MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations

for the Financial Year Ended December 31, 2008

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

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The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Dundee Precious Metals Inc. ("DPM" or the "Company") for the financial year ended December 31, 2008. This discussion should be read in conjunction with the consolidated financial statements and the notes thereto. Additional Company information, including the Company's most recent Financial Statements and Annual Information Form, can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and the Company's website at www.dundeeprecious.com. Information contained on the Company's website is not incorporated herein and does not form part of this MD&A.

This information is provided as at February 19, 2009.

OVERVIEW

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

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

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

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

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

SELECTED ANNUAL INFORMATION

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

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

$ thousands, except per share amounts **At December 31,**	**2008**	2007	2006
Net revenue	**$ 105,053**	$ 122,417	$ 110,935
Investment and other income (expense)	**(25,752)**	38,947	64,859
Net earnings (loss)	**(79,195)**	15,375	69,732
Basic net earnings (loss) per share	**$ (1.20)**	$ 0.27	$ 1.29
Diluted net earnings (loss) per share	**$ (1.20)**	$ 0.26	$ 1.26
Total assets	**568,634**	538,468	454,854
Long-term debt, including current portion[1]	**26,025**	9,708	16,897

Key events, impacting the variation in results over this period include (i) 2008 equity offering for aggregate net proceeds of approximately $77.2 million (issuance of 35,556,000 common shares and 20,444,500 common share purchase warrants); (ii) 2007 equity offering for aggregate net proceeds of $77.5 million (issuance of 5,520,000 common shares, 2,760,000 common share purchase warrants and 1,955,000 flow-through common shares); (iii) the August 2006 acquisition of an initial 80% interest of Vatrin which holds 100% interest in Deno Gold (subsequently increased to 95% in December 2007); (iv) 2006 acquisition of 100% interest in the Back River project; (v) increasing operating costs alongside improved operating practices (including environment, health and safety) and industry-wide cost increases; (vi) a depreciating U.S. dollar compared to the Euro and the Canadian dollar; (vi) significant decrease in base metal prices in the second half of 2008; and (vii) write-down of the carrying value of the Back River project to its fair market value in December 2008.

RESULTS OF OPERATIONS

Executive Summary and 2009 Outlook

As the global economic downturn progresses and the major industrialized nations fall deeper into recession, we observe companies cutting thousands of jobs and a sharp slowdown in industrial activity and output. The severe recession and ongoing financial crisis are forcing banks to tighten lending standards, making it harder for companies and developers to obtain financing for new projects. The substantial government economic stimulus packages that have been recently approved are expected to provide some relief, however, the timing and significance of these undertakings will not be known for many months.

Base metal prices in the first half of 2008 were strong but declined significantly in the second half of 2008 with copper falling more than 60% to US$1.32 per pound and zinc falling more than 40% to US$0.51 per pound at December 31, 2008. In the same period, the gold price fell a modest 7% to US$865 per troy ounce, maintaining its safe haven status. Expectations are that gold prices will continue to rally in the face of unstable currency and financial markets but non-ferrous metal markets will remain at low levels pending an economic recovery.

[1] In 2008 and 2007, the Company's long-term debt is carried at fair value. This change was applied on a retroactive basis with no restatement and, as such, the long-term debt in 2006 is carried at cost.

Notwithstanding the substantial deterioration in the financial markets, in the fourth quarter of 2008, DPM successfully completed an equity offering that raised net proceeds of $77.2 million (gross proceeds of $81.6 million) through the sale and issuance of 35,556,000 common shares and 20,444,500 common share purchase warrants which give the holder the right to purchase one common share of the Company at the price of $3.25 per share until November 20, 2015. Proceeds from the offering will be used for ongoing operating and working capital requirements, potential strategic arrangements, capital expenditures, including project capital for the Chelopech mine and processing plant expansion, and general corporate purposes.

In response to the slowdown in global markets, company-wide plans have been formulated and steps have been taken to reduce, eliminate and/or defer all non-critical expenditures and to identify potential strategic opportunities for certain of its exploration assets. In the fourth quarter of 2008, DPM ceased all exploration and drilling activities on its Armenian and Serbian properties and at its Back River project. In addition, during this period, the Company entered into discussions surrounding strategic opportunities for the advancement of the Back River project.

In view of the volatility and uncertainty in the financial markets and markets in general, the Company has written-down the carrying value of its Back River project by $47.0 million to what it believes is its fair market value of $34 million.

As previously announced, an orderly shutdown to place the Deno Gold operations on care and maintenance, pending a significant improvement in metal prices, was completed in November 2008. In an agreement reached on January 15, 2009 between Deno Gold and the Republic of Armenia's ("RA") Ministry of Energy and Natural Resources (the "Ministry"), amongst other things, it was agreed that:

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

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

(iii) The Centralni license will be terminated and all contractual responsibility of Deno Gold, in its entirety, with respect to such license would be waived with the exception of certain very limited reclamation/re-cultivation works and the preparation and implementation of a mine underground closure and conservation plan, all in compliance with RA legislation.

DPM remains committed to its investment in the RA and looks forward to resuming operations and its development plans when the economic climate improves.

While operations at the Chelopech mining facilities are continuing their normal course, steps have been taken to reduce, eliminate and/or defer non-critical expenditures. The Chelopech concentrate sales contract with Namibian Custom Smelters ("NCS") was extended to 2013, giving Chelopech the right to sell up to 120,000 tonnes of concentrate per year to NCS for the years 2011, 2012 and 2013 and to reduce concentrate sales on 12 months' notice to allow for the start-up of the metals processing facility ("Facility") in Bulgaria. This arrangement provides the Company with assurances regarding the processing of its concentrate while it finalizes its plans for the construction and start-up of the Chelopech expansion project. In December 2008, Chelopech signed a loan agreement with NCS, a subsidiary of Weatherly International plc ("WTI"), to advance NCS up to US$7 million of long-term debt. Proceeds from the loan will be used by NCS for working capital purposes and improvements at NCS's Tsumeb smelter.

Following the approval of the Chelopech environmental impact assessment ("EIA") by the Bulgarian Minister of Environment and Water ("MoEW") in July 2008, DPM began the process of obtaining the necessary construction and operating permits to expand the Chelopech project to, among other things, increase mine production capacity to two million tonnes of ore per year (the permit allows for an expansion of up to three million tonnes per year) and the construction of the Facility.

Pursuant to a Memorandum of Understanding ("MOU") with the Bulgarian Government signed in July 2008, the Bulgarian Government will own a 25% interest in a yet to be formed joint stock company that will construct, own and operate the Chelopech Facility designed to process the Chelopech copper/gold concentrate into finished metals. Chelopech has also agreed to pay a higher royalty in accordance with the Bulgarian Ordinance on Royalty Computation for all metals that can be mined economically and to provide a financial guarantee for environmental closure and rehabilitation costs for the Chelopech mine. The feasibility study in respect of the Chelopech expansion project is currently being updated to reflect current circumstances. The official recommencement of the Chelopech expansion project will be dependent on satisfactory results and acceptance of the updated DFS anticipated in the first quarter of 2009, receipt of the required permits, approval by DPM's Board of Directors and external financing.

For the year 2009, the Company currently plans to invest approximately US$22 million at Chelopech for capital projects.

Summary of Net Earnings (Loss)

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

Condensed Income Statement

$ thousands, except per share amounts	Three Months		Twelve Months	
Ended December 31,	**2008**	2007	**2008**	2007
Net revenue	**$ 15,868**	$ 22,246	**$ 105,053**	$ 122,417
Cost of sales	**35,075**	25,593	**109,620**	82,488
Gross profit (loss) from mining operations	**(19,207)**	(3,347)	**(4,567)**	39,929
Property impairment provisions	**(48,780)**	(188)	**(48,780)**	(732)
Investment and other income (expense)	**(5,858)**	8,320	**23,028**	39,679
Earnings (loss) before the undernoted	**(73,845)**	4,785	**(30,319)**	78,876
Exploration expense	**5,351**	7,745	**26,811**	29,232
Administrative and other expenses	**4,315**	5,697	**19,859**	21,184
Other expenses (income)	**5,243**	(310)	**6,972**	7,198
Total expenses – net	**14,909**	13,132	**53,642**	57,614
Income tax expense (recovery)	**(8,712)**	1,147	**(4,766)**	5,887
Net earnings (loss)	**$ (80,042)**	$ (9,494)	**$ (79,195)**	$ 15,375
Net earnings (loss) per share				
- basic	**$ (1.03)**	$ (0.15)	**$ (1.20)**	$ 0.27
- diluted	**$ (1.03)**	$ (0.15)	**$ (1.20)**	$ 0.26

The net loss in the fourth quarter of 2008 of $80.0 million was significantly higher than the net loss of $9.5 million in the corresponding prior year period due to a property impairment provision of $47.0 million to write-down the carrying value of the Back River project and increased losses from mining operations. The gross loss from operations in the fourth quarter of 2008 was greater than the corresponding prior year period due primarily to significantly lower selling prices for copper, zinc and silver and unfavourable marked-to-market adjustments relating to the open positions of provisionally priced concentrate sales partially offset by higher deliveries of concentrates**.**

The net loss in the twelve months ended December 31, 2008 was $79.2 million compared to net earnings of $15.4 million in the corresponding prior year period. The significant decrease in earnings was due to a property impairment provision, increased losses from mining operations and lower investment income. The gross loss from mining operations in the twelve months of 2008 was primarily due to lower deliveries of concentrates, unfavourable marked-to-market adjustments relating to the open positions of provisionally priced sales and higher production costs at Deno Gold and Chelopech.

Earnings (Loss) before Expenses:

(1) Revenue from the sale of concentrates of $15.9 million in the fourth quarter of 2008 was $6.4 million or 29% lower than fourth quarter of 2007 due to significantly lower selling prices for copper, zinc and silver partially offset by higher deliveries of concentrates from Deno Gold and Chelopech. The average LME cash copper price[2] and the average LME cash zinc price[2] in the fourth quarter of 2008 were, respectively, 46% and 55% lower than fourth quarter of 2007 average prices resulting in a significant decrease in revenue in the fourth quarter of 2008. In addition, unfavourable marked-to-market adjustments of $11.3 million relating to the open positions of provisionally priced concentrate sales were recorded in the fourth quarter of 2008 as a result of the decline in forward prices for copper and zinc as at December 31, 2008 relative to September 30, 2008. Unfavourable marked-to-market adjustments of $1.8 million were recorded in the fourth quarter of 2007. Deliveries of concentrates produced at Chelopech of 15,964 tonnes in the fourth quarter of 2008 were 7% higher than fourth quarter of 2007 deliveries of 14,873 tonnes due to a drawdown of concentrate inventories in the fourth quarter of 2008 whereas, in the fourth quarter of 2007, there was a build-up of concentrate inventories. Deliveries of concentrates produced at Deno Gold of 4,528 tonnes in the fourth quarter of 2008 were 69% higher than fourth quarter of 2007 deliveries of 2,678 tonnes as a result of a drawdown of concentrate inventory. In addition, an increase in payable metals in concentrate sold as a result of higher grades and recoveries for all metals had a positive impact on revenue in the period.

Revenue from the sale of concentrates of $105.0 million in the year 2008 was $17.4 million or 14% lower than the corresponding prior year period due to lower deliveries of concentrates produced at Chelopech and lower selling prices for zinc and copper partially offset by higher selling prices for gold and silver and higher deliveries of concentrates produced at Deno Gold. The average LME cash copper price[2] and the average LME cash zinc price[2] were, respectively, 2% and 42% lower than prior year average prices. The average London Bullion gold price[2] was 25% higher than prior year average price. In addition, unfavourable marked-to-market adjustments of $12.8 million relating to the open positions of provisionally priced concentrate sales were recorded in the twelve months of 2008 as a result of the decline in forward prices for copper and zinc in the year 2008. Favourable marked-to-market adjustments of $6.9 million were recorded in the year 2007. Deliveries of concentrates produced at Chelopech of 56,760 tonnes in the year 2008 were 15% lower than the corresponding prior year deliveries of 66,712 tonnes due primarily to lower production of concentrates in the year 2008 as a result of lower volumes of material processed, lower copper and silver grades and lower recoveries for all metals. Deliveries of concentrates produced at Deno Gold of 10,777 tonnes were 41% higher than the corresponding prior year deliveries of 7,662 tonnes due to increased production of concentrates in the year 2008 as a result of improved grades and recoveries for all metals which more than compensated for the lower volumes of material processed. In addition, an increase in payable metals in concentrate sold as a result of improved grades and recoveries for all metals in the twelve months of 2008 relative to the corresponding prior year period had a positive impact on revenue in the period.

(2) Cost of sales of $35.1 million in the fourth quarter of 2008 was $9.5 million or 37% higher than the corresponding prior year period due primarily to higher deliveries of concentrates.

Cost of sales of $109.6 million in the twelve months of 2008 was $27.1 million or 33% higher than the corresponding prior year period due primarily to higher operating costs at Chelopech and Deno Gold.

Cash cost per tonne of ore processed[3] at Chelopech in the fourth quarter of 2008 of US$54.52 was comparable to fourth quarter of 2007 cash cost per tonne of ore processed[3] of US$54.73 due to the favourable impact of a weaker Euro relative to the U.S. dollar offset by higher spending on hydraulic backfill (which commenced in the second quarter of 2008) and lower volumes of material processed. Cash cost per tonne of ore processed[3] at Deno Gold in the fourth quarter of 2008 of US$108.03 was

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

[3] A reconciliation of the Company's cash cost per tonne ore processed to cost of sales under Canadian GAAP for the years 2008 and 2007 is shown in the table entitled "Non-GAAP Financial Measures."

11% lower than fourth quarter of 2007 cash cost per tonne of ore processed[3] of US$121.28. Lower spending on administrative expenses and mining costs in the fourth quarter of 2008 relative to the corresponding prior year period more than offset the lower volumes of material processed.

Cash cost per tonne of ore processed[3] at Chelopech in the twelve months of 2008 increased by 31% relative to the corresponding prior year period due to expenditures associated with cemented rockfill and hydraulic backfill in the mine (which commenced in fourth quarter of 2007 and second quarter of 2008, respectively), the appreciation of the Euro relative to the U.S. dollar, higher employment expenses, higher royalties and higher rates for diesel and power. Cash cost per tonne of ore processed[3] at Deno Gold increased by 30% in the twelve months of 2008 compared with the corresponding prior year period due to lower volumes of material processed, the increase in human resources and materials required to improve the levels of safety, communications and general operating standards consistent with the Company's required levels and higher prices for fuel, diesel and some reagents.

(3) Chelopech recorded a gross loss from mining operations of $11.4 million in the fourth quarter of 2008 compared to a gross profit of $4.4 million in the fourth quarter of 2007. The gross loss from mining operations was due to significantly lower selling prices for copper and silver and higher cost inventories flowing through the period partially offset by higher deliveries of concentrates. The average LME cash copper price[2] in the fourth quarter of 2008 was 46% lower than fourth quarter of 2007 average price resulting in a gross loss in the fourth quarter of 2008. In addition, unfavourable marked-to-market adjustments of $8.2 million on the open positions of provisionally priced concentrate sales were recorded in the fourth quarter of 2008 compared to unfavourable adjustments of $1.3 million in the fourth quarter of 2007.

Chelopech recorded a gross profit from mining operations of $16.8 million in the twelve months of 2008 compared to a gross profit from mining operations of $53.8 million in the twelve months of 2007. The decrease in gross profit from mining operations was primarily due to lower deliveries of concentrates and higher production costs partially offset by higher selling prices for gold. The average London Bullion gold price[2] was 25% higher than prior year average price. In addition, unfavourable marked-to-market adjustments of $8.5 million relating to the open positions of provisionally priced concentrate sales were recorded in the twelve months of 2008 as a result of the significant decrease in copper prices in the year 2008. Favourable adjustments of $7.8 million were recorded in the twelve months of 2007.

Deno Gold recorded a gross loss from mining operations of $7.8 million in the fourth quarter of 2008, which was comparable to a gross loss from mining operations of $7.7 million recorded in the fourth quarter of 2007. Higher deliveries of concentrates in the fourth quarter of 2008 relative to the corresponding prior year period and lower production costs helped mitigate the negative impact of lower selling prices for copper and zinc. The average LME cash copper price[2] and the average LME cash zinc price[2] in the fourth quarter of 2008 were, respectively, 46% and 55% lower than fourth quarter of 2007 average prices resulting in a significant decrease in revenue in the fourth quarter of 2008. In addition, unfavourable marked-to-market adjustments of $3.1 million on the open positions of provisionally priced concentrate sales were recorded in the fourth quarter of 2008 compared to unfavourable adjustments of $0.5 million in the fourth quarter of 2007.

Deno Gold recorded a gross loss from mining operations of $21.4 million in the twelve months of 2008 compared to a gross loss from mining operations of $13.9 million in the twelve months of 2007. The increased loss from mining operations was due to higher production costs and lower selling prices for zinc partially offset by higher deliveries of concentrates. The average LME cash zinc price[2] was 42% lower than prior year average price. In addition, unfavourable marked-to-market adjustments of $4.3 million on the open positions of provisionally priced concentrate sales were recorded in the twelve

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

[3] A reconciliation of the Company's cash cost per tonne ore processed to cost of sales under Canadian GAAP for the years 2008 and 2007 is shown in the table entitled "Non-GAAP Financial Measures."

months of 2008 as a result of the significant decrease in copper and zinc selling prices in the year 2008. Unfavourable adjustments of $0.9 million were recorded in the twelve months of 2007.

(4) Investment loss in the fourth quarter of 2008 totalled $5.8 million, a decrease of $14.1 million compared to fourth quarter of 2007 investment income of $8.3 million due primarily to lower net realized gains from the sales of investments partially offset by lower write-downs of investments. Net realized gains on sales of investments were nil in the fourth quarter of 2008 compared to net realized gains on sales of investments of $18.8 million in the fourth quarter of 2007. Write-downs of investments totalling $6.0 million were recorded in the fourth quarter of 2008 as a result of the decline in market value of certain securities. Write-downs of investments totalling $13.0 million were recorded in the fourth quarter of 2007.

Investment income in the year 2008 totalled $23.0 million, a decrease of $16.7 million compared to the corresponding prior year investment income of $39.7 million due to lower net realized gains on sales of investments partially offset by lower investment write-downs. Net realized gains on sales of investments totalled $28.1 million in the twelve months ended December 31, 2008 compared to net realized gains on sales of investments of $53.7 million in the twelve months ended December 31, 2007. Write-downs of investments totalled $7.5 million in the twelve months ended December 31, 2008 compared to write-downs of investments of $13.0 million in the twelve months ended December 31, 2007.

Administrative and Other Expenses

Administrative and other expenses were $4.3 million and $19.9 million for the three and twelve months ended December 31, 2008, respectively, compared to $5.7 million and $21.2 million for the three and twelve months ended December 31, 2007.

Exploration Expense

The following table shows the breakdown of exploration expenses by country.

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2008**	2007	**2008**	2007
Serbia	**$ 4,476**	$ 6,429	**$ 23,840**	$ 24,374
Canada	**459**	407	**1,591**	407
Bulgaria	**416**	909	**1,380**	4,451
Total exploration expense	**$ 5,351**	$ 7,745	**$ 26,811**	$ 29,232

DPM expenses all early stage exploration costs until the date it can be established that a property has mineral resources which have the potential of being economically recoverable at which time all such expenditures are capitalized. Exploration activities in Serbia were placed on care and maintenance in the fourth quarter of 2008.

Other Expenses

(1) Stock Based Compensation Expense

Stock based compensation expense includes costs associated with granting stock options and costs related to the Company's employee and director deferred share unit ("DSU") plans. The value of the stock options granted was $0.4 million and $0.9 million for the three and twelve months ended December 31, 2008, respectively, calculated using a Black-Scholes model. These costs are charged to operations over their three year vesting period. During the three months ended December 31, 2008, $0.3 million was charged to stock option expense. For the twelve months ended December 31, 2008, the stock option expense charged to the earnings statement was $1.5 million. The DSUs vest immediately and the associated compensation expense is recognized at the time of grant. The outstanding liability is marked-to-market each quarter. During the quarter, nil was charged to compensation expense for the issuance of DSUs and $1.3 million was credited to compensation expense as a result of the decline in the Company's stock price over the quarter. For the twelve months ended December 31, 2008, $0.1 million relating to the issue of DSUs was charged to compensation expense and $2.6 million relating to the mark-to-market of the DSUs was credited to compensation expense as a result of the decline in the Company's stock price over the prior year.

(2) *Foreign Exchange*

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the period end exchange rates, whereas non-monetary assets and liabilities and related expenses denominated in foreign currencies are translated at the exchange rate in effect at the transaction date. Income and expense items are translated at the exchange rate in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statement of earnings. In the fourth quarter of 2008, there was a foreign exchange loss of $2.2 million compared with a foreign exchange gain of $1.5 million in the fourth quarter of 2007. In the year 2008, there was a foreign exchange loss of $3.9 million compared with a foreign exchange loss of $2.0 million in the year 2007.

Income Tax Expense (Recovery)

DPM's effective tax recovery rate of 5.7% for the year 2008 was lower than the statutory rate of 33.5% primarily due to unrecognized tax benefits relating to operating losses and valuation allowances against the future tax assets related to investment and property write-downs partially offset by the non-taxable portion of capital gains related to the sales of investments and the benefit of profits earned in jurisdictions having a lower tax rate.

DPM's effective tax rate of 27.7% for the year 2007 was lower than the statutory rate of 36.12% primarily due to the benefit of profits earned in jurisdictions having a lower tax rate and the non-taxable portion of capital gains related to the sales of investments. These benefits were partially offset by unrecognized tax benefits relating to operating losses.

Summary of Operating Cash Flow, Investing and Financing Activities

Operating Cash Flow (Shortfall)

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

$ thousands	**Three Months**		**Twelve Months**	
Ended December 31,	**2008**	2007	**2008**	2007
Net earnings (loss)	**$ (80,042)**	$ (9,494)	**$ (79,195)**	$ 15,375
Non-cash charges (credits) to earnings:				
Amortization of property, plant and equipment	**4,968**	3,229	**16,424**	12,512
Net realized gains on sale of investments	**(64)**	(18,811)	**(28,069)**	(53,733)
Property impairment provisions	**48,780**	188	**48,780**	732
Write-downs of investments to market value	**6,009**	13,022	**7,532**	13,022
Other	**(1,283)**	(895)	**(590)**	4,736
Total non-cash charges (credits) to earnings	**58,410**	(3,267)	**44,077**	(22,731)
Decrease (increase) in non-cash working capital	**10,718**	(8,340)	**28,086**	(45,251)
Net cash used in operating activities	**$ (10,914)**	$ (21,101)	**$ (7,032)**	$ (52,607)

Cash used in operating activities in the fourth quarter of 2008 was $10.9 million, compared with cash used in operating activities of $21.1 million in the fourth quarter of 2007. The decrease in cash used in operating activities in the fourth quarter of 2008 relative to the fourth quarter of 2007 was primarily due to a decrease in working capital requirements partially offset by the loss from mining operations. The decrease in working capital requirements in the fourth quarter of 2008 was primarily due to a decrease in concentrate inventories and an increase in accounts payable partially offset by a decrease in deferred revenue.

Cash used in operating activities in the year 2008 was $7.0 million, compared with cash used in operating activities of $52.6 million in the year 2007. The decrease in cash used in operating activities in the twelve months of 2008 compared with the corresponding prior year period was due to a decrease in working capital requirements partially offset by the loss from mining operations. The decrease in working capital requirements in the twelve months of 2008 was primarily due to increases in accounts payable and deferred revenue and a decrease in accounts receivable.

Investing Activities

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

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2008**	2007	**2008**	2007
Purchase of portfolio investments	**$ (3,872)**	$ (1,250)	**$ (3,872)**	$ (18,046)
Proceeds on sale of portfolio investments	**1,631**	51,324	**61,869**	125,069
Purchase of additional interest in company, net of share issue of $2,464	**-**	(2,199)	**-**	(2,199)
Purchase of short-term investments	**(52,662)**	-	**(52,662)**	-
Loan advances	**(3,654)**	-	**(3,654)**	-
Capital expenditures	**(15,479)**	(14,386)	**(82,160)**	(110,209)
Other	**18**	273	**732**	273
Net cash provided by (used in) investing activities	**$ (74,018)**	$ 33,762	**$ (79,747)**	$ (5,112)

In the fourth quarter of 2008, DPM purchased short-term investments totalling $52.7 million with original maturities of greater than three months and less than one year at the time the investment was made.

Refer to the Investment Portfolio section for a discussion on the investment activities for the period.

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

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2008**	2007	**2008**	2007
Chelopech	**$ (7,745)**	$ (9,069)	**$ (41,129)**	$ (64,924)
Deno Gold	**(6,677)**	(2,748)	**(26,560)**	(21,821)
Back River	**(531)**	(2,293)	**(12,196)**	(21,436)
Other	**(526)**	(276)	**(2,275)**	(2,028)
Total capital expenditures	**$ (15,479)**	$ (14,386)	**$ (82,160)**	$ (110,209)

Capital expenditures at Chelopech in the twelve months ended December 31, 2008 were 37% lower than the corresponding prior year period due to lower spending on non-critical expenditures, including those related to the expansion project, pending the approval of the EIA by the Bulgarian government, which was received on July 30, 2008, and official recommencement of the expansion project. Capital expenditures, including capitalized exploration, for Deno Gold in the twelve months ended December 31, 2008 were 22% higher than the corresponding prior year period due to increased level of exploration activities in the first nine months of 2008 relative to the corresponding prior year period. Exploration activities at Deno Gold ceased in the fourth quarter of 2008. Capitalized exploration at Deno Gold totalled $18.4 million in the twelve months of 2008, compared to expenditures of $14.7 million in the twelve months of 2007.

As at December 31, 2008, the Company has capitalized the following amounts:

Property, Plant and Equipment

$ millions		Acquisition Cost		Project Cost		Total Cost
Back River *(Nunavut, Canada)*	$	18.0	$	16.0	$	34.0
Chelopech *(Bulgaria)*		20.3		230.1		250.4
Krumovgrad *(Bulgaria)*		30.1		13.7		43.8
Serbia		0.1		8.5		8.6
Deno Gold *(Armenia)*		36.5		55.5		92.0
Corporate		-		1.8		1.8
Total	$	105.0	$	325.6	$	430.6

Financing Activities

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

$ thousands	**Three Months**		**Twelve Months**	
Ended December 31,	**2008**	2007	**2008**	2007
Issue of common shares on exercise of options	**$ -**	$ 140	**$ -**	$ 1,380
Net proceeds of equity financing	**77,175**	-	**77,175**	77,474
Redemption of deferred share units	**-**	(112)	**(58)**	(112)
Proceeds of debt financing	**-**	-	**15,821**	-
Repayment of debt	**(1,543)**	(1,263)	**(3,972)**	(3,841)
Net cash provided by (used in) financing activities	**$ 75,632**	$ (1,235)	**$ 88,966**	$ 74,901

In the fourth quarter of 2008, DPM successfully completed an equity offering to raise net proceeds of $77.2 million (gross proceeds of $81.6 million) through the sale and issuance of 35,556,000 common shares and 20,444,500 common share purchase warrants which give the holder the right to purchase one common share of the Company at the price of $3.25 per share until November 20, 2015. Proceeds from the offering will be used for ongoing operating and working capital requirements, potential strategic arrangements, capital expenditures, including project capital for the Chelopech mine and processing plant expansion, and general corporate purposes.

On July 24, 2008, Chelopech concluded an agreement with the European Bank for Reconstruction and Development ("EBRD") to amend and restate its existing US$10 million long-term loan agreement, increasing it to an aggregate amount of US$25 million.

In 2007, DPM realized net proceeds of $77.5 million (gross proceeds of $81.9 million) from the sales of 5,520,000 common shares, 2,760,000 common share purchase warrants and 1,955,000 flow-through common shares.

Mining Activities

Chelopech Gold/Copper Mine, Bulgaria

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

Having received Bulgarian Government approval of its EIA for the Chelopech expansion project in July 2008, the Company has started the process to obtain construction and operating permits to, among other things, increase mine production capacity to two million tonnes of ore per year (the permit allows for an expansion up to three million tonnes of ore per year) and to construct a Facility to process the Chelopech copper/gold concentrate into finished metals. Pursuant to an MOU with the Bulgarian Government, the Bulgarian Government will own a 25% interest in a yet to be formed joint stock company that will construct, own and operate the Chelopech Facility. In addition, the Company will pay a higher royalty in accordance with the Bulgarian Ordinance on Royalty Computation for all the metals that can be mined economically from the Chelopech deposit. The royalty will be calculated on a sliding scale of 2% to 8% at a profitability ratio of 10% to 60%. The new royalty which came into effect on July 31, 2008 replaced the 1.5% fixed rate entered into in 2004. The royalty in excess of 1.5% will be accrued but is payable only after the start of construction of the Facility.

DPM has also agreed to provide a financial guarantee for environmental closure and rehabilitation costs for the Chelopech mine. The Company will prepare and submit for approval to both Ministry of Economy and Energy and Ministry of Environment and Water a closure and rehabilitation plan within 18 months as of the date of signing (July 10, 2008) the amended concession agreement.

The Chelopech concentrate sales contract with NCS was extended to 2013, giving Chelopech the right to sell up to 120,000 tonnes of concentrate per year to NCS for the years 2011, 2012 and 2013 and to reduce concentrate sales on 12 months' notice to allow for the start-up of the Facility in Bulgaria. This arrangement provides the Company with assurances regarding the processing of its concentrate while it finalizes its plans for the completion of the Chelopech expansion project. In December 2008, Chelopech signed a loan agreement with NCS, a subsidiary of WTI, to advance NCS up to US$7 million of long-term debt. Proceeds from the loan will be used by NCS for working capital purposes and improvements at NCS's Tsumeb smelter.

On September 25, 2008, the Company announced the results from a deep diamond drilling surface program confirming the presence of massive sulphide and stockwork high-sulphidation style Cu-Au-Ag mineralization beneath a sedimentary cover sequence within the immediate near mine environment at Chelopech. The mineralized corridor or "footprint" of the drill intersections is very similar in size to the "footprint" that encloses the Chelopech orebodies confirming the potential of the Chelopech mine environment to host significant additional copper and gold resources.

Mineral Reserves and Resources

DPM is currently undertaking a mine planning exercise including cut-off grade determination, optimization throughput studies and Mineral Reserve determination. These studies will allow for the recalculation of the Chelopech Mineral Reserve and will form part of the updated DFS. The study is expected to be completed in the first quarter of 2009.

Chelopech Project – December 2008
Coffey Mining Resource Estimate [1], [3]
Grade Tonnage Report Grouped by Resource Category
Ordinary Kriged Estimate (Regressed As - Cu_ok), 20mN x 20mE x 10mRI parent block size
Cut Cu, Au and Ag, Min-12 and Max-24 Composites
Gold Equivalent Cutoff

	Gold Equivalent Cutoff [2]	**Tonnes** (million)	**Gold Equivalent** (g/t)	**Copper** (%)	**Gold** (g/t)	**Silver** (g/t)
Measured Resource	3	15.480	7.1	1.5	4.1	10.9
	4	13.045	7.8	1.6	4.5	11.8
Indicated Resource	3	18.070	5.9	1.1	3.6	7.5
	4	11.928	7.1	1.3	4.5	8.3
Measured and Indicated Resource	3	33.550	6.5	1.3	3.8	9.1
	4	24.973	7.5	1.5	4.5	10.1
Inferred Resource	3	8.974	4.6	0.9	2.8	11.8
	4	3.789	6.2	1.2	3.9	15.0

(1) The "Technical Report for the Chelopech Project" prepared by Coffey Mining Pty Ltd., in accordance with National Instrument 43-101 ("NI 43-101") requirements, will be filed on SEDAR by end of March 2009.

(2) Cut-off Grade Equivalent Gold is based on the following formula: (Au g/t + 2xCu%); the Facility outlined in the DFS is not designed for the recovery of silver in commercial quantities however, studies have been initiated in order to maximize the payable metal content of the Chelopech deposit. Metals that will be targeted include zinc, silver and other elements.

(3) The information in the above table has been prepared under the supervision of Dr. Julian Barnes, Executive Vice President of DPM and a Qualified Person within the meaning of NI 43-101.

Chelopech - Production, Costs, Deliveries and Net Revenue

(in thousands of US$ except as otherwise stated)	Three Months		Twelve Months	
As at December 31,	**2008**	2007	**2008**	2007
Ore mined *(mt)*	**254,132**	253,252	**911,381**	906,070
Ore processed *(mt)*	**240,486**	251,970	**900,563**	913,440
Head grade *(ore milled)*				
Copper (%)	**1.22**	1.36	**1.17**	1.35
Gold *(g/mt)*	**4.56**	4.33	**4.04**	3.92
Silver *(g/mt)*	**9.01**	8.44	**7.52**	7.69
Concentrate produced *(mt)*	**14,931**	18,344	**54,669**	65,060
Metals contained in concentrate produced				
Copper *(lbs)*	**5,429,511**	6,605,066	**19,909,524**	23,620,146
Copper *(% recovered)*	**83.6**	87.2	**86.0**	87.1
Gold *(ounces)*	**19,883**	24,467	**71,472**	75,075
Gold *(% recovered)*	**56.3**	69.8	**61.2**	65.2
Silver *(ounces)*	**29,065**	36,640	**103,487**	111,096
Silver *(% recovered)*	**41.7**	53.7	**47.5**	49.2
Cash cost per tonne of ore processed *(US$)* (1), (3)	**$ 54.52**	$ 54.73	**$ 61.38**	$ 46.84
Cash cost per pound of Copper in Concentrate Produced *(US$)* (1), (2), (3)	**$ 0.91**	$ 1.05	**$ 1.34**	$ 1.03
Cash cost per ounce of Gold in Concentrate Produced *(US$)* (1), (2), (3)	**$ 395**	$ 258	**$ 377**	$ 227
Value of payable metals sold *(US$000)* (6)	**$ 22,470**	$ 25,688	**$ 120,824**	$ 118,664
Net Revenue				
US$000 (4)(5)	**$ 8,621**	$ 18,486	**$ 85,573**	$ 98,872
Cdn$000 (4)(5)	**$ 10,591**	$ 17,389	**$ 88,169**	$ 106,461
Deliveries				
Concentrate *(dmt)*	**15,964**	14,873	**56,760**	66,712
Copper in Concentrate *(lbs)* (7)	**5,358,145**	5,042,046	**19,216,492**	22,739,659
Gold in Concentrate *(ounces)* (7)	**15,956**	12,499	**70,878**	66,158
Silver in concentrate *(ounces)* (7)	**24,158**	15,421	**92,154**	61,640

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

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

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

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

(5) Included in net revenue are marked-to-market adjustments for provisionally priced sales. Unfavourable adjustments of US$6.7 million were recorded in the fourth quarter of 2008 compared with unfavourable adjustments of US$1.4 million recorded in the fourth quarter of 2007. Unfavourable adjustments of US$8.3 million were recorded in the twelve months of 2008 compared with favourable adjustments of US$7.2 million recorded in the twelve months of 2007.

(6) Excludes any marked-to-market adjustments for provisionally priced sales.

(7) Represents payable metals in concentrate sold.

Production

Total tonnes of ore processed in the fourth quarter of 2008 of 240,486 tonnes were 5% lower than the corresponding period in 2007 due to a planned maintenance shutdown at the mill in the fourth quarter of 2008. Grades for gold and silver in the fourth quarter of 2008 were higher and copper grades were lower than the corresponding period in 2007. Ore from block 151, which provides lower overall recovery due to complicated mineralogy, dominated the ore feed processed in the quarter contributing to lower overall metal recoveries. Methods to improve metal recovery from this ore source are being researched.

Total tonnes of ore mined and processed in the year 2008 were in line with the year 2007. Copper grades in the year 2008 were lower than year 2007 as a higher proportion of the ore was mined from lower grade copper orebodies.

Concentrate production for the fourth quarter of 2008 of 14,931 tonnes was 19% lower than fourth quarter of 2007 production due to lower copper grades, lower volumes of material processed through the mill as a result of the planned maintenance shutdown in the fourth quarter of 2008 and lower recoveries for all metals. Higher levels of sulphur (pyrite) in the ore combined with lower copper grades resulted in lower recoveries for all metals in the fourth quarter of 2008. Copper contained in concentrate produced in the fourth quarter of 2008 of 5.4 million pounds was 18% lower than fourth quarter of 2007 production. Gold contained in concentrate produced of 19,883 ounces was 19% lower than fourth quarter of 2007 production. Silver contained in concentrate produced of 29,065 ounces was 21% lower than fourth quarter of 2007 production.

Concentrate production for the year 2008 of 54,669 tonnes was 16% lower than the corresponding prior year period due primarily to lower copper grades, lower throughput from lack of available ore stopes and mine flexibility in the first half of 2008 and lower recoveries for all metals for the reasons discussed above. Copper contained in concentrate produced in the year 2008 of 19.9 million pounds was 16% lower than the same period in 2007. Gold metal contained in concentrate produced of 71,472 ounces was 5% lower than the corresponding prior year period. Silver contained in concentrate produced of 103,487 ounces was 7% lower than the corresponding prior year period.

Unprocessed ore stock piles at surface totalled 31,061 tonnes at December 31, 2008, up from 20,242 tonnes at December 31, 2007. Inventory of concentrates totalled 8,917 tonnes at December 31, 2008, down from 11,009 tonnes at December 31, 2007.

Chelopech has signed concentrate sales contracts through 2013 with NCS.

Cash Cost per Tonne of Ore Processed

Cash cost per tonne of ore processed[3] in the fourth quarter of 2008 of US$54.52 was comparable to the fourth quarter of 2007 cash cost per tonne of ore processed[3] of US$54.73 due to the favourable impact of a weaker Euro relative to the U.S. dollar offset by higher spending on hydraulic backfill (which commenced in the second quarter of 2008) and lower volumes of material processed.

Cash cost per tonne of ore processed[3] in the year 2008 of US$61.38 was 31% higher than year 2007 cash cost per tonne of ore processed[3] of US$46.84 due to the introduction of cemented rockfill and hydraulic backfill (which commenced in the fourth quarter of 2007 and the second quarter of 2008, respectively), the appreciation of the Euro relative to the U.S. dollar, higher employment expenses, higher rates for diesel and power, lower volumes of material processed and higher royalties. Approximately 35% of the increase in cash cost per tonne was due to the introduction of cemented rockfill and hydraulic backfill, 28% to the appreciation of the Euro relative to the U.S. dollar, 15% to higher employment expenses, 12% to higher rates for diesel and power, 5% to lower volumes of material processed and 5% to higher royalty. Some improvements in the overall mine backfill costs are expected when the areas mined in prior years have been fully addressed.

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[3] A reconciliation of the Company's cash cost per tonne ore processed to cost of sales under Canadian GAAP for the years 2008 and 2007 is shown in the table entitled "Non-GAAP Financial Measures."

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

Expansion and Redevelopment

The Project

The proposed Chelopech expansion project includes the increase in mine production capacity to two million tonnes of ore per year and the modernization of the existing flotation concentrator to handle the increased throughput, including the introduction of a new semi-autogenous grinding (“SAG”) mill. 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. Based on current Measured and Indicated Resources and other DFS results, the mine life for the operation is expected to be a minimum of 9.3 years from commissioning of the new facilities.

As at December 31, 2008, the Company had invested US$101.8 million in the expansion project for engineering, procurement and construction management on the pressure oxidation plant, mine upgrades, the construction of the Nadejda decline for access from surface to underground, acquisition and refurbishment of an oxygen plant and the first phase of the mine backfill plant. Upgrades and improvements were also made to existing site infrastructure and a further US$10.0 million has already been committed in these areas.

The design phase of the Facility is progressing well and as at December 31, 2008, the engineering was 92% complete. Completion of the design phase is expected by the end of the second quarter of 2009. As of the end of 2008, all major long lead items of equipment for the concentrator and the Facility had been procured, including the SAG mill and oxygen plant. The hydraulic backfill plant was handed over to operations during the second quarter of 2008 and the hydraulic backfill placement reached budgeted flows at the end of December 2008.

Development of the project requires the acquisition of land from a variety of stakeholders in the Chelopech and Chavdar Municipalities. The land is required for the new tailings management facility and a buffer zone around the existing and new tailings management facilities. The land purchase program is well advanced.

The DFS is currently being updated to reflect current circumstances. The official recommencement of the Chelopech expansion project will be dependent on satisfactory results and acceptance of the updated DFS anticipated in the first quarter of 2009, receipt of the required permits, approval by DPM’s Board of Directors and external financing.

Permitting

On July 30, 2008, the MoEW issued an EIA resolution approving the implementation of the Company’s Chelopech expansion project. The EIA Resolution contemplates the expansion of the Chelopech Mine to an annual processing rate of up to two million tonnes of ore per year in its first stage (the permit allows for an expansion up to three million tonnes of ore per year) and the construction of a Facility to process the Chelopech gold/copper concentrate into finished metals. On August 20, 2008 and September 25, 2008, the Company filed two applications for complex permits, one for the Facility and one for the new TMF, respectively. All other parts of the expansion project, including mine expansion and mill upgrade, are exempt from this process. Upon receipt of the complex permits for the Facility and the new tailings management facility (“new TMF”) as well as a “SEVESO” (safety) permit, notification for which was submitted to the MoEW on November 4, 2008, the Company will be in a position to apply for the construction permit required to complete the project.

On October 29, 2008, the Company received a subpoena from the Supreme Administrative Court of Bulgaria for a court hearing on February 18, 2009, to which Chelopech Mining was summoned as an interested party to litigation proceedings initiated by the village of Poibrene, which is approximately 50 kilometres away from Chelopech. Subsequently, the Company found that the claim was made against the

EIA Resolution and had been consolidated with three other claims into one hearing. Based on a review of certified copies of the appeals obtained on January 10, 2009, it is the Company's view that the claims are unsubstantiated and should be rejected by the court. The first court hearing on all the claims took place on February 18, 2009. The court scheduled a second hearing, which will take place on April 15, 2009, to allow the Company and the MoEW to review the new evidence presented by the claimant at the hearing and also to allow collection of further expert evidence.

It should be taken into consideration that none of the claimants have appealed the MoEW direction for pre-emptive execution, included in the EIA Resolution, which means that the Company can continue with the implementation of the expansion project while the court proceedings are pending.

Deno Gold Copper/Gold/Zinc Mine, Armenia

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

Deno Gold's principal underground mining operation is located on the Shahumyan concession. A second underground operation, located on the Centralni concession, was placed on care and maintenance in August 2008 as it was deemed uneconomic. The complex also includes two primary crushing stations, a processing plant (which historically processed in excess of one million tonnes of ore per year) and various infrastructure facilities that were built to support the operation. The processing plant produces two concentrates, a copper, gold, silver concentrate and a zinc concentrate, by staged flotation. Both concentrates are transported by road to the town of Ararat (60 kilometres south of Yerevan) where they are offloaded onto a rail system for transport to the Black Sea via Georgia. Neither of the deposits contains material quantities of deleterious elements which would incur penalties in the treatment of concentrate.

In response to the global economic slowdown and the significant decrease in metal prices in the second half of 2008, the Company suspended operations and exploration activity at Deno Gold in November 2008, pending an economic and metal price recovery.

While the operation is on care and maintenance, the Company is proactively working to enhance overall efficiencies and prepare for the eventual restart of operations, through training of underground mine and process plant personnel and the refurbishment of plant and equipment.

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

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

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

(iii) The Centralni license would be terminated and all contractual responsibility of Deno Gold, in its entirety, with respect to such license would be waived with the exception of certain very limited reclamation/re-cultivation works and the preparation and implementation of a mine underground closure and conservation plan, all in compliance with RA legislation.

Deno Gold - Production, Costs, Deliveries and Net Revenue

(in thousands of US$ except as otherwise stated) **As at December 31,**	**Three Months 2008**	Three Months 2007	**Twelve Months 2008**	Twelve Months 2007
Ore mined *(mt)*	**34,287**	75,312	**259,902**	321,000
Ore processed *(mt)*	**36,108**	72,643	**269,033**	323,371
Head grade *(ore milled)*				
Copper *(%)*	**0.45**	0.29	**0.39**	0.29
Gold *(g/mt)*	**2.53**	1.23	**1.70**	1.24
Zinc *(%)*	**2.77**	1.43	**1.84**	1.19
Silver *(g/mt)*	**97.51**	25.60	**41.63**	29.30
Concentrate produced *(mt)*	**2,409**	2,113	**11,606**	8,326
Metals contained in concentrate produced				
Copper *(lbs)*	**324,558**	374,421	**1,999,068**	1,654,618
Copper *(% recovered)*	**90.2**	81.7	**86.4**	79.7
Gold (ounces)	**2,514**	2,294	**12,236**	9,312
Gold *(% recovered)*	**85.5**	77.1	**83.1**	75.0
Zinc *(lbs)*	**1,966,496**	1,639,759	**8,833,762**	5,727,796
Zinc *(% recovered)*	**89.1**	71.8	**80.9**	68.5
Silver *(ounces)*	**96,302**	54,569	**296,320**	221,971
Silver *(% recovered)*	**85.1**	56.1	**82.3**	57.7
Cash cost per tonne of ore processed *(US$)*(1), (3)	**$ 108.03**	$ 121.28	**$ 109.40**	$ 84.30
Cash cost per pound of Copper in Concentrate *(US$)* (1), (2), (3)	**$ 1.83**	$ 5.40	**$ 3.43**	$ 3.93
Cash cost per ounce of Gold in Concentrate *(US$)* (1), (2), (3)	**$ 457**	$ 1,254	**$ 870**	$ 910
Cash cost per pound of Zinc in Concentrate *(US$)* (1), (2), (3)	**$ 0.60**	$ 2.01	**$ 0.87**	$ 1.70
Value of payable metals sold *(US$000)*(6)	**$ 7,421**	$ 6,458	**$ 22,981**	$ 18,651
Net Revenue				
US$000(4)(5)	**$ 4,279**	$ 4,801	**$ 15,683**	$ 14,818
Cdn$000(4)(5)	**$ 5,277**	$ 4,857	**$ 16,884**	$ 15,956
Deliveries				
Concentrate *(dmt)*	**4,528**	2,678	**10,777**	7,662
Copper in concentrate *(lbs)*(7)	**851,218**	450,375	**2,132,575**	1,435,632
Gold in concentrate *(ounces)*(7)	**4,734**	2,659	**11,388**	7,406
Zinc in Concentrate *(lbs)*(7)	**2,762,953**	1,751,817	**6,536,694**	4,366,029
Silver in Concentrate *(ounces)*(7)	**123,420**	51,592	**245,842**	162,818

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

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

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

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

(5) Included in net revenue are marked-to-market adjustments for provisionally priced sales. Unfavourable adjustments of US$2.5 million and US$4.0 million were recorded in the fourth quarter and twelve months of 2008, respectively, compared with unfavourable adjustments of US$0.5 million and US$0.9 million recorded in the fourth quarter and twelve months of 2007, respectively.

(6) Excludes any marked-to-market adjustments for provisionally priced sales.

(7) Represents payable metals in concentrate sold.

Production

Ore mined in the fourth quarter of 2008 of 34,287 tonnes was 54% lower than the corresponding prior year period due to decreased output from the Centralni and Shahumyan mines. Ore processed in the fourth quarter of 2008 of 36,108 tonnes was 50% lower than the corresponding prior year period as a result of lower volumes of ore mined. The operations were placed on care and maintenance in November 2008.

Ore mined in the year 2008 of 259,902 tonnes was 19% lower than the corresponding prior year period due to the placement of the complex on care and maintenance. Ore processed in the year 2008 of 269,033 tonnes was 17% lower than the corresponding prior year for the reasons specified above. In addition, production was negatively impacted by freezing weather conditions in January and early February 2008, which affected both underground mining and milling operations. Partially offsetting these negative impacts were the improvements in mining methods and ore dilution control achieved in the year 2008.

Concentrate production in the fourth quarter and year 2008 of 2,409 tonnes and 11,606 tonnes, respectively, were 14% and 39% higher than the corresponding prior year periods due to higher grades as a result of improved mining method and recoveries as a result of more stable operating conditions in the mill partially offset by lower volumes of ore mined.

Inventory of 1,842 tonnes of zinc concentrates were held at the site at December 31, 2008. The sale is pending an improvement in zinc selling prices.

Cash Cost per Tonne of Ore Processed

Cash cost per tonne of ore processed[3] in the fourth quarter of 2008 of US$108.03 was 11% lower than fourth quarter of 2007 cash cost per tonne of ore processed[3] of US$121.28. Lower spending on administrative expenses and mining costs in the fourth quarter of 2008 relative to the corresponding prior year period more than offset the lower volumes of material processed.

Cash cost per tonne of ore processed[3] in the year 2008 of US$109.40 was 30% higher than the year 2007 cash cost per tonne of ore processed[3] of US$84.30 due to an increase in human resources and materials required to improve the levels of safety, communications and general operating standards, the appreciation of the Armenian dram relative to the U.S. dollar, higher prices for fuel, diesel and some reagents and lower volumes of material processed. The average Armenian dram/U.S.dollar exchange rate for the year 2008 appreciated 10% compared to the average rate for the year 2007. Approximately 60% of Deno Gold's purchases in the year 2008 were denominated in Armenian dram.

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

Project Development

Since acquiring Deno Gold, an assessment of health, safety and environmental risks has been completed and plans for addressing these risks on a prioritized basis have been prepared and are being systematically implemented. Focus on new safety reporting and the implementation of incident follow up procedures continues. As a result, a clearer picture is emerging of safety performance and weaknesses. Specific measures including training, procedures and controls have been targeted as the highest priority items. This is an ongoing process and, although immediate risks to employee and community safety will be mitigated, management expects improvements will be incremental and occur over a period of time. An independent risk assessment, completed in February 2008 on the Deno Gold operating facilities, identified a number of key vulnerabilities. Specific risk reduction initiatives were also identified and are being addressed.

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3 A reconciliation of the Company's cash cost per tonne ore processed to cost of sales under Canadian GAAP for the years 2008 and 2007 is shown in the table entitled "Non-GAAP Financial Measures."

There are concurrent changes being implemented to tailings management and water management practices. These changes are intended to provide for incremental improvement toward international best practice over the next two to three years. A review of the existing arrangements for tailings management indicated that an alternative should be put in place as a matter of priority. As a result, the design and construction work on an alternative site which was already underway was expedited and the new facility is now in operation. Perceived as a short term solution, the facility may however be used for up to several years at current production rates. A design concept has also been prepared for a long-term alternative to accommodate planned production increases. When exploration is further advanced and the future production schedule is better understood, engineering will be advanced and permitting will commence to provide sufficient storage for an assumed resource and production upgrade and to include open pit mining.

On September 4, 2008, the Company announced that the results from the initial program of diamond drilling in the “Vein 5” area in the north western part of the Shahumyan Mine at Kapan, Armenia, continue to confirm the potential for bulk mineable polymetallic open pit mineralization.

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

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

Shahumyan Deposit
Inferred Mineral Resource – Ordinary Kriging Estimate
10mE x 10mN x 10mRL Block Size – 5m Capped Input Composite Data

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

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

(1) The “Technical Report for the Shahumyan Deposit” prepared by Coffey Mining Pty Ltd., in accordance with NI 43-101, will be filed on SEDAR by end of March 2009.

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

An exploration license, for an aggregate area of 350 square kilometres surrounding the Deno Gold project area, was granted to the Company in April 2007 for an initial three year period. A thorough program of first pass exploration has been completed including helicopter based geophysics, extensive license-wide soil sampling programs, initial stream sediment sampling programs together with geological mapping, initially focusing on the near mine environment and then extending into peripheral areas and concentrating on areas that have previously been identified as zones of hydrothermal alteration. A significant amount of soil sample results are pending from the recently completed 2008 field program and further assessment and target ranking will take place upon receipt of all outstanding assays. The results of all past exploration activity (over 40 years of information) on the Kapan exploration license have been entered into a database such that they can be evaluated in conjunction with more recently obtained exploration data.

A number of relationships have been developed with local and international non-governmental organizations ("NGO") active in Kapan and the Syunik region. A cooperation and training program has been initiated with the Armenian Forests NGO and Deno Gold is participating with the Organization for Security and Co-operation in Europe and the government of Armenia on a number of fronts, including infrastructure and related needs assessment, business development and incubation.

EXPLORATION

Krumovgrad Gold Project, Bulgaria

The Krumovgrad gold project (the "Project") has a proven and probable mineral reserve of approximately 4.86 million tonnes of ore grading 5.08 grams of gold per tonne (cut-off grade of 1.3 g/t gold) as of August 2004 as disclosed in a technical report which was amended and restated on January 5, 2007. The resource estimate was included in the DFS of the Project prepared by Brett Gossage, John Hearne, Michael Davis, Christopher Hogg and John Fergus Anckorn, qualified persons as defined in NI 43-101 and independent of the Company. A DFS was completed in June 2005 and will be updated once DPM receives all requisite regulatory approvals and permits. Although the Krumovgrad exploration license expired on June 13, 2008, DPM's rights to implement the Project are retained through declaring a commercial discovery, based on which the Company filed an application for a mining license. It is the Company's understanding, based on a legal opinion, that insofar as BMM has fulfilled the requirements of the law for the registration of its commercial discovery, it is only BMM that is entitled to receive the certificate for the commercial discovery. The Company has fulfilled all the requirements of the law for the registration of its commercial discovery and is presently waiting for the necessary approvals by the competent Bulgarian authorities.

As the approvals have been significantly delayed, the Company is pursuing all available avenues in order to protect its rights to implement the Project.

In March 2008, the Government of Bulgaria and the Company entered into an agreement-in-principle concerning the implementation of the Chelopech expansion project. Further to this agreement, on June 26, 2008, Bulgaria's Council of Ministers approved a resolution instructing the Minister of Economy and Energy to enter into an MOU with DPM. The MOU was signed on July 10, 2008 and provides that the Bulgarian Government and DPM will address and resolve all outstanding issues of concern to both parties. In view of this, while the Krumovgrad gold project was not a part of the Council of Ministers resolution and the MOU, it is the Company's intention to have separate discussions regarding this project.

The history of events is as follows:

- In September 2004, DPM initiated proceedings with the MoEW for issuance of a commercial discovery certificate, which is required in order to obtain a mining license. The Company formally declared the discovery of the Krumovgrad gold deposit in January 2005. Bulgarian officials advised DPM that a commercial discovery certificate would be issued following the delivery of an EIA approved by the MoEW.

- An EIA for the Project was prepared by independent experts and filed with the MoEW in April 2005. Following the expiry of the statutory deadline for the MoEW to issue a decision on the EIA, the Company lodged an appeal against the Minister with the Court in December 2005. The Company requested the Court to revoke the silent refusal of the MoEW and approve the EIA or, alternatively, to instruct the MoEW to address the matter appropriately in compliance with Bulgarian law.

- On February 13, 2007, the Court revoked the silent refusal of the MoEW on the Krumovgrad EIA and instructed the MoEW to issue a pronouncement on the Krumovgrad EIA. The MoEW appealed the decision. On July 13, 2007, the appellate court upheld the decision of the first instance court. This resolution is final.

- In March 2007, the Bulgarian Government included the Krumovgrad project area in lands designated as part of the Natura 2000 network, an EU directive of setting aside areas of conservation designed to protect the most seriously threatened habitats and species. DPM has filed an appeal with the Court challenging the legalities of the process the Bulgarian Government employed to define the protected sites. With a Ruling dated February 29, 2008, the Court resolved that the claim of BMM, as well as the claims of all other claimants (about 35 claimants in total), were inadmissible and terminated the court proceedings on procedural grounds. BMM has appealed the Ruling in front of an appellate court. On July 31, 2008, the appellate court confirmed the Ruling of the first instance court rejecting the Company's claim on the grounds that the Bulgarian Government resolution for defining protected sites was not subject to judicial control and the court proceedings were terminated. This Ruling is final.

- On June 2, 2007, in order to further attempt to protect the Company's rights, an application for a mining license was filed in lieu of having satisfied all the statutory requirements for registering a commercial discovery for the Krumovgrad gold deposit. The reserves and resources of the deposit defined by the Company were approved by a Specialized Expert Committee at the MoEW and entered into the National Balance of Reserves and Resources in April 2005. The mining license application is currently under review by the Ministry of Economy and Energy ("MoEE"). Although the MoEE has taken steps to review the Company's application, the failure to formally issue an administrative act certifying opening of the proceedings within the statutory timeline is considered, under the Bulgarian law, a silent refusal to start the proceedings. As a result, on December 21, 2007, the Company filed with the Court an appeal against the MoEE for silent refusal to open proceedings for direct granting of the mining concession. The appeal was filed to ensure that the Company's rights were protected and were not going to be precluded because of the delay on the part of the state administration. A court hearing on the claim took place on April 21, 2008. The MoEE was not represented at the Court. The Court issued a decision on May 15, 2008 rejecting the claim of the Company with the argument that the Company does not have a commercial discovery certificate and that discussions between MoEE and MoEW regarding the issuance and the meaning of this certificate are underway. The Company appealed the decision in front of an appellate court. On January 12, 2009 the Company received a decision of the appellate court dated December 11, 2008, confirming the decision of the first instance court and rejecting the claim of the Company. This decision is final. In view of the decision, it is likely that the MoEE will wait until the certificate for commercial discovery is issued before taking further steps on the procedure for granting a mining license to the Company.

- In addition to the legal actions in Bulgaria, the Company has provided details of the delay of the Project implementation in a formal complaint, which it filed with the EC against the Bulgarian Government on June 6, 2007. The complaint stated that the MoEW has failed to perform its obligations and that its inaction is in direct violation of several provisions of European Community law.

- All engineering and procurement activities on the Project were suspended in May 2006. This is in addition to the suspension of the re-settlement program which occurred at the end of February 2006. Consequently, the Krumovgrad gold project will be delayed until such time as the MoEW meets its legal obligations and approves the EIA which has been deemed to be fully compliant by independent international and licensed Bulgarian environmental experts. Under Canadian GAAP, a brief interruption of movement towards development is allowed for up to a period of three years. After the three year period, which will be reached in May 2009, a write-down of the investment will need to be assessed. Many factors would need to be taken into consideration before a decision is made regarding a potential write-down, including the actions taken by DPM to actively protect its rights to the Krumovgrad property and its potential development.

- On September 11, 2007, a new Regulation on the Conditions and Procedures for Assessment of the Compatibility of Plans, Programs, Projects and Investment Proposals with the Scope and Objectives of Conservation of the Protected Sites (the "Regulation") was adopted following a June 29, 2007 legislative amendment that introduced a requirement to comply with a procedure for compatibility of investment projects with the scope and objectives of conservation with protected sites ("CA Procedure"), together with the EIA procedure. After having received no direction from the MoEW on the effect this new requirement will have on the significantly advanced Krumovgrad EIA procedure, on September 17, 2008, the Company filed with the MoEW a special notification on the project in the format provided by the Regulation.

- On December 1, 2008, in response to the notification filed on September 17, 2008, DPM received a letter from the MoEW requesting DPM to prepare a Compatibility Assessment Report (the "Report") for the Project and provide an update of the EIA in accordance with the findings of the Report. This Report will assess the compatibility of the Project within the scope and purpose of Natura 2000, the European network of protected sites, and is a prerequisite for the issuance of a decision on the EIA. The letter states that following the submission of the requested documents, both the EIA and the Report will be submitted for consideration by the Supreme Expert Environmental Council at the MoEW ("SEEC"). As the compatibility assessment and the EIA procedures are aligned, the MoEW should issue a single final resolution for the Project based on the findings of both procedures following the review by the SEEC.

Back River Project, Canada

The Back River Project consists of 46 leases and 25 mineral claims totalling 156,241 acres. In addition, DPM has title to another 95 mineral claims totalling 202,367 acres on both Crown and Kitikmeot Inuit owned lands. These claims, referred to as the Wishbone property, are located 50 kilometres west of the Goose Lake project on the Hackett River Group volcanic trend. The Wishbone claim group extends 60 kilometres in length and is located in an area possessing a favourable geological setting for gold, copper, silver, zinc and lead mineralization. A significant amount of new mineral claim staking was undertaken by DPM personnel during the third quarter of 2008. A total of 203 new mineral claims were staked covering 441,300 acres. These claims, which are geologically located along the strike of the Wishbone claim block, offer excellent mineral potential for both volcanogenic massive sulphide and gold mineralization. In December 2008, DPM submitted applications to the Nunavut Mining Recorder's Office for prospector permits in the Wishbone/Hackett River area. The prospector permits cover additional areas totalling approximately 80,000 acres of mineral lands which are located along the strike extent of the Wishbone/Hackett River belt. If successful, DPM will have exclusive exploration rights within the assigned permit boundaries for a three year period to actively explore and evaluate the mineral potential of these lands free of competition.

The 2008 diamond drill program, which consisted of 28 drill holes totalling 6,151 metres, was completed in the second quarter of 2008. Infill diamond drilling was conducted on both the George Lake and Goose Lake deposits with the intention of converting the currently defined NI 43-101 compliant Inferred Resource categories to higher levels of resource confidence. All assay results from the 2008 infill drill program have been returned from the analytical laboratory. A composite sample consisting of 311 kg of drill core samples, representative of the mineralized zones at the Goose Lake deposit, was collected for additional metallurgical test work. A similar sized metallurgical sample, representative of the George Lake mineral deposit, was also collected for additional metallurgical test work. The bulk sampling test program was designed specifically to confirm the metallurgical properties of the ore types available at Back River. DPM contracted Gekko Systems Pty., located in Victoria, Australia, to complete a characterization program to test the capabilities of gold recovery from composite samples collected from the George and Goose drilling programs. The program was designed to conform to DPM's standard assaying requirements for resource confirmation, as well as providing sufficient sample mass for the test program (>150 kg). The first phase of the work on both composites, which is progressing well, is scheduled for completion during the first quarter of 2009.

A 12,400 line kilometre heliborne VTEM (Versatile Time Domain Electromagnetic) survey was completed over the Wishbone claim block in the second quarter of 2008. Although the survey data continues to be processed, preliminary data has defined over 100 high quality magnetic and electromagnetic targets. An aggressive field season was completed during the third quarter of 2008, during which DPM geologists visited more than 200 anomalies which were mapped, sampled and target ranked. Field crews collected approximately 500 rock samples from most of the anomalies defined by the geophysical survey. All field samples were submitted to the laboratory for both multi-element and whole rock analyses.

Environmental monitoring activities in the period consisted of surface water quality sampling, hydrological measurements and on-going collection of data from weather stations located at Goose Lake and George Lake. Annual activity reports were submitted to the appropriate permitting regulators during the period as stipulated under the terms of the operating permits.

Expenditures for the twelve months ended December 31, 2008 of $12.2 million were in line with budget and were funded by the flow-through shares issued in 2007.

Serbia

DPM has been actively exploring in Serbia since 2004 and is the largest holder of mineral exploration licenses in the country. The Company currently holds multiple exploration licenses amounting to 1,745 square kilometre area and three concessions licenses (143 sq km). In addition, a number of license applications are pending with the Ministry of Mines and Energy.

Exploration targets within the licenses include porphyry copper-gold and molybdenum deposits, skarn-hosted base metal and gold, sediment-hosted epithermal gold, low sulphidation epithermal gold-silver and high sulphidation epithermal gold-silver-copper mineralization.

The DPM exploration tenements are located within several significant mining districts in Serbia including the Timok Magmatic Complex (hosting the Bor and Majdanpek deposits), the Lece Magmatic Complex (hosting the Lece mine) and the Besna Kobila-Osgovo Metallogenic Belt (hosting the historic Mackatica molybdenum mine). During the fourth quarter of 2008, a total of 3,144 metres of diamond drilling was completed, together with 4,235 metres of reverse circulation drilling.

Surdulica Molybdenum Project

An independent NI 43-101 resource estimate, for the Surdulica Molybdenum (“Mo”)–Rhenium (“Re”) project in Serbia, was completed in the second quarter of 2008 by Coffey Mining Pty Ltd. using the exploration data collected during 2007. The resource estimate, based on the 26,400 metres of diamond drilling, reverse circulation drilling and trench sampling carried out in 2007, returned an Inferred Resource of 106 million tonnes grading 518 parts per million Mo (0.052%) and 0.16 ppm Re, based on a 300 ppm Mo cut-off grade. Over 90% of the geochemical anomalies identified at Surdulica remain to be drill tested.

Work on the Surdulica Molybdenum Project, completed during the fourth quarter of 2008, focused on a nominal 160 metres spaced deposit footprint drilling program, which targeted molybdenum soil anomalies generated in 2007 and further refined during 2008. Molybdenum mineralization has now been defined over a surface area of approximately two kilometres by three kilometres and a plus 600 metre vertical extent. The total amount of drilling completed during 2008 comprises 10,886 metres of diamond drilling and 3,846 metres of reverse circulation drilling. In addition, 10,935 metres of trench and channel sampling was also completed. Total drilling on the project has now exceeded 37,000 metres.

All assays results from the 2008 exploration program have been received and validated datasets have been submitted to Coffey Mining Pty Ltd, who will be preparing an updated resource estimate.

Timok Concession Licences

During the fourth quarter of 2008, drilling was completed on the Valja Strz porphyry Cu-Au-Mo prospect over a 700 metre strike length within a 350 metre corridor on a nominal 80 metre by 80 metre drill spacing to an approximate vertical depth of 400 metres. In addition, a shallow reverse circulation drilling program was completed on a nominal 40 metre by 40 metre spacing to an approximate vertical depth of 60 metres over the same corresponding area. The database, which comprises 36,616 metres of drilling in 172 drill holes (54 diamond and 118 reverse circulation drill holes) along with 9,606 metres of surface trenching in 74 trenches, was closed and validated and sent to Coffey Mining for the preparation of an NI 43-101 compliant resource estimate which will be completed during the first quarter of 2009.

Coka Kuruga Concession Licenses

Exploration results continued to be returned during the fourth quarter of 2008 from work carried out on the 'limestone-hosted gold' project which is located along the western edge of the Timok Magmatic Complex. Significant gold intersections in surface trenching have now been traced for over 25 kilometres along strike. Stream sediment sampling has significantly extended the anomalous area to the west and appears to have identified a major, previously unknown, province of anomalous gold to the west of the Timok magmatic complex.

The table below contains a summary of the activity across Serbia:

Exploration Technique	Fourth Quarter – 2008	Year-to-Date
Soil sampling	1,157 samples	6,844 samples
Stream sediment sampling	400 samples	2,032 samples
Detailed geological mapping	Prospect scale	Prospect scale
Trenching	46 trenches for 3,043 metres	371 trenches for 44,152 metres
All drilling	33 holes for 7,379 metres	269 holes for 49,898 metres

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

INVESTMENT PORTFOLIO

As at December 31, 2008, the Company's portfolio of investments had a market value of $4.5 million compared with $66.0 million at December 31, 2007.

For the three and twelve months ended December 31, 2008, DPM realized pre and after-tax cash proceeds of $1.6 million and $61.9 million, respectively, on the disposition of certain shareholdings, including the sale of its holdings in Eldorado Gold Corporation for cash proceeds of $41.0 million in July 2008. By comparison, for the three and twelve months ended December 31, 2007, DPM realized pre and after-tax cash proceeds of $51.3 million and $125.1 million, respectively, on the disposition of certain shareholdings.

For the three and twelve months ended December 31, 2008, DPM invested $3.9 million in marketable securities. By comparison, for the three and twelve months ended December 31, 2007, DPM invested $1.3 million and $18.0 million, respectively, in marketable securities.

For the three and twelve months ended December 31, 2008, the Company wrote-down some of its investments by $6.0 million and $7.5 million, respectively, as it was determined by management that the decline in market value in certain of its securities was other than temporary. In the three months and twelve months ended December 31, 2007, the Company wrote-down some of its investments by $13.0 million.

QUARTERLY INFORMATION

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

$ millions, except per share amounts	**2008**				2007			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2*	Q1
Net revenue	**$ 15.9**	$ 16.7	$ 32.7	$ 39.8	$ 22.3	$ 26.8	$ 52.5	$ 20.9
Cost of sales	**35.1**	23.8	28.8	21.9	25.6	17.9	26.7	12.4
Gross profit (loss)	**(19.2)**	(7.1)	3.9	17.9	(3.3)	8.9	25.8	8.5
Investment income (expense)	**(54.6)**	27.9	(1.4)	2.4	8.1	(1.9)	16.2	17.1
Earnings before undernoted	**(73.8)**	20.8	2.5	20.3	4.8	7.0	42.0	25.6
Expenses	**(14.9)**	(11.0)	(16.7)	(11.1)	(13.1)	(17.8)	(14.7)	(12.5)
Income tax recovery (expense)	**8.7**	(3.3)	0.1	(0.8)	(1.2)	1.1	(3.8)	(2.1)
Net earnings (loss)	**$ (80.0)**	$ 6.5	$ (14.1)	$ 8.4	$ (9.5)	$ (9.7)	$ 23.5	$ 11.0
Net earnings (loss) per share								
- Basic	**$ (1.03)**	$ 0.11	$ (0.23)	$ 0.14	$ (0.15)	$ (0.16)	$ 0.43	$ 0.20
- Diluted	**$ (1.03)**	$ 0.11	$ (0.23)	$ 0.14	$ (0.15)	$ (0.16)	$ 0.42	$ 0.20

* Q2 2007 figures have been restated.

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

	2008				2007			
US$, Average	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
London Bullion gold ($/oz)	**$ 796**	$ 869	$ 896	$ 927	$ 788	$ 681	$ 668	$ 650
LME cash copper ($/lb)	**1.77**	3.48	3.83	3.54	3.26	3.50	3.47	2.69
LME cash zinc ($/lb)	**0.54**	0.80	0.96	1.10	1.19	1.46	1.66	1.57
LME spot silver ($/oz)	**$ 10.20**	$ 15.03	$ 17.17	$ 17.68	$ 14.22	$ 12.70	$ 13.34	$ 13.31

MANAGEMENT AND STAFFING

In January 2008, Robert Falletta was appointed to the position of General Manager for Deno Gold. In this position, Mr. Falletta is responsible for management of the mining and administration operations. He is a professional mining engineer with over 35 years of mining experience and he has held increasingly senior roles in both underground and open pit operations in a variety of countries including the United States, Indonesia and Russia.

In December 2008, Lori Beak was appointed to the position of Vice President, Investor Relations and Corporate Secretary. In addition to her duties as Vice President and Secretary, Ms. Beak is also responsible for managing the investor relations function.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2008, the Company had cash, cash equivalents and short term investments totalling $104.0 million and a portfolio of investments with a market value of $4.5 million. The Company's excess cash is invested in bankers' acceptances and treasury bills.

In the fourth quarter of 2008, DPM successfully completed an equity offering that raised net proceeds of $77.2 million (gross proceeds of $81.6 million) through the sale and issuance of 35,556,000 common shares and 20,444,500 common share purchase warrants which give the holder the right to purchase one common share of the Company at the price of $3.25 per share until November 20, 2015. Proceeds from the offering will be used for ongoing operating and working capital requirements, potential strategic arrangements, capital expenditures, including project capital for the Chelopech mine and processing plant expansion and general corporate purposes.

In response to the slowdown in global markets, company-wide plans have been formulated and steps have been taken to reduce, eliminate and/or defer all non-critical expenditures and to identify potential strategic opportunities for certain of its exploration assets. The Company has entered into discussions surrounding strategic opportunities for the advancement of the Back River project.

While the operations at the Chelopech mining facilities are continuing their normal course, steps have been taken to reduce, eliminate and/or defer non-critical expenditures. The Chelopech concentrate sales contract with NCS has been extended to 2013, giving Chelopech the right to sell up to 120,000 tonnes of concentrate per year to NCS for the years 2011, 2012 and 2013 and to reduce concentrate sales on 12 months' notice to allow for the start-up of the Facility in Bulgaria. This arrangement provides the Company with assurances regarding the processing of its concentrate while it finalizes its plans for the construction and start-up of the Chelopech expansion project.

In December 2008, Chelopech signed a facility agreement with NCS, subsidiary of WTI, committing to advance NCS up to US$7 million of loans to NCS ("Facility Agreement"). Proceeds from the loan will be used by NCS for working capital purposes and improvements at NCS's Tsumeb smelter. Of the total commitment, US$3 million was drawn in December 2008. It is expected that the balance of US$4 million will be drawn in 2009. The loan is to be repaid in twelve equal quarterly instalments, commencing on June 1, 2011 and bears interest at U.S. dollar LIBOR plus 4.0%. By way of separate agreement, no amounts of principal or interest shall become due and payable under the terms of the Facility Agreement until the earlier of the date on which all amounts due and payable by WTI on certain of its indebtedness (maturity date of May 8, 2011) is repaid or the date falling 30 days after May 8, 2011. During this period, all interest that would otherwise become due and payable will be capitalized as part of the loan amount and bear interest in accordance with the terms of the Facility Agreement.

For the year 2009, the Company currently plans to invest approximately US$22 million at Chelopech for capital projects.

It is presently anticipated that the Company's current level of cash, cash equivalents and short-term investments at December 31, 2008 will enable the Company to meet its 2009 operating and capital requirements, including its contractual commitments and mandatory debt repayments. The Company's ability to generate sufficient cash flow in the year 2009 to finance its operations, capital expenditures and other commitments is dependent on metal prices and the level of concentrate production at Chelopech. If the metal prices, in particular copper selling prices, continue to decline and Chelopech does not achieve its production target, DPM's operating cash flow for the year 2009 will be negatively impacted and additional financing may be required. There can be no assurance that additional capital or other types of financing will be available, if needed. In addition, 92% of the expected 2009 sales of Chelopech concentrates are to NCS. There can be no assurance that the Company will not experience a loss for non-performance by NCS.

The official recommencement of the Chelopech expansion project will be dependent on satisfactory results and acceptance of the updated DFS anticipated in the first quarter of 2009, receipt of the required permits, approval by DPM's Board of Directors and external financing.

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

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

Contractual Obligations

		Payments Due by Period			
$ thousands	Total	Up to 1 Year	1 – 3 Years	4 – 5 Years	Over 5 years
Long-term debt	$ 27,101	$ 5,786	$ 8,526	$ 7,308	$ 5,481
Capital lease obligations	2,955	900	2,055	-	-
Operating lease obligations	1,134	839	295	-	-
Purchase obligations	18,149	12,501	5,648	-	-
Other long-term obligations	342	206	68	68	-
Total contractual obligations	$ 49,681	$ 20,232	$ 16,592	$ 7,376	$ 5,481

Total long-term debt includes US$20.0 million owed by Chelopech and US$2.25 million owed by Deno Gold.

Included in the purchase obligations above are $12.6 million relating to Chelopech's expansion project purchase commitments, $2.6 million for site capital projects, $1.2 million relating to Deno Gold purchase commitments, $1.0 million in contracts relating to BMM and $0.7 million in contracts relating to corporate and the Back River Project.

In December 2008, Chelopech entered into a long-term lease agreement for the purchase of equipment, expiring on December 28, 2011. The aggregate amount of future minimum lease payments over the term of the lease is EUR1.7 million (Cdn$2.9 million), excluding imputed interest of EUR0.2 million (Cdn$0.4 million). The interest rate is 8.05% and the balance is payable in 36 equal monthly instalments. The gross amount of leased assets included in the property, plant and equipment is $2.9 million.

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

On April 15, 2008, Chelopech concluded a US$5.0 million short-term, revolving credit facility for working capital purposes, fixed advances and the issuance of bank guarantees and letters of credit. Advances under the credit facility bear interest at the U.S. dollar LIBOR rate plus 0.9%. The credit facility, which matures on April 30, 2009, is guaranteed by DPM. As of December 31, 2008, no advances had been drawn and letters of guarantee amounting to $1.3 million had been written against this credit facility.

On December 22, 2005, Deno Gold obtained a US$4.5 million loan from the EBRD. The loan is secured by: (1) a first ranking pledge over the Deno Gold bank account through which all concentrate sales are credited and which shall maintain, at all times, an amount no less than the next three months debt service requirement; and (2) a first priority pledge of the shares in Deno Gold. The loan bears interest at LIBOR plus 5.5% and is repayable in eight equal semi-annual instalments, beginning March 2007. In response to the placement of the Deno Gold operations on care and maintenance in November 2008, an accommodation or waiver from the EBRD has been requested, as certain of its loan covenant obligations have not and will not be met. Based on current discussions with the EBRD, management believes such an accommodation will be obtained.

BMM has entered into a US$0.3 million credit agreement for the purpose of providing letters of guarantee for certain of its obligations under its exploration license agreements. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As of

December 31, 2008, letters of guarantee amounting to $0.1 million had been written against this credit facility.

Chelopech has entered into a US$2.0 million credit agreement for the purpose of providing letters of guarantee for future royalty payments under its concession license agreements. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As of December 31, 2008, letters of guarantee amounting to $1.6 million had been written against this credit facility.

FINANCIAL AND OTHER INSTRUMENTS

The Company's investment portfolio as at December 31, 2008 was carried at fair value.

The Company reported an unrealized loss on revaluation of debt of $2.8 million in the fourth quarter of 2008. In the twelve months ended December 31, 2008, the Company reported unrealized gains of $0.5 million from marked-to-market adjustments on its long-term debt, predominantly as a result of adjustments to record the fair market value of the additional US$15 million of Chelopech EBRD debt. The year-end adjustment was based on the USD spot LIBOR rate as at December 31, 2008 of 0.135% plus the applicable interest rate margin.

In 2006, the Company purchased put options giving it the right but not the obligation to sell 11,825 tonnes of copper at a price of US$2.50 per pound. The options were put in place over the period of October 2006 to December 2007 and matured evenly by month over this time period. The intent of the options was to protect the Company from a decline in the price of copper. The Company did not apply hedge accounting for these financial instruments and, accordingly, adjustments to the fair value of these puts amounting to losses of $3.2 million for the period ended December 31, 2007, were recorded on the statement of earnings.

At present, the Company does not have any derivative contracts in place.

OFF BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARE DATA

DPM's shares and share purchase warrants are traded on the TSX under the symbols DPM, DPM.WT and DPM.WT.A. As at February 19, 2009, there were 97,540,538 common shares outstanding with a stated value of $331.8 million and 23,204,500 common share purchase warrants were outstanding with a stated value of $16.6 million. There were also 5,219,492 stock options outstanding as of the date of this MD&A with a weighted average exercise price of $7.40 per share. Stock options outstanding have expiry dates ranging from February 24, 2009 to December 14, 2013.

RISKS AND UNCERTAINTIES

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

Current Global Financial Condition

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

Financing

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

Metal Prices

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

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

The Company elected to suspend its operations at Deno Gold in November 2008 pending a significant improvement in metal prices. In the event that any such improvement does not occur, the Company may not be able to resume its operations at Deno Gold and may have to write-down the value of Deno Gold, which may have a material adverse effect on the financial statements.

Depending on market conditions, the Company may enter into copper and/or gold hedging contracts. In the third quarter of 2006, the Company acquired copper put options on 11,825 tonnes covering the period of October 2006 to December 2007. There were no metal hedges in place as at December 31, 2008.

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

Foreign Exchange

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

Operational Risk:
While the Company's functional currency is Canadian dollars and its revenues are denominated in U.S. dollars, the majority of the Company's operating and capital expenditures are in Euro, Armenian dram and U.S. dollar. Fluctuations in exchange rates between the U.S. dollar and the Euro and the U.S. dollar and the Armenian dram give rise to foreign exchange exposures, either favourable or unfavourable, which could have a material impact on the Company's results of operations and financial condition. However, given the very strong positive correlation between the Euro (in U.S. dollar terms) and the gold price, the Company has

a natural hedge in place – limiting the impact foreign exchange movements have on the Company's profit margin. As a result, the Company does not currently hedge its foreign exchange exposure.

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

Counterparty Risk

Under the terms of the Company's concentrate sales contracts, the purchaser makes a provisional payment of 85% of the provisional value of each lot at the time title, but not risk, of the concentrate transfers, with a further advance payment of 5% following presentation of sales documents to the purchaser. A final adjusting payment, reflecting the actual metal prices for the specified quotational period, is made when final weights and assays are agreed upon. All contractual commitments are subject to force majeure clauses which, if implemented, could have a significant impact on revenue. Approximately 92% of the total projected sales in 2009 are to one customer. There can be no assurance that the Company will not experience a loss for non-performance by any counterparty with whom it has a commercial relationship. While the Company does not expect an impairment of the loan receivable from NCS and the loan is guaranteed by its parent, there is no complete assurance that the loan will be repaid.

Environmental Risks and Hazards

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

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

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

Operations

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

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

Production, Operating and Shipping Costs

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

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

Mineral Resources and Reserves

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

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

Exploration

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

Development Projects

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

<u>Political</u>

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

These risks and uncertainties vary from country to country and include, but are not limited to, terrorism; corruption; crime; hostage taking or detainment of personnel; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; absence of reliable regulatory and judiciary process; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; changing political conditions; currency controls; and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Any changes in mining or investment policies or shifts in political attitude in Eastern Europe and Eurasia may adversely affect the Company's operations and financial condition. In addition, Eastern European and Eurasian authorities and court systems have been shown to be unpredictable. Challenges to foreign companies' asset ownership, operations and regulatory compliance may be brought by government authorities for reasons that cannot be predicted. It is also not unusual, in the context of dispute resolution, for parties in these jurisdictions to use the uncertainty of the legal environment as leverage in business negotiations.

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

<u>Krumovgrad Gold Project</u>

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

On June 2, 2007, the Company filed an application for a mining license with the MoEE in lieu of having satisfied all the statutory requirements for registering a commercial discovery. Although the MoEE has taken steps to review the Company's application, the failure to formally issue an administrative act certifying opening of the administrative proceedings within the general administrative statutory timeline is considered, under the Bulgarian law, a silent refusal to start the proceedings. As a result, on December 21, 2007, the Company filed with the Court an appeal against the MoEE for silent refusal to open proceedings for direct granting of the mining concession. The appeal was filed to ensure that the Company's rights were protected and were not going to be precluded because of the delay on the part of the state administration. A court hearing on the claim took place on April 21, 2008 at which the MoEE was not represented. The Court issued a decision on May 15, 2008 rejecting the claim of the Company with the argument that the Company does not have a commercial discovery certificate and that discussions between the MoEE and MoEW regarding the issuance and the meaning of this certificate are underway. The Company appealed the decision in front of an appellate court. On January 12, 2009 the Company received a decision of the appellate court dated December 11, 2008, confirming the decision of the first instance court and rejecting the claim of the Company. This decision is final. In view of the decision, it is likely that the MoEE will wait until the certificate for commercial discovery is issued before taking further steps on the procedure for granting a mining license to the Company.

On September 11, 2007, a new Regulation on the Conditions and Procedures for Assessment of the Compatibility of Plans, Programs, Projects and Investment Proposals with the Scope and Objectives of

Conservation of the Protected Sites (the "Regulation") was adopted following a June 29, 2007 legislative amendment that introduced a requirement to comply with a procedure for compatibility of investment projects with the scope and objectives of conservation with protected sites ("CA Procedure"), together with the EIA procedure. After having received no direction from the MoEW on the effect this new requirement will have on the significantly advanced Krumovgrad EIA procedure, on September 17, 2008, the Company filed with the MoEW a special notification on the project in the format provided by the Regulation.

On December 1, 2008, in response to the notification filed on September 17, 2008 DPM received a letter from the MoEW requesting DPM to prepare a Compatibility Assessment Report (the "Report") for the Project and provide an update of the EIA in accordance with the findings of the Report. This Report will assess the compatibility of the Project within the scope and purpose of Natura 2000, the European network of protected sites, and is a prerequisite for the issuance of a decision on the EIA. The letter states that following the submission of the requested documents, both the EIA and the Report will be submitted for consideration by the Supreme Expert Environmental Council at the MoEW to enable the Minister of Environment and Waters to issue an EIA decision. As the compatibility assessment and the EIA procedures are aligned, the MoEW should issue a single final resolution on both matters.

Under Canadian GAAP, a brief interruption of movement towards development is allowed for up to a period of three years. After the three year period, which will be reached in May 2009, a write-down of the investment will need to be assessed. Many factors would need to be taken into consideration before a decision is made regarding a potential write-down, including the actions taken by DPM to actively protect its rights to the Krumovgrad property and its potential development.

The Company has taken legal action in Bulgaria and intends to continue to take all available actions to protect its rights. However, should the Company be unsuccessful in maintaining its rights to the project, the Company may have to write off the value of the Krumovgrad gold project, which would have a material adverse effect on the financial statements.

Insurance

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

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

Diversification

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

Government Laws and Regulations

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

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

Labour Relations

While the Company has good relations with both its unionized and non-unionized employees, there can be no assurance that it will be able to maintain positive relationships with its employees or that new collective agreements will be entered into without work interruptions. In addition, relations between the Company and its employees may be impacted by regulatory or governmental changes introduced by the relevant authorities in whose jurisdictions the Company carries on business. Adverse changes in such legislations or in the relationship between the Company and its employees may have a material adverse impact on the Company's business, results of operations and financial condition. A two-year collective agreement with the Company's unionized employees at Chelopech is in force from July 1, 2007 to June 30, 2009.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

Capitalization of Exploration Expenses

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

Asset Retirement Obligations

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

Significant judgments and estimates are made when determining the nature and costs associated with asset retirement obligations. Changes in the underlying assumptions used to estimate the obligation as well as changes to environmental laws and regulations could cause material changes in the expected cost and the fair value of asset retirement obligations.

Property, Plant and Equipment

Property, plant and equipment represent 66% of total assets at December 31, 2008. As such, the application of the Company's accounting policies for these assets has a material impact on the Company's financial results. Property, plant and equipment and related capitalized expenditures are recorded at cost. Amortization expense is based on the estimated useful lives of these assets. The carrying values of mining properties and property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Impairment assessments are based on estimates of future cash flows, which include: the quantity of mineral reserves; future metal prices and future operating and capital costs to mine and process the Company's reserves. The variability of these factors depends on a number of conditions, including the uncertainty of future events and, as a result, accounting estimates may change from one period to another. Asset balances could be materially impacted if other assumptions and estimates had been used. In addition, future operating results could be impacted if different assumptions and estimates are applied in future periods.

Income Taxes

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

Inventories

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

Revenue Recognition

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

2008 ACCOUNTING DEVELOPMENTS

Adoption of new accounting standards

On January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535 – ***"Capital Disclosures"***; Section 3031 – ***"Inventories"***; Section 3862, ***"Financial Instruments – Disclosure"*** and Section 3863, ***"Financial Instruments – Presentation"***, which replaced Handbook Section 3861 – ***"Disclosure and Presentation"***. These standards were adopted on a prospective basis and, as such, prior periods have not been restated.

Handbook Section 1535 specifies the disclosure of the Company's objectives, policies and processes for managing capital; quantitative data on what the Company regards as capital; whether the Company has complied with any externally imposed capital requirements, the consequences, if any, of non-compliance and how the Company is meeting its objectives for managing capital.

Handbook Section 3031 was reissued by the CICA to harmonize the standard with International Financial Reporting Standards.

Handbook Section 3862 requires entities to provide disclosure in their financial statements that enable users to evaluate: 1) the significance of financial instruments for the entity's financial position; and 2) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Handbook Section 3863 carries forward unchanged presentation requirements of the old Handbook Section 3861. As these new Sections relate to disclosure and presentation only, they have no impact on the consolidated financial position or results of operations.

2009 ACCOUNTING DEVELOPMENTS

Adoption of new accounting standards

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

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

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

The following is a high level summary of the key elements of the Company's IFRS conversion plan.

1. DPM is currently analyzing various options available under IFRS including options available under IFRS 1 (First-time Adoption of International Financial Reporting Standards). Areas that may have a significant impact on DPM financial statements as a result of adopting IFRS are IFRS 1, exploration for evaluation of mineral resources, property, plant and equipment ("PP&E"), income taxes and impairment of assets.

2. Information technology and data systems will be assessed, documentation updated and system changes implemented, as required. It is expected that, at a minimum, the systems related to PP&E may need to be enhanced. In addition, system options are under consideration to generate financial information under both Canadian GAAP and IFRS in 2010.

3. As part of the current solution development phase, changes in Internal Controls over Financial Reporting ("ICFR") are being identified due to changes in the processes and systems. Concurrently with implementation of these changes in ICFR, documentation of internal controls and the test plans related to management's ongoing assessment of ICFR will be updated, as required.

4. Disclosure Controls and Procedures ("DC&P"), including investor relations and external communications plans, will be assessed and documentation of DC&P will be updated, as required, as will test plans related to management's ongoing assessment of DC&P.

5. Some of the significant overseas locations of DPM currently report under IFRS for local purposes. The available IFRS expertise will be leveraged along with the use of external advisors to achieve the conversion plan. The key accounting and operational personnel and management at various locations have received, and will continue to receive, training as required during the conversion process and beyond. The audit committee, in its oversight role for the board of directors, will be informed by management of developments in IFRS and the Company's conversion process.

6. While a detailed analysis of the impact of conversion on business activities is progressing, based on the diagnostic review, no major change in the business activities is expected. As part of its review, the Company will assess the impact of adopting IFRS on various items such as debt covenants and capital requirements.

The major deliverables of the conversion project include:

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

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

NON-GAAP FINANCIAL MEASURES

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

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

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

$ thousands, unless otherwise indicated **For the year ended December 31, 2008**		**Chelopech**		**Deno Gold**		**Total**
Ore processed *(mt)*		**900,563**		**269,033**		
Concentrate produced:						
Gold in concentrate *(ounces)*		**71,472**		**12,236**		
Copper in concentrate *(pounds)*		**19,909,524**		**1,999,068**		
Zinc in concentrate *(pounds)*		**-**		**8,833,762**		
Cost of sales *(Cdn$)*	**$**	**71,426**	**$**	**38,194**	**$**	**109,620**
Cost of sales *(US$)*	**$**	**67,423**	**$**	**36,319**	**$**	**103,742**
Deduct:						
Amortization		**(9,811)**		**(2,560)**		
Reclamation costs and other		**(2,155)**		**(1,108)**		
Care and maintenance costs		**-**		**(1,732)**		
Change in concentrate inventory		**(178)**		**(1,485)**		
Total cash cost of production before by-product credits *(US$)*	**$**	**55,279**	**$**	**29,434**		
Silver credits *(US$)*		**(1,531)**		**(4,220)**		
Total cash cost of production after by-product credits *(US$)*	**$**	**53,748**	**$**	**25,214**		
Cash cost per tonne ore processed *(US$)*	**$**	**61.38**	**$**	**109.40**		
Cash cost per pound Copper produced *(US$)* (1)	**$**	**1.34**	**$**	**3.43**		
Cash cost per ounce Gold produced *(US$)* (1)	**$**	**377**	**$**	**870**		
Cash cost per pound Zinc produced *(US$)* (1)	**$**	**-**	**$**	**0.87**		

$ thousands, unless otherwise indicated **For the year ended December 31, 2007**		**Chelopech**		**Deno Gold**		**Total**
Ore processed *(mt)*		913,440		323,371		
Concentrate produced:						
Gold in concentrate *(ounces)*		75,075		9,312		
Copper in concentrate *(pounds)*		23,620,146		1,654,618		
Zinc in concentrate *(pounds)*		-		5,727,796		
Cost of sales *(Cdn$)*	$	52,588	$	29,900	$	82,488
Cost of sales *(US$)*	$	47,944	$	27,363	$	75,307
Add/(Deduct):						
Amortization and other non-cash charges		(6,912)		(1,612)		
Reclamation costs and other		(709)		(170)		
Change in concentrate inventory		2,459		1,678		
Total cash cost of production before by-product credits *(US$)*	$	42,782	$	27,259		
Silver credits *(US$)*		(1,499)		(2,569)		
Total cash cost of production after by-product credits *(US$)*	$	41,283	$	24,690		
Cash cost per tonne ore processed *(US$)*	$	46.84	$	84.30		
Cash cost per pound Copper produced *(US$)* (1)	$	1.03	$	3.93		
Cash cost per ounce Gold produced *(US$)* (1)	$	227	$	910		
Cash cost per pound Zinc produced *(US$)* (1)	$	-	$	1.70		

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

DISCLOSURE CONTROLS AND PROCEDURES

Requirements of NI 52-109 include conducting an evaluation of the effectiveness of DC&P. Management conducted an assessment of the effectiveness of the DC&P in place as of December 31, 2008 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.

INTERNAL CONTROL CHANGES

During 2008, the Company completed a detailed evaluation of the effectiveness of ICFR over financial reporting using the Committee of Sponsoring Organizations of the Treadway Commission framework. This exercise resulted in improvements being made to strengthen the portfolio of internal controls in all significant locations. Additional improvements will be made in 2009 to further enhance ICFR.

INTERNAL CONTROL EVALUATION

Requirements of NI 52-109 include conducting an evaluation of the effectiveness of ICFR. Management conducted an assessment of the effectiveness of ICFR in place as of December 31, 2008 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.

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February 18, 2009

Auditors' Report

To the Shareholders of
Dundee Precious Metals Inc.

We have audited the consolidated balance sheets of Dundee Precious Metals Inc. (the Company) as at December 31, 2008 and 2007 and the consolidated statements of earnings (loss), comprehensive loss, changes in shareholders' equity and cash flows for each of the years in the two-year period ended December 31, 2008. 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants
Toronto, Canada

CONSOLIDATED BALANCE SHEETS

As at December 31, 2008 and December 31, 2007

(in thousands of Canadian dollars)

	December 31, 2008	December 31, 2007
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 51,362**	$ 49,175
Short-term investments	**52,662**	-
Accounts receivable and other assets *(note 7)*	**28,909**	39,274
Inventories *(note 8)*	**32,779**	32,396
Total current assets	**165,712**	120,845
Portfolio investments at market value *(note 9)*	**4,532**	34,567
Equity accounted investments *(market value December 2007 - $31,457) (note 9)*	**-**	13,665
Other long-term assets *(note 10)*	**16,014**	9,570
Property, plant & equipment *(note 11)*	**377,443**	354,549
Future income tax asset *(note 16)*	**4,933**	5,272
Total assets	**$ 568,634**	$ 538,468
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 34,526**	$ 24,140
Deferred revenue *(note 12)*	**6,169**	-
Current portion of long-term debt and reclamation and other long-term liabilities *(notes 13 and 14)*	**6,541**	3,604
Total current liabilities	**47,236**	27,744
Long-term Liabilities		
Long-term debt *(note 13)*	**20,392**	6,114
Reclamation and other long-term liabilities *(note 14)*	**24,339**	13,617
Long-term compensation *(note 17)*	**689**	3,233
Future income tax liability *(note 16)*	**14,010**	16,380
Total long-term liabilities	**59,430**	39,344
SHAREHOLDERS' EQUITY		
Share capital	**331,802**	268,669
Warrants	**16,658**	4,758
Contributed surplus	**10,948**	9,081
Retained earnings	**105,315**	184,510
Accumulated other comprehensive earnings (loss)	**(2,755)**	4,362
Total shareholders' equity	**461,968**	471,380
Total liabilities and shareholders' equity	**$ 568,634**	$ 538,468

Contingent Liabilities and Commitments *(note 15)*

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the years ended December 31, 2008 and December 31, 2007

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

		2008		2007
Mining operations				
Gold/copper/zinc concentrates net revenue	$	105,053	$	122,417
Cost of sales		109,620		82,488
Gross profit (loss)		(4,567)		39,929
Investment and other income (expense)				
Dividends, interest and other income		2,617		2,211
Loss on equity accounted investments		(126)		(51)
Property impairment provisions *(note 11)*		(48,780)		(732)
Net realized gains on sale of investments		28,069		53,733
Loss on copper put options		-		(3,192)
Impaired investments written down to market value *(note 9)*		(7,532)		(13,022)
Investment and other income (expense)		(25,752)		38,947
Earnings (loss) before undernoted items		(30,319)		78,876
Expenses				
Administrative and other expenses		19,859		21,184
Stock based compensation expense (recovery) *(notes 17 and 19)*		(939)		193
Exploration expense		26,811		29,232
Amortization of property, plant and equipment		2,353		2,013
Financing and other costs		1,680		3,035
Foreign exchange loss		3,878		1,957
Total expenses - net		53,642		57,614
Earnings (loss) before income taxes		(83,961)		21,262
Provision for (recovery of) income taxes *(note 16)*				
Current		641		4,967
Future		(5,407)		920
Total provision for (recovery of) income taxes		(4,766)		5,887
Net earnings (loss) for the period	$	(79,195)	$	15,375
Basic net earnings (loss) per share *(note 20)*	$	(1.20)	$	0.27
Diluted net earnings (loss) per share *(note 20)*	$	(1.20)	$	0.26

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the years ended December 31, 2008 and December 31, 2007

(in thousands of Canadian dollars)

		2008		2007
Comprehensive loss				
Net earnings (loss)	$	(79,195)	$	15,375
Other comprehensive loss, net of taxes				
Net unrealized losses on available-for-sale investments		(5,933)		(20,125)
Reclassification of realized gains on available-for-sale investments to earnings		(1,184)		(35,870)
Other comprehensive loss		(7,117)		(55,995)
Total comprehensive loss	$	(86,312)	$	(40,620)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended December 31, 2008 and December 31, 2007

(in thousands of Canadian dollars)

	2008	2007
OPERATING ACTIVITIES		
Net earnings (loss) for the period	**$ (79,195)**	$ 15,375
Non-cash charges (credits) to earnings:		
Amortization of property, plant and equipment	**16,424**	12,512
Stock based compensation expense (recovery)	**(939)**	193
Net gains on sale of investments	**(28,069)**	(53,733)
Impaired investments written down to market value	**7,532**	13,022
Unrealized loss (gain) on revaluation of debt	**(458)**	715
Future income taxes	**(5,407)**	920
Loss on copper put options	**-**	3,192
Accretion expense	**1,396**	1,005
Impairment of property, plant and equipment *(note 11)*	**48,780**	732
Other non-cash charges (credits)	**4,818**	(1,289)
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable and other assets	**6,213**	(9,367)
Increase in inventories	**(383)**	(15,299)
Decrease (increase) in other receivables and advances	**1,362**	(3,353)
Increase (decrease) in accounts payable	**14,544**	(17,261)
Increase in deferred revenue	**6,169**	-
Increase in other liabilities	**181**	29
Net cash used in operating activities	**(7,032)**	(52,607)
INVESTING ACTIVITIES		
Purchase of portfolio investments	**(3,872)**	(18,046)
Proceeds on sale of portfolio investments	**61,869**	125,069
Purchase of short-term investments	**(52,662)**	-
Loan advances	**(3,654)**	-
Purchase of additional interest in company, net of share issue of $2,464 *(note 4)*	**-**	(2,199)
Acquisition of property, plant and equipment	**(82,160)**	(110,209)
Proceeds on sale of property, plant and equipment	**732**	273
Net cash used in investing activities	**(79,747)**	(5,112)
FINANCING ACTIVITIES		
Issue of common shares on exercise of stock options	**-**	1,380
Net proceeds of equity financing	**77,175**	77,474
Redemption of deferred share units	**(58)**	(112)
Proceeds of debt financing	**15,821**	-
Repayment of debt	**(3,972)**	(3,841)
Net cash provided by financing activities	**88,966**	74,901
Increase in cash and equivalents	**2,187**	17,182
Cash and equivalents at beginning of period	**49,175**	31,993
Cash and equivalents at end of period	**$ 51,362**	$ 49,175
Supplemental Disclosures		
Interest received	**$ (285)**	$ (25)
Taxes paid	**$ 6,066**	$ 13,960

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

As at December 31, 2008 and December 31, 2007

(in thousands of Canadian dollars)

	December 31, 2008		December 31, 2007	
	Number	**Amount**	Number	Amount
Share Capital				
Authorized				
Unlimited common shares				
Issued				
Common Shares				
Balance at beginning of year	**61,984,538**	**$ 268,669**	53,985,838	$ 193,307
Shares issued on financing *(note 18)*	**35,556,000**	**69,690**	5,520,000	53,202
Flow-through shares issued on financing *(note 18)*	**-**	**-**	1,955,000	23,949
Future income tax recognized on flow-through shares		**(3,472)**		(2,995)
Financing fees *(note 18)*		**(4,592)**		(4,434)
Future income tax recognized on financing fees		**1,507**		1,401
Shares issued on purchase of additional interest in company *(note 6)*	**-**	**-**	337,033	2,464
Shares issued on exercise of stock options	**-**	**-**	186,667	1,380
Transferred from contributed surplus on exercise of stock options	**-**	**-**	-	395
Balance at end of year	**97,540,538**	**331,802**	61,984,538	268,669
Warrants				
Balance at beginning of year	**2,760,000**	**4,758**	-	-
Warrants issued on financing *(note 18)*	**20,444,500**	**11,900**	2,760,000	4,758
Balance at end of year	**23,204,500**	**16,658**	2,760,000	4,758
Contributed surplus				
Balance at beginning of year		**9,081**		7,019
Stock based compensation expense		**1,867**		2,457
Transferred to capital stock on exercise of stock options		**-**		(395)
Balance at end of year		**10,948**		9,081
Retained earnings				
Balance at beginning of year		**184,510**		166,987
Transition adjustment - financial instruments		**-**		2,148
Net earnings (loss)		**(79,195)**		15,375
Balance at end of year		**105,315**		184,510
Accumulated other comprehensive earnings (loss)				
Balance at beginning of year		**4,362**		-
Transition adjustment - financial instruments		**-**		60,357
Net change on available-for-sale investments		**(7,117)**		(55,995)
Balance at end of year		**(2,755)**		4,362
Shareholders' equity at end of year		**$ 461,968**		$ 471,380

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS, BASIS OF PRESENTATION AND GOING CONCERN

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 metal properties.

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

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

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

The principal accounting policies are described hereunder.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Adoption of New Accounting Standards

On January 1, 2008, the Company adopted four new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"); Section 3031, "Inventories", Section 1535, "Capital Disclosures", Section 3862, "Financial Instruments – Disclosure" and Section 3863, "Financial Instruments – Presentation". These standards were adopted on a prospective basis and, as such, prior periods have not been restated.

Inventories

The revised inventory section brings the CICA standard in line with International Financial Reporting Standards and allows for the upward revaluation of inventory that was previously written down to net realizable value due to a change in circumstances. The adoption of this standard had no impact on DPM's financial results. Inventories of gold/copper/zinc concentrate are valued at the lower of average production cost and net realizable value. Production costs that are inventoried include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour, other direct costs (including external services and amortization) and related production overheads, but excludes administrative and finance costs. Production costs also include the royalty payable on the value of the ore extracted from the mine. Materials and supplies inventory are valued at the lower of average cost and net realizable value.

Capital Disclosures

Section 1535 specifies the disclosures of the Company's objectives, policies and processes for managing capital; quantitative data about what the Company regards as capital; whether the Company has complied with any externally imposed capital requirements and the consequences, if any, of non-compliance and how the Company is meeting its objectives for managing capital. The adoption of this standard had no impact on the financial results of the Company.

Financial Instruments – Presentation and Disclosure

Sections 3862 and 3863 replaced Handbook Section 3861 "Financial Instruments – Disclosure and Presentation" with revised and enhanced disclosure requirements and continued the presentation requirements. These new sections emphasize increased disclosure regarding the nature and extent of risks arising from financial instruments and how the entity manages those risks. The adoption of this standard had no impact on the financial results of the Company.

b) Consolidation

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

c) Use of Estimates

The preparation of the consolidated financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of consolidated 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, investments, long-lived assets, amortization and depletion rates, asset retirement obligations, future income tax assets and liabilities, warrants and stock based compensation. Actual results could differ from these estimates.

d) 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.

e) Cash and Cash Equivalents

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

f) Short-term investments

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

g) Inventories

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

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

h) Flow-through Common Shares

During 2007, the Company issued flow-through common shares to finance a portion of its Canadian exploration program. Pursuant to the terms of the flow-through common share agreements, the tax deductions associated with the expenditures are renounced to the subscribers. To recognize the foregone tax benefits, share capital is reduced and a future income tax liability is recognized as the related expenditures are renounced.

i) Valuation of Portfolio Investments

Portfolio investments are reported at fair market value. Market values of investments in publicly traded securities are determined based on the period end closing prices reported on recognized securities exchanges and over-the-counter markets. Portfolio investments are revalued to market each reporting period and the resulting gain or loss is recorded as an adjustment to Other Comprehensive Earnings ("OCE"). Investments are evaluated for impairment based on the market values and consideration of the current circumstances affecting the companies in DPM's investment portfolio.

When there has been a loss in value of a portfolio investment that is determined to be other than a temporary decline, the investment is written down to recognize the loss. The recognition of an other than temporary impairment results in a charge to the statement of earnings.

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

The related fair market value adjustments that were previously recorded in OCE are reclassified to the statement of earnings when a portfolio investment is sold or permanently written down.

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

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

j) Other Long-term Assets

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

k) Property, Plant and Equipment

Mining interests, exploration and development costs

Costs incurred for the acquisition of land and mineral rights are capitalized. Exploration expenses incurred up 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 or project area is abandoned, or deemed economically unfeasible, the related project balances are written off. All expenses related to the construction of the main declines, access to the ore bodies and ventilation raises are considered to be underground capital development and are capitalized. Expenses incurred after reaching the ore body are regarded as operating development cost and are included in the cost of hoisted ore.

Amortization rates for these assets are as follows:

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

Property, plant and 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 on a straight line basis. Amortization of property, plant and equipment used in a capitalized exploration or development project is capitalized to the project.

Following are the amortization rates used for each category of property, plant and mine equipment:

Asset Category	Amortization rate (%)
Buildings	**5-7**
Machinery and equipment	**20**
Computer hardware	**20-50**
Vehicles	**20**
Office equipment	**15**
Intangible assets	**10-33.33**
Computer software	**20-50**

Impairment

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

l) Asset Retirement Obligations

DPM records a liability for its long-term site restoration obligations when a legal obligation is identified. 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 capitalized retirement 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.

m) Revenue Recognition

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

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

n) 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 recorded at fair value at the time of the grant, which are based on the closing stock price at the date of grant.

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

o) Income Taxes

Income taxes are calculated using the asset and liability method of tax accounting. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax bases resulting in "temporary differences". Future income tax assets and liabilities are measured using the enacted or 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.

p) 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.

3. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it based on prevailing market conditions and according to its business plan. Most of the Company's capital comes from the issuance of equity. Other sources of capital are derived from DPM's subsidiary companies' (Chelopech and Deno Gold) third party debt. Capital is monitored on the basis of debt as a percentage of total capital, calculated as total debt divided by the aggregate of shareholders' equity (as shown in the balance sheet), plus total debt. As of December 31, 2008, the Company's debt as a percentage of total capital was only 5%. DPM's subsidiaries are subject to externally imposed capital requirements. See note 13 for discussion on the Company's compliance with these requirements.

4. FINANCIAL INSTRUMENT RISK FACTORS

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

Credit risk

Under the terms of the Company's concentrate sales contracts, the purchaser makes an initial advance payment of 85% of the provisional value of each lot at the time title, but not risk, of the concentrate transfers, with a further advance payment of 5% following presentation of sales documents to the purchaser. A final adjusting payment, reflecting the actual metal prices for the specified quotational period, is made when final weights and assays are agreed upon. All contractual commitments are subject to force majeure clauses which, if implemented, could have a significant impact on revenue. Approximately 59% of the total copper concentrate sales in 2008 were to one customer and approximately 92% of DPM's total projected copper concentrate sales for the year 2009 are expected to be completed with one customer (note 15(b)).

Market risk

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

i) Foreign currency risk

Monetary assets and liabilities denominated in foreign currencies are translated from U.S. dollars into Canadian dollars at the period end exchange rates. The rate published by the Bank of Canada at the close of December 31, 2008 was 1.218 Canadian dollars to one U.S. dollar. The Company's financial instruments denominated in U.S. dollars are customer receivables and long-term debt. Based on the balances at December 31, 2008, earnings will increase or decrease by $0.5 million given a 5% increase or decrease, respectively, in the U.S. dollar to Canadian dollar exchange rate on customer receivables. Earnings will decrease or increase by $1.4 million given a 5% increase or decrease, respectively, in the U.S. dollar to Canadian dollar foreign exchange rate, on long-term debt.

ii) Price/Market risk

The Company sells its products at prices that are effectively determined through trading on major commodity exchanges, in particular the London Metal Exchange and London Bullion Market. The prices of gold, copper, zinc and silver are major factors influencing the Company's business, results of operations, financial condition, cash flow from operations, exploration, mining and development activities and trading price for its common shares and common share purchase warrants. As at December 31, 2008, the prices of gold and silver were US$865/oz and US$10.79/oz, respectively, as per the London Bullion Market Association, and the prices of copper and zinc were US$1.32/lb and US$0.51/lb, respectively, as per the London Metal Exchange.

Gold, copper, zinc and silver prices may fluctuate widely and are affected by numerous factors beyond the Company's control. Depending on market conditions, DPM may enter into copper and/or gold hedging contracts. Annual earnings will increase or decrease by $4.1 million, $4.5 million, and $0.3 million, respectively, given a 5% increase or decrease in the realized gold, copper and zinc prices.

The Company's investment income is denominated primarily in Canadian dollars as most of its investments trade on the Toronto Stock Exchange ("TSX") and the majority of its cash balances are held in Canadian dollars. A change in the quoted market value of the investments will affect the value of the portfolio. DPM does not measure or manage risk against the performance of the TSX. The Company is sensitive to the movement in the price of securities in which it invests with proportional impacts recorded in accumulated other comprehensive loss.

iii) Interest rate risk

Interest rate risk is the potential impact on DPM's earnings due to changes in bank lending rates and short-term deposit rates. During the year ended December 31, 2008, the Company earned $2.1 million of interest income. The Company earns interest on its excess cash held in Canadian dollars and invested in Bankers' Acceptances, treasury bills, and GIC's, as well as on its long-term loan receivables, which pay interest at the London Inter-Bank Offer Rate ("LIBOR") rate (note 11). Earnings will increase or decrease by $1.1 million given a 1% change in the short-term deposit rate. The impact on earnings from a 100 basis point change in the LIBOR rate is not significant.

(in thousands of Canadian dollars, unless otherwise indicated)

During the year ended December 31, 2008, the Company incurred $1.1 million of interest expense and $0.3 million in fees on its financial liabilities. The interest expense on long-term debt owed by both Chelopech and Deno Gold is calculated based on the LIBOR rate. A 100 basis point change in the LIBOR rate will cause earnings to increase or decrease by $0.2 million.

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's investment portfolio as at December 31, 2008 was carried at fair value. During 2007 and the first six months of 2008, the Company used the equity method of accounting for its interest in Frontier Pacific Mining Corporation ("Frontier Pacific"), and, during 2007, the Company equity accounted for its interest in Goldbelt Resources Ltd. Both investments were carried at cost during these periods.

The Company purchased copper put options in the aggregate amount of US$6.5 million (Cdn$7.2 million) in 2006 giving the Company the right, but not the obligation, to sell up to 11,825 mt of copper at US$2.50/lb. These options were in place over the period October 2006 – December 2007 and matured evenly by month over this time period. The purpose of these instruments was to protect the Company, in the short term, against a potential decline in the value of copper. The adjustments to fair value and associated charge to the statement of earnings were due to the market value of copper remaining above the strike price of the copper put options. As at December 31, 2007, all of the options had expired.

During the year ended December 31, 2008, the Company reported net gains of $0.5 million from marked-to-market adjustments on its long-term debt, predominantly as a result of adjustments to record the fair market value of the additional US$15 million of Chelopech EBRD debt. The year end adjustment was based on the USD spot LIBOR rate as at December 31, 2008 of 0.135% plus the applicable interest rate margin.

The following table provides a comparison of carrying and fair values as at December 31, 2008 and fair values at December 31, 2007:

	As at December 31, 2008						December 31, 2007
	Carrying value and fair value of financial instruments						
	Designated as available-for-sale	**Designated as held-to maturity**	**Classified as loans**	**Classified as loans and receivables**	**Total carrying value**	**Total fair value**	Total fair value
Portfolio investments	**$ 4,532**	**$ -**	**$ -**	**$ -**	**$ 4,532**	**$ 4,532**	$ 66,024
Short-term investments	**$ -**	**$ 52,662**	**$ -**	**$ -**	**$ 52,662**	**$ 52,647**	$ -
Long-term debt	**$ -**	**$ -**	**$ 26,025**	**$ -**	**$ 26,025**	**$ 26,025**	$ 9,708
Long-term loans receivable	**$ -**	**$ -**	**$ -**	**$ 3,654**	**$ 3,654**	**$ 3,654**	$ -

(in thousands of Canadian dollars, unless otherwise indicated)

6. BUSINESS COMBINATION

On December 21, 2007, DPM completed the purchase of a further 15% in Vatrin, a private entity, to increase its ownership to 95%. Vatrin owns 100% of Deno Gold. The net purchase price, which amounted to US$4.7 million (Cdn$4.7 million) was satisfied through a combination of cash ((US$2.2 million) (Cdn$2.2 million)) and the issuance of 337,033 common shares of DPM worth US$2.5 million (Cdn$2.5 million). The Company has accounted for this transaction using the purchase method of accounting. No goodwill was recognized. The results of Vatrin have been consolidated since the initial acquisition in 2006.

7. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	December 31, 2008	December 31, 2007
Accounts receivable	**$ 20,021**	$ 28,638
Restricted cash *(a)*	**1,858**	-
Prepaid expenses	**7,030**	10,636
	$ 28,909	$ 39,274

(a) Held as collateral against bank guarantees provided to the Serbian government for concession licenses. Certain of the licenses were relinquished in November 2008, and as such, the Company expects the related cash to be released in the first quarter of 2009.

8. INVENTORIES

	December 31, 2008	December 31, 2007
Gold/copper/zinc/silver ore and concentrate *(a)*	**10,658**	11,818
Spare parts and supplies	**22,121**	20,578
	$ 32,779	$ 32,396

(a) Net of a US$2.4 million (Cdn$2.5 million) write-down recorded at Deno Gold to adjust concentrate inventory to its net realizable value as at December 31, 2008.

(in thousands of Canadian dollars, unless otherwise indicated)

9. INVESTMENTS

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

		December 31, 2008		December 31, 2007
Portfolio investments, beginning of year	**$**	**34,567**	$	79,603
Transition adjustment to opening balance - financial instruments		**-**		72,284
Portfolio investments at market value, beginning of year		**34,567**		151,887
Adjustment to fair market value at end of year		**(4,692)**		(23,958)
Transfer of market value gains to net income from sale of securities		**(1,422)**		(43,086)
Investment converted to equity accounting		**-**		(8,716)
Cost of investments purchased during the year		**3,872**		13,046
Cost of investments sold during the year:				
Proceeds from sales		**(61,869)**		(78,396)
Net realized gain on sale of investments		**27,737**		36,812
Non-cash share exchange		**13,871**		-
Impaired investments written down to market		**(7,532)**		(13,022)
Total portfolio investments at market value, end of year	**$**	**4,532**	$	34,567
Equity accounted investments at cost, beginning of year	**$**	**13,665**	$	29,752
Investment converted to equity accounting		**-**		8,716
Cost of investments purchased during the year		**-**		5,000
Cost of investments sold during the year:				
Proceeds from sales		**-**		(46,673)
Net realized gain on sale of investments		**-**		16,921
Non-cash share exchange		**(13,871)**		-
Reclassification of equity loss to gain on sale		**332**		-
Loss on equity investments		**(126)**		(51)
Total equity accounted investments, end of year	**$**	**-**	$	13,665
Investments, end of year	**$**	**4,532**	$	48,232

Following the July 3, 2008 announcement of the successful bid by Eldorado Gold Corporation ("Eldorado") to acquire greater than $66^{2/3}$% of the issued and outstanding shares of Frontier Pacific, DPM received 5,117,021 common shares of Eldorado, 5,117,021 exchange receipts (valued at nil as at December 31, 2008) and a minimal amount of cash in exchange for its shares of Frontier Pacific. On July 22, 2008, DPM sold its 5,117,021 common shares of Eldorado for net proceeds of $41.0 million.

In June 2008, DPM wrote down two investments to market value recognizing a loss of $1.0 million. In September 2008, DPM wrote off one of the investments to nil, recognizing a loss in the third quarter of $0.5 million. In December 2008, DPM wrote down two additional investments to market value recognizing a loss of $6.0 million. Management determined that the decline in the market value of all of these securities was other than temporary.

10. OTHER LONG-TERM ASSETS

		December 31, 2008		December 31, 2007
Loans receivable *(a)*	**$**	**3,654**	$	-
Tax recoverable *(b)*		**6,009**		-
Escrow deposit for asset retirement obligation *(note 15a)*		**3,583**		2,064
Restricted cash *(c)*		**1,985**		6,990
Letters of credit (LCs) *(d)*		**284**		284
Other		**499**		232
	$	**16,014**	$	9,570

(a) In December 2008, Chelopech signed a facility agreement with Namibian Custom Smelters (Pty) Limited ("NCS") committing to advance up to US$7 million of loans to NCS ("Facility Agreement"). As of December 31, 2008, US$3.0 million of the total commitment had been advanced. The loan is to be repaid in 12 equal quarterly instalments commencing on June 1, 2011 and bears interest at US dollar Libor plus 4%. By way of separate agreement, no amounts of principal or interest shall become due and payable under the terms of the Facility Agreement until the earlier of the date on which all amounts due and payable by Weatherly International PLC ("WTI") on certain of its indebtedness (maturity date of May 8, 2011) is repaid or the date falling 30 days after May 8, 2011. During this period, all interest that would otherwise become due and payable will be capitalized as part of the loan amount and bear interest in accordance with the terms of the Facility Agreement. The loan is guaranteed by NCS parent company, WTI, Ongopolo Mining Limited ("OML"), and Weatherly (Namibian Custom Smelters) Limited. The loan is secured, in part, by a first ranking mortgage bond over the NCS smelter lease with OML, first ranking security over the assets and issued share capital of NCS, proceeds and debt service accounts and direct agreements allowing Chelopech the right to "step in" and manage the smelter under certain circumstances.

The loan repayment schedule is presented in the table below:

Principal repayments	Payments Due by Period				
(in US$ 000's)	up to 1 year	1 - 3 Years	4 - 5 Years	over 5 years	**Total**
	$ -	$ 750	$ 2,000	$ 250	**$ 3,000**

(b) As of December 31, 2008, Deno Gold had $6.0 million of value added tax ("VAT") receivable. Refunds of VAT are limited to 20% of sales. As Deno Gold is currently on care and maintenance and it is not known with any certainty when operations will resume, the VAT has been reclassified to other long-term assets from accounts receivable and other assets.

(c) Held as collateral against bank guarantees provided to the Serbian government until July 2010.

(d) The LCs are restricted and are held as collateral against future reclamation on the Back River Project.

(in thousands of Canadian dollars, unless otherwise indicated)

11. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2008			December 31, 2007		
	Cost	**Accumulated depreciation & depletion**	**Net book value**	Cost	Accumulated depreciation & depletion	Net book value
Mineral properties						
Chelopech	**$ 107,595**	**$ 9,787**	**$ 97,808**	$ 81,069	$ 7,161	$ 73,908
Krumovgrad	**41,493**	**180**	**41,313**	48,109	137	47,972
Serbia	**4,046**	**245**	**3,801**	5,107	129	4,978
Deno Gold	**59,408**	**693**	**58,715**	38,160	281	37,879
Back River	**33,387**	**-**	**33,387**	67,940	-	67,940
	$ 245,929	**$ 10,905**	**$ 235,024**	$ 240,385	$ 7,708	$ 232,677
Buildings, plant and equipment						
Chelopech	**$ 142,758**	**$ 32,699**	**$ 110,059**	$ 119,241	$ 23,431	$ 95,810
Krumovgrad	**2,354**	**347**	**2,007**	2,301	233	2,068
Serbia	**4,576**	**1,329**	**3,247**	3,281	689	2,592
Deno Gold	**32,577**	**6,135**	**26,442**	23,036	2,420	20,616
Back River	**582**	**313**	**269**	583	121	462
Corporate	**1,795**	**1,400**	**395**	1,522	1,198	324
	$ 184,642	**$ 42,223**	**$ 142,419**	$ 149,964	$ 28,092	$ 121,872
	$ 430,571	**$ 53,128**	**$ 377,443**	$ 390,349	$ 35,800	$ 354,549

The property, plant and equipment is presented net of $48.7 million of impairments, comprised principally of a write-down to fair market value of the Back River property. At this time, in view of the volatility and uncertainty in the financial markets and markets in general and ongoing discussions surrounding strategic opportunities for the advancement of the Back River project, the Company has written-down the carrying value of its Back River project by $47 million to what it believes is its fair market value of $34 million.

12. DEFERRED REVENUE

As at December 31, 2008, the Company had a deferred revenue balance of US$5.1 million (Cdn$6.2 million), due to an advance payment received on a concentrate sale, required as per the terms of the contract once the material had reached the Port of Bourgas. The sale will be recorded in January when title of ownership has transferred.

13. LONG-TERM DEBT

	December 31, 2008	December 31, 2007
Long-term debt	**$ 26,025**	$ 9,708
Less: current portion	**5,633**	3,594
	$ 20,392	$ 6,114

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

On July 24, 2008, Chelopech concluded an amendment and restatement agreement with the EBRD to amend and restate its existing US$10 million long-term loan agreement, increasing it to an aggregate amount of US$25 million. Proceeds from the financing are being used to fund ongoing and project related capital expenditures. The additional US$15 million of indebtedness is guaranteed by the Company, bears interest at U.S. dollar LIBOR plus 1.6% and is repayable in 10 equal semi-annual instalments beginning December 22, 2010. Under the amended agreement, Chelopech must maintain a: (i) forecast debt service coverage ratio of at least 1.2:1, tested annually, (ii) current ratio in excess of 1.2:1, and (iii) minimum net worth, defined as consolidated shareholders' equity, of US$45 million. DPM must maintain a current ratio of 1.5:1 and a minimum net worth of US$200 million. As of December 31, 2008, Chelopech and DPM were in compliance with their respective debt covenants.

On December 22, 2005, Deno Gold obtained a US$4.5 million loan from the EBRD. The loan is secured by: (1) a first ranking pledge over a Deno Gold bank account through which all concentrate sales are credited and which shall maintain, at all times, an amount no less than the next three months debt service requirement; and (2) a first priority pledge of the shares in Deno Gold. It bears interest at LIBOR plus 5.5% and is repayable in eight equal semi-annual installments, beginning March 2007. In response to the placement of the Deno Gold operations on care and maintenance in November 2008, an accommodation or waiver from the EBRD has been requested, as certain of its loan covenant obligations have not and will not be met. Based on current discussions with the EBRD, management believes such an accommodation will be obtained.

The debt repayment schedule is presented in the table below:

Principal repayments	Payments Due by Period				
(in US$ 000's)	up to 1 year	1 - 3 Years	4 - 5 Years	over 5 years	**Total**
Chelopech EBRD	$ 2,500	$ 7,000	$ 6,000	$ 4,500	**$ 20,000**
Deno Gold EBRD	2,250	-	-	-	**2,250**
	$ 4,750	$ 7,000	$ 6,000	$ 4,500	**$ 22,250**

14. RECLAMATION AND OTHER LONG-TERM LIABILITIES

	December 31, 2008	December 31, 2007
Asset retirement obligations *(a)*	**$ 18,362**	$ 13,454
Environmental commitments *(note 15a)*	**3,582**	-
Long-term leases *(b)*	**2,939**	10
Other	**364**	163
	25,247	13,627
Less: current portion	**908**	10
	$ 24,339	$ 13,617

(a) As at December 31, 2008, Chelopech had undiscounted, inflation-adjusted estimated cash flows related to mine site closure legal obligations of US$18.1 million, expected to be settled in 2021. The anticipated future cash flows are discounted using a credit adjusted risk free rate of 8% after inflation growth of 3% per annum.

(in thousands of Canadian dollars, unless otherwise indicated)

During 2008, there was an increase of US$7.2 million in undiscounted, inflation-adjusted estimated cash flows related to mine site closure legal obligations at Deno Gold, for a total of US$10.5 million, expected to be settled between 2009 and 2017. The anticipated future cash flows are discounted using a credit adjusted risk free rate of 9% after inflation growth of 3% per annum.

The following table shows the movement in the asset retirement obligation liability:

	Chelopech	Deno Gold	**Total**
Carrying value, January 1, 2007	$ 10,335	$ -	**$ 10,335**
Recognition of liability	-	2,115	**2,115**
Accretion expense	956	48	**1,004**
Carrying value, December 31, 2007	$ 11,291	$ 2,163	**$ 13,454**
Change in estimate	-	3,512	**3,512**
Accretion expense	1,109	287	**1,396**
Carrying value, December 31, 2008	$ 12,400	$ 5,962	**$ 18,362**

(b) On December 22, 2008, Chelopech entered into a long-term lease agreement for the purchase of equipment, expiring on December 28, 2011. The aggregate amount of future minimum lease payments over the term of the lease is EUR1.7 million (Cdn$2.9 million), excluding imputed interest of EUR0.2 million (Cdn$0.4 million). The interest rate is 8.05% and the balance is payable in 36 equal monthly instalments. The gross amount of leased assets included in property, plant and equipment is $2.9 million.

Following is the schedule of future minimum lease payments:

Minimum lease payments	Payments Due by Period				
(in EUR 000's)	up to 1 year	1 - 3 Years	4 - 5 Years	over 5 years	**Total**
	$ 642	$ 1,284	$ -	$ -	**$ 1,926**

15. 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 totalling US$14.5 million. The commitment for 2008 was US$2.9 million. As at December 31, 2008, the Company had satisfied the above concession obligation.

Having received Bulgarian Government approval of its environmental impact assessment for the Chelopech expansion project, the Company is now in a position to obtain the balance of permits including construction and operating permits to, among other things, increase mine production capacity to two million tonnes of ore per year and to construct a metals processing facility. Pursuant to a Memorandum of Understanding with the Bulgarian Government, the Bulgarian Government will own a 25% interest in the joint stock company that will own the Chelopech metals processing facility. In addition, the Company will pay a higher royalty in accordance with the Bulgarian Ordinance on Royalty Computation for all the metals that can be mined economically from the Chelopech deposit. The royalty will be calculated on a sliding scale of 2% to 8% at a profitability ratio of 10% to 60%. The new royalty, which came into effect on July 31, 2008, replaced the 1.5% fixed rate entered into in 2004. The royalty in excess of 1.5% will be accrued but is payable only after the start of construction of the metals processing facility.

(in thousands of Canadian dollars, unless otherwise indicated)

DPM has also agreed to provide a financial guarantee for environmental closure and rehabilitation costs for the Chelopech mine. The Company must prepare and submit for approval to both the Ministry of Economy and Energy and the Ministry of Environment and Water a closure and rehabilitation plan within 18 months of the date of signing, July 10, 2008, the amended concession agreement.

Under the new agreement, there is no requirement to make deposits into the environmental escrow account. Prior to entering into the new agreement, DPM was required to deposit 50% of the original concession fees into an escrow account to fund future environmental risk management and remediation costs. The balance in the escrow account on December 31, 2008 was US$2.9 million (Cdn$3.6 million) and is included in other long-term assets (see note 10), and the related commitments are included in other long-term liabilities (see note 14).

(b) *Gold/Copper Concentrate Sales*

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

Chelopech currently has sales contracts with two customers for its 2009 production and does contract for the sale of concentrates to other entities from time to time. Approximately 92% of DPM's total projected copper concentrate sales for the year 2009 are to one customer.

(c) *Contractual Obligations*

The Company had the following minimum future contractual obligations at December 31, 2008:

Contractual Obligations	Payments Due by Period				
Cdn 000's	Total	up to 1 year	1 - 3 Years	4 - 5 Years	over 5 years
Long Term Debt	$ 27,101	$ 5,786	$ 8,526	$ 7,308	$ 5,481
Capital Lease Obligations	2,955	900	2,055	-	-
Operating Lease Obligations	1,134	839	295	-	-
Purchase Obligations	18,149	12,501	5,648	-	-
Other Long Term Obligations	342	206	68	68	-
Total contractual obligations	$ 49,681	$ 20,232	$ 16,592	$ 7,376	$ 5,481

(d) *Credit Agreements*

On April 15, 2008, Chelopech concluded a US$5.0 million short-term, revolving credit facility for working capital purposes, fixed advances and the issuance of bank guarantees and letters of credit. Advances under the credit facility bear interest at the U.S. dollar LIBOR rate plus 0.9%. The credit facility, which matures on April 30, 2009, is guaranteed by DPM. As of December 31, 2008, no advances had been drawn and letters of guarantee amounting to $1.3 million had been written against this credit facility.

BMM has entered into a US$0.3 million credit agreement for the purpose of providing letters of guarantee for certain of its obligations under its exploration license agreements. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As of December 31, 2008, letters of guarantee amounting to $0.1 million had been written against this credit facility.

(in thousands of Canadian dollars, unless otherwise indicated)

Chelopech has entered into a US$2.0 million credit agreement for the purpose of providing letters of guarantee for future royalty payments under its concession license agreements. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As of December 31, 2008, letters of guarantee amounting to $1.6 million had been written against this credit facility.

16. INCOME TAXES

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

		2008		2007
Combined federal and provincial statutory income tax rates		**33.50%**		36.12%
Income tax (recovery) at statutory rates	**$**	**(28,127)**	$	7,680
Adjusted for the effect of:				
Change in future tax rates		**-**		(1,446)
Non-taxable portion of capital gains		**(4,757)**		(9,833)
Lower rate on foreign earnings		**(7,534)**		(13,216)
Unrecognized tax benefit relating to losses		**22,852**		19,179
Change in allowance on investments and property		**9,680**		-
Non-deductible writedown of investments		**1,262**		2,352
Non-deductible stock compensation		**518**		680
Other, net		**1,340**		491
Provision for (recovery of) income taxes	**$**	**(4,766)**	$	5,887

(b) Significant components of the Company's future income taxes as at December 31, 2008 and December 31, 2007 are as follows:

As at December 31,		**2008**		2007
Future Income Tax Assets				
Financing costs	**$**	**2,058**	$	1,180
Non-capital losses		**1,131**		-
Stock compensation		**200**		938
Investment write-downs		**-**		2,137
Depreciable property, plant and equipment		**575**		490
Other		**969**		527
	$	**4,933**	$	5,272
Future Income Tax Liabilities				
Depreciable property, plant and equipment	**$**	**(2,037)**	$	(1,648)
Flow-through shares		**(5,990)**		(2,995)
Deferred exploration		**(5,261)**		(11,737)
Other		**(722)**		-
		(14,010)		(16,380)
Net future income tax liability	**$**	**(9,077)**	$	(11,108)

During 2008, the Company recognized a future tax asset of $1.1 million (2007-nil) in respect of non-capital losses which expire in 2028. A valuation allowance of $1.7 million was taken against the future tax asset related to investment write-downs due to uncertainty around the potential to use the asset against future investment income. A $7.9 million reversal was taken against the deferred exploration future tax liability related to the Back River property write down. An additional future tax liability of $3.4 million was created when the remaining $12.8 million of flow-through expenditures were renounced during fiscal 2008.

(in thousands of Canadian dollars, unless otherwise indicated)

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

		2008		2007
Net unrealized losses (gains) on available-for-sale investments	**$**	**(1,245)**	$	3,835
Reclassification of gains on available-for-sale investments to earnings		**238**		7,216
Total income tax benefit (expense)	**$**	**(1,007)**	$	11,051

17. LONG-TERM COMPENSATION

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

Under the Employee DSU Plan, grants to employees of the Company are determined by the board of directors or the compensation committee in lieu of a cash bonus. The DSUs vest immediately and are redeemable in cash on the date the employee ceases to be employed by the Company. Under the Director DSU Plan, effective January 1, 2005, directors receive a portion of their annual compensation in the form of DSUs. The DSUs vest immediately and are redeemable in cash on the date the director ceases to be a director of the Company. During the year, 24,000 Director DSUs were granted (2007 – 25,200) under the Director DSU Plan and $115 (2007 - $225) was recognized as stock based compensation expense. There were 9,090 DSUs redeemed during the year ended December 31, 2008 for cash of $58 (2007 – 11,763 for cash of $112). The outstanding DSUs were marked-to-market at December 31, 2008, and, as a result of the decline in the market value of the Company's shares in 2008, $2,601 was credited to earnings (2007 - $1,914) over the year ended December 31, 2008.

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

	Twelve months ended December 31, 2008			Twelve months ended December 31, 2007		
	Number		**Amount**	Number		Amount
Balance at beginning of period	**447,795**	**$**	**3,233**	434,358	$	5,034
Issued during the period	**24,000**		**115**	25,200		225
Redeemed during the period	**(9,090)**		**(58)**	(11,763)		(112)
Mark-to-market adjustment	**-**		**(2,601)**	-		(1,914)
Balance at end of period	**462,705**	**$**	**689**	447,795	$	3,233

(in thousands of Canadian dollars, unless otherwise indicated)

18. EQUITY FINANCING

During the fourth quarter of 2008, the Company completed an equity financing for aggregate gross proceeds of $81.6 million. The equity financing consisted of the sale of 35,556,000 units consisting of one common share and ½ of a common share purchase warrant at $2.25 per unit, as well as 2,666,500 additional common share purchase warrants at $0.298 per half warrant. The aggregate increase in share capital as a result of this transaction was 35,556,000 common shares at a fair value of $69.7 million and 20,444,500 warrants at a fair value of $11.9 million for aggregate net proceeds of $77.2 million.

Each whole warrant entitles the holder to purchase one common share at a price of $3.25 until November 20, 2015. A relative fair value calculation was used to present the carrying value of the warrants. The fair value of the warrants issued was estimated using a Black-Scholes pricing model with the following assumptions:

Risk free interest rate	3.38%
Expected life in years	7.00
Expected volatility	30%
Dividends per share	-

In 2007, the Company completed an equity financing for aggregate gross proceeds of $81.9 million. The equity financing consisted of the sale of 5,520,000 units consisting of one common share and ½ of a common share purchase warrant at $10.50 per unit and 1,955,000 flow-through common shares at $12.25 per flow-through common share. The aggregate increase in share capital as a result of this transaction was 7,475,000 common shares at a fair value of $77.1 million and 2,760,000 warrants at a fair value of $4.8 million for aggregate net proceeds of $77.5 million.

Each whole warrant entitles the holder to purchase one common share at a price of $15.00 until June 29, 2012. A relative fair value calculation was used to present the carrying value of the warrants. The fair value of the warrants issued was estimated using a Black-Scholes pricing model with the following assumptions:

Risk free interest rate	4.73%
Expected life in years	5.00
Expected volatility	55.11%
Dividends per share	-

19. STOCK BASED COMPENSATION

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

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

(in thousands of Canadian dollars, unless otherwise indicated)

Total stock options outstanding for the years ended December 31, 2008 and December 31, 2007 were:

	Twelve months ended December 31, 2008		Twelve months ended December 31, 2007	
	Options (number)	**Weighted average exercise price**	Options (number)	Weighted average exercise price
Balance at beginning of period	**5,217,500**	**$7.94**	5,068,168	$7.80
Granted	**510,325**	**2.92**	508,500	9.50
Exercised	**-**	**-**	(186,667)	7.39
Cancelled or expired	**(498,333)**	**8.45**	(172,501)	9.21
Balance at end of period	**5,229,492**	**$7.40**	5,217,500	$7.94

	Options outstanding			**Options exercisable**	
Range of exercise prices	**Number outstanding as at December 31, 2008**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price**	**Number exercisable as at December 31, 2008**	**Weighted average exercise price**
$1.75-$2.25	**390,000**	**4.91**	**$1.81**	**-**	**-**
$6.00-$7.26	**3,556,825**	**0.39**	**6.98**	**3,386,499**	**7.00**
$7.70-$9.59	**752,667**	**2.60**	**9.26**	**538,668**	**9.18**
$10.50-$14.35	**530,000**	**2.69**	**11.65**	**319,998**	**11.65**
$1.75-$14.35	**5,229,492**	**1.26**	**7.40**	**4,245,165**	**7.63**

The fair value of options granted during the year ended December 31, 2008 was estimated using a Black-Scholes option pricing model with the following assumptions:

Five year risk free interest rate	2.02%-3.66%
Expected life in years	4.75
Expected volatility	59.87%-83.56%
Dividends per share	-

During the year ended December 31, 2008, the Company granted 510,325 stock options with a fair value of $0.9 million. No stock options were exercised during the year.

The estimated value of the options granted will be recognized over the vesting period. The stock option expense for the year ended December 31, 2008 was $1,870, of which $320 was capitalized. As at December 31, 2008, there is $2.3 million (2007 - $3.6 million) of costs remaining to be charged to earnings in future periods relating to stock option grants.

(in thousands of Canadian dollars, unless otherwise indicated)

20. EARNINGS PER SHARE

		2008		2007
Basic net earnings (loss) per share				
Net earnings (loss) available to shareholders	**$**	**(79,195)**	$	15,375
Weighted average number of common shares outstanding		**65,967,587**		57,867,589
Basic net earnings (loss) per share	**$**	**(1.20)**	$	0.27

		2008		2007
Diluted net earnings (loss) per share				
Net earnings (loss) available to shareholders	**$**	**(79,195)**	$	15,375
Weighted average number of common shares outstanding		**65,967,587**		57,867,589
Dilutive effect of stock options		**-**		1,056,515
Weighted average number of diluted common shares outstanding		**65,967,587**		58,924,104
Diluted net earnings (loss) per share	**$**	**(1.20)**	$	0.26

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

(in thousands of Canadian dollars, unless otherwise indicated)

21. SEGMENT INFORMATION

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

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

	2008	2007
Net revenue		
Mining operations	**105,053**	122,417
Investments	**23,028**	39,679
	$ 128,081	$ 162,096
Segment earnings (loss)		
Mining operations	**(4,567)**	39,929
Exploration	**(26,811)**	(29,232)
Investments	**23,028**	39,679
Earnings (loss) of combined segments	**(8,350)**	50,376
Property impairment provisions	**(48,780)**	(732)
Corporate and administration	**(22,953)**	(26,425)
Foreign exchange loss	**(3,878)**	(1,957)
Income tax provision	**4,766**	(5,887)
Net earnings (loss)	**$ (79,195)**	$ 15,375
Capital expenditures		
Exploration	**$ 14,182**	$ 23,530
Mining	**67,978**	86,679

	December 31, 2008	December 31, 2007
Assets		
Mining operations	**$ 369,151**	$ 300,993
Exploration	**101,577**	150,828
Investments	**97,906**	86,647
	$ 568,634	$ 538,468

	December 31, 2008	December 31, 2007
Assets		
Canada	**132,998**	167,457
Europe	**323,072**	284,794
Armenia	**112,564**	86,217
	$ 568,634	$ 538,468

22. COMPARATIVE FIGURES

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