

MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations

for the Quarter Ended March 31, 2006

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

This information is provided as at May 9, 2006.

HIGHLIGHTS

- DPM earned \$3.7 million or \$0.07 of earnings per share for the quarter ended March 31, 2006, compared with a net loss of \$1.5 million or \$0.03 per share for the quarter ended March 31, 2005.
- As at March 31, 2006, the Company had working capital of \$73.1 million and an investment portfolio with a market value of \$249.3 million, which in the aggregate equated to \$5.99 per share, up from \$5.12 per share at December 31, 2005.
- The Chelopech gold/copper mine earned a gross profit of \$10.1 million on sales of 14,160 tonnes of gold/copper concentrate as a result of high commodity prices and the improved throughput at the mine.
- Investment activities generated earnings of \$0.4 million for the quarter.
- On March 28, 2006, the Supreme Expert Environmental Council of Bulgaria met and voted in favour of a resolution to approve the Environmental Impact Assessment ("EIA") for the Chelopech expansion project. The final step in the EIA approval process is for the Minister of Environment and Waters ("MoEW") to sign the resolution.
- 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 of the continuing delays, the Krumovgrad Gold Project will be delayed by at least six to nine months.
- DPM signed exploration and mining concessions for three significant properties with the Serbian government 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. DPM is now one of the largest mining concession holders in Serbia.
- 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 has invested \$23.1 million in the property to the end of March 31, 2006 under an outstanding 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 a closed-end investment company to an operating mining company. For periods prior to the effective date of conversion, investments were marked-to-market and the operations related only to the investment activities carried on by the Company. As at April 1, 2004, the mining operations previously acquired were consolidated with the accounts of the Company and the basis of accounting for investments was changed to the cost method.

In Bulgaria, the Company currently owns an operating underground gold/copper mine ("Chelopech") which is being expanded and is in the process of being permitted for conversion from concentrate to metal production; and a feasibility stage gold project ("Krumovgrad Gold Project") which is awaiting regulatory approval for construction and operation. In addition, DPM holds a number of active exploration properties in the Central and Eastern Rhodope regions of the Balkans. In February 2005, the Company acquired an option to earn an interest in certain exploration properties located in Nunavut in the Canadian Arctic (the "Back River Project"). On March 2, 2006, DPM announced it had entered into a letter agreement to purchase 100% of the Back River Project. On April 26, 2006, DPM announced that it had signed three significant exploration and exploitation concessions in one of the larger gold-copper-silver mining regions in Serbia making the Company one of the largest concession holders in the country.

DPM's business objectives are to identify, acquire, finance, develop and operate low cost, long life gold mining properties; and to provide support to selected mining companies by providing required capital through strategic investments. The Company intends to create shareholder value through its disciplined but opportunistic business model. The Company is assembling a pipeline of mining projects at various stages of development. The Company currently has projects in: (1) the operating and redevelopment stage; (2) the feasibility and development stage; (3) the scoping and advanced exploration stage; and (4) the early exploration stage. DPM intends to maximize the potential of and realize value through the exploration, development and operation of its existing properties 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.

DPM had working capital aggregating \$73.1 million and an investment portfolio with a market value of \$249.3 million, which in the aggregate equates to \$5.99 per share as at March 31, 2006. 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. The Company's strategy is to sell certain non-strategic portfolio investments at appropriate times and use the proceeds to make strategic investments and to fund exploration and development activities, as required. One of the Company's key business strategies is to add to its mining pipeline through corporate and property acquisitions. This 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 evaluate properties which could fill DPM's project pipeline and then initiating discussions with the owners of these prospective assets. The Company continues to be active on both fronts.

2006 RESULTS

Mining Activities

Chelopech Gold/Copper Mine

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	Three Months Mar. 31, 2006	Three Months Mar. 31, 2005
Ore mined (mt)	225,893	213,144
Ore processed (mt)	245,819	197,067
Head grade (ore milled)		
Copper (%)	1.35%	1.35%
Gold (g/mt)	3.77	4.01
Concentrate produced (mt)	16,763	13,062
Metals contained in concentrate produced		
Copper (lbs)	6,062,116	4,689,227
Copper (% recovered)	83.14%	79.76%
Gold (ounces)	15,039	10,902
Gold (% recovered)	50.41%	42.94%
Cash cost per tonne of ore processed	\$ 30.08	\$ 32.57
Cash cost per pound of copper in concentrate ⁽¹⁾	\$ 0.71	\$ 0.78
Cash cost per ounce of gold in concentrate ⁽¹⁾	\$ 182	\$ 240
Value of Copper and Gold in Concentrate Sold (US\$000) ⁽²⁾	\$ 17,492	\$ 13,759
Sales		
Sales (US\$000) ⁽³⁾	\$ 17,135	\$ 9,482
Sales (Cdn\$000)	\$ 19,772	\$ 11,635
Concentrate (dmt)	14,160	15,224
Copper in concentrate (lbs)	4,995,045	5,495,927
Gold in concentrate (ounces)	10,107	14,101

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

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

(3) Included in sales is US\$4,613,000 (2005 - US\$114,000) related to the increase in metal prices on the settlement date from the provisional sales amounts reported at the end of the prior period. The large increase in 2006 related to the significant increases in metal prices realized in the first quarter of 2006.

Production

Ore hoisted in the first quarter of 2006 increased by 6% compared to the first quarter of 2005 and reached an all time high of 226,000 tonnes at 1.30% Cu and 3.73 g/t Au (Q1-2005: 213,000 tonnes at 1.36% Cu and 4.00 g/t Au). Ore processed was also at an historical rate of 246,000 tonnes at 1.35% Cu and 3.77 g/t Au, up 25% from comparable period production in 2005 of 197,000 tonnes. The unprocessed ore stock pile on surface exceeded 40,000 tonnes at March 31, 2006.

Concentrate production for the first quarter of 2006 was 16,763 tonnes, 28% more than the 13,062 tonnes produced in the comparable period of the prior year. Copper metal contained in concentrate was 6.1 million pounds, which exceeded production for the comparable period of the previous year by 29%. Gold metal contained in concentrate produced was 15,000 ounces, which exceeded the comparable period of the previous year's production by 38%.

Sales

Sales of gold/copper concentrate totalled 14,160 tonnes for the first quarter of 2006, down 7% from the first quarter of 2005 sales of 15,224 tonnes. Sales yielded revenue, net of freight, treatment charges, penalties and other selling costs, of US\$17.1 million (Q1-2005: US\$9.5 million). The Company benefited from the robust increase in metal prices, realizing average prices for the quarter of US\$2.24 (Q1-2005: US\$1.44) per lb of copper and US\$554 (Q1-2005: US\$416) per oz of gold.

Expansion and Redevelopment

On December 8, 2005, DPM's Board of Directors approved an investment of US\$175 million to undertake the mine expansion and construction of a Metal Production Facility ("MPF") at Chelopech. This investment is based on the results to date of its Definitive Feasibility Study ("DFS") undertaken by GRD Minproc Ltd. ("GRD Minproc"). The estimated cost is comprised of US\$150 million, plus a provision of US\$25 million for an oxygen plant.

The Project

DPM proposes to increase mine production and 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 Tailings Management Facility ("TMF"). The scope of the DFS incorporates the current operation, upgrade of the existing mine and flotation plant, upgrade of existing infrastructure and facilities and the new MPF.

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

An EIA 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 Expert Environmental Council voted in favour of the resolution to approve the EIA, with the exception of the Chairman (Deputy Minister of MoEW). As a result of the Deputy Minister's dissenting vote, the Minister of MoEW called for another Supreme Expert Environmental Council hearing on March 28, 2006. At this hearing, the vote was in favour of approving the EIA. The Minister of MoEW however has not as yet ratified the approval of the EIA, instead calling for opinions from the Ministry of Economy and Energy, as announced on April 14. Subject to the Bulgarian MoEW approving the EIA, it is envisaged the schedule will see ramp-up in production and completion of the facilities occur by October 2008.

In the event that the permits are not forthcoming, the Company is considering alternative locations for the metal processing facilities.

Development

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

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 2005 which improved the rate of advance; however, stabilizing the ground conditions behind the advancing road header continued to present challenges. As of March 31, 2006, approximately 42% of the decline had been completed.

Development of the project requires the acquisition of land from a variety of stakeholders in the Chelopech Municipality. The land is required for the new TMF; and a buffer zone around the existing and new TMF's. The land purchase program is well advanced and scheduled to be fully completed during 2006.

Krumovgrad Gold Project

The Krumovgrad Gold Project has a proven and probable mineral reserve of approximately 4.86 million tonnes of ore grading 5.08 grams of gold per tonne (794,000 contained ounces of gold). A DFS dated June 2005 was prepared by Ausenco Limited of Perth, Australia. On July 5, 2005, the Board of Directors approved the DFS for the construction and operation of its 100% owned project situated in southeastern Bulgaria. The DFS estimated construction costs for the proposed open pit mine and related facilities of US\$75 million, with low unit cash operating costs, after tax payback in less than two years and annual gold production of 150,000 ounces per year for the first four years.

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

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

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 and ore requirements, minimizing stripping requirements early in the mine life and the mining rates.

The mine is expected to produce a total of 4.9 million tonnes of ore (including the low grade stockpile) over 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.

Permitting

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

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, it has now become necessary to commence the suspension of all engineering and procurement activities in an orderly manner, until such time as DPM is assured of obtaining an EIA approval. This is in addition to

suspension of the resettlement program which occurred at the end of February 2006. Consequently, the Krumovgrad Gold Project will be delayed by at least six to nine months.

Exploration

Back River Project

The Back River camp was re-opened and was operational by late March. The field season is expected to span April through to mid October, during which an aggressive drill program of up to 25,000 metres is planned. The focus is to accelerate drill coverage across the Back River property and assess the potential to grow the existing resource base via regional exploration success. Mineralized trends at Boulder Pond and Boot Lake will be drill tested for the first time since 1994 and 1997, respectively, which, despite prospective geology, have received less than five percent of all historical drilling. In addition, step-out drilling is planned to test the strike and depth projections of the Goose Lake and George Lake resource footprints.

The airborne geophysical survey that remained incomplete at the end of the 2005 field season was concluded in late April. Drill testing of targets generated by the airborne survey commenced during mid April.

In early April, an independent compilation of the Back River database was completed, following which all drill data was delivered to RSG Global to prepare updated resource estimates for Goose Lake and George Lake. Concurrently, the Company has initiated a scoping study to broadly evaluate potential development options, which is to be conducted by Roscoe Postle Associates. It is anticipated that both the resource estimate and scoping studies will be completed in July 2006.

On March 2, 2006, DPM entered into a letter of agreement with Kinross Gold Corporation to purchase their 100 percent interest in the Back River Project. The transaction is expected to close during the second quarter.

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 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.

Serbia

On November 18, 2005, following a public tender, the Government of Serbia appointed the Company as concessionaire of the Coka Kuruga, Coka Kupjatra and Tilva Njagra exploration and exploitation concessions located in the Crni Vrh area of Serbia. In April 2006, DPM and the Government of Serbia signed the exploration and mining concession contracts for these concessions. Serbia represents a great opportunity in a significantly under explored area where DPM can apply its expertise gained in Eastern Europe. The Company can maximize the value of its Serbian investments by capitalizing on synergies with its projects in Bulgaria, through the use of modern and systematic exploration methodology.

The three concessions are contiguous and are located approximately 10 kilometres west and northwest of the town of Bor, representing an area of 153 square kilometres. The exploration concession is granted for a three year period, renewable for an additional two years, and includes mining rights which have been granted for 25 years.

In addition to these concessions, DPM is currently the largest concession holder in Serbia with title to 15 exploration license agreements located within both the Cretaceous age Timok Magmatic Complex in northeast Serbia and the Tertiary age Volcanic Complex that passes through southern Serbia. The geology of Serbia represents a continuation of the Cretaceous and Tertiary Arc systems that are found in Greece, Macedonia, Romania, Bulgaria, Ukraine and Turkey.

DPM has budgeted \$13.6 million for the 2006 exploration program in Serbia. The program will focus on further understanding the geological context of the Timok Magmatic Complex in order to define a gold resource within the next two years. Activities to be conducted as part of the 2006 exploration program on the Crni Vrh concessions and the Company's exploration licenses in the Timok region of northeast Serbia consist of a detailed aeromagnetic and TEM heliborne geophysical survey, detailed surface geochemistry, ground based geophysical surveys, detailed geological mapping and structural interpretation. A significant amount of exploration diamond drilling will also be conducted to test the various zones of hydrothermal alteration and confirm previously reported mineralized intercepts generated by historically State funded exploration programs. An environmental baseline study for the Timok licenses has been commenced.

Drilling at prospects on the Company's exploration licences are currently underway in conjunction with detailed surface geochemistry and geological mapping. The heliborne geophysical survey is expected to be complete during the second quarter of 2006.

Investment Activities

As at March 31, 2006, the portfolio had a market value of approximately \$249.3 million. The top three positions as at March 31, 2006, at market are: Tahera Diamond Corporation - \$56.8 million; Cambior Inc. - \$32.5 million; and Miramar Mining Corporation - \$74.7 million. In addition, the Company held equity positions in excess of 10% in five other companies.

DPM invested \$5.9 million in strategic investments. In accordance with the Company's accounting policies, no investments were written down during the quarter as management determined that no decline in value was other than temporary.

FINANCIAL RESULTS

RESULTS OF OPERATIONS

The Company reported net earnings of \$3.7 million or \$0.07 per share for the quarter ended March 31, 2006 compared to a net loss of \$1.5 million or \$0.03 per share for the three months ended March 31, 2005. The increase in net income was attributed to an increase in operating income from mine operations, primarily as a result of increased metal prices.

Condensed Income Statement

<i>Cdn\$ millions</i>	Three Months March 31, 2006	Three Months March 31, 2005
Revenue from mining operations		
Gold/copper concentrate	\$ 19.8	\$ 11.7
Cost of sales	9.7	11.8
Gross profit (loss) from mining operations	\$ 10.1	\$ (0.1)
Net investment income	0.4	0.8
Net earnings before expenses and income tax	\$ 10.5	\$ 0.7
Expenses	(6.7)	(2.3)
Income tax recovery (expense)	(0.1)	0.1
Net earnings (loss)	\$ 3.7	\$ (1.5)
Basic and diluted net earnings (loss) per share	\$ 0.07	\$ (0.03)

Net Earnings Before Expenses and Income Tax

Net earnings before expenses and income tax of \$10.5 million for the three month period ended March 31, 2006, compared with \$0.7 million for the three months ended March 31, 2005, resulted from the following:

- (1) mining operations for the three month period ending March 31, 2006 had an operating profit of \$10.1 million on the sale of 14,160 dry tonnes of gold/copper concentrate compared with a nominal loss of \$0.1 million on the sale of 15,224 dry tonnes reported in the first quarter of 2005. The dramatic increase in profitability was primarily a result of the significantly higher metal prices and improved production rates; and
- (2) the financial results of the investment business for the three month period ending March 31, 2006 contributed \$0.4 million compared with \$0.8 million in the same period last year.

Expenses

Administrative and Other Expenses

Administrative costs were \$2.6 million for the three months ended March 31, 2006, compared to \$1.5 million for the three month period ended March 31, 2005. The increase over the prior year's quarter was due to continued systems and personnel development to support a new and rapidly growing international mining company and an increase in business development activities undertaken during the period.

Exploration Expense

Exploration costs incurred for the three months ended March 31, 2006 were \$1.4 million, compared to \$0.3 million in the comparative period in 2005. 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 quarter was \$1.0 million, calculated using a Black-Scholes model. These costs are charged to operations over their three year vesting period. During the quarter, stock option expense was \$0.9 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 quarter, \$1.1 million was charged to compensation expense related to the 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 slight weakening of the Canadian dollar against both the US dollar and the Euro in recent months has resulted in minor foreign exchange losses over the quarter.

Cash Flow Summary

<i>Cdn\$ millions</i>	Three Months Mar. 31, 2006	Three Months Mar. 31, 2005
Cash provided by (used in)		
Operating activities	\$ (12.8)	\$ (2.1)
Property, plant and equipment	(19.4)	(24.6)
Investment transactions, net	(5.9)	0.3
Financing activities	0.4	(4.7)
Total cash flow	\$ (37.7)	\$ (31.1)

Operating Activities

For the three months ended March 31, 2006, the Company's operating activities used cash of \$12.8 million due primarily to changes to non-cash working capital of \$20.4 million comprised principally of an increase in accounts receivable, offset by cash flow from operations of \$7.6 million. In the comparative three month period ended March 31, 2005, the increase in non-cash working capital absorbed \$2.1 million.

Investing Activities

Investing activities consumed \$25.3 million in cash during the first quarter of 2006. Net changes in investment portfolio activities used \$5.9 million during the quarter, compared with providing \$0.3 million for the same period in 2005. Capital expenditures on property, plant and equipment totalled \$19.4 million and were comprised of: a) exploration and mine development (\$17.1 million); and b) property, plant and equipment (\$2.3 million). In the three month period ended March 31, 2005, the Company expended \$24.6 million on plant and equipment. The following tables provide details of the amounts:

As at March 31, 2006, the Company has capitalized the following costs:

Property, Plant and Equipment

<i>Cdn\$ millions</i>	Acquisition Cost	Project Cost	Total Cost
Back River (<i>Nunavut, Canada</i>)	\$ 9.1	\$ 14.0	\$ 23.1
Chelopech (<i>Bulgaria</i>)	20.3	72.7	93.0
Krumovgrad (<i>Bulgaria</i>)	30.0	19.5	49.5
Corporate	-	1.5	1.5
Total	\$ 59.4	\$ 107.7	\$ 167.1

Chelopech

At Chelopech, \$15.9 million (US\$13.9 million) was spent during the quarter ended March 31, 2006, and \$72.7 million (US\$59.6 million) has been spent on the property from the date of acquisition as follows:

Chelopech Project Costs

<i>US\$ millions</i>	Current Quarter Cost	Total Cost from Date of Acquisition
Project:		
Establishing reserves	\$ 0.3	\$ 4.9
Decline	0.7	7.2
Mine development	1.9	20.4
Mill development	1.2	3.7
Autoclave definitive feasibility study	0.2	9.8
Surface infrastructure	0.3	0.3
Project management	0.3	0.3
Oxygen plant	8.3	8.3
EPCM contractor	0.3	0.3
Other	0.4	4.4
Total	\$ 13.9	\$ 59.6

Krumovgrad

At Krumovgrad, \$1.3 million (US\$1.2 million) was spent during the quarter ended March 31, 2006, and \$19.5 million (US\$15.5 million) has been spent on the property from the date of acquisition as follows:

Krumovgrad Project Costs

<i>US\$ millions</i>	Current Quarter Cost	Total Cost from Date of Acquisition
Project:		
Reserve definition drilling	-	4.5
Definitive feasibility study	-	3.6
Project development	1.2	3.0
Other	-	4.4
Total	1.2	15.5

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 \$14.0 million was expended on exploration activities.

Financing Activities

In the first quarter of 2006, the exercise of stock options provided \$0.4 million. During the comparative period of 2005, financing activities used \$4.8 million for the retirement of debt.

LIQUIDITY

The Company has working capital and marketable securities with a market value in excess of \$322 million as at March 31, 2006. These funds will be used to assist in funding mining and investment activities.

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

Contractual Obligations

<i>Cdn\$ thousands</i>	Total	Payments Due by Period			
		Up to 1 Year	1 - 3 Years	4 - 5 Years	Over 5 years
Long-term debt	\$ 11,680	\$ -	\$ 5,840	\$ 5,840	\$ -
Capital lease obligations	132	132	-	-	-
Operating lease obligations	4,404	1,481	2,047	876	-
Purchase obligations	10,084	9,502	507	75	-
Other long-term obligations	320	320	-	-	-
Total contractual obligations	\$ 26,620	\$ 11,435	\$ 8,394	\$ 6,791	\$ -

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

QUARTERLY INFORMATION

The Company's financial results for the three months ended March 31, 2006 reflect the activities of an operating mining company and the periods to the end of the first quarter of 2004 reflect the results of an investment management company only.

<i>Cdn\$ millions, except per share amounts</i>	2006	2005				2004		
	Q1	Q4	Q3	Q2	Q1	Q4 ⁽¹⁾	Q3	Q2
Gold/copper concentrate sales	\$ 19.8	\$ 33.1	\$ 7.7	\$ 10.8	\$ 11.6	\$ 11.4	\$ 4.7	\$ 10.0
Cost of sales	9.7	18.2	6.2	9.4	11.7	13.2	5.0	8.7
Gross profit (loss)	10.1	14.9	1.5	1.4	(0.1)	(1.8)	(0.3)	1.3
Net investment income (loss)	0.4	(3.2)	25.9	0.3	0.8	10.9	0.8	14.6
Net earnings before undernoted	10.5	11.7	27.4	1.7	0.7	9.1	0.5	15.9
Expenses	(6.7)	(7.5)	(4.3)	(5.8)	(2.3)	(7.6)	(4.0)	(4.3)
Termination fee	-	-	-	-	-	-	-	(29.2)
Income taxes	(0.1)	2.0	(4.1)	0.3	0.1	(0.2)	0.8	6.9
Net income (loss)	3.7	6.2	19.0	(3.8)	(1.5)	1.3	(2.7)	(10.7)
Net earnings (loss) per share basic and fully diluted	\$ 0.07	\$ 0.11	\$ 0.35	\$ (0.07)	\$ (0.03)	\$ 0.03	\$ (0.05)	\$ (0.20)

(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.

2006 OUTLOOK & CHALLENGES

OBJECTIVES

The Company continues to focus on filling the mining project pipeline. The critical objectives in 2006 are to:

- successfully complete the permitting processes in Bulgaria for both the Chelopech and Krumovgrad projects;
- secure up to US\$175 million in project financing for the development of Chelopech and construction of the Krumovgrad Gold Project;
- commence a US\$11.3 million exploration program in Serbia;
- sustain the active exploration of and add to resources at the Back River Project in Nunavut with a \$15.6 million exploration program and complete the acquisition of a 100% interest in the project;
- 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 pursue additional mining opportunities, either through corporate investments or direct property interests.

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

Metal Prices and Currencies

Gold and copper prices have significantly increased to date in 2006. It is currently the Company's policy not to hedge gold prices. There were no hedges in place at March 31, 2006.

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

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

Concentrate Market

The demand for copper metal continues unabated. A combination of consumer demand, particularly from China, low inventories, a number of mine producer technical and grade difficulties and substantial institutional buying has caused the copper price to reach record levels. Short term buyer interest has resulted in record volatilities in the forward markets.

In the copper concentrate market, smelters are actively looking for additional supply, as a result of having completed openings and expansions of their facilities. The demand has led to a reduction of spot treatment and refining charges from the latter part of last year. The deductions are forecast to fall even further as smelters continue to enjoy the benefit of copper price participation in their overall terms.

Chelopech's high arsenic content continues to restrict opportunities to take advantage of smelter demand resulting in mine production having to be restrained until metal production becomes part of the mine's operations.

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 44% of total assets at March 31, 2006. As such, the application of the Company's accounting policies for these assets has a material impact on the Company's financial results. Property, plant and equipment and related capitalized expenditures are recorded at cost. Amortization expense is based on the estimated useful lives of these assets. The carrying values of mining properties and property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Impairment assessments are based on estimates of future cash flows, which include: the quantity of mineral reserves; future metal prices and future operating and capital costs to mine and process the Company's reserves. The variability of these factors depends on a number of conditions, including the uncertainty of future events, and as a result, accounting estimates may change from one period to another. Asset balances could be materially impacted if other assumptions and estimates had been used. In addition, future operating results could be impacted if different assumptions and estimates are applied in future periods.

Income Taxes

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

Investments

Investments represent 28% of total assets at March 31, 2006. As such, the application of the Company's accounting policies for these assets has a material effect on the Company's financial results. Investments are recorded at cost. Investments 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; 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.

GLOSSARY OF KEY TERMS

Units of Measure Abbreviations

a	annum
Ag	silver
Au	gold
Cu	copper
dmt	dry metric tonnes
Eq	equivalent
g	grams
g/t	grams per tonne
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.

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.

DUNDEE PRECIOUS METALS INC.
CONSOLIDATED BALANCE SHEETS
As at March 31, 2006 and December 31, 2005
(unaudited, in thousands of Canadian dollars)

	March 31, 2006	December 31, 2005
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 39,845	\$ 77,541
Accounts receivable	28,367	11,316
Inventories (note 2)	14,384	12,051
Prepaid expenses	4,410	3,543
Income tax recoverable	777	-
Total current assets	87,783	104,451
Investments (market value-\$249,341; December 2005-\$184,690) (note 3)	97,225	91,467
Other assets (note 4)	1,979	1,488
Property, plant & equipment (note 5)	151,775	134,241
Future income tax asset	7,491	6,262
Total assets	\$ 346,253	\$ 337,909
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 14,531	\$ 13,320
Current portion of other long-term liabilities (note 7)	132	448
Total current liabilities	14,663	13,768
Long-Term Liabilities		
Long-term debt (note 6)	11,680	11,630
Other long-term liabilities (note 7)	320	125
Asset retirement obligations (note 10)	9,717	9,524
Long-term compensation (note 12)	5,227	4,109
Future income tax liability	7,428	6,572
Total long-term liabilities	34,372	31,960
SHAREHOLDERS' EQUITY		
Share capital (note 11a)	191,382	190,666
Contributed surplus (note 11b)	4,877	4,260
Retained earnings	100,959	97,255
Total shareholders' equity	297,218	292,181
Total liabilities and shareholders' equity	\$ 346,253	\$ 337,909

Contingent liabilities and commitments (note 8)

See accompanying notes to the unaudited consolidated financial statements.

DUNDEE PRECIOUS METALS INC.

CONSOLIDATED STATEMENTS OF EARNINGS

For the three months ended March 31, 2006 and 2005

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

	March 31, 2006	March 31, 2005
Mining operations		
Gold/copper concentrate revenue	\$ 19,772	\$ 11,635
Cost of sales	9,689	11,760
Gross profit (loss)	10,083	(125)
Investment income		
Dividends, interest and other income	348	121
Net realized gain on sale of investments	17	2,334
Impaired investments written down to market	-	(1,629)
Total investment income	365	826
Net earnings before expenses and income taxes	10,448	701
Expenses		
Administrative and other expenses	2,570	1,498
Stock based compensation expense	2,043	1,038
Exploration expense	1,359	336
Amortization of property, plant and equipment	251	88
Financing costs	218	298
Foreign exchange loss (gain)	165	(932)
Total expenses	6,606	2,326
Earnings (loss) before income taxes	3,842	(1,625)
Provision for (recovery of) income taxes (note 9)		
Current	542	(318)
Future	(404)	204
Total provision for (recovery of) income taxes	138	(114)
Net earnings (loss) for the period	\$ 3,704	\$ (1,511)
Basic and diluted net earnings (loss) per share	\$ 0.07	\$ (0.03)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the three months ended March 31, 2006 and 2005

(unaudited, in thousands of Canadian dollars)

	March 31, 2006	March 31, 2005
Balance at beginning of period	\$ 97,255	\$ 77,365
Net Earnings (loss)	3,704	(1,511)
Balance at end of period	\$ 100,959	\$ 75,854

DUNDEE PRECIOUS METALS INC.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the three months ended March 31, 2006 and 2005

(unaudited, in thousands of Canadian dollars)

	March 31, 2006	March 31, 2005
OPERATING ACTIVITIES		
Net earnings (loss) for the period	\$ 3,704	\$ (1,511)
Non-cash charges (credits) to earnings		
Amortization of property, plant and equipment	2,008	1,275
Stock based compensation expense	2,043	1,038
Gain on sale of investments	(17)	(2,334)
Write down of investments to market value	-	1,629
Future income taxes	(404)	204
Other non-cash charges	281	(262)
Changes in non-cash working capital		
Increase in accounts receivable	(17,051)	(3,205)
Increase in inventories	(2,333)	(634)
Decrease (increase) in other assets	(2,135)	3,204
Increase (decrease) in accounts payable	1,211	(1,498)
Decrease in other liabilities	(121)	-
Net cash used in operating activities	(12,814)	(2,094)
INVESTING ACTIVITIES		
Purchase of investments	(5,865)	(2,690)
Proceeds on sale of investments	20	3,009
Acquisition of mineral properties	-	(16,819)
Exploration and development costs capitalized	(17,114)	(5,115)
Acquisition of plant and equipment	(2,331)	(2,642)
Net cash used in investing activities	(25,290)	(24,257)
FINANCING ACTIVITIES		
Issue of common shares	408	-
Debt retired	-	(4,770)
Net cash provided by (used in) financing activities	408	(4,770)
Decrease in cash and equivalents	(37,696)	(31,121)
Cash and equivalents at beginning of period	77,541	69,828
Cash and equivalents at end of period	\$ 39,845	\$ 38,707
Supplemental Disclosures		
Interest paid (received)	\$ (145)	\$ 235
Taxes paid	\$ 647	\$ -

See accompanying notes to the unaudited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS*For the three months ended March 31, 2006***1. BASIS OF PRESENTATION**

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

2. INVENTORIES

<i>(in thousands of Canadian dollars)</i>	March 31, 2006	December 31, 2005
Gold/copper ore & concentrate	\$ 7,652	\$ 5,848
Spare parts & supplies	6,732	6,203
	\$ 14,384	\$ 12,051

3. INVESTMENTS

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

<i>(in thousands of Canadian dollars)</i>	March 31, 2006	December 31, 2005
Investments at cost, beginning of period	\$ 91,467	\$ 117,640
Cost of investments purchased during the period	5,865	22,778
Cost of investments sold during the period		
Proceeds from sales	(20)	(68,982)
Net realized gain on sale of investments	17	33,801
Impaired investments written down to market	-	(13,720)
Loss on equity investments	(104)	(50)
Investments at cost, end of period	\$ 97,225	\$ 91,467

Included in investments at cost is \$10.6 million representing investments that are accounted for by the equity method. The Company's share of the equity investment's loss was \$104,000 and was recorded as a loss on investments and included in other income at March 31, 2006.

4. OTHER ASSETS

<i>(in thousands of Canadian dollars)</i>	March 31, 2006	December 31, 2005
Escrow deposit for asset retirement obligation	\$ 1,385	\$ 810
Deferred financing charges	293	\$ 318
Restricted guaranteed investment certificate (GIC) (a)	284	\$ 284
Other	17	76
	\$ 1,979	\$ 1,488

(a) The GIC is restricted and held as collateral for several suppliers until its maturity on April 27, 2006.

5. PROPERTY, PLANT AND EQUIPMENT

(in thousands of Canadian dollars)

	March 31, 2006			December 31, 2005		
	Cost	Accumulated Depreciation & Depletion	Net Book Value	Cost	Accumulated Depreciation & Depletion	Net Book Value
Mineral properties						
Chelopech	\$ 37,408	\$ 3,473	\$ 33,935	\$ 23,463	\$ 3,053	\$ 20,410
Krumovgrad	46,480	95	46,385	45,350	81	45,269
Back River	23,113	-	23,113	20,931	-	20,931
	107,001	3,568	103,433	89,744	3,134	86,610
Buildings, plant and equipment						
Chelopech	55,554	11,089	44,465	53,587	9,707	43,880
Krumovgrad	3,061	275	2,786	2,832	201	2,631
Corporate	1,472	381	1,091	1,384	264	1,120
	60,087	11,745	48,342	57,803	10,172	47,631
	\$ 167,088	\$ 15,313	\$ 151,775	\$ 147,547	\$ 13,306	\$ 134,241

6. LONG-TERM DEBT

<i>(in thousands of Canadian dollars)</i>	March 31, 2006	December 31, 2005
Long-term debt	\$ 11,680	\$ 11,630
Less: current portion	-	-
	\$ 11,680	\$ 11,630

On April 6, 2005, a wholly-owned subsidiary of the Company, Chelopech Mining EAD, obtained a US\$10.0 (CAD \$11.7) 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.

7. OTHER LONG-TERM LIABILITIES

<i>(in thousands of Canadian dollars)</i>	March 31, 2006	December 31, 2005
Long-term leases	\$ 132	\$ 448
Other	320	125
	452	573
Less: current portion	132	448
	\$ 320	\$ 125

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%.

8. CONTINGENT LIABILITIES AND COMMITMENTS

Concession Obligations

The Company has committed to make capital investments of \$10.5 million in the underground facilities of the Chelopech mine. As at March 31, 2006, the Company has spent US\$29 million in satisfaction of the above concession obligation.

In addition, a concession fee of 1.5% of the current value of the ore extracted is payable to the Republic of Bulgaria. During the period from January 1, 2004 to December 31, 2010, this fee is reduced by 50%, subject to a minimum payment of US\$0.6 million per annum. The balance of the concession fee is to be deposited into an escrow account which will be used to fund environmental risk management and remediation costs. The accumulated balance in the environmental escrow account of US\$1,186,000 (CAD\$1,385,000) is included in other assets (see note 4).

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:

<u>Dry metric tons</u>	
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.

9. INCOME TAXES

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

<i>(in thousands of Canadian dollars)</i>	March 31, 2006	March 31, 2005
Combined federal and provincial statutory income tax rates	36.12%	36.12%
Income tax at statutory rates	\$ 1,341	\$ (587)
Adjusted for the effect of:		
Non-taxable portion of capital gains	(3)	(422)
Investments written down	-	294
Lower rate on foreign earnings	(1,573)	1,322
Other	373	(721)
Provision for (recovery of) income taxes	\$ 138	\$ (114)

10. ASSET RETIREMENT OBLIGATIONS

Asset retirement obligations as at March 31, 2006 have been reflected on the balance sheet at \$9.7 million (2005 - \$9.5 million), which reflects the net present value of the Chelopech mine site closure obligations. During the three months ending March 31, 2006, an accretion expense of \$0.2 million (2005 - \$0.2 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.

11. SHAREHOLDER'S EQUITY

a) Common shares

Authorized

Unlimited common shares without par value

Issued

<i>(in thousands of Canadian dollars)</i>	March 31, 2006		December 31, 2005	
	Number	Amount	Number	Amount
Balance at beginning of period	53,739,007	\$ 190,666	53,639,675	\$ 189,971
Shares issued on exercise of				
stock options	58,333	408	99,332	695
Transferred from contributed surplus				
on exercise of stock options		308		-
Balance at end of period	53,797,340	\$ 191,382	53,739,007	\$ 190,666

The weighted average number of shares used to calculate net income per share during the quarter ended March 31, 2006 was 53,739,655 for basic net income per share and 55,275,339 for diluted net income per share. (March 31, 2005 – 53,639,675 and 53,703,586 for basic and diluted, respectively).

b) Contributed Surplus

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

<i>(in thousands of Canadian dollars)</i>	March 31, 2006	December 31, 2005
Balance at beginning of period	\$ 4,260	\$ 1,072
Stock based compensation expense	925	3,188
Transferred to capital stock on exercise of stock options	(308)	-
Balance at end of period	\$ 4,877	\$ 4,260

c) Stock Based Compensation

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

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

	Three Months Ended March 31, 2006		Twelve Months Ended December 31, 2005	
	Options (number)	Weighted Average Exercise Price	Options (number)	Weighted Average Exercise Price
Balance at beginning of period	5,096,667	\$ 7.35	4,460,000	\$ 7.00
Granted	195,000	12.65	1,010,000	8.42
Exercised	(58,333)	7.00	(99,332)	7.00
Cancelled or expired	(33,334)	7.00	(274,001)	7.44
Balance at end of period	5,200,000	\$ 7.54	5,096,667	\$ 7.35

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding as at Mar. 31, 2006	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable as at Mar. 31, 2006	Weighted average exercise price
\$7.00	4,120,000	2.92	\$7.00	2,713,320	\$7.00
\$7.70-\$12.65	1,080,000	4.46	\$9.61	93,332	\$8.60
\$7.00-\$12.65	5,200,000	3.24	\$7.54	2,806,652	\$7.05

The fair value of options granted during the three months ended March 31, 2006 was estimated using a Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	4.14%
Expected life in years	4.75
Expected volatility	42.4%
Dividends per share	-

The estimated value of the options granted will be recognized over the vesting period. As at March 31, 2006, there is \$5.5 million (2005 - \$6.8 million) to be charged to income in future periods relating to stock option grants.

12. LONG-TERM COMPENSATION

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

Under the Employee DSU Plan, grants to employees of the Company will be determined by the Board of Directors or the Compensation Committee in lieu of a cash bonus. The DSU's vest immediately and are redeemable in cash on the date the employee ceases to be employed by the Company. During the quarter, no DSU's were granted (2005 - nil) under the Employee DSU Plan. The outstanding DSU's were marked to market at March 31, 2006, and as a result, \$979,000 (2005 - \$195,000) was charged to earnings during the quarter.

Under the Director DSU Plan, effective January 1, 2005, directors receive a portion of their annual compensation in the form of DSU's. The DSU's vest immediately and are redeemable in cash on the date the director ceases to be a director of the Company. During the quarter, 6,000 DSU's were granted (2005 - 5,400) under the Director DSU Plan and \$75,600 (2005 - \$43,200) was recognized as stock based compensation expense. The outstanding DSU's were marked to market at March 31, 2006, and as a result, \$63,000 (2005 - \$nil) was charged to earnings during the quarter.

13. 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.

14. 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 following periods and as at the dates disclosed.

(in thousands of Canadian dollars)

Three months ended	March 31, 2006	March 31, 2005
Net revenue		
Mining operations	\$ 10,083	\$ (125)
Investments	365	826
	\$ 10,448	\$ 701
Net income (loss)		
Mining operations	\$ 8,724	\$ (461)
Investments	365	826
Net income of combined segments	9,089	365
Corporate	(5,082)	(3,213)
Foreign exchange gain (loss)	(165)	932
Income tax recovery (provision)	(138)	114
Net income (loss)	\$ 3,704	\$ (1,802)
Capital expenditures		
Mining	\$ 19,445	\$ 24,576
	March 31, 2006	December 31, 2005
Assets		
Cash	\$ 39,845	\$ 77,541
Mining operations	199,954	161,572
Investments	106,454	98,796
	\$ 346,253	\$ 337,909
	March 31, 2006	December 31, 2005
Assets		
Canada	\$ 167,419	\$ 185,260
Bulgaria	178,834	152,649
	\$ 346,253	\$ 337,909

15. COMPARATIVE FIGURES

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