life cycles based on valuation assumptions made and future prospects at the time of such investment. The Company's strategy is to sell certain non-strategic portfolio investments at appropriate times and use the proceeds to make strategic investments and to fund exploration and development activities, as required.

Strategic Investments and Business Development

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

DRIVERS AND CAPACITY

a) **Drivers**

The key performance drivers relate to DPM's ability to develop and operate long life, low cost mining businesses and to identify and exploit exploration and acquisition opportunities.

The Company has identified the following key performance drivers required to achieve its current objectives:

- attract and retain highly qualified personnel to achieve excellence in identifying, acquiring, exploring, developing and operating viable, long life, low cost mining operations;
- conduct business activities and operate in an ethical and environmentally responsible manner with a priority on employee health and safety;
- develop a social mandate within the communities in which we operate;
- establish and maintain strong internal control and reporting systems;
- maintain a strong balance sheet and ready access to capital; and
- provide market returns to investors, commensurate with the risks being assumed.

The Company is currently focusing on acquisition and development activities. When the Company's mining assets move into a sustainable operating phase, the key performance drivers will take on more of a production focus.

b) **Capacity**

DPM has sufficient financial resources to achieve its current objectives and implement its strategies. The value of the Company's investment portfolio plus its working capital at December 31, 2005 was in excess of \$275 million. DPM's operations were profitable as a result benefiting from the current high commodity prices, allowing the Company to expand its active exploration and current development programs. On the basis of the Company's solid financial position, it also has the capacity to borrow up to US\$150 million to finance both development projects in Bulgaria once they receive regulatory approvals. In this regard, discussions have commenced with the Company's bankers. Furthermore, DPM should be able to readily access the equity markets to fund significant value-adding activities.

The Company is continuing to complement its existing workforce and management team with skilled and experienced personnel, and to introduce modern operating procedures and focus on the implementation of an improved management structure and reporting system to ensure the plans of the Company are efficiently and effectively carried out.

c) **Community and Social Responsibility**

DPM is committed to achieving and maintaining the highest possible mining, processing, environmental and health and safety standards at all our operations and facilities. These will always be in compliance with, or at a higher level than, the laws and regulations applicable in the countries in which we operate. In addition, the Company is committed to protecting the health and safety of all our employees, and supports the longer term economic needs and aspirations of the local communities in which it is involved.

Recently, two EIA's were submitted for projects in Bulgaria. These EIA's meet or exceed all Bulgarian and European Union standards in all aspects of the proposals. In conjunction with these project applications, the Company has offered to fund both closure plans through the lives of the operations, and is commencing rehabilitation of environmental damages existing at Chelopech at the time the mine was acquired. Furthermore, DPM has proposed to set up steering committees with the local communities to ensure conformance of the operations to the standards agreed and to fund separate sustainable development programs within the local communities.

The Board of Directors has approved and adopted a formal code of business conduct and ethics that is being followed throughout the organization and applied to all business activities of the Company and its subsidiaries.

2005 RESULTS

SIGNIFICANT ACHIEVEMENTS

During the year, DPM:

1. earned \$19.9 million or \$0.37 per share and generated \$18.8 million in net operating cash flow from successful investment activities and high gold and copper prices which significantly contributed to the Chelopech Mine's operating results;
2. realized \$69.0 million on the disposition of investments and strategically re-invested \$22.8 million in other mining companies;
3. completed a DFS for a US\$175 million expansion and conversion to metal production of the Chelopech gold/copper mine in central Bulgaria;
4. submitted an EIA for the Chelopech mine and facilities to the Bulgarian MoEW;
5. completed a DFS for the construction of a new US\$75 million gold mine at Krumovgrad in south eastern Bulgaria;
6. submitted an EIA of the Krumovgrad Gold Project to the Bulgarian MoEW;
7. obtained a US\$10 million initial debt financing with the European Bank for Reconstruction and Development;
8. acquired the right to earn a 60% interest in the Back River Project in Nunavut in the Canadian Arctic;
9. was awarded the right to obtain significant concessions in the Bor mining region of Serbia; and
10. maintained a strong balance sheet with over \$275 million in working capital and marketable securities, and less than \$12 million in debt.

Mining Activities

Chelopech Gold/Copper Mine

Operations

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

Production, Costs and Sales

<i>(in thousands of US\$ except as otherwise stated)</i>	Dec. 31, 2005		Dec. 31, 2004
	3 Months	12 Months	9 Months ⁽¹⁾
Ore mined (mt)	248,408	911,179	472,312
Ore processed (mt)	227,320	851,964	472,312
Head grade (ore milled)			
Copper (%)	1.65	1.59	1.50
Gold (g/mt)	4.17	4.21	3.72
Concentrate produced (mt)	19,323	67,755	37,037
Metals contained in concentrate produced			
Copper (lbs)	7,044,752	24,621,274	13,214,492
Copper (% recovered)	85.2%	82.5%	84.5%
Gold (ounces)	17,205	56,879	32,721
Gold (% recovered)	56.5%	49.3%	57.9%
Cash cost per tonne of ore processed	\$ 38.32	\$ 34.91	\$ 39.00
Cash cost per pound of copper in concentrate ⁽¹⁾	\$ 0.70	\$ 0.67	\$ 0.77
Cash cost per ounce of gold in concentrate ⁽¹⁾	\$ 178	\$ 183	\$ 245
Value of Copper and Gold in Concentrate			
Sold (US\$000) ⁽³⁾	\$ 34,167	\$ 68,918	\$ 30,591
Sales			
Sales (US\$000)	\$ 28,336	\$ 52,285	\$ 20,948
Sales (Cdn\$000)	\$ 32,328	\$ 63,234	\$ 26,120
Concentrate (dmt)	32,580	71,799	39,107
Copper in concentrate (lbs)	11,726,376	25,787,681	13,805,140
Gold in concentrate (ounces)	27,896	60,355	32,645

(1) Year end results from April 1, 2004, the date of consolidation.

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

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

Production

Ore hoisted in 2005 increased by 46% compared to previous year and reached an all time high of 911,000 tonnes at 1.59% Cu and 4.2 g/t Au (2004: 624,000 dmt at 1.58% Cu and 3.76 g/t Au). Ore processed was also at an historical rate of 852,000 at 1.59% Cu and 4.21 g/t Au, up by 36% from previous year production of 624,000 tonnes. The unprocessed ore stock pile on surface exceeded 60,000 tonnes at the end of 2005.

Concentrate production in 2005 was 67,755 tonnes, which is 31% more than 2004 production of 51,622 tonnes. Copper metal contained in concentrate was 24.6 million pounds, which exceeded previous year production by 34%. Gold metal contained in concentrate was 56,879 ounces, which exceeded the previous year's production by 30%. Copper concentrate inventory at year end was down to approximately 7,500 tonnes, the lowest stock level for a long time.

Sales

Sales of gold-copper concentrate totaled 71,799 tonnes in 2005, up by 62% from the previous year's achievement of 44,211 tonnes. Sales yielded revenue, net of freight, treatment charges, penalties and other selling costs of US\$52.3 million (2004: US\$20.9 million). The Company benefited from the robust increase in metal prices, realizing average prices for the year of US\$1.69 (2004: US\$1.27) per lb of copper and US\$449 (2004: US\$400) per oz of gold.

Operating costs

Total cash costs (including royalties) were US\$35 per tonne of ore processed (2004: US\$40) and US\$439 per tonne of concentrate (2004: US\$479). The reduction in the cash cost per tonne was achieved through the increasing volume of production and the improved operational cost control measures, despite the cost escalations due to both rising fuel prices and labour rates.

Resource

The currently reported resource estimate was announced November 5, 2004 and consists of:

Chelopech Copper/Gold Mine - Resources

Grade Tonnage Grouped by Resource Category (NI 43-101)

Resources 4.0g/t Gold Equivalent Cut-Off	Gold Equivalent Grade		Copper (Cu)		Gold (Au)	
	(g/t)	Tonnes (million)	Grade (%)	Tonnes (‘000)	Grade (g/t)	Ounces (‘000)
Measured	8.3	3.13	1.8	56	4.7	473
Indicated	6.7	21.80	1.4	305	3.9	2,733
Measured & Indicated	6.9	24.93	1.5	374	4.0	3,210
Inferred	5.6	6.50	1.2	78	3.2	699

Notes:

(1) Gold Equivalent g/tonne is based on the following formula: $(Au\ g/t + 2xCu\%)$.

(2) Rounding of tonnage and grade figures has resulted in some columns showing relatively minor discrepancies in sum totals.

Source: Chelopech Mineral Resource Estimate Technical Report, RSG Global, December 2004. An updated resource estimate was in progress at the time of the December 2005 report preparation.

Subsequently, the Company completed additional selected infill drilling such as the new high grade zone, Block 149, reported during December 2005. An updated resource estimate is expected to be completed during the first half of 2006. Ongoing underground drilling is planned during 2006, designed to continue exploration for new zones and upgrade existing resources.

Expansion and Redevelopment

On December 8, 2005, DPM's Board of Directors approved an investment of US\$175 million to undertake the mine expansion and construction of a Metals Production Facility ("MPF") at its 100% owned Chelopech Mine in Bulgaria. Based on the results to date of its DFS undertaken by GRD Minproc Ltd. ("GRD Minproc"), the estimated project cost is comprised of US\$150 million, plus a provision of US\$25 million for an oxygen plant. Highlights are tabulated below:

Project Highlights

	Unit	Life of Mine
Throughput - ore	Mt/a	2.0
- concentrate	kt/a	150
Project Life (after commissioning)	Years	9.3
Copper Price (after commissioning)	US\$/lb	1.05
Gold Price (after commissioning)	US\$/oz	430
Silver Price	US\$/oz	6.50
Annual production gold equivalent	Oz Au/Eq	251,000
Annual production	Oz Au	130,000
	t/Cu	21,700
Total cash cost Au equivalent	US\$/oz	242.00
Total cash cost Cu credit	US\$/oz	90.00
Total cash costs of ore treated	US\$/t	29.70
Project Economics		
Initial capital cost	US\$M	148.0
Sustaining and deferred capital	US\$M	62.0
Pretax		
NPV at a discount rate of 9%	US\$M	98.4
Internal Rate of Return	%	24.3
Payback Period	years	3.4
After Tax		
NPV at a discount rate of 9%	US\$M	73.7
Internal Rate of Return	%	21.0
Payback Period	years	3.8

Based on the findings of the Chelopech DFS, the mineable reserves are tabulated below. All stated reserves are completely included within the quoted resources as of December 2004.

Chelopech Underground Copper/Gold Mine - Mineable Reserves
Grade Tonnage Grouped by Reserve (NI 43-101)

Mineable Reserves	Ore	Copper (Cu)		Gold (Au)	
	Tonnes (million)	Grade (%)	Tonnes (‘000)	Grade (g/tonne)	Ounces (‘000)
Proven	2.29	1.6	37	4.3	316
Probable	19.23	1.4	262	3.5	2,173
Unclassified ⁽¹⁾	0.14				
Proven and Probable	21.66	1.4	300	3.6	2,489

(1) *Unclassified is defined as blocks that are not classified as measured and indicated resources and are included as internal dilution at zero grade.*

Note: The average sulphur in mill feed is 13.30%.

Source: Chelopech DFS, Executive Summary, December 2005

The Project

DPM proposes to increase mine production and to construct a facility to produce copper and gold metals for direct sale to end users. The process will also convert the arsenic present in the concentrate into an environmentally stable form suitable for safe disposal into a TMF.

The scope of the DFS incorporates the current operation, upgrade of the existing mine and flotation plant, upgrade of existing infrastructure and facilities and the new MPF”.

The project will produce 21,700 tonnes of copper metal and 130,000 ounces of gold bullion per annum. The mining rate will be two million tonnes of ore per annum, and the processing will be carried out by flotation, POX and solvent extraction and electrowinning (“SX/EW”) for copper, and carbon in leach (“CIL”) cyanidation of the residue for gold.

The Chelopech expansion project comprises:

- expansion of mine production capacity to 2.0 million tonnes per year.
- modernization of the existing flotation concentrator to handle the capacity.
- an MPF that incorporates POX, CIL and SX/EW to treat the copper/gold concentrate and produce LME grade copper cathode and gold doré.
- upgrade of the existing TMF and construction of a new facility for storage of POX-CIL tailings.
- based on present measured and indicated resources and other DFS results, the life of mine for the operation is expected to be a minimum of 9.3 years from commissioning of the new facilities.

The engineering for the mine, process plant and infrastructure has been developed to support a capital cost estimate, as well as an operating cost estimate, to an accuracy of ±10%. The capital and operating costs consider the mining, processing, general administration costs and environmental implications.

An EIA has been completed by the Balkan Science and Education Centre of Ecology and Environment and was submitted to the Bulgarian MoEW on November 3, 2005. On March 10, 2006, the Supreme Environmental Council voted in favour of the resolution to approve the project. Subject

to the Bulgarian MoEW approving the EIA, it is envisaged the schedule below will see ramp-up and completion occur during October 2008.

Estimated Project Schedule	
DPM Board Approval	December 2005
Expected EIA approval	March 2006
Project commitment	March 2006
Shaft conversion	March 2007
SAG mill commissioning	May 2007
Metals facility commissioning	October 2007
Ramp up completion	October 2008

Capital Cost

The summary of the capital cost estimate for the Chelopech Project is presented below:

Capital Cost Estimate Summary			
(US\$M)	Initial	Sustaining	Total
Mining	27.8	41.7	69.5
Process Plant	95.4		95.4
Environmental (including TMF)	4.7	14.9	19.6
Oxygen Plant ⁽¹⁾	25.0		25.0
Owners Costs	19.8	5.8	25.6
Total	172.6	62.4	235.1

(1) The oxygen plant purchase was an option in the DFS and will reduce operating costs by approximately US\$2.00 per tonne.

Operating Costs

A summary of the Chelopech operating costs is presented below. These costs are based on the treatment of an average ore type at a rate of 2.0 million tonnes per year and producing an average of 21,700 tonnes per year of copper and 130,000 ounces per year of gold.

Summary of Chelopech Operating Costs	
Operating Cost Item	US\$/t Ore
Mining	\$10.95
Processing	15.02
Site Administration and General Costs	2.69
Royalty	1.02
Total Project Operating Cost	US\$29.68

The operating costs are generated by period over the life of the project and thus, the average unit cost per tonne of ore after the project is commissioned equates to US\$29.68 per tonne processed. The process operating cost is assumed to apply to the upgraded facilities operating at design capacity of 2.0 million tonnes per year of mill feed to the flotation plant and 150,000 tonnes per year of concentrate to the MPF, respectively.

Development

The mining method has changed from sublevel caving to long hole open stoping and improvements in equipment and workforce skill training has commenced in order to increase mine production to a rate of 2.0 million tonnes per year by late 2007.

The main features of the mine schedule are as follows:

- the project production commences at the current 900,000 tonnes per annum and ramps up during the period between late 2006 to early 2007; and
- a surface decline is scheduled to be completed during 2006 and commissioned for hauling while the Kapitalna Shaft is upgraded.

Construction of a 2,300 metre decline from surface to the underground mine workings began in April 2004 from both the surface portal and the underground exit point. Actual metres advanced during the year were below target due to poor ground conditions. New equipment was brought in to service in mid year which improved the rate of advance; however, stabilizing the ground conditions behind the advancing road header continued to present challenges. As of December 31, 2005, approximately 41% of the decline had been completed.

Metallurgy

Several comprehensive testwork programs have been completed on samples representing various Chelopech ore types. The testing included batch and continuous pilot scale programs for the mineral processing and hydrometallurgical aspects of the concentrator upgrade and MPF. The work has been undertaken in recognised laboratory facilities in Australia and Canada. The overall program has taken over 18 months at a cost of approximately US\$4.5 million.

The results of the metallurgical testwork programs were employed to develop the DFS process flowsheet, process design criteria, mass balance model and equipment sizing.

The key objectives of the testwork program were to:

- confirm that the high copper and gold autoclave extraction results obtained in earlier batch testing (approximately 95% Cu, and 90-95% Au) could be achieved on a range of Chelopech concentrates, including future concentrate samples derived from bulk flotation of representative composites of drill core from the three major ore zones of the deposit;
- identify process conditions and an overall process flowsheet which could deliver these extractions at optimal reagent consumptions and, preferably, in a single train pressure oxidation plant; and
- confirm the process performance and design criteria of the key circuits.

This program culminated in the development of a suitable flowsheet for the treatment of the flotation sulphide concentrate, which comprises:

- concentrate regrind;
- pressure oxidation;
- solid/liquid separation using counter current decantation;
- extraction of gold from the solids using conventional CIL technology;
- recovery of copper from the solution using conventional SX/EW technology; and
- removal of impurities and excess acid using neutralization.

Tailings Management

The existing TMF will be upgraded to meet modern environmental standards and will continue to be used for storage of the flotation tailings together with a gypsum waste stream from the new facility. This facility has sufficient storage to provide over 20 years life at the proposed production rate.

A new TMF will be built upstream of the existing TMF to provide storage for the tailings from the cyanide circuit. This will be a fully lined facility and cyanide destruction will be employed in the treatment process.

Community Consultation

The Chelopech mine is located in an area with a large mining industry and currently employs over 700 people. DPM has made a great effort to consult with the community since taking over ownership of the mine. The project has the support of a majority of the local residents; however, continued educational processes are necessary to convince those who oppose the project of its merits and sound environmental management.

Land Purchase

Development of the project will require the acquisition of land from a variety of impacted stakeholders in the Chelopech Municipality. The land is required for:

- the new POX TMF; and
- a buffer zone around the existing and new TMF's.

The land purchase program is well advanced and scheduled to be fully completed during 2006, with the site for the POX TMF scheduled to be completed early in the year.

Krumovgrad

On July 5, 2005, DPM's Board of Directors approved the DFS prepared by Ausenco Limited of Perth, Australia, for the construction and operation of its 100% owned Krumovgrad Gold Project situated in southeastern Bulgaria. The DFS estimated construction costs for the proposed open pit mine of US\$75 million, with the study indicating low unit cash operating costs, 1.9 years after tax payback and gold annual production of 150,000 ounces per year for the first four years. Highlights of the study are presented below.

Highlights

Item	Unit	
Gold price	US\$/oz	US\$430
Silver price	US\$/oz	US\$6.5
Initial Mine life	Years	6.0
After tax pay back period	Years	1.9
Annual gold production	Au oz/year/first four years	150,000
Total gold production	Au oz/life of mine	746,000
Total silver production	Ag oz/life of mine	348,000
Total equivalent gold ounces	Au eq oz/ life of mine	751,000
Plant throughput:		
Upper Zone	t/ore/year/life of mine	850,000
Wall Zone	t/ore/year/life of mine	750,000
Metallurgical recovery – Gold	%/life of mine	94.0%
Metallurgical recovery – Silver	%/life of mine	83.6%
Waste to ore stripping ratio	Average/life of mine	3.84
Cash operating costs/tonne ore treated	US\$/t ore/life of mine	US\$16.82
Total cash costs/tonne ore treated	US\$/t ore/life of mine	US\$17.88
Cash operating costs/oz gold equivalent	US\$/oz Au/life of mine	US\$109.00
Total cash costs/oz gold equivalent	US\$/oz Au/life of mine	US\$116.00
Mining costs	US\$/t ore/life of mine	6.29
Processing costs	US\$/t ore/life of mine	8.24
G&A Costs	US\$/t ore/life of mine	1.87
Bullion handling costs	US\$/t ore/life of mine	0.42
Royalty	US\$/t ore/life of mine	1.06
Initial capital costs	US\$M	US\$75.0
Initial working capital	US\$M	US\$1.3
Closure and rehabilitation costs	US\$M	US\$8.7
Sustaining capital	US\$M	US\$5.7
Internal rate of return, after tax	%	39.0%
Net present value, after tax (9% discount)	US\$M	US\$66.2

The Company completed an initial resource determination which was announced October 15, 2004. During late February 2005, the Company announced an updated resource determination consisting of:

Krumovgrad Gold/Silver Project - Resources
Grade Tonnage Report Grouped by Resource Category (NI 43-101)

Resources <i>1.0g/t Gold Cut-Off</i>	Tonnes <i>(million)</i>	Gold (Au)		Silver (Ag)	
		Grade <i>(g/tonne)</i>	Ounces <i>('000)</i>	Grade <i>(g/tonne)</i>	Ounces <i>('000)</i>
Measured	2.65	5.9	500	3	259
Indicated	2.57	4.1	335	2	181
Measured & Indicated	5.22	5.0	835	3	440
Inferred	0.21	1.6	11	1	8

Source: Krumovgrad DFS, Executive Summary, June 2005

Based on the findings of the Krumovgrad DFS, mineable reserves are tabulated below. All stated reserves are completely included within the quoted resources, as of February 2005.

Krumovgrad Gold/Silver Project - Reserves
Grade Tonnage Report Grouped by Reserve Category (NI 43-101)

Reserves <i>1.3g/t Gold Cut-Off</i>	Ore Tonnes <i>(million)</i>	Gold (Au)		Silver (Ag)	
		Grade <i>(g/tonne)</i>	Ounces <i>('000)</i>	Grade <i>(g/tonne)</i>	Ounces <i>('000)</i>
Proven	2.22	6.62	472	3.36	240
Probable	2.65	3.78	322	2.08	177
Proven and Probable	4.86	5.08	794	2.66	416

Notes:

- (1) The probable portion of the ore reserve includes 0.71Mt of low grade ore which will be produced and stockpiled during the operating mine life and processed in Year 6.
- (2) Rounding of tonnage and grade figures has resulted in some columns showing relatively minor discrepancies in sum totals.

Source: Krumovgrad DFS, Executive Summary, June 2005

Mining Method

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

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

The mine is expected to produce a total of 4.9 million tonnes of ore (including the low grade stockpile) over the operating life, which will be processed at an average rate of 850,000 tonnes of ore per year for the Upper Zone material, reducing to 750,000 tonnes for the Wall Zone material. The schedule envisages blending the two material types.

Metallurgy

A comprehensive program of metallurgical testwork was designed and undertaken on selected drill core samples in recognized laboratory facilities in Australia and Canada. The testwork determined that the ore is free milling (i.e. non refractory), and high gold recoveries are achievable with conventional grinding and extraction by cyanidation. All appropriate design criteria, metal recoveries by ore type, and anticipated reagent consumption rates have been determined from the testwork results for the process plant design.

The results have confirmed that gold recovery will be in excess of 94% for each ore type. Silver recovery will range between 80% and 88%, depending on the ore type.

Process Plant

The optimal process selected as a result of the testwork program comprises conventional crushing of the ore and grinding in a SAG (semi autogenous grinding) and ball mill circuit. The harder siliceous components of the ore that can build up as critical size material in the SAG mill will be removed by a recycle crusher circuit. The ground ore will then flow through a CIL circuit, consisting of seven, 700 cubic metre tanks. The gold and silver dissolved in leaching will be recovered from the carbon in an elution circuit and treated by electrowinning and smelting into doré bars.

Tailings from the CIL circuit will be thickened and treated in a cyanide destruction circuit prior to discharge to the TMF. The cyanide content after destruction is targeted to be approximately 1 part per million (ppm), well below the proposed European Union regulatory requirement of 10 ppm for feed to TMF.

The process plant will operate 24 hours per day, 7 days per week and is designed to process 106 tonnes per hour at 91.3% operating availability. Throughput capacity will be 850,000 tonnes of Upper Zone ore per year, reducing slightly for the harder Wall Zone ore to 750,000 tonnes per year.

The proposed process plant and TMF are to be located in a valley adjacent to the open pit.

Permitting

An EIA for the Krumovgrad Gold Project, prepared in accordance with Bulgarian legislation and well within European Union guidelines, was submitted to the Bulgarian MoEW in April, 2005. The process of obtaining the necessary government and regional approvals continues in order to acquire the land required for construction of the mining facilities and to construct and operate the mine. A favourable response from the Bulgarian MoEW is necessary to proceed to register a commercial discovery and obtain a mining concession. In addition, DPM will be required to submit a detailed development plan to the local municipality to obtain the necessary permits to construct and operate the mining and processing facilities.

As part of the EIA approval process, public hearings were held in the community of Krumovgrad in August, at which the local officials expressed both their support of and concerns about the project. Subsequent to the meeting, the Municipal Council passed a resolution opposing the project on the basis that there were insufficient guarantees to ensure the planned protection of the environment. The Municipal Council forwarded a petition to the MoEW expressing its concern over the issue of guarantees. Several non-governmental organizations have also voiced opposition to the project whereas others have been generally supportive. Technical experts commissioned by the Municipality and the opposition group generally endorsed the EIA.

The EIA, coupled with DPM's responses to issues raised during the public consultation process, were submitted to the MoEW following the hearings and are currently being assessed by the MoEW. The EIA fully meets, and in certain aspects exceeds, the Bulgarian environmental standards and is well within existing European Union environmental guidelines and also the proposed new directives. DPM initially expected a response from the MoEW by November 18, 2005; however, no official response transpired, and consequently, DPM filed an appeal with the Supreme Administrative Court of Bulgaria against the Bulgarian MoEW on December 2, 2005. At present, the Company is not aware of any specific reason which would account for the delay. DPM has been advised that a hearing date of May 15, 2006 has been set to address the lack of response from the Bulgarian regulators on the EIA filed in April 2005 on the Krumovgrad Gold Project. As a result, the Krumovgrad Gold Project may be delayed.

Notwithstanding the delayed response from the MoEW, in anticipation of a positive decision, DPM is continuing the mobilization of the detailed engineering and procurement phase. In this regard, DPM has hired a project manager and has commenced finalization of the Engineering, Procurement, Construction and Management contract. During 2005, exploration and resource appraisal continued at satellite locations near the project to establish additional resources to process at the Krumovgrad facilities.

Exploration

Back River Project

On February 18, 2005, the Company purchased an option to acquire a 60% interest in several mineral properties located in Nunavut. George Lake and Goose Lake are the two most significant mineral properties in the district.

On March 2, 2006, the Company announced that it has agreed to purchase a 100% interest in the Back River Project in Nunavut for US\$6.0 million (Cdn\$7.0 million).

Reported resources for the Back River Project are tabulated below:

George Lake Gold Deposit - Resources
Grade Tonnage Grouped by Resource Category (NI 43-101)

Resources	Tonnes (million)	Gold	
		Grade (g/tonne)	Ounces (^{'000})
5.0g/t Gold Cut-off			
Indicated	2.62	9.9	836
Inferred	1.29	10.1	419

Goose Lake Gold Deposit
Grade Tonnage Grouped by Resource Category (NI 43-101)

Resources	Tonnes (million)	Gold	
		Grade (g/tonne)	Ounces (^{'000})
5.0g/t Gold Cut-off			
Indicated	1.75	9.6	540
Inferred	0.60	9.5	182

Notes:

(1) There are no reserves reported for Back River.

(2) High Grade Assays cut to 34.29g/t.

Source: Goose and George Lake Resources reported by Watts Griffis and McQuat Limited, 2002.

The 2005 Back River exploration program commenced in April and concluded in October. The exploration program consisted of a 46-hole project, 15,922 metre diamond drill program, the initiation of a regional airborne geophysical survey covering all of the Back River properties (50% completed in 2005), a district exploration effort and a surface trenching and sampling program. In addition, the Back River Project historical drillhole database was compiled and is in the final stages of being verified during early 2006. Following final database compilation, an updated resource estimate for George Lake and Goose Lake is planned to occur during the second quarter of 2006.

Goose Lake 2005 Diamond Drilling

The diamond drill focus for the 2005 Goose Lake diamond drill program was resource definition and expansion. This consisted of drilling holes to test for mineralized extensions both along strike and down-dip. A twinning hole program was also undertaken in 2005 to examine the gold grade distribution within the Goose Lake deposit.

George Lake 2005 Diamond Drilling

The 2005 diamond drill program at George Lake focused on exploring for the down-dip extensions to the previously defined mineralized zones. This program produced some encouraging results.

Outlook for 2006

DPM has budgeted \$15.6 million for the 2006 program. Activities to be conducted as part of the 2006 exploration program at Back River consist of the completion of the airborne geophysical survey program, a resource update and a scoping study for the Back River properties to address project development options. Included in the 2006 program is diamond drilling to explore for additional mineralized zones on the Back River properties, namely at George Lake North, Boot Lake and Boulder Pond claim areas. A resource drilling program is also planned to expand upon the known resources at the Goose Lake and George Lake deposits.

Other Exploration Properties

The Company plans to continue the exploration of properties in the Central and Eastern Rhodope and other regions for gold resources and is evaluating other mining properties for possible acquisition, both within Europe and elsewhere in the world.

Drilling at prospects in the Central and Eastern Rhodope region in Bulgaria and in Serbia are underway. During late 2005, planning commenced to carry out a detailed airborne geophysical survey within the Bor district, which is planned to be flown from March to April, 2006.

Planned exploration investments for 2006 include programmes planning in Bulgaria (\$5.1 million), Serbia (\$13.6 million) and Nunavut (\$15.6 million).

Investment Activities

As at December 31, 2005, the portfolio had a market value of approximately \$184.7 million. The top three positions as at December 31, 2005, at market are: Tahera Diamond Corporation - \$59.6 million; Cambior Inc. - \$27.3 million; and Miramar Mining Corporation - \$55.2 million. In addition, the Company held equity positions in excess of 10% in six other companies.

DPM disposed of investments for gross proceeds of \$69 million on which it realized a gain of \$33.8 million and invested \$22.8 million in strategic investments. In addition, in accordance with the Company's accounting policies, \$13.7 million in investments were written down during the year as management determined that their decline in value was other than temporary.

FINANCIAL RESULTS

RESULTS OF OPERATIONS

The Company reported net income of \$19.9 million or \$0.37 per share for the year ended December 31, 2005 compared to \$7.9 million or \$0.15 per share for the eleven months ended December 31, 2004. The increase in net income was attributed to an increase in operating income for mine operations, primarily as a result of increased metal prices.

<i>Cdn\$ millions</i>	12 Months Dec. 31, 2005	11 Months Dec. 31, 2004 ⁽¹⁾
Revenue from mining operations		
Gold/copper concentrate	\$ 63.2	\$ 26.1
Cost of sales	45.6	26.9
Gross profit (loss) from mining operations	\$ 17.6	\$ (0.8)
Net investment revenue	23.9	51.4
Net earnings before expenses and income tax	\$ 41.5	\$ 50.6
Expenses	(20.0)	(16.6)
Termination fee	0.0	(29.2)
Income tax recovery (expense)	(1.6)	3.1
Net earnings	\$ 19.9	\$ 7.9
Net earnings per share (basic and fully diluted)	\$ 0.37	\$ 0.15
Total assets	\$ 337.9	\$ 298.6
Total long-term liabilities	\$ 32.0	\$ 12.4

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

Net Earnings Before Expenses and Income Tax

Net earnings before expenses and income tax of \$41.5 million for the twelve month period ended December 31, 2005, compared with \$50.6 million for the eleven months ended December 31, 2004, resulted from the following:

- (1) mining operations for the twelve month period ending December 31, 2005 had an operating profit of \$17.6 million on the sale of 71,800 dry tonnes of gold/copper concentrate compared with a nominal loss of \$0.8 million on the sale of 39,100 tonnes reported in 2004. The dramatic increase in profitability was primarily a result of the significantly higher metal prices and a full year of operations at a higher production rate; and

- (2) the financial results of the investment business for the twelve month period ending December 31, 2005, which contributed \$23.9 million, compared with a contribution of \$51.4 million in the previous year.

Expenses

Administrative and Other Expenses

Administrative costs were \$8.3 million for the twelve months ended December 31, 2005, compared to \$6.3 million incurred for the eleven month period ended December 31, 2004. The increase over last year was due to continued systems and people development to support a new and fast growing international mining company and a number of business development activities undertaken during the year.

Exploration Expense

Exploration costs incurred for the twelve months ended December 31, 2005 were \$4.5 million, compared to \$2.9 million in the previous period. Exploration costs during the period were incurred in the Eastern Rhodope Region of the Balkans. 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.

Stock Based Compensation Expense

Stock based compensation expense includes costs associated with granting stock options and costs related to the Company's Employee and Director Deferred Share Unit ("DSU") Plans.

The value of the stock options granted during the year was \$2.9 million, calculated using a Black-Scholes model. These costs are charged to operations over their three year vesting period. During the year, stock option expense was \$3.2 million.

The DSU's vest immediately and compensation expense is recognized at the time of grant. The outstanding liability is marked-to-market each quarter. During the year, \$1.3 million charged to compensation expense related to the grants of DSU's.

Foreign Exchange

Expenses include a charge relating to fluctuations in foreign currency rates against the Canadian dollar. The majority of monetary assets and liabilities related to the mining operations are not in Canadian dollars, hence fluctuations in the exchange rates result in gains and losses when translated to Canadian currency. The strengthening of the Canadian dollar against both the US dollar and the Euro has resulted in foreign exchange gains.

Management Contract and Performance Fees

The most significant expense during the prior year was the \$29.8 million cost of terminating the investment management contract in connection with the conversion of DPM from an investment company to a mining company. An independent committee of the Board was formed to negotiate the terms of settlement and it engaged independent legal counsel and financial advisors in connection therewith. The conversion to an operating mining company was dependent upon the cancellation of the management agreement, which was approved by a majority of the shareholders on April 15, 2004.

Income Taxes

In the twelve month period ended December 31, 2005, the Company recorded a recovery of income taxes of which approximately \$1.8 million relates to the favourable settlement of the proposed income tax reassessment in excess of the amounts provided in the accounts.

Cash Flow Summary

<i>Cdn\$ millions</i>	12 Months Dec. 31, 2005	11 Months Dec. 31, 2004 ⁽¹⁾
Cash provided from <i>(used in)</i>		
Operating activities	\$ 18.8	\$ (25.6)
Property, plant and equipment	(64.9)	(25.3)
Investment transactions, net	46.2	38.3
Financing activities	7.6	59.2
Total cash flow	\$ 7.7	\$ 46.6

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

Operating Activities

For the twelve months ended December 31, 2005, the Company's operating activities provided cash of \$18.8 million due primarily to cash flow from operations of \$12.0 million and changes to non-cash working capital of \$6.8 million. In the comparative eleven month period ended December 31, 2004, operating activities absorbed \$16.3 million and the increase in non-cash working capital absorbed \$9.2 million.

Investing Activities

Investing activities consumed \$18.7 million in cash in 2005. Net changes in investment portfolio activities provided \$46.2 million during the year, compared with \$38.3 million in the prior period. Capital expenditures on property, plant and equipment totalled \$64.9 million and were comprised of: a) acquisition of mineral properties (\$16.8 million); b) exploration and mine development (\$28.2 million); and c) property, plant and equipment (\$19.9 million). In the eleven month period ended December 31, 2004, the Company expended \$25.3 million on plant and equipment. The following tables provide details of the amounts:

As at December 31, 2005, the Company has capitalized the following costs:

Property, Plant and Equipment

<i>Cdn\$ millions</i>	Acquisition Cost	Project Cost	Total Cost
Back River <i>(Nunavut, Canada)</i>	\$ 9.1	\$ 11.7	\$ 20.8
Chelopech <i>(Bulgaria)</i>	20.3	56.8	77.1
Krumovgrad <i>(Bulgaria)</i>	30.0	18.2	48.2
Corporate	-	1.4	1.4
Total	\$ 59.4	\$ 88.1	\$ 147.5

Chelopech

At Chelopech, \$29.8 million (US\$24.6 million) was spent during the year ended December 31, 2005, and \$56.8 million (US\$45.8 million) has been spent from the date of acquisition as follows:

Chelopech Project Costs

<i>US\$ millions</i>	Current Quarter Cost	Year to Date Cost	Total Cost from Date of Acquisition
Project:			
Establishing reserves	\$ 1.2	\$ 2.5	\$ 4.6
Decline	0.9	2.3	6.5
Mine development	1.4	7.2	18.6
Mill development	0.8	1.7	2.5
Definitive feasibility study	2.4	8.7	9.6
Other	1.0	2.2	4.0
Total	\$ 7.7	\$ 24.6	\$ 45.8

Krumovgrad

At Krumovgrad, \$6.7 million (US\$5.5 million) was spent during the year ended December 31, 2005, and \$18.2 million (US\$14.3 million) has been spent from the date of acquisition as follows:

Krumovgrad Project Costs

<i>US\$ millions</i>	Current Quarter Cost	Year to Date Cost	Total Cost from Date of Acquisition
Project:			
Reserve definition drilling	\$ -	\$ 0.4	\$ 4.5
Definitive feasibility study	-	1.7	3.6
Project development	1.1	1.8	1.8
Other	0.1	1.6	4.4
Total	\$ 1.2	\$ 5.5	\$ 14.3

Back River

DPM acquired the option to earn a 60% interest in this advanced stage exploration property early in 2005 for \$9.1 million. Subsequently, a further \$11.8 million was expended on exploration activities.

Financing Activities

In 2005, financing activities provided a net of \$7.6 million in cash which was comprised of \$11.7 million in debt financing from the European Bank for Reconstruction and Development ("EBRD"), and was partially offset by the retirement of \$4.8 million in other debt. Approximately \$0.7 million was provided on the exercise of stock options. In 2004, financing activities provided \$59.2 million which was comprised of \$58.7 million on the issue of common stock net of stock purchased for cancellation and \$0.5 million in new debt.

LIQUIDITY

The Company has working capital and marketable securities with a market value in excess of \$275 million as at December 31, 2005. These funds will be leveraged to assist in funding its mining activities. In 2005, DPM generated \$18.8 million in cash flow from operating activities and a further \$46.2 million on net investment transactions. The Company has contractual obligations due within the next five years as follows:

Contractual Obligations

<i>Cdn\$ thousands</i>	Payments Due by Period				
	Total	Up to 1 Year	1 - 3 Years	4 - 5 Years	Over 5 years
Long-term debt	\$ 11,630	\$ 0	\$ 5,815	\$ 5,815	\$ 0
Capital lease obligations	448	448	0	0	0
Operating lease obligations	2,977	1,090	1,186	700	0
Purchase obligations	9,031	7,462	1,082	487	0
Other long-term obligations	125	125	0	0	0
Total contractual obligations	\$ 24,210	\$ 9,125	\$ 8,082	\$ 7,002	\$ 0

The Company is planning an ambitious exploration program which is budgeted at \$34.3 million for 2006. It should be noted that the budget assumes that all of the various programs will be successful and require immediate follow up. It is a fact in the mining business that not all exploration expenditures lead to immediate follow up work. Furthermore, a significant portion of expenditures are temporarily discretionary and can be deferred, if necessary, for a period of time.

The Company also has board approval to proceed with two development projects once the necessary regulatory approvals are received. The Chelopech expansion and redevelopment is expected to cost US\$175 million and the Krumovgrad Gold Project is expected to cost US\$75 million. Preliminary discussions have been held with international financial institutions regarding debt financing of US\$150 million for both projects.

The equity markets are also available for providing new funds for superior projects and are especially active in strong commodity cycles.

QUARTERLY INFORMATION

The Company's financial results for the twelve months ended December 31, 2005 reflect the activities of an operating mining company and the period to the end of the first quarter of 2004 reflects the results of an investment management company only.

Cdn\$ millions, except per share amounts	2005				2004			
	Q4	Q3	Q2	Q1	Q4 ⁽¹⁾	Q3	Q2	Q1
Gold/copper concentrate sales	\$ 33.1	\$ 7.7	\$ 10.8	\$ 11.6	\$ 11.4	\$ 4.7	\$ 10.0	\$ -
Cost of sales	18.2	6.2	9.4	11.7	13.2	5.0	8.7	-
Gross profit (loss)	14.9	1.5	1.4	(0.1)	(1.8)	(0.3)	1.3	-
Net investment income (loss)	(3.2)	25.9	0.3	0.8	10.9	0.8	14.6	25.2
Net earnings before undernoted	11.7	27.4	1.7	0.7	9.1	0.5	15.9	25.2
Expenses	(7.5)	(4.3)	(5.8)	(2.3)	(7.6)	(4.0)	(4.3)	(0.8)
Termination fee	-	-	-	-	-	-	(29.2)	-
Income taxes	2.0	(4.1)	0.3	0.1	(0.2)	0.8	6.9	(4.4)
Net income (loss)	6.2	19.0	(3.8)	(1.5)	1.3	(2.7)	(10.7)	20.0
Net income (loss) per share fully diluted	\$ 0.11	\$ 0.35	\$ (0.07)	\$ (0.03)	\$ 0.03	\$ (0.05)	\$ (0.20)	\$ 0.48

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

Fourth Quarter Results

Net revenue from the mining operations for the fourth quarter of 2005 was \$14.9 million resulting from the sale of 32,580 dmt of gold/copper concentrate. At December 31, 2005, 7,491 dmt of concentrate was in inventory.

Expenses of \$7.5 million in the fourth quarter were comprised of administrative expense of \$3.2 million, stock compensation expense of \$1.3 million and exploration expense of \$1.5 million. The increase in administrative costs over the prior quarter resulted from business development activities. The stock based compensation expense reflects the issuance of 6,600 DSU's which vested immediately and resulted in the entire expense of \$0.1 million being recognized in the fourth quarter. The mark-to-market adjustment with respect to the DSU's was \$0.4 million in the fourth quarter. The remainder of the stock based compensation expense is \$0.8 million which relates to stock option grants.

2006 OUTLOOK & CHALLENGES

OBJECTIVES

2006 will continue to be a year focussed on filling the mining project pipeline. The most critical objectives for DPM in 2006 are to:

- successfully complete the permitting processes in Bulgaria for both the Chelopech and Krumovgrad mines thereby enabling the conversion of mine production to metal;
- secure up to US\$150 million in project financing for the development of Chelopech and construction of the Krumovgrad Gold Project;
- complete the negotiations for the new exploration and mining concessions in Serbia and commence an initial US\$11.3 million exploration program;
- sustain the active exploration of and add to resources at the Back River Project in Nunavut with a \$15.6 million program;
- continue to aggressively explore the Chelopech property, where new higher grade zones have recently been discovered and several more targets remain to be tested, and in the region of the Krumovgrad gold project with a US\$4.3 million budget; and
- continue to search for and acquire additional mining opportunities, either through corporate investments or direct property interests.

It is the Company's objective to be producing 380,000 ounces of gold equivalent by 2008. These plans are dependent on the prompt and favourable decisions of the Bulgarian regulators for the further development of these properties.

Metal Prices and Currencies

The Company selected a price of US\$430 per ounce of gold and US\$1.40 declining to US\$1.05 per pound of copper for business planning purposes. Gold and copper prices are currently significantly higher than the Company's selected range. It is currently the Company's policy not to hedge metal prices, especially gold. However, the Company may hedge currency or copper in the event of significant capital expenditure commitments. There were no hedges in place at December 31, 2005.

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

Revenue from mine production of gold and copper is priced in US dollars. The majority of operating and capital expenditures are Euro based or US dollar based.

Concentrate Market

The demand for copper remains strong since the global economy continues to expand while finished copper inventories remain at low levels. The demand for copper/gold concentrate is influenced by underlying base metal demand; however, it is also affected by smelting capacity.

In 2005 it was expected that the copper concentrate market would remain in surplus with a rise in inventories at a similar level to 2004. However, a combination of factors saw significant under performance by a number of major producers. At the same time, the smelting market continued to perform below market expectations, partly attributable to a lack of investment and also technical difficulties in completing expansion plans. Overall the market remained in a small surplus for the year with smelters holding near record levels of inventories.

It is expected that planned smelter capacity increases will be successfully completed in 2006 resulting in a reduction of inventory levels. Looking further ahead, the concentrate market is expected to tighten further, due to additional increases in smelter capacity, leading to a balanced concentrate market and a reduction in treatment and refining charges.

Concentrate Sales

The gold/copper concentrate produced at Chelopech has a high arsenic content. There are a limited number of smelters in the world which are able to process concentrate with a high arsenic content, which limits the possible market for Chelopech concentrate. In addition, there has recently been a distinct increase in the level of arsenic in concentrates from other mines associated with changes in their mineralogy and the start up of new mines with a higher arsenic content in their ore. Furthermore, smelters have had to respond to increased environmental concerns over the treatment of concentrates containing significant quantities of deleterious elements. Although the Company has been advised by legal counsel that its contracts are enforceable, certain concentrate buyers have advised the Company that they do not wish to extend their contract options into 2007 and have approached the Company about negotiating an early termination to existing purchase commitments.

The Company has completed a DFS regarding converting the mine to metal production using autoclave technology. Autoclave technology is expected to also enable the conversion of the arsenic within the concentrate into a benign substance for disposal. These plans are dependent on the prompt and favourable decisions of the Bulgarian regulators for the further development of the Chelopech property.

Operating Costs

A significant percentage of current mining costs at Chelopech are fixed. As production rates fluctuate, the average unit production costs also vary. It is expected that with the expansion of the mine and the introduction of modern mining methods and new, more efficient mining equipment, the fixed costs will not increase proportionally with the increase in production. Therefore, it is anticipated that unit costs to mine and process ore will decline with the planned increase in the volume of production, resulting in increased profitability at Chelopech. For 2006, approximately 58% of budget mine operating costs are fixed.

Capital costs

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

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

CRITICAL ACCOUNTING ESTIMATES

Management is required to make estimates in preparation of its financial statements conforming with Canadian 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 40% of total assets at December 31, 2005. As such, the application of the Company's accounting policies for these assets has a material impact on the Company's financial results. Property, plant and equipment and related capitalized expenditures are recorded at cost. Amortization expense is based on the estimated useful lives of these assets. The carrying values of mining properties and property, plant and equipment are reviewed

for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Impairment assessments are based on estimates of future cash flows, which include: the quantity of mineral reserves; future metal prices and future operating and capital costs to mine and process the Company's reserves. The variability of these factors depends on a number of conditions, including the uncertainty of future events, and as a result, accounting estimates may change from one period to another. Asset balances could be materially impacted if other assumptions and estimates had been used. In addition, future operating results could be impacted if different assumptions and estimates are applied in future periods.

Income Taxes

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

Investments

Investments represent 27% of total assets at December 31, 2005. As such, the application of the Company's accounting policies for these assets has a material effect on the Company's financial results. Investments are recorded at cost. Investments which the Company has significant influence in, but does not control, are accounted for using the equity method. Investments are reviewed for impairment based on the market values of the securities. When the loss on investment is considered other than temporary, the investment is written down to recognize the loss. The volatility of the market values can cause accounting estimates to change from one period to the next. As a result, balances could be materially impacted.

RISK MANAGEMENT

Commodity Price Risk

The price of the Common Shares, the Company's financial results and exploration, development and mining activities could be significantly and adversely affected by declines in the price of gold, silver and copper. Gold, silver and copper prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of gold and silver by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the US dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold, silver and copper-producing countries throughout the world. Depending on the price of gold, silver and copper, cash flow from mining operations may not be sufficient and the Company could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties. Future production from the Company's mining properties is dependent on gold, silver and copper prices that are adequate to make these properties economic. Currently, the Company's policy is not to hedge future metal sales.

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

Foreign Currency Risk

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

Credit Risk

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

Operations

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

Success of the Company's operations also depends on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

Financing

The mining, processing, development and exploration of the Company's properties may require substantial additional financing. Failure to obtain sufficient financing may result in delay or indefinite postponement of exploration, development or production 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. Low gold, silver and copper prices could adversely affect the Company's ability to obtain financing in the future.

Insurance

The Company's business is subject to a number of risks and hazards, generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment, and natural phenomena such as inclement weather conditions, floods, hurricanes and

earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

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

Diversification

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

Project Approval, Development and Commissioning Risk

The Company's operations are subject to receiving and maintaining permits from appropriate governmental authorities. Although the Company currently has all required permits for its operations as currently conducted, 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 any possible future changes to operations. Prior to any development on any of its properties, the Company must receive permits from appropriate governmental authorities. There can be no assurance that the Company will continue to hold all permits necessary to develop or continue operating at any particular property.

Exploration

Although the Company's activities are primarily directed towards mining operations and the development of mineral deposits, its activities also include the exploration for mineral deposits. 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.

Political Risk

The majority of the Company's operations are currently conducted in Bulgaria and as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to, terrorism; hostage taking; military repression; expropriation; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; changing political conditions; currency controls; and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

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

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

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

Government Laws and Regulations

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

Development Projects

The Company's ability to sustain or increase the present levels of production is dependent in part on the successful development of new ore bodies and/or expansion of existing mining operations. The commercial viability of development projects is based on many factors, including: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; government regulations; capital and

operating costs of such projects; and foreign currency exchange rates. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and the acquisition of satisfactory surface or other land rights. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Production and Operating Cost Targets

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

Reserve Risk

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

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

Environmental Risks and Hazards

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

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

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

Production at certain of the Company's mines involves the use of sodium cyanide which is a poison. Should sodium cyanide leak or otherwise be discharged from the containment system then the Company may become subject to liability for clean up work that may not be insured. While all steps will be taken to prevent discharges of pollutants into the ground water and the environment, the Company may become subject to liability for hazards against which it may not be insured against.

GLOSSARY OF KEY TERMS

Units of Measure Abbreviations

a	annum
Ag	silver
Au	gold
Cu	copper
dmt	dry metric tonnes
Eq	equivalent
g	grams
kt	thousands of tonnes
lbs	pounds
mt	millions of tonnes
oz	ounces
t	tonnes

Acronyms

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

OTHER

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

Disclosure Controls and Procedures

Requirements of MI 52-109 include conducting an evaluation of the effectiveness of disclosure controls and procedures. Management conducted an assessment of the effectiveness of the disclosure controls and procedures in place as of December 31, 2005 and concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in annual filings. The Board of Directors assesses the integrity of the public financial disclosures through the oversight of the Audit Committee.

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

AUDITOR'S REPORT

To the Shareholders of Dundee Precious Metals Inc.

We have audited the consolidated balance sheets of Dundee Precious Metals Inc. as at December 31, 2005 and December 31, 2004 and the consolidated statements of earnings, retained earnings and cash flows for the twelve month period ended Dec. 31, 2005 and the eleven month period ended December 31, 2004. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and December 31, 2004 and the results of its operations and its cash flows for the twelve month period ended December 31, 2005 and the eleven month period ended December 31, 2004 in accordance with Canadian generally accepted accounting principles.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants
Toronto, Canada
March 2, 2006

DUNDEE PRECIOUS METALS INC.

CONSOLIDATED BALANCE SHEETS

As at December 31, 2005 and December 31, 2004

(in thousands of Canadian dollars)

As at December 31,	2005	2004
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 77,541	\$ 69,828
Accounts receivable	11,316	6,597
Inventories (note 4)	12,051	11,768
Prepaid expenses	3,543	2,861
Income tax recoverable	-	13,432
Total current assets	104,451	104,486
Investments (market value-\$184,690; December 2004-\$174,286) (note 5)	91,467	117,640
Other assets (note 6)	1,488	-
Property, plant & equipment (note 7)	134,241	73,706
Future income tax asset (note 11)	6,262	2,812
Total assets	\$ 337,909	298,644
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 13,320	\$ 12,168
Current portion of long-term debt (note 8)	-	4,808
Current portion of other long-term liabilities (note 9)	448	888
Total current liabilities	13,768	17,864
Long Term Liabilities		
Long-term debt (note 8)	11,630	-
Other long-term liabilities (note 9)	125	251
Asset retirement obligations (note 12)	9,524	8,786
Long-term compensation (note 14)	4,109	2,805
Future income tax liability (note 11)	6,572	530
Total long term liabilities	31,960	12,372
SHAREHOLDERS' EQUITY		
Share capital (note 13a)	190,666	189,971
Contributed surplus (note 13b)	4,260	1,072
Retained earnings	97,255	77,365
Total shareholders' equity	292,181	268,408
Total liabilities and shareholders' equity	\$ 337,909	\$ 298,644

Contingent liabilities and commitments (note 10)

See accompanying notes to the audited consolidated financial statements.

DUNDEE PRECIOUS METALS INC.

CONSOLIDATED STATEMENTS OF EARNINGS

For the periods ended

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

	Twelve Months December 31, 2005	Eleven Months December 31, 2004
Mining operations		
Gold/copper concentrate revenue	\$ 63,234	\$ 26,120
Cost of sales	45,583	26,939
Gross profit (loss)	17,651	(819)
Investment income		
Dividends, interest and other income	3,821	648
Net realized gain on sale of investments	33,751	52,945
Impaired investments written down to market	(13,720)	(2,175)
Total investment income	23,852	51,418
Net earnings before expenses and income taxes	41,503	50,599
Expenses		
Administrative and other expenses	8,260	6,295
Stock based compensation expense	4,492	4,839
Exploration expense	4,460	2,884
Amortization of property, plant and equipment	694	514
Financing costs	2,167	861
Foreign exchange loss (gain)	(109)	641
Management and performance fees (note 15)	-	29,791
Total expenses	19,964	45,825
Earnings before income taxes	21,539	4,774
Provision for (recovery of) income taxes (note 11)		
Current	(1,064)	(718)
Future	2,713	(2,399)
Total provision for (recovery of) income taxes	1,649	(3,117)
Net earnings for the period	\$ 19,890	\$ 7,891
Basic and diluted net earnings per share	\$ 0.37	\$ 0.15

See accompanying notes to the audited consolidated financial statements.

DUNDEE PRECIOUS METALS INC.

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the periods ended

(in thousands of Canadian dollars)

	Twelve Months December 31, 2005	Eleven Months December 31, 2004
Balance at beginning of period, as previously stated	\$ 77,365	\$ 75,817
Effect of change in accounting for investments (note 2f)	-	(3,015)
Balance at beginning of period, as restated	77,365	72,802
Pre-consolidation losses of subsidiary (note 3)	-	(3,328)
Net Earnings	19,890	7,891
Balance at end of period	\$ 97,255	\$ 77,365

See accompanying notes to the audited consolidated financial statements.

DUNDEE PRECIOUS METALS INC.
CONSOLIDATED STATEMENTS OF CASH FLOW
For the periods ended
(in thousands of Canadian dollars)

	Twelve Months		Eleven Months	
	December 31, 2005		December 31, 2004	
OPERATING ACTIVITIES				
Net earnings for the period	\$	19,890	\$	7,891
Non-cash charges (credits) to earnings				
Amortization of property, plant and equipment		5,901		4,623
Stock based compensation expense		4,492		4,839
Shares issued on termination of contract		-		27,842
Gain on sale of investments		(33,751)		(52,945)
Write down of investments to market value		13,720		2,175
Future income taxes		2,713		(11,990)
Other non-cash charges		(1,009)		1,229
Changes in non-cash working capital				
Decrease (increase) in accounts receivable		(4,719)		2,092
Increase in inventories		(283)		(3,448)
Decrease (increase) in other assets		11,262		(4,065)
Increase (decrease) in accounts payable		1,152		(3,817)
Increase in other liabilities		(566)		-
Net cash provided by (used in) operating activities		18,802		(25,574)
INVESTING ACTIVITIES				
Purchase of investments		(22,778)		(53,435)
Proceeds on sale of investments		68,982		87,011
Cash obtained on consolidation of subsidiary		-		4,730
Acquisition of mineral properties		(16,819)		-
Exploration and development costs capitalized		(28,179)		-
Acquisition of plant and equipment		(19,926)		(25,309)
Net cash provided by (used in) investing activities		(18,720)		12,997
FINANCING ACTIVITIES				
Issue of common shares		695		62,021
Purchase of shares for cancellation		-		(3,277)
Proceeds of debt financing		11,706		485
Debt retired		(4,770)		-
Net cash provided by financing activities		7,631		59,229
Increase in cash and equivalents		7,713		46,652
Cash and equivalents at beginning of period		69,828		23,176
Cash and equivalents at end of period	\$	77,541	\$	69,828
Supplemental Disclosures				
Interest paid (received)	\$	(1,846)	\$	79
Taxes paid (received)	\$	(15,284)	\$	9,306

See accompanying notes to the audited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the twelve and eleven month periods ended December 31, 2005 and December 31, 2004, respectively

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. The Company owns, a gold/copper mine ("Chelopech") which is being redeveloped and expanded; a feasibility stage gold project ("Krumovgrad"), both located in Bulgaria, and a series of exploration licenses in the Balkans and in Nunavut, Canada.

Effective April 1, 2004, the Company converted from a closed-end investment company to an operating mining company, as a result of the acquisition of mining operations in Bulgaria. These results have been consolidated since the effective date of conversion. The Company changed its year-end from January 31 to December 31 during 2004.

Evaluation and development work continues at both Chelopech and Krumovgrad. These properties require the further commitment of significant funds to develop and expand production. During 2005, the Company's Board of Directors approved the expenditure of US\$75 million to construct the mine at Krumovgrad and US\$175 million to complete the expansion of, and convert Chelopech from concentrate production to gold and copper metal production.

In February 2005, the Company held an option to earn a 60% interest in certain exploration properties located in Nunavut in Canadian Arctic (the "Back River Project"). On March 2, 2006, DPM announced it had entered into a letter agreement with Kinross Gold Corporation to purchase 100% of the George Lake and Goose Lake properties located in Nunavut.

The consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The principal accounting policies followed by the Company are summarized hereunder.

2. SIGNIFICANT ACCOUNTING POLICIES

a) **Consolidation**

These audited consolidated financial statements reflect the consolidation of the Company and its wholly-owned subsidiaries.

b) **Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. The most significant estimates relate to the carrying values of inventories, receivables, investments, capital assets, amortization and depletion rates, asset retirement obligations and the valuation of stock based compensation. Actual results could differ from those estimates.

c) **Foreign Currency Translation**

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.

d) Cash and Cash Equivalents

Cash and cash equivalents include bank balances and short-term investments in money market instruments with original maturities of less than three months and are carried at the lower of cost and fair market value.

e) Inventories

Inventories of gold/copper concentrate are valued at the lower of average production cost and net realizable value. Production costs include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour, mine site overheads and related amortization and depreciation of the mining and processing facilities. 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.

f) Valuation of Investments

Effective April 1, 2004, the Company retroactively changed its method of accounting for investments from recording them at market to historical cost in connection with its conversion from a closed end investment company to an operating mining company. Investments are evaluated for impairment based on the market values. Market values are determined based on the closing prices reported on recognized securities exchanges and over-the-counter markets. When there has been a loss in value of an investment that is determined to be other than a temporary decline, the investment is written down to recognize the loss. Upon application of change in method, the Company has recorded a write-down in 2004 of \$4.7 million (\$3.0 million after tax) related to prior periods for losses determined to be other than temporary.

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

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

Investments in which the Company exercises significant influence but does not control are accounted for using the equity method. All other investments are stated at cost.

g) Property, Plant and Equipment

Mining interests, exploration and development costs

Payments made for the acquisition of land and mineral rights are capitalized. Exploration expenses incurred to the date of establishing that a property has mineral resources, which have the potential of being economically recoverable, are charged to earnings; exploration and development expenses incurred subsequent to this date are allocated to mining properties. Upon commencement of commercial production, all related capital expenditures for any given mineral interest are amortized over the estimated economic life of the property. If a property is abandoned or deemed economically unfeasible, the related project balances are written off.

Amortization rates for these assets are as follows:

- Deferred exploration and development – life of mine; and
- Licenses and other mining rights – lesser of life of mine and economic life.

Property, plant and mine equipment

Property, plant and equipment used in the mining business are recorded at cost. The amortization of mine infrastructure is based on the units-of-production method over the estimated economic life of the related deposit. Where the anticipated useful lives of the buildings, machinery and equipment related to mines are less than the life of the deposit, amortization is based on their remaining anticipated useful lives. Annual reviews for impairment of the producing property and properties under development are conducted. The carrying values of property, plant and equipment, which are not assessed as economically viable, are written down to their estimated fair value.

h) *Asset Retirement Obligations*

Obligations associated with site restoration on the retirement of assets with determinable useful lives are recognized when they are incurred, which is typically at the time the assets are installed. These obligations are measured at fair value, based on the net present value of the estimated future costs, and a corresponding amount equal to that of the obligation is added to the capitalized cost of the related asset. The amount of liability will be subject to periodic re-measurements. Any adjustment to this liability will impact the related asset. Over time, the discounted asset retirement obligation amount will be accreted for the change in its present value, and the accretion is expensed in the related period. The capitalized costs are amortized over the useful lives of the related assets. Other environmental and ongoing site reclamation costs incurred at the operating sites are charged to earnings when the costs are incurred.

Due to uncertainties concerning environmental remediation, the ultimate cost to the Company of future site restoration could differ from the amounts provided. The estimate of the total liability for future site restoration costs is subject to change due to amendments to applicable laws and regulations and as new information concerning the Company's operations becomes available. The Company is not able to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form and substance that these laws and regulations may take.

i) *Revenue Recognition*

Revenue from the sale of gold/copper concentrate is recognized when significant risks and ownership title are transferred to the buyer. Under the terms of certain sales contracts the final gold, copper and silver prices are set based on spot market metal prices on a specified future date after the shipment date. Revenue is recorded based on market prices prevailing at the time of shipment ("provisional price"). The terms of the contracts result in non-hedge derivatives that do not qualify for hedge accounting treatment, because of the difference between the provisional price and the final settlement price. These embedded derivatives, if material, are adjusted to fair value through revenue each period until the date of final price determination.

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

j) *Stock Based Compensation*

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

Grants of stock for services rendered are valued at fair value at the time of the grant, which equals the closing stock price as of that date.

Grants of Deferred Stock Units (“DSU’s”) are valued at fair value at the time of grant, which equals the closing stock price as of that date. The DSU’s that are settled in cash are marked to the current market price at each balance sheet date.

k) Income Taxes

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

l) Earnings Per Share

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

m) Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current presentation.

3. CONSOLIDATION OF SUBSIDIARY

(in thousands of Canadian dollars)

The Company acquired the Bulgarian mining assets within its wholly-owned subsidiary, Dundee Precious Acquisition Inc. (“DPAI”), in September 2003. Prior to April 1, 2004, the accounts of DPAI were not required to be consolidated since the Company was an investment company subject to GAAP for investment companies.

With the conversion of the Company to an operating mining company, the accounts of DPAI were consolidated effective April 1, 2004. The following summarizes the assets included at their assigned values as at the date of consolidation:

Working capital, excluding cash	\$ 5,326
Capital assets	
Chelopech	24,154
Krumovgrad	26,505
	<u>50,659</u>
Long-term debt	(4,074)
Asset retirement obligation	(8,276)
Future income taxes	(1,190)
Accumulated losses of DPAI	3,328
	<u>45,773</u>
Cash on hand as at March 31, 2004	4,730
Total investment in DPAI as at March 31, 2004	<u>\$ 50,503</u>

Accumulated losses of DPAI represent the operating loss of DPAI from the time of acquisition of the Bulgarian mining assets to the date the Company converted to an operating mining company at which time the accounts of DPAI were consolidated.

In addition, DPAI was liable to pay a further US\$12.5 million when the required government approvals and permits to construct and operate the Krumovgrad project are obtained and a 1% royalty on future mineral production on certain grass roots exploration properties. These liabilities were settled for US\$6.5 million on February 3, 2005 (See note 10(b)).

4. INVENTORIES

(in thousands of Canadian dollars)

As at December 31,	2005	2004
Gold/copper ore & concentrate	\$ 5,848	\$ 8,322
Spare parts & supplies	6,203	3,446
	\$ 12,051	\$ 11,768

5. INVESTMENTS

(in thousands of Canadian dollars)

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

As at December 31,	2005	2004
Investments at cost, beginning of period	\$ 117,640	\$ 150,949
Cost of investments purchased during the period	22,778	53,435
Cost of investments sold during the period		
Proceeds from sales	(68,982)	(87,011)
Net realized gain on sale of investments	33,751	52,945
Impaired investments written down to market	(13,720)	(2,175)
Investment in wholly-owned subsidiary which was consolidated effective April 1, 2004	-	(50,503)
Investments at cost, end of period	\$ 91,467	\$ 117,640

Included in investments at cost is \$5.4 million representing an investment that is accounted for by the equity method. The Company's share of the equity investment's loss was \$50,000 and recorded as a loss on investments at December 31, 2005.

6. OTHER ASSETS

(in thousands of Canadian dollars)

As at December 31,	2005	2004
Escrow deposit for asset retirement obligation	\$ 810	\$ -
Deferred financing charges	318	\$ -
Restricted guaranteed investment certificate (GIC) (a)	284	\$ -
Other	76	-
	\$ 1,488	\$ -

(a) The GIC for \$284,000 is restricted and held as collateral for several suppliers until its maturity at April 27, 2006.

7. PROPERTY, PLANT AND EQUIPMENT

(in thousands of Canadian dollars)

As at December 31,	2005			2004		
	Cost	Accumulated depreciation & depletion	Net Book Value	Cost	Accumulated depreciation & depletion	Net Book Value
Mineral properties						
Chelopech	\$ 23,463	\$ 3,053	\$ 20,410	\$ 11,837	\$ 1,611	\$ 10,226
Krumovgrad	45,350	81	45,269	31,390	42	31,348
Back River	20,931	-	20,931	-	-	-
	89,744	3,134	86,610	43,227	1,653	41,574
Buildings, plant and equipment						
Chelopech	53,587	9,707	43,880	35,410	5,596	29,814
Krumovgrad	2,832	201	2,631	2,402	150	2,252
Corporate	1,384	264	1,120	66	-	66
	57,803	10,172	47,631	37,878	5,746	32,132
	\$ 147,547	\$ 13,306	\$ 134,241	\$ 81,105	\$ 7,399	\$ 73,706

8. LONG-TERM DEBT

(in thousands of Canadian dollars)

As at December 31,	2005	2004
Long-term debt	\$ 11,630	\$ 4,808
Less: current portion	-	4,808
	\$ 11,630	\$ -

On April 6, 2005, a wholly-owned subsidiary of the Company, Chelopech Mining EAD, obtained a US\$10.0 (CAD \$11.6) million loan from the European Bank for Reconstruction and Development. The loan is secured by the Chelopech Mine assets and is guaranteed by the Company. It bears interest at LIBOR plus 1.9% and is repayable in eight equal semi-annual installments commencing in June 2007.

On February 3, 2005, the Company retired a US\$4.0 million note payable plus interest accrued as part of a settlement of a contingent liability as described in note 10(b). The note related to the acquisition of the Krumovgrad mineral property, bore interest at LIBOR plus 1% and was repayable in equal quarterly amounts of US\$0.8 million commencing on December 31, 2004.

9. OTHER LONG-TERM LIABILITIES

(in thousands of Canadian dollars)

As at December 31,	2005	2004
Long-term leases	\$ 448	\$ 1,057
Other	125	82
	573	1,139
Less: current portion	448	888
	\$ 125	\$ 251

Lease liabilities are secured by the rights to the leased assets of the Bulgarian operations and would revert to the lessor in the event of default. The leases bear an effective interest rate of 8.42%.

10. CONTINGENT LIABILITIES AND COMMITMENTS

a) *Concession Obligations*

The Company has committed to make capital investments in the underground facilities of the Chelopech mine in accordance with the terms of the concession contract with the Republic of Bulgaria. As at December 31, 2005, these commitments aggregated US\$14.5 million to be incurred over the period 2006 to 2008 as follows:

(in millions of US dollars)

2005	\$	4.0
2006		4.3
2007		3.3
2008		2.9

As at December 31, 2005, the Company has spent US\$26 million in satisfaction of the above concession obligation.

In addition, a concession fee of 1.5% of the current value of the ore extracted is payable to the Republic of Bulgaria. During the period from January 1, 2004 to December 31, 2010, this fee is reduced by 50%, subject to a minimum payment of US\$0.6 million per annum. The balance of the concession fee is to be deposited into an escrow account which will be used to fund environmental risk management and remediation costs. The accumulated balance in the environmental escrow account of US\$697,000 (CAD\$810,000) is included in other assets (see note 6).

b) *Contingent Payment on Acquisition of Krumovgrad and Future Royalty Obligations*

On February 3, 2005, the Company settled for an aggregate of US\$10.5 million the following:

- i) US\$12.5 million contingent liability,
- ii) 1% royalty on future gross revenue from certain grass roots exploration projects, and
- iii) US\$4 million note payable plus accrued interest.

c) *Gold/Copper Concentrate Sales*

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

	Dry metric tons
2006	85,000
2007	65,000
	<u>150,000</u>

The Company has sales contracts with four customers each of which account for greater than 10% of revenues. The basis of mining operations as a concentrate producer at Chelopech at the planned levels of production, are dependent on these sales contracts.

11. INCOME TAXES

(in thousands of Canadian dollars)

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

As at December 31,	2005	2004
Combined federal and provincial statutory income tax rates	36.12%	36.12%
Income tax at statutory rates	\$ 7,780	\$ 1,724
Adjusted for the effect of:		
Non-taxable portion of capital gains	(5,811)	(6,861)
Lower tax rate on foreign earnings	(1,504)	600
Non-deductible stock based compensation expenses	1,151	1,748
Other	33	(328)
Provision for (recovery of) income taxes	\$ 1,649	\$ (3,117)

Significant components of the Company's future income taxes as at December 31, 2005 and December 31, 2004 are as follows:

As at December 31,	2005	2004
Future Income Tax Assets		
Inventory	\$ -	\$ 66
Inventory write-down	-	275
Decommissioning provision	393	326
Deferred interest deductions	-	335
Mining rights	-	168
Deferred exploration	535	-
Investments	-	4
Stock compensation	1,486	-
Impaired investments written-down to market	3,848	1,638
	\$ 6,262	\$ 2,812
Future Income Tax Liabilities		
Depreciable property, plant and equipment	(1,391)	(530)
Deferred exploration	(5,181)	-
	(6,572)	(530)
Net future income tax (liability)/asset	\$ (310)	\$ 2,282

12. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations as at December 31, 2005 have been reflected on the balance sheet at \$9.5 million (2004 - \$8.8 million), to reflect the net present value of the Chelopech mine site closure obligations. During the year ending December 31, 2005, an accretion expense of \$0.7 million (2004 - \$0.6 million) was recognized.

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

13. SHAREHOLDER'S EQUITY

(in thousands of Canadian dollars)

a) Common shares

Authorized

Unlimited common shares without par value

Issued

As at December 31,	2005		2004	
	Number	Amount	Number	Amount
Balance at beginning of period, including share purchase warrants	53,639,675	\$ 189,971	37,767,405	\$ 98,917
Shares issued on exercise of warrants	-	-	8,747,070	43,735
Value of unexercised and expired warrants transferred to contributed surplus	-	-	-	(88)
Shares issued in connection with the termination of the investment management contract (note 15)	-	-	4,625,000	27,842
Shares issued in connection with the exercise of the option (note 15)	-	-	2,500,000	18,286
Shares issued on exercise of stock options	99,332	695	-	-
Shares issued for services rendered	-	-	500,000	3,050
Shares purchased and cancelled	-	-	(499,800)	(1,771)
Balance at end of period	53,739,007	\$ 190,666	53,639,675	\$ 189,971

The weighted average number of shares used to calculate net income per share during the year ended December 31, 2005 was 53,662,061 for basic net income per share and 54,490,333 for diluted net income per share. (December 31, 2004 – 51,694,154 and 51,775,537 for basic and diluted, respectively).

b) Contributed Surplus

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

As at December 31,	2005		2004	
	\$	1,072	\$	456
Balance at beginning of period	\$	1,072	\$	456
Cost of unexercised warrants at expiry	-	-	-	88
Stock based compensation	-	3,188	-	2,034
Cost of shares purchased and cancelled in excess of book value	-	-	-	(1,506)
Balance at end of period	\$	4,260	\$	1,072

c) **Stock Based Compensation**

During the period ended December 31, 2004, the Company established an incentive stock option plan for the directors and selected employees. Pursuant to the plan, the exercise price of the option cannot be less than the market price of the common stock on the date the option is granted. Under the plan, an aggregate of 6,500,000 shares from treasury were made available. Options vest over a three year period and expire five years after the date of grant.

Total stock options outstanding for the periods ending December 31, 2005 and December 31, 2004 were:

	Twelve Months Ended December 31, 2005		Eleven Months Ended December 31, 2004	
	Options (number)	Weighted Avg Exercise Price	Options (number)	Weighted Avg Exercise Price
Balance at beginning of period	4,460,000	\$ 7.00	-	\$ -
Granted	1,010,000	8.42	4,470,000	7.00
Exercised	(99,332)	7.00	-	-
Cancelled or expired	(274,001)	7.44	(10,000)	7.00
Balance at end of period	5,096,667	\$ 7.35	4,460,000	\$ 7.00

As at December 31, 2005, there are 1,364,984 exercisable options at an exercise price of \$7.00.

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding as at December 31, 2005	Weighted-average remaining contractual life	Weighted- average exercise price	Number exercisable as at December 31, 2005	Weighted- average exercise price
\$7.00	4,211,667	4.35	\$7.00	1,364,984	\$7.00
\$7.70-\$9.59	885,000	4.80	\$8.94	-	-
\$7.00-\$9.59	5,096,667	4.43	\$7.35	1,364,984	\$7.00

The fair value of options granted during the twelve months ended December 31, 2005 was estimated using a Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	3.38% - 3.95%
Expected life in years	4.75
Expected volatility	27.71% - 31.56%
Dividends per share	-

The estimated value of the options granted will be recognized over the vesting period. As at December 31, 2005, there is \$5.4 million (2004 - \$6.3 million) to be charged to income in future periods relating to stock option grants.

14. LONG-TERM COMPENSATION

During the fourth quarter ended December 31, 2004, the Company established a Deferred Share Unit ("DSU") Plan for directors and employees. The DSU's are phantom shares which mirror the value of the Company's publicly-traded common shares.

Under the Employee DSU Plan, grants to employees of the Company will be determined by the Board of Directors or the Compensation Committee in lieu of a cash bonus. The DSU's vest immediately and are redeemable in cash on the date the employee ceases to be employed by the Company. During the year, 9,090 DSU's were granted (2004 - 375,000) under the Employee DSU Plan and \$75,000 (2004 - \$2.8 million) was recognized as stock based compensation expense. The DSU issuance was marked to market at December 31, 2005, and as a result, \$980,000 (2004 - \$nil) was charged to earnings during the year.

Under the Director DSU Plan, effective January 1, 2005, directors will receive a portion of their annual compensation in the form of DSU's. The DSU's vest immediately and are redeemable in cash on the date the director ceases to be a director of the Company. During the year, 22,326 DSU's were granted under the Director DSU Plan and \$219,000 was recognized as stock based compensation expense. The DSU issuance was marked to market at December 31, 2005, and as a result, \$30,000 was charged to earnings during the year.

15. TERMINATION OF INVESTMENT MANAGEMENT CONTRACT

Following the approval by shareholders on April 15, 2004, the former Investment Manager, an indirect subsidiary of Dundee Wealth Management Inc. and a related party, was paid \$27.8 million, inclusive of \$0.5 million related to management fees accrued over the period from January 1 to April 15, 2004 plus applicable Goods and Services Tax, in return for canceling the Investment Management Contract. The Manager used the proceeds to subscribe for 4,625,000 common shares of the Company. In addition, as provided in the agreement, the Investment Manager was granted a two day option to subscribe for an additional 2,500,000 shares of the Company at an exercise price of \$7.31 per share, which was exercised. The fair value of the two day option was determined to be nominal.

16. FINANCIAL INSTRUMENTS

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

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

17. SEGMENT INFORMATION

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

The following table summarizes the relative information for the twelve and eleven month periods ended December 31, 2005 and December 31, 2004, respectively.

(in thousands of Canadian dollars)

	Twelve Months December 31, 2005		Eleven Months December 31, 2004	
Net revenue				
Mining operations	\$	17,651	\$	(819)
Investments		23,852		51,418
	\$	41,503	\$	50,599
Net income (loss)				
Mining operations	\$	13,192	\$	(3,703)
Investments ⁽¹⁾		23,852		21,918
Net income of combined segments		37,044		18,215
Corporate		(15,614)		(12,800)
Foreign exchange gain (loss)		109		(641)
Income tax recovery (provision)		(1,649)		3,117
Net income	\$	19,890	\$	7,891
Capital expenditures				
Mining	\$	64,924	\$	25,309
As at December 31		2005		2004
Assets				
Cash	\$	77,541	\$	69,828
Mining operations		161,572		95,748
Investments		98,796		133,068
	\$	337,909	\$	298,644
As at December 31		2005		2004
Assets				
Canada	\$	185,260	\$	197,271
Bulgaria		152,649		101,373
	\$	337,909	\$	298,644

(1) includes cost of terminating investment management contract of \$29.8 million inclusive of Goods and Services Tax (see note 15).

18. SUBSEQUENT EVENTS

On March 2, 2006, the Company announced that it has agreed to purchase a 100% interest in the Back River Project in Nunavut for US\$6 million (Cdn\$7.0 million). DPM had capitalized \$20.8 million on the property to the end of 2005.

19. COMPARATIVE FIGURES

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