DUNDEE
PRECIOUS METALS INC.

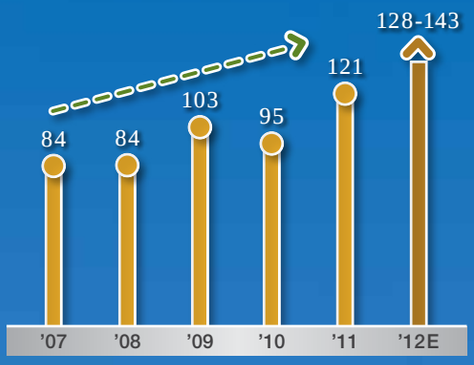
Annual Review

2011

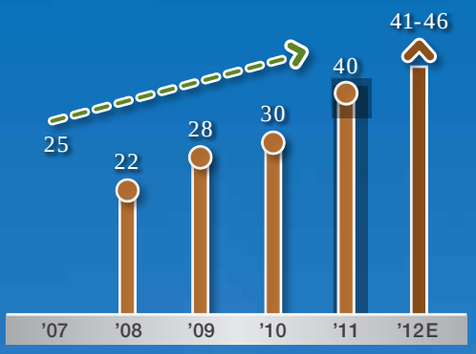
delivering shareholder value

Company at a Glance

Gold Production 000s ounces



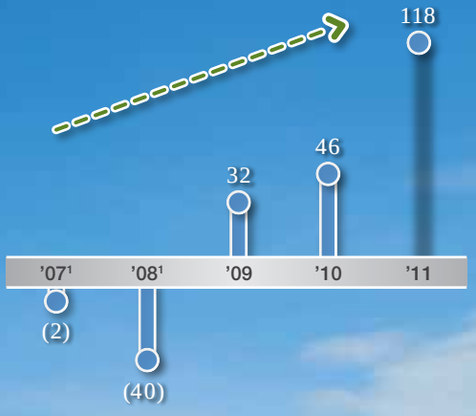
Copper Production Pounds in millions



Silver Production 000s ounces

Adjusted EBITDA US$MM

([1] In Canadian dollars)



Message to Shareholders

Jonathan Goodman
President and Chief Executive Officer

William G. Wilson
Chairman of the Board

The past year was Dundee Precious Metals' ("DPM") most successful since becoming an operating company in 2004 and marked the success of our strategy following the 2008 financial crisis. Our production and profits hit record levels; we made good progress with all of our capital projects and exploration programs; and our finances remain strong. We are well positioned to start the next phase of growth.

During the year, we embarked on a major strategic planning exercise to achieve our goal of becoming a low-cost, intermediate gold producer. Naturally, any plan is subject to change, as circumstances warrant; however, the overall strategy starts with optimizing our existing assets. This includes completing the expansion at Chelopech and assessing the feasibility of a gold in pyrite recovery project; further reducing costs, extending underground mine life and assessing the potential for a mill expansion plus an open pit to complement the existing underground mine at Deno; and completing our smelter expansion and upgrade at Namibia Custom Smelter ("NCS"). Our near-term goal at Krumovgrad is to secure approval to commence construction and to build the mine, on time and on budget.

Our exploration assets, Avala, Dunav and Sabina, are performing well with Sabina drilling off over 6 million ounces in Nunavut, and Avala and Dunav making exciting discoveries in Serbia. We are looking for these projects to further advance their drilling programs and will continue to monitor their progress and assess their position within our longer term strategy. As far as acquisitions are concerned, we will continue to closely monitor the pulse of the market and take advantage of opportunities as they emerge. We recognize that creating value through acquisition is always challenging, so great care will be taken during the due diligence phase prior to any acquisition.

CHELOPECH

2011 was a record year for Chelopech with production increasing to over 1.3 million tonnes of ore and 102,702 tonnes of concentrate, containing 93,881 ounces of gold and almost 37 million pounds of copper. The value of the copper produced more than covered all of the operating costs resulting in the cost of the gold produced being negative. This represents the first stage of the Chelopech expansion, which is on track and set for completion in July of 2012 with the installation of the underground crusher and conveyor and will not only give the mine the ability to deliver 2 million tonnes to the mill but will also significantly reduce our costs. In 2012, Chelopech is expected to produce 1.7 to 1.85 million tonnes of ore producing concentrate containing between 103,000 and 115,000 ounces of gold and 38 to 43 million pounds of copper. In 2013, we will process 2 million tonnes of ore.

In addition, we are completing our assessment of the economics of producing a second concentrate stream, which could potentially increase our gold recoveries from 55 to 60% to over 90%. This project has the ability to increase our gold production by a further 60%.

Chelopech remains our flagship operation. It is a world class, low-cost, long life mine, with a strong management team and skilled labour force.

DENO GOLD

Deno Gold also had an excellent year in 2011, producing almost 27,000 ounces of gold and over 519,000 ounces of silver at a cost of $115 per ounce, net of by-product credits. This was also the third straight year we achieved a reduction in costs with Deno's cost per tonne dropping to $67 from over $100 in 2008. These results were achieved under the leadership of Iliya Garkov, who took over the position of General Manager in Armenia from his previous role as the underground mine manager at Chelopech. Iliya has taken many of the successes we have achieved at Chelopech and brought them to Deno Gold. He has also restructured the management team, who are well positioned to continue their success in 2012 of increasing production and lowering costs.

The exploration program in Armenia was restarted in 2011 and is proceeding on three fronts: underground, open pit and grassroots. We started drilling underground with one drill and will be adding two new drills in 2012. Initial results are promising as many of the vein systems appear to continue at depth. We expect to have a National Instrument 43-101 compliant Mineral Resource completed on the underground in the middle of 2013. With respect to the open pit, drilling has confirmed many of the zones outlined by the historical Russian drilling and has also confirmed the existence of new veins, as well as mineralization between the veins. We expect to be in a position to report an initial Inferred Resource during the third quarter of 2012. As for the grassroots program, we have developed six new drill ready targets on our exploration block, which will be tested this year. Overall, we are very pleased with the operating improvements and drilling results we are seeing at Deno.

NAMIBIA CUSTOM SMELTER

Since acquiring NCS in 2010, we have embarked on an expansion and modernization program designed to bring the smelter into the 21st century from a health, safety and environmental perspective. We have divided the project into two phases. Phase 1, or Project 2012, is designed to address arsenic handling. In this phase, we are expanding the Ausmelt furnace, a superior furnace from an environmental point of view, enabling us to perform all primary smelting through the Ausmelt, allowing the older reverbatory furnace to be used as a holding furnace. A new baghouse is also being installed and all the existing systems designed to manage the arsenic are being upgraded. When this phase is completed, in December of 2012, the smelter will be one of the most modern in the world with respect to the safe management and disposal of arsenic.

Phase 2 includes the installation of an acid plant that will enable us to eliminate the sulphur dioxide emissions and produce and sell a sulphuric acid product for which there is a robust market within Namibia and neighbouring countries. We are expecting to complete a final feasibility study in the second quarter of 2012 and are targeting to be in position to move this project forward as quickly as possible.

When these projects are completed, the specialty smelter at Tsumeb will be repositioned to be one of the most unique smelters in the world, with the ability to treat our own and third party complex concentrates in a responsible and sustainable manner that meets Namibian as well as global health, safety and environmental standards.

In December 2011, an independent team of technical experts was retained by the Namibian Government to ensure that both the Government and DPM had properly identified the issues with respect to concerns raised regarding the disposal and management of arsenic in concentrate processed at NCS. The review was completed in January 2012 and the report is expected to be issued in the near future. We believe that the program of upgrades and improvements completed to date and scheduled over the coming years properly addresses the issues and concerns raised and that the report will support this view.

KRUMOVGRAD

Last year was an exciting year for our Krumovgrad gold project, which culminated with the Bulgarian Minister of Environment and Waters approving our Environmental Impact Assessment ("EIA"), which included pre-emptive execution allowing us to continue to advance the project during the appeal process. In January 2012, the Bulgarian Supreme Administrative Court also announced its final decision confirming our rights over the mining concession for a 30 year period. These developments highlight the favourable momentum building behind this project following the successful efforts of our project team to develop a new project scope that incorporates feedback received from the community. Several local NGOs have appealed the EIA on procedural grounds and the court process is expected to be resolved within the year. We believe the appeals are without merit and will defend against them vigorously. Notwithstanding these appeals, we will be starting the detailed engineering and all of the preconstruction requirements in 2012.

In addition, a new feasibility study was completed that showed that the Krumovgrad project will produce, on average, 74,000 ounces of gold per year at a cash cost of approximately $400 per ounce over a nine year period. The capital costs to complete this project are currently estimated at $127 million. At current and significantly lower prices, this is a very robust project that will provide benefits to our stakeholders, the local community and Bulgaria.

All in all, it was an excellent year for DPM and it could not have been done without the hard work of many great people. We are exceedingly fortunate to have many dedicated and talented people working for our company. We would like to thank all of them for their hard work and commitment.

Jonathan Goodman
President and
Chief Executive Officer

William G. Wilson
Chairman of the Board

March 29, 2012

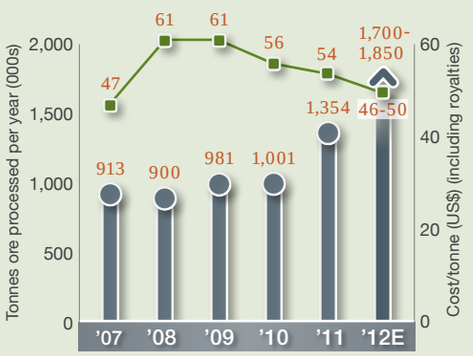
Mill Expansion Completed, Low-Cost Long Life

Chelopech Mine, Bulgaria

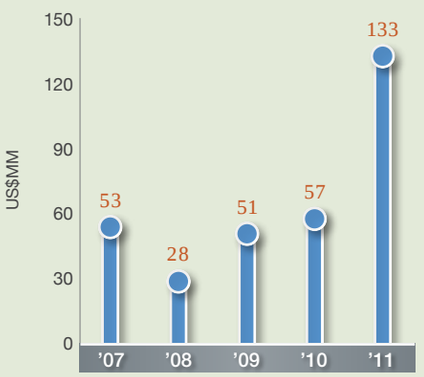
DPM's flagship mine, Chelopech, is an underground high-sulphidation epithermal deposit located approximately 70 km east of the capital city, Sofia. The mine is currently undergoing a production expansion to 2 million tonnes of ore per year, which will be completed in July 2012.

The Chelopech mine is a low-cost, world class gold producer.

Ore Processed and Cost/Tonne



Adjusted EBITDA



2011 ACCOMPLISHMENTS

- Processed 1.3 million tonnes of ore; produced 93,881 ounces of gold and 37 million pounds of copper
- Achieved $133 million in adjusted EBITDA
- Completed mill expansion on time and on budget
- Continued to advance mine expansion
- Continued to replace reserve depletion through exploration

2012 STRATEGY

- Complete mine expansion to 2 million tonnes of ore per year in July 2012
- Continue to replace depletion and increase mineral resources and mineral reserves through exploration
- Complete evaluation of the pyrite gold recovery project
- Invest in people, processes and systems to maintain low-cost and safe operations

Unique Strategic Asset, Meeting Global Standards

Namibia Custom Smelter

The Tsumeb smelter is located in Tsumeb, Namibia approximately 430 km north of the capital, Windhoek. The smelter is one of only a few in the world able to treat arsenic and lead bearing copper concentrate and is, therefore, able to conclude long-term favourable contracts to treat such concentrate, making the smelter a strategic asset for DPM.

NCS is a strategic asset that processes complex concentrate from Chelopech and other third parties around the globe.

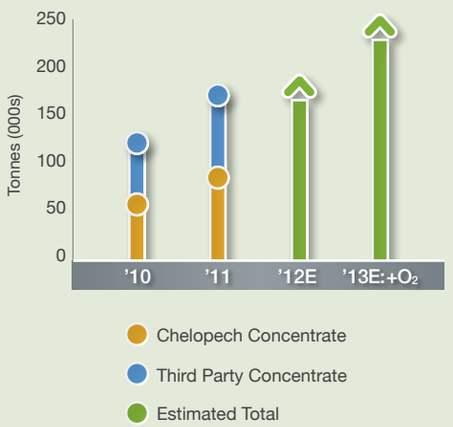
2011 ACCOMPLISHMENTS

- Continued to improve recoveries and costs
- Advanced environmental and plant optimization projects, including the construction of a hazardous waste disposal site and upgrade of the dust management systems
- Smelted 180,403 tonnes of concentrate

2012 STRATEGY

- Upgrade to meet global environmental standards, increase capacity and lower costs
- Advance project to construct sulphuric acid capture plant by 2014
- Commence discussions related to post-2013 commercial contracts

Concentrate Smelted

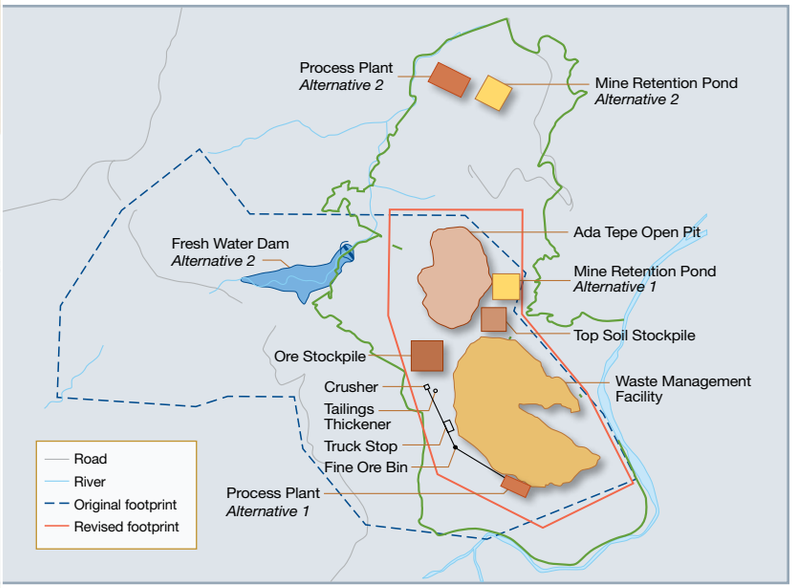


Advancing Towards Construction, High Grade, Low-Cost

Krumovgrad Gold Project, Bulgaria

With a 3.3 year payback, Krumovgrad will add 74,000 ounces of gold annually to overall production.

The Krumovgrad gold project is a high grade gold deposit located in southern Bulgaria. With the approval of the 30 year mining concession and the environmental impact assessment, the project is targeted for production in 2014.



Project Highlights

DPM Ownership	100%
Location	Bulgaria
Proposed Mine Type	Open Pit
Gold Recoveries	85%
Grade	3.4 g/t
Annual Ore Tonnage Production	850,000
Annual Gold Production	74,000 ounces
Annual Silver Production	35,000 ounces
Mine Life	9 years
Capital Cost to Complete	$127M
Total Cash Cost Per Ounce AuEq	$404
Deposit Type	Low-sulphidation epithermal Au/Ag deposit

2011 ACCOMPLISHMENTS

- Granted final approval on the environmental impact assessment by the Ministry of Environment and Waters – currently under appeal by local NGOs, court process is expected to be resolved within the year
- Council of Ministers of the Republic of Bulgaria approved a 30 year concession to develop the project
- Completed a NI 43-101 technical report on the new project scope, which was filed in early 2012

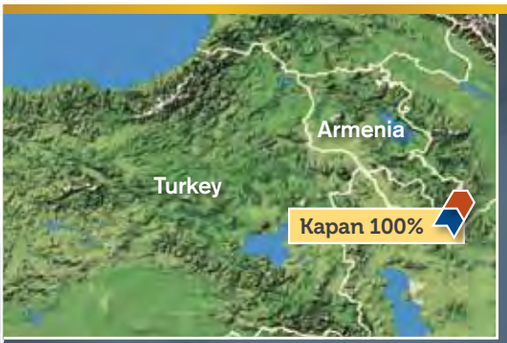
2012 STRATEGY

- Advance project utilizing pre-emptive execution provision to complete engineering and design to maintain a 2014 production date

Expanding Resource with Open Pit Potential

Deno Gold Mine, Kapan, Armenia

The Deno Gold mine is located in the southeastern corner of Armenia, 320 km south of the capital city of Yerevan. It is an underground polymetallic vein deposit with increased underground and open pit potential.



Underground and open pit potential o er significant upside to Deno Gold mine.

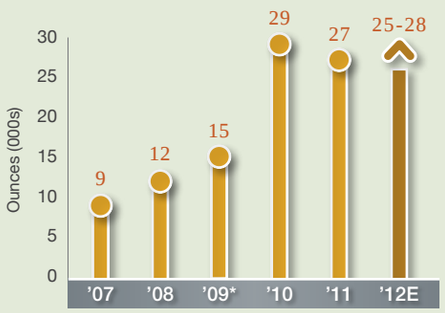
2011 ACCOMPLISHMENTS

- Processed 581,852 tonnes of ore, 26,876 ounces of gold, 3 million pounds of copper, 519,104 ounces of silver and 20 million pounds of zinc
- Continued to reduce cash cost per tonne of ore processed
- 2011 surface drill program discovered a new domain of mineralization called “Shahumyan East”; polymetallic mineralization with grades similar to those of the Shahumyan mine

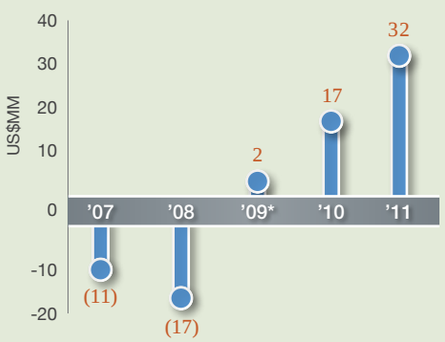
2012 STRATEGY

- Continue to define the potential open pit and underground resource for the Shahumyan deposit
- Carry out open pit and underground studies based on the new resources
- Explore regional license to define additional mineral resources
- Continue operational improvements and cost reductions

Gold Production



Adjusted EBITDA



* Deno Gold operations were on care and maintenance as of November 2008 and operations restarted April 2009.

Corporate Social Responsibility

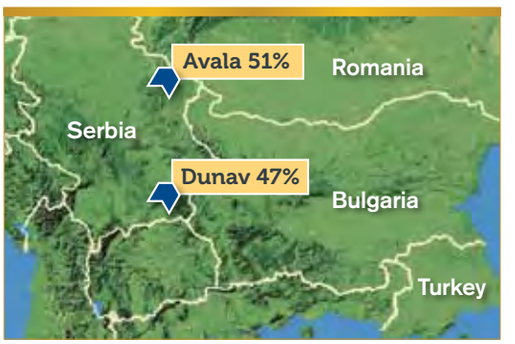
DPM recognizes its goals and those of the communities it operates in can be aligned to create mutual and lasting benefits.

DPM and its subsidiaries recognize the goal of creating a business that is financially sustainable in the long term and is consistent with the goals of the communities and countries in which it is hosted, while creating self-sustaining economies and societies.

To highlight the application of our sustainability principles, DPM has issued its first annual Sustainability Report for 2011. This document can be downloaded from our website: www.dundeeprecious.com

Other Exploration Assets

An Additional Source of Growth and Value



Avala Project, Serbia (TSXV:AVZ)

2011 ACCOMPLISHMENTS

- Completed resource definition drilling on the Bigar Hill target area
- Commenced resource definition drilling on the Korkan target area

2012 STRATEGY

- Complete resource definition drilling on the Timok gold project and deliver NI 43-101 compliant initial resource estimates for the following target areas: Bigar Hill, Korkan and Kraku Pestar
- Commence mining studies and continue to develop the project pipeline

Dunav Project, Serbia (TSXV:DNV)

2011 ACCOMPLISHMENTS

- Exercised the property option to assume 100% ownership of the license area
- Confirmed that the Kiseljak target area represents a single, continuous copper-gold porphyry system

2012 STRATEGY

- Complete resource definition drilling and deliver NI 43-101 compliant initial resource estimate for Kiseljak and commence mining studies
- Continue exploration drilling on Tulare copper-gold porphyry project including the Kiseljak and Yellow Creek target areas

DUNDEE
PRECIOUS METALS INC.

Annual Report

for the Year ended
December 31, 2011

delivering shareholder value

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- 100% of which owns and operates a processing facility located in Tsumeb, Namibia;
- 51.4% of Avala Resource (TSXV: AVZ) focused on the exploration and development of the Timok and Potoj Cuka copper and gold projects in Serbia; and
- 47.7% of Dunav Resources Dunav V listed company (TSXV: DNV) focused on the exploration and development of the Tulare copper and gold project, the Surdulica molybdenum project, and other early stage projects in Serbia.

The Company is committed to creating shareholder value in a safe and socially responsible manner through a disciplined but opportunistic business model. Maximizing the value of our existing operating assets through exploration, development and optimizing their operational output is a key component of our strategy. To that end, DPM has assembled and continues to grow a pipeline of mining and processing projects at various stages of development that will ultimately serve to fuel further growth.

Significant Accomplishments and Noteworthy Events

During 2011, the Company performed well, both from an operating and a financial perspective. Significant accomplishments and noteworthy events during 2011 included the following:

- Increased concentrate production, as a result of the continued ramp-up of the mine and mill expansion at Chelopech and the completion of the mine and mill expansion at Deno Gold in the fourth quarter of 2010, combined with strong metal prices in 2011, relative to 2010, contributed to record earnings and cash flow in 2011;
- The Company entered into derivative contracts to provide price protection on a portion of its 2011, 2012, 2013 and 2014 projected payable copper production. Total volume hedged was 48.2 million pounds of projected copper production at an average fixed price of $4.14 per pound. Gains on copper derivative contracts in 2011 totalled $35.9 million, comprised of unrealized gains of $23.2 million and realized gains of $12.7 million. While effective from an economic perspective, the copper derivative contracts are deemed not to be effective from an accounting perspective and, therefore, do not receive hedge accounting treatment;
- A long-term loan agreement of $14.5 million with , completed in May 2011, concluded a total of $81.25 million in long-term debt financing use to partly fund the Chelopech mine and mill expansion project;
- In September 2011, Dunav exercised its option agreement with DPM, wherein DPM received, amongst other consideration, a controlling owne remaining Serbian properties, namely its Surdulica molybdenum, Tulare copper and gold and other early stage projects in Serbia directly held by Molyco ;
- The major capital projects underway at Chelopech and NCS to expand and upgrade their respective facilities remained on budget and on track for completion in 2012;
- In December 2011, an independent and technically competent team was brought in to perform a review to ensure that both the Namibian government and the Company had properly identified the issues in respect of concerns raised regarding the disposal and management of arsenic in concentrate processed at NCS. The review was completed in January 2012 and the report to the Namibian government is expected to be issued in the near future. The Company believes that the program of upgrades and improvements completed to date and scheduled over the coming years properly addresses the issues and concerns raised and that the report will support this view;
- Increased exploration activities in Bulgaria, Armenia and Serbia continue to show potential to add significant value to the Company over time, including the defined mineralized domain, adjacent to Shahumyan deposit, that contains potential for extensions to the existing underground operation as well as expansion to the open pit project currently under study;
- The Krumovgrad Gold Project achieved a number of key milestones and continues to gain momentum toward a 2014 production date. Key accomplishments included the granting of a 30 year concession, the approval of its EIA with a provision for pre-emptive execution, which is currently going through an appeal process, and the completion of a new feasibility study that confirmed the commercial and economic viability of the project;

- The Company also made good progress on a potential project to economically recover the 40% to 45% of the gold contained in the Chelopech ore mined that is currently being rejected and placed into tailings or returned underground as paste fill. This project has the potential to economically recover most of this gold as well as additional silver and copper which is associated with the rejected pyrite minerals. At the full production rate of two million tonnes per annum of ore mined, approximately 400,000 tonnes of pyrite concentrate can be produced containing 77,000 to 90,000 ounces of gold, 128,000 to 193,000 ounces of silver, and 4.4 million to 6.2 million pounds of copper. A conceptual study and initial testing was completed in the third and fourth quarters of 2011, respectively. This work indicates that a pressure oxidation (autoclave) process can be used to produce a low mass, metals rich residue containing gold and silver, which in turn could be sold to existing smelters or leach plants. A scoping study to determine the optimal processing configuration and the associated capital and operating costs is currently underway and is expected to be completed in the second quarter of 2012; and
- The Company ended the year in a strong financial position with consolidated cash of $173 million and is well positioned to fund its current growth capital programs.

The s
indicated:

$ thousands, except where indicated	**Three Months**		**Twelve Months**	
Ended December 31,	**2011**	2010	**2011**	2010
Operational Highlights				
Payable metals in concentrate sold:				
Gold (ounces)	**31,434**	20,469	**110,026**	80,352
Copper (pounds)	**11,324**	6,905	**36,838**	27,364
Zinc (pounds)	**2,826**	4,114	**16,898**	14,252
Silver (ounces)	**117,254**	150,556	**595,914**	470,735
Cash cost of sales per ounce of gold sold, net of by-product credits ($)[(1),(2),(3)]	**(147)**	(34)	**(57)**	238
Concentrate smelted at NCS (tonnes)	**47,588**	37,635	**180,403**	119,557
Financial Results				
Revenue	**88,476**	61,544	**338,480**	201,994
Gross profit	**38,873**	16,586	**130,794**	51,214
Adjusted EBITDA[(1)]	**37,009**	14,955	**117,531**	45,310
Other income (expenses)	**(4,765)**	11,407	**16,200**	45,976
Earnings before income taxes	**16,603**	14,897	**88,605**	10,433
Income tax (expense) recovery	**569**	5,118	**(16,476)**	9,526
Net earnings attributable to common shareholders	**22,660**	21,467	**86,091**	22,932
Basic earnings per share	**0.18**	0.17	**0.69**	0.20
Adjusted net earnings[(1)]	**31,891**	6,684	**80,055**	22,631
Adjusted basic earnings per share[(1)]	**0.25**	0.05	**0.64**	0.19
Net cash provided from operating activities before changes in working capital	**41,831**	17,497	**123,599**	53,878
Capital expenditures:				
Growth[(1)]	**22,901**	15,976	**85,255**	51,647
Sustaining[(1)]	**7,251**	11,140	**32,346**	28,083
Total capital expenditures	**30,152**	27,116	**117,601**	79,730

As at,	**December 31, 2011**	December 31, 2010
Financial Position		
Cash and cash equivalents	**172,804**	96,225
Short-term investments	**4,425**	13,155
Investments at fair value	**107,609**	174,534
Total assets	**927,941**	817,231
Long-term debt	**83,316**	47,532
Equity	**729,079**	656,518
Common shares outstanding *(thousands)*	**125,239**	124,913
Share price (*Cdn$)*	**8.22**	9.38

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1) *Cash cost of sales per ounce of gold sold net of by-product credits; adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"); adjusted net earnings; adjusted basic earnings per share; and growth and sustaining capital expenditures are not defined measures under IFRS. Refer to the "Non-IFRS Financial Measures" section of this MD&A for reconciliations to IFRS.*
2) *Cash cost of sales per ounce of gold sold, net of by-product credits, represents cost of sales less depreciation, amortization and other non-cash expenses plus treatment charges, penalties, transportation and other selling costs less by-product copper, zinc and silver revenues divided by the payable gold in concentrate sold.*
3) *Includes realized gains on copper derivative contracts of $8.6 million and $12.6 million in the fourth quarter and twelve months of 2011, respectively.*

Market Trends

Commodity prices are one of the principal determinants of the Company financial condition. In addition, as an entity reporting in U.S. dollars with operations in several countries, fluctuations in foreign exchange rates between the U.S. dollar and the Bulgarian leva, which is pegged to the

the Company

operations and financial condition.

The following table summarizes the average trading price for gold, copper, zinc and silver based on the London Bullion Market Associat

December 31, 2011 and 2010 and highlights the year over year strength (weakness) in commodity prices.

Metal Market Prices (Average)	**Three Months**			**Twelve Months**		
Ended December 31,	**2011**	2010	**Change**	**2011**	2010	**Change**
LBMA gold ($/oz)	**1,686**	1,369	**23%**	**1,569**	1,224	**28%**
LME settlement copper ($/lb)	**3.40**	3.92	**(13%)**	**4.00**	3.42	**17%**
LME settlement SHG zinc ($/lb)	**0.86**	1.05	**(18%)**	**0.99**	0.98	**1%**
LBMA spot silver ($/oz)	**31.82**	26.43	**20%**	**35.12**	20.16	**74%**

The following table sets out the average foreign exchange rates for the principal currencies impacting the Company and highlights the year over year strength (weakness) of the U.S. dollar relative to these currencies.

Average Foreign Exchange Rates	**Three Months**			**Twelve Months**		
Ended December 31,	**2011**	2010	**Change**	**2011**	2010	**Change**
US$/Cdn$	**1.0230**	1.0132	**1%**	**0.9893**	1.0305	**(4%)**
Euro/US$	**1.3490**	1.3604	**1%**	**1.3924**	1.3280	**(5%)**
US$/AMD	**381**	361	**6%**	**372**	374	**(1%)**
US$/ZAR	**8.1150**	6.9302	**17%**	**7.2707**	7.3467	**(1%)**

The following table sets out the applicable closing foreign exchange rates as at December 31, 2011 and 2010 and the extent to which the U.S. dollar has strengthened relative to each of the currencies.

Closing Foreign Exchange Rates			
As at December 31,	**2011**	2010	**Change**
US$/Cdn$	**1.0170**	0.9946	**2%**
Euro/US$	**1.2949**	1.3253	**2%**
US$/AMD	**386**	363	**6%**
US$/ZAR	**8.1421**	6.6468	**22%**

Operational Highlights

Deliveries of Concentrate

Deliveries of concentrate in the fourth quarter of 2011 of 36,864 tonnes were 58% higher than the corresponding period in 2010 due primarily to increased concentrate production at Chelopech as a result of the continued ramp-up of the mine and mill expansion partially offset by lower concentrate production at Deno Gold as a result of lower grades and recoveries.

Deliveries of concentrate in 2011 of 123,789 tonnes were 36% higher than 2010 due primarily to Chelopech ncreased production at Deno Gold following the completion of its mine and mill expansion in the fourth quarter of 2010.

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter and twelve months of 2011 was $37.0 million and $117.5 million, respectively, compared to $15.0 million and $45.3 million in the corresponding periods in 2010. The period over period increases were due to the same factors affecting net earnings, except for the unrealized gains and losses on copper derivative contracts and the unrealized gains and losses related to the Sabina special warrants, each of which, are excluded from adjusted EBITDA.

The following table shows the adjusted EBITDA generated by each segment:

$ thousands	**Three Months**		**Twelve Months**	
Ended December 31,	**2011**	2010	**2011**	2010
Chelopech	**50,787**	18,871	**133,368**	56,823
Deno Gold	**1,175**	8,613	**31,906**	16,694
NCS	**1,970**	(1,375)	**2,798**	2,214
Corporate & Other	**(16,923)**	(11,154)	**(50,541)**	(30,421)
Total adjusted EBITDA	**37,009**	14,955	**117,531**	45,310

discussion of Chelopech, Deno Gold and NCS results.

Other income (expenses)

Other expenses in the fourth quarter of 2011 totalled $4.8 million compared to other income of $11.4 million in the corresponding period in 2010. Other income in 2011 totalled $16.2 million compared to $46.0 million in 2010. Other income and expenses is comprised of gains or losses on certain available-for-sale investments, foreign exchange translation gains or losses, unrealized gains or losses on the Sabina special warrants and gains or losses on copper derivative contracts, which are deemed not to be hedges for accounting purposes.

The quarter over quarter decrease in other income was due primarily to lower unrealized gains related to the Sabina special warrants and unrealized losses on copper derivative contracts partially offset by realized gains on copper derivative contracts. The year over year decrease was primarily due to unrealized losses related to the Sabina special warrants partially offset by gains on copper derivative contracts and gains on sales of available-for-sale investments. While effective from an economic perspective, the copper derivative contracts are deemed not to be effective from an accounting perspective and, therefore, do not receive hedge accounting treatment.

Unrealized mark-to-market gains related to the Sabina special warrants of $8.0 million and unrealized mark-to-market losses of $22.8 million were recorded in the fourth quarter and twelve months of 2011, respectively, compared to unrealized mark-to-market gains of $11.1 million and $49.7 million in the corresponding periods in 2010.

Net losses on copper derivative contracts in the fourth quarter of 2011 totalled $10.7 million, comprised of unrealized losses of $19.3 million and realized gains of $8.6 million. Gains on copper derivative contracts in 2011 totalled $35.9 million, comprised of unrealized gains of $23.2 million and realized gains of $12.7 million.

Gains on sales of available-for-sale investments totalled $6.3 million in 2011 compared to $0.9 million in 2010.

Income Tax Expense (Recovery)

In the fourth quarter of 2011, the Company reported an income tax recovery of $0.6 million resulting in an effective tax recovery rate of 3.4%. For 2011, the Company reported an income tax expense of $16.5 million resulting in an effective tax rate of 18.6%. The tax recovery for the quarter was due primarily to the

Company were subject to lower tax rates, partially offset by an unrecognized tax benefit relating to foreign losses and the non-taxable portion of unrealized losses on Sabina special warrants. The effective tax rate was lower than the 28.25% Canadian statutory tax rate for 2011 due primarily to the Company
an unrecognized tax benefit relating to foreign losses, and gains that have been recognized for tax purposes.

For the fourth quarter and twelve months of 2010, the Company reported an income tax recovery of $5.1 million and $9.5 million resulting in effective tax recovery rates of 34.4% and 91.3%, respectively, compared with the Canadian statutory tax rate of 31.0%. The tax recovery for the quarter was due primarily to lower future tax rates and the non-taxable portion of unrealized gains on Sabina special warrants. For 2010, the tax recovery was due primarily to the recognition of a previously unrecognized tax benefit relating to Canadian non-capital losses and the non-taxable portion of unrealized gains on Sabina special warrants, partially offset by an unrecognized tax benefit relating to foreign losses.

Net earnings attributable to common shareholders

In the fourth quarter of 2011, the Company reported net earnings attributable to common shareholders of $22.7 million compared to $21.5 million in the fourth quarter of 2010. The increase in net earnings was due primarily to higher volumes of payable metals in concentrate sold, higher volumes of concentrates smelted at NCS, realized gains on copper derivative contracts, which have more than offset the quarter over quarter decrease in copper market prices, and higher gold and silver market prices. These favourable variances were partially offset by lower unrealized mark-to-market gains related to the Sabina special warrants, unrealized losses on copper derivative contracts and higher exploration expenses.

For 2011, the Company reported net earnings attributable to common shareholders of $86.1 million compared to $22.9 million in 2010. This increase was due primarily to a net impairment provision of $50.6 million taken in 2010 against the planned construction of a metals processing facility , stronger metal prices in 2011, gains on copper derivative contracts and higher volumes of payable metals in concentrate sold. These favourable variances were partially offset by unrealized mark-to-market losses related to the Sabina special warrants and higher exploration and general and administrative expenses.

Average market prices for gold in the fourth quarter of 2011 increased by 23% relative to the corresponding period in 2010, average market prices for copper decreased by 13% and average market prices for silver increased by 20%. For 2011, average market prices for gold increased by 28% relative to 2010, average market prices for copper increased by 17% and average market prices for silver increased by 74%.

Unrealized mark-to-market losses on copper derivative contracts of $19.3 million were recognized in the fourth quarter of 2011 compared to $0.1 million in the fourth quarter of 2010. Unrealized mark-to-market gains on copper derivatives of $23.2 million were recognized in 2011 compared to net unrealized losses of $0.1 million in 2010. Realized gains on the settlement of copper derivative contracts were $8.6 million and $12.7 million during the fourth quarter and twelve months of 2011, respectively, compared to realized losses of $nil and $0.1 million during the corresponding periods in 2010.

Unrealized mark-to-market gains related to the Sabina special warrants of $8.0 million and unrealized mark-to-market losses of $22.8 million were recognized during the fourth quarter and twelve months of 2011, respectively, compared to unrealized mark-to-market gains of $11.1 million and $49.7 million in the corresponding periods in 2010.

Adjusted net earnings

Adjusted net earnings in the fourth quarter and twelve months of 2011 were $31.9 million and $80.1 million, respectively, compared to $6.7 million and $22.6 million in the corresponding periods in 2010. The year over year increases were due primarily to the same factors affecting net earnings, except for the unrealized gains and losses on the copper derivative contracts and the unrealized gains and losses related to the Sabina special warrants which are excluded from adjusted net earnings.

Cash provided from operating activities before changes in non-cash working capital

Cash provided from operating activities before changes in non-cash working capital in the fourth quarter and twelve months of 2011 of $41.8 million and $123.6 million, respectively, was $24.3 million and $69.7 million higher than the corresponding periods in 2010 due primarily to stronger metal prices and higher volumes of payable metals in concentrates sold.

Capital expenditures

Capital expenditures in the fourth quarter and twelve months of 2011 of $30.2 million and $117.6 million increased by 11% and 47%, respectively, over the corresponding periods in 2010. Growth capital expenditures in the fourth quarter and twelve months of 2011 were $22.9 million and $85.3 million, respectively, compared to $16.0 million and $51.6 million in the corresponding periods in 2010. The year over year increase was due primarily to the ramp-up of the mine and mill expansion project in Chelopech

output. Sustaining capital expenditures in the fourth quarter and twelve months of 2011 were $7.3 million and $32.3 million, respectively, compared to $11.1 million and $28.1 million in the corresponding periods in 2010. The increase in sustaining capital in 2011, relative to 2010, was due primarily to increased spending on annual capital developme

The following table sets unit cash costs, exploration and general and administrative expenses, and capital expenditures for 2012.

US $ millions, unless otherwise indicated	Chelopech	Deno Gold	NCS	Corp.& Other	Total/ Average
Ore mined/milled ('000s tonnes)	1,700 - 1,850	550 - 610			2,250 - 2,460
Concentrate smelted ('000s tonnes)			174 - 184		174 - 184
Metals contained in concentrate produced					
Gold (ounces)	103,000 - 115,000	25,000 - 28,000			128,000 -143,000
Copper (million pounds)	38.0 - 43.0	2.9 - 3.2			40.9 - 46.2
Zinc (million pounds)	-	18.0 - 20.0			18.0 - 20.0
Silver (ounces)	186,000 - 206,000	473,000 - 526,000			659,000 - 732,000
Cash cost/tonne of ore processed ($)	46 - 50	59 - 65			50 - 55
Cash cost/ounce of gold sold, net of by-product credits ($)[1]	35 - 40	220 - 250			70 - 75
Cash cost/tonne of concentrate smelted ($)[2]			325 - 345		325 - 345
General & administrative expenses[3]				27.0 - 31.0	27.0 - 31.0
Exploration expenses[3]				2.5 - 4.5	2.5 - 4.5
Sustaining capital expenditures	13.0 - 16.0	12.0 - 14.0	5.0 - 7.0	-	30.0 - 37.0

1) Based on current exchange rates, copper price of $3.80 per pound, silver price of $34 per ounce and zinc price of $0.95 per pound.
2) Based on current US$/ZAR exchange rate
3) Excluding expenses of partially owned companies

expenditures are expected to range between $150 million and $175 million and relate primarily to the mine and mill expansion at Chelopech, the plant upgrade and expansion at NCS, the development work related to the Krumovgrad Gold Project, and exploration or development work being done to enhance underground operations and advance the open pit project at Deno Gold.

The estimated metals contained in concentrate produced for 2012 are in line with previously released life of mine production numbers for Chelopech as per the NI 43-101 Technical Report for the Chelopech Project, Bulgaria, filed on Sedar on March 25, 2011. In the third quarter of 2012, the mine is expected to reach the full production run rate of two million tonnes per annum following the installation of the underground crusher and conveyor, which is scheduled to be completed in July 2012.

The 2012 outlook provided above may not occur evenly through-out the year. The estimated metals contained in concentrate produced and volumes of concentrate smelted may vary from quarter to quarter depending on the areas being mined and the timing of concentrate deliveries, sales and planned outages. Also, the rate of capital expenditures may vary from quarter to quarter based on the schedules for each capital project.

Chelopech – Key Operational and Financial Highlights

$ thousands, except where indicated	**Three Months**		**Twelve Months**	
Ended December 31,	**2011**	2010	**2011**	2010
Operational Highlights				
Ore mined *(mt)*	**394,151**	274,399	**1,309,924**	1,088,431
Ore processed *(mt)*	**453,202**	249,154	**1,353,733**	1,000,781
Head grade *(ore milled*)				
Copper *(%)*	**1.55**	1.56	**1.46**	1.46
Gold *(g/mt)*	**4.17**	3.93	**3.85**	3.86
Silver (g/mt)	**8.46**	7.36	**8.13**	8.74
Concentrate produced *(mt)*	**37,129**	20,259	**102,702**	75,278
Metals contained in concentrate produced				
Copper *(lbs)*	**13,185,889**	7,416,985	**36,801,944**	27,482,687
Gold *(ounces)*	**34,993**	17,996	**93,881**	65,512
Silver *(ounces)*	**54,573**	24,653	**151,715**	113,078
Cash cost per tonne of ore processed ($)[(1),(3),(4)]	**51.35**	61.66	**54.81**	56.22
Cash cost per pound of copper in concentrate produced ($)[(1),(2),(3)]	**0.71**	1.08	**0.92**	1.06
Cash cost per ounce of gold in concentrate produced ($)[(1),(2),(3)]	**350**	374	**373**	379
Concentrate delivered *(mt)*	**32,508**	17,883	**100,326**	73,061
Payable metals in concentrate sold				
Copper *(lbs)*[(5)]	**10,726,853**	6,130,685	**33,604,806**	24,970,472
Gold *(ounces)*[(5)]	**27,114**	13,076	**83,796**	58,065
Silver *(ounces)*[(5)]	**36,397**	21,380	**129,477**	103,272
Cash cost of sales per ounce of gold sold, net of by-product credits ($)[(3),(6),(7)]	**(190)**	(73)	**(112)**	210
Financial Highlights				
Net revenue[(8)]	**64,228**	31,606	**199,465**	113,792
Gross profit	**39,514**	14,350	**110,627**	41,085
Adjusted EBITDA[(3)]	**50,787**	18,871	**133,368**	56,823
Earnings (loss) before income taxes	**28,575**	12,347	**138,244**	(12,702)
Capital expenditures				
Growth	**14,325**	12,658	**59,019**	35,849
Sustaining	**3,464**	4,904	**13,053**	11,646
Total capital expenditures	**17,789**	17,562	**72,072**	47,495

1) *Cash costs are reported in U.S. dollars, although the majority of costs incurred are denominated in non-U.S. dollars, and consist of all production related expenses including mining, processing, services, royalties and general and administrative.*
2) *Gold and copper are accounted for as co-products. Total cash costs are net of by-product silver sales revenue.*
3) *Refer to the "Non-IFRS Financial Measures" section of this MD&A for reconciliations of these non-IFRS measures.*
4) *Cash cost per tonne of ore processed, excluding royalties, was $46.59 and $49.99 in the fourth quarter and twelve months of 2011 compared to $56.34 and $51.54 in the corresponding periods in 2010, respectively.*
5) *Represents payable metals in concentrate sold based on provisional invoices.*
6) *Cash cost of sales per ounce of gold sold, net of by-product credits, represents cost of sales less depreciation, amortization and other non-cash expenses plus treatment charges, penalties, transportation and other selling costs less by-product copper and silver revenues divided by the payable gold in concentrate sold.*
7) *Includes realized gains on copper derivative contracts of $7.8 million and $11.7 million in the fourth quarter and twelve months of 2011, respectively.*
8) *Net revenue includes the value of payable metals sold, mark-to-market adjustments and final settlements on provisionally priced sales, and deductions for treatment charges, penalties, transportation and other selling costs. Net favourable adjustments and final settlements of $0.5 million and unfavourable adjustments and final settlements of $5.5 million were recorded in the fourth quarter and twelve months of 2011, respectively, compared with net unfavourable adjustments and final*

Average market prices for gold in the fourth quarter and twelve months of 2011 were 23% and 28% higher, respectively, than the corresponding periods in 2010. Average market prices for copper in the fourth quarter and twelve months of 2011 were 13% lower and 17% higher, respectively, than the corresponding periods in 2010.

Cash cost measures

Cash cost per tonne of ore processed[1] in the fourth quarter of 2011 of $51.35 was 17% lower than the corresponding cash cost in 2010 of $61.66 due primarily to higher volumes of material mined and processed partially offset by higher prices for diesel, higher usage of fuel, power and direct materials, higher employment expenses and higher royalty expense as a result of higher metal prices.

Cash cost per tonne of ore processed in 2011 of $54.81 was 3% lower than the corresponding cash cost in 2010 of $56.22 due to higher volumes of material mined and processed and lower backfill expenses partially offset by higher prices for diesel, higher usage of fuel and power, a stronger Euro relative to the U.S. dollar, higher employment expenses and higher royalty expense as a result of higher metal prices.

Cash cost of sales per ounce of gold sold, net of by-product credits, in the fourth quarter of 2011, was negative $190 compared to negative $73 in the fourth quarter of 2010. The quarter over quarter decrease was due primarily to higher volumes of payable metals in concentrate sold and realized gains on copper derivative contracts partially offset by lower market prices for copper. Cash cost of sales per ounce of gold sold, net of by-product credits, in 2011, was negative $112 compared to cash cost of $210 in 2010. The year over year decrease was due to the same factors affecting the fourth quarter, except for market prices for copper which were higher year over year.

Gross profit

Gross profit in the fourth quarter and twelve months of 2011 of $39.5 million and $110.6 million, respectively, was $25.1 million and $69.5 million higher than the corresponding periods in 2010 due to higher volumes of payable metals in concentrate sold consistent with the continued ramp-up of the mine and mill expansion, generally stronger metal prices and lower unit cash cost per tonne of ore processed.

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter and twelve months of 2011 was $50.8 million and $133.4 million, respectively, compared to $18.9 million and $56.8 million in the corresponding periods in 2010 due to the same factors affecting gross profit. In addition, realized gains of copper derivative contracts of $7.8 million and $11.7 million in the fourth quarter and twelve months of 2011, respectively, were included in adjusted EBITDA.

Earnings (loss) before income taxes

Earnings before income taxes in the fourth quarter and twelve months of 2011 were $28.6 million and $138.2 million, respectively, compared to earnings before income taxes of $12.3 million and loss before income taxes of $12.7 million in the corresponding periods in 2010. These increases were primarily due to the same factors affecting gross profit and adjusted EBITDA as discussed above. The year over year increase was also impacted by an impairment provision of $50.6 million taken in 2010 against the planned construction of an MPF. In addition, unrealized losses on copper derivative contracts of $17.9 million were recognized in the fourth quarter of 2011 and unrealized gains on copper derivative contracts of $21.6 million were recognized in 2011.

Capital expenditures

Capital expenditures in the fourth quarter and twelve months of 2011 were $17.8 million and $72.1 million, respectively, compared to $17.6 million and $47.5 million in the corresponding periods in 2010. The year over year increase was due primarily to the ramp-up of the mine and mill expansion project in 2011.

1 ore processed, to cost of sales under IFRS is shown in the section

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Deno Gold – Key Operational and Financial Highlights

$ thousands, except where indicated	Three Months		Twelve Months	
Ended December 31,	**2011**	2010	**2011**	2010
Operational Highlights				
Ore mined *(mt)*	**137,683**	135,114	**525,622**	427,181
Ore processed *(mt)*	**154,933**	136,256	**581,852**	428,865
Head grade *(ore milled)*				
Copper *(%)*	**0.25**	0.34	**0.27**	0.34
Gold *(g/mt)*	**1.57**	2.25	**1.75**	2.33
Zinc *(%)*	**1.74**	2.34	**1.74**	2.22
Silver *(g/mt)*	**31.48**	45.18	**33.52**	42.14
Concentrate produced *(mt)*				
Copper	**1,780**	2,161	**6,963**	6,396
Zinc	**4,242**	4,808	**15,588**	14,361
Metals contained in concentrate produced				
Copper *(lbs)*	**741,907**	932,643	**2,992,158**	2,890,094
Gold *(ounces)*	**6,051**	9,034	**26,876**	29,216
Zinc *(lbs)*	**5,129,841**	6,379,742	**19,584,954**	19,089,390
Silver *(ounces)*	**123,297**	178,508	**519,104**	527,376
Cash cost per tonne of ore processed ($)[(1),(3),(4)]	**61.17**	69.87	**67.27**	70.31
Cash cost per pound of copper in concentrate produced ($)[(1),(2),(3)]	**1.10**	0.83	**1.17**	1.01
Cash cost per ounce of gold in concentrate produced ($)[(1),(2),(3)]	**546**	287	**441**	364
Cash cost per pound of zinc in concentrate produced ($)[(1),(2),(3)]	**0.28**	0.22	**0.29**	0.29
Concentrate delivered *(mt)*				
Copper	**1,653**	1,828	**8,072**	5,478
Zinc	**2,703**	3,635	**15,391**	12,618
Payable metals in concentrate sold				
Copper *(lbs)*[(5)]	**597,100**	773,893	**3,232,851**	2,393,554
Gold (ounces)[(5)]	**4,320**	7,393	**26,230**	22,287
Zinc *(lbs)*[(5)]	**2,825,821**	4,114,150	**16,897,968**	14,252,146
Silver *(ounces)*[(5)]	**80,857**	129,176	**466,437**	367,463
Cash cost of sales per ounce of gold sold, net of by-product credits ($)[(3),(6),(7)]	**120**	34	**115**	311
Financial Highlights				
Net revenue[(8)]	**8,265**	17,096	**73,023**	46,501
Gross profit (loss)	**(639)**	5,695	**25,160**	12,864
Adjusted EBITDA[(3)]	**1,175**	8,613	**31,906**	16,694
Earnings (loss) before income taxes	**(2,436)**	5,004	**24,943**	9,496
Capital expenditures				
Growth	**1,303**	1,542	**4,663**	11,028
Sustaining	**2,813**	2,802	**9,284**	7,866
Total capital expenditures	**4,116**	4,344	**13,947**	18,894

1) *Cash costs are reported in U.S. dollars, although the majority of costs incurred are denominated in non-U.S. dollars, and consist of all production related expenses including mining, processing, services, royalties and general and administrative.*
2) *Gold, copper and zinc are accounted for as co-products. Total cash costs are net of by-product silver sales revenue.*
3) *Refer to the "Non-IFRS Financial Measures" section of this MD&A for reconciliations of these non-IFRS measures.*
4) *Cash cost per tonne of ore processed, excluding royalties, was $59.26 and $63.58 in the fourth quarter and twelve months of 2011 compared to $63.66 and $66.33 in the corresponding periods in 2010, respectively.*
5) *Represents payable metals in concentrate sold based on provisional invoices.*
6) *Cash cost of sales per ounce of gold sold, net of by-product credits, represents cost of sales less depreciation, amortization and other non-cash expenses plus treatment charges, penalties, transportation and other selling costs less by-product zinc, copper and silver revenues divided by the payable gold in concentrate sold.*
7) *Includes realized gains on copper derivative contracts of $0.8 million and $0.9 million in the fourth quarter and twelve months of 2011, respectively.*
8) *Net revenue includes the value of payable metals sold, mark-to-market adjustments and final settlements on provisionally priced sales, and deductions for treatment charges, penalties, transportation and other selling costs. Net unfavourable adjustments and final settlements of $4.3 million and $2.4 million were recorded in the fourth quarter and twelve months of 2011 compared with net adjustments and final settlements of $nil and net unfavourable adjustments and final settlements of $0.3 million in the corresponding prior year periods. Deductions in the fourth quarter and twelve months of 2011 were $2.0 million and $11.9 million compared to $2.7 million and $8.9 million in the corresponding periods in 2010, respectively.*

Operational Highlights – Deno Gold

Ore mined

Ore mined in the fourth quarter and twelve months of 2011 of 137,683 tonnes and 525,622 tonnes, respectively, increased by 2% and 23% compared with the corresponding periods in 2010. The year over year increase was primarily due to the mine and mill expansion that was completed in the fourth quarter of 2010. The mine production was below the target of 600,000 tonnes for 2011 due primarily to disruptions in equipment availability experienced throughout the year.

Ore processed

Ore processed in the fourth quarter and twelve months of 2011 of 154,933 tonnes and 581,852 tonnes, respectively, increased by 14% and 36% relative to the corresponding periods in 2010. As a result of lower than expected mine production due primarily to disruptions in equipment availability in the second half of 2011, 19,967 tonnes and 60,083 tonnes of oxidized ore stockpiled on surface from past mining operations were processed in the mill to supplement the mine production and to fully utilize the mill in the fourth quarter and twelve months of 2011, respectively. This had an adverse effect on the feed grades for all metals processed, which were 25% to 30% lower for the fourth quarter of 2011 and 21% to 25% lower for the twelve months of 2011, as well as a reduced metallurgical response, compared to the corresponding periods of 2010. The outcome of both factors resulted in lower than normal overall recoveries for all metals. Gold recoveries in the fourth quarter and twelve months of 2011 were 15% and 10%, respectively, lower than the corresponding periods in 2010. Silver recoveries in the fourth quarter and twelve months of 2011 were 13% and 9%, respectively, lower than the corresponding periods in 2010. Copper recoveries in the fourth quarter and twelve months of 2011 were 6% and 4%, respectively, lower than the corresponding periods in 2010. Zinc recoveries in the fourth quarter and twelve months of 2011 were 5% and 3%, respectively, lower than the corresponding periods in 2010. The equipment availability issues have been addressed by management and mine production is now operating at normal levels.

Concentrate and metal production

Production of copper and zinc concentrates in the fourth quarter of 2011 of 1,780 tonnes and 4,242 tonnes decreased by 18% and 12%, respectively, over the corresponding period in 2010 due to lower grades and recoveries partially offset by higher volumes of ore processed. Production of copper and zinc concentrates in 2011 of 6,963 tonnes and 15,588 tonnes increased by 9% each over 2010 due to higher volumes of ore processed partially offset by lower grades and recoveries. As a result of lower than expected equipment availability in the second half of 2011, a greater proportion of ore mined came from development ore instead of production ore resulting in higher dilution and lower grades for all metals in the fourth quarter and twelve months of 2011 relative to the corresponding periods in 2010. The actual ratio between production and development ore in 2011 was approximately 55 to 45 compared to a planned ratio of approximately 70 to 30.

Relative to the fourth quarter of 2010, copper contained in concentrate produced in the fourth quarter of 2011 decreased by 20% to 0.7 million pounds, gold contained in concentrate produced decreased by 33% to 6,051 ounces, zinc contained in concentrate produced decreased by 20% to 5.1 million pounds and silver in concentrate produced decreased by 31% to 123,297 ounces. These decreases were due to lower grades and recoveries for all metals partially offset by higher volumes of ore processed.

Relative to 2010, copper contained in concentrate produced in 2011 increased by 4% to 3.0 million pounds, gold contained in concentrate produced decreased by 8% to 26,876 ounces, zinc in concentrate produced increased by 3% to 19.6 million pounds and silver contained in concentrate produced decreased by 2% to 519,104 ounces. The decreases in gold and silver were due primarily to lower grades and recoveries partially offset by higher volumes of ore processed. The increases in copper and zinc were due primarily to higher volumes of ore processed partially offset by lower grades and recoveries.

Deliveries

Deliveries of concentrates in the fourth quarter of 2011 of 4,356 tonnes were 20% lower than the corresponding period in 2010 due to lower concentrate production and a build-up of zinc concentrate inventory as a result of timing of shipment. Deliveries of concentrates in 2011 of 23,463 tonnes were 30% higher than 2010 due to increased concentrate production and a drawdown of copper concentrate inventory.

Consistent with the decrease in metal production relative to the fourth quarter of 2010, payable gold in concentrate sold in the fourth quarter of 2011 decreased by 42% to 4,320 ounces, payable copper in concentrate sold decreased by 23% to 0.6 million pounds, payable silver in concentrate sold decreased by 37% to 80,857 ounces and payable zinc in concentrate sold decreased by 31% to 2.8 million pounds.

Consistent with the increase in metal production relative to 2010 and the drawdown of concentrate inventory in 2011, payable gold in concentrate sold in 2011 increased by 18% to 26,230 ounces, payable copper in concentrate sold increased by 35% to 3.2 million pounds, payable zinc in concentrate sold increased by 19% to 16.9 million pounds and payable silver in concentrate sold increased by 27% to 466,437 ounces.

Inventory

Inventory of concentrates totalled 3,102 tonnes at December 31, 2011, down from 4,014 tonnes at December 31, 2010.

Financial Highlights – Deno Gold

Net revenue

Net revenue of $8.3 million in the fourth quarter of 2011 was $8.8 million lower than the corresponding period in 2010 due primarily to lower volumes of payable metals in concentrate sold, as discussed above, unfavourable mark-to-market adjustments and final settlements related to provisionally priced sales and lower market prices for copper and zinc partially offset by stronger market prices for gold and silver. Net revenue of $73.0 million in 2011 was $26.5 million higher than 2010 due primarily to stronger metal prices and higher volumes of payable metals in concentrate sold.

Cash cost measures

Cash cost per tonne of ore processed in the fourth quarter of 2011 of $61.17 was 12% lower than the corresponding period in 2010 due primarily to higher volumes of material processed and better control over operating expenses partially offset by higher employment expenses and higher consumption of and prices for fuel and higher consumption of reagents resulting from the treatment of oxidized ore. Cash cost per tonne of ore processed in 2011 of $67.27 was 4% lower than 2010 due primarily to higher volumes of ore processed partially offset by an increase in headcount, increased prices for and usage of explosives, fuel and reagents and increased maintenance costs.

Cash cost of sales per ounce of gold sold, net of by-product credits, in the fourth quarter and twelve months of 2011 was $120 and $115, respectively, compared to cash cost of $34 and $311 in the corresponding periods in 2010. The quarter over quarter increase was due primarily to lower volumes of payable metals in concentrate sold and lower market prices for copper and zinc partially offset by stronger market prices for silver and realized gains on copper derivative contracts. The year over year decrease was due primarily to higher market prices for copper and silver, realized gains on copper derivative contracts and higher volumes of payable metals in concentrate sold.

Gross profit (loss)

Gross loss in the fourth quarter of 2011 was $0.6 million compared to a gross profit of $5.7 million in the corresponding period in 2010. The decrease in gross profit was primarily due to lower volumes of payable metals in concentrate sold, unfavourable mark-to-market adjustments and final settlements related to provisionally priced sales and lower market prices for zinc and copper partially offset by stronger market prices for gold and silver.

Gross profit in 2011 of $25.2 million was $12.3 million higher than 2010 due primarily to stronger metal prices and increased deliveries consistent with the completion of the mine and mill expansion in the fourth quarter of 2010. For 2011, deliveries of copper concentrates, which generate higher gross margins than the zinc concentrates due to a greater value of payable metals, were 47% higher than in 2010.

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter and twelve months of 2011 was $1.2 million and $31.9 million, respectively, compared to $8.6 million and $16.7 million in the corresponding periods in 2010. The year over year changes were due to the same factors affecting gross profit. In addition, realized gains of

Cash cost per tonne of concentrate smelted

Cash cost per tonne of concentrate smelted in the fourth quarter of 2011 of $250 was 22% lower than the corresponding period in 2010 due primarily to higher volumes of concentrate smelted and a weaker ZAR relative to the U.S. dollar partially offset by increased maintenance activities, increased headcount, increased prices for fuel and electricity and increased spending on environmental, health and safety monitoring and development programs.

Cash cost per tonne of concentrate smelted in 2011 of $295 was 10% higher than 2010 due primarily to increased maintenance activities, employment costs and fuel and electricity prices partially offset by higher volumes of concentrate smelted.

Other

The Namibian government and the Company have discussed concerns raised regarding the disposal and management of arsenic in concentrate processed at NCS. In December 2011, the government brought in an independent and technically competent review team to ensure that both the government and the Company have properly identified the issues and have established appropriate programs to address these issues. hrough-out the course of its review, which is now complete. The report to the government is currently being finalized and is expected to be issued in the near future. The Company believes that the program of upgrades and improvements completed to date and scheduled over the coming years properly addresses the issues and concerns raised and that the report will support this view. The Company also believes it has a sound relationship with local and national unions, the government of Namibia, and the business community and the Tsumeb community itself, who support the long-term investments being made to improve working conditions and the operating performance of the Smelter.

ortant component in developing the relationships among companies, labour and government. In 2011, NCS signed a letter of intent with Labou them the opportunity to acquire a 5% equity interest in NCS. The Company is currently working on finalizing the terms of this arrangement and is targeting completion of a definitive agreement in the first quarter of 2012. Additional partner(s) are being sought with a view to reaching agreement in principle before the end of 2012 with an appropriate candidate company.

Financial Highlights - NCS

Net revenue

Net revenue of $16.0 million and $66.0 million in the fourth quarter and twelve months of 2011 was $3.2 million and $24.3 million, respectively, higher than the corresponding periods in 2010 due primarily to higher volumes of Chelopech concentrate smelted, which generates a higher margin than processing third party concentrate, and, year over year, higher volumes of third party concentrate smelted.

Gross loss

There was a marginal gross loss in the fourth quarter of 2011 compared to a gross loss of $3.5 million in the corresponding period in 2010. The lower loss was due primarily to higher volumes of Chelopech concentrate smelted and the favourable impact of a weaker ZAR relative to the U.S. dollar partially offset by higher operating expenses as discussed above.

For 2011, the gross loss was $5.0 million compared to $2.7 million in 2010. The increase in gross loss was due primarily to the lost production and costs associated with the scheduled maintenance shutdown of the Ausmelt in April 2011, increased depreciation resulting from higher capital expenditures and the year over year strengthening of the ZAR relative to the U.S. dollar. In 2010, the Ausmelt furnace shutdown took place in the first quarter of 2010, prior to

EBITDA

EBITDA and adjusted EBITDA in the fourth quarter of 2011 were $2.0 million compared to a loss of $1.4 million in the corresponding period in 2010. EBITDA and adjusted EBITDA in 2011 were $2.8 million

compared to $2.2 million in 2010. These changes were driven by the same factors affecting the gross loss, except for depreciation which is excluded from EBITDA.

Loss before income taxes

Loss before income taxes in the fourth quarter and twelve months of 2011 was $0.6 million and $7.7 million, respectively, compared to $3.5 million and $6.8 million in the corresponding periods in 2010. These changes were driven by the same factors affecting the gross loss.

Capital expenditures

Capital expenditures in the fourth quarter and twelve months of 2011 totalled $6.9 million and $25.9 million, respectively, an increase of $3.5 million and $17.5 million compared to the corresponding periods in 2010. The year over year increase was due primarily to the spending related to the purchase and refurbishment of a used oxygen plant, and environmental and process upgrades being made to the smelter of $17.1 million in 2011.

REVIEW OF CORPORATE AND OTHER SEGMENT RESULTS

The corporate and other segment results include corporate, exploration and development projects, and other income and cost items that do not pertain directly to an operating segment. The following table

$ thousands	**Three Months**		**Twelve Months**	
Ended December 31,	**2011**	2010	**2011**	2010
Financial Highlights				
General and administrative expenses	**(6,147)**	(7,656)	**(27,011)**	(21,678)
Exploration expenses	**(10,318)**	(3,084)	**(26,281)**	(6,999)
Other income (expense)	**(458)**	(414)	**2,751**	(1,744)
Adjusted loss before interest, taxes, depreciation and amortization	**(16,923)**	(11,154)	**(50,541)**	(30,421)

General and administrative expenses

Corporate general and administrative expenses, excluding depreciation expense, were $6.1 million and $27.0 million in the fourth quarter and twelve months of 2011, respectively, compared to $7.7 million and $21.7 million in the corresponding periods in 2010. The increase in 2011 relative to 2010 was due

performance and the consolidation of Avala and Dunav general and administrative expenses.

In 2011, the Company granted 1,982,000 (2010 2,046,914) stock options with a fair value of $7.6 million or Cdn$7.7 million (2010 $3.6 million or Cdn$3.6 million). The estimated value of the options granted will be recognized as an expense in the consolidated statements of earnings and an addition to contributed s over the vesting period. The Company recorded stock option expenses of $4.6 million (2010 $2.0 million) in 2011 under the DPM stock option plan.

Exploration expenses

Exploration expenses in the fourth quarter and twelve months of 2011 were $10.3 million and $26.3 million, respectively, compared to $3.1 million and $7.0 million in the corresponding periods in 2010. The changes period over period related primarily to the exploration work being conducted in Serbia by Avala and Dunav.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2011, the Company had cash and cash equivalents of $172.8 million, including equivalents of $30.4 million and $7.6 million, respectively, and investments at fair value of $107.6 million.

expenditures are expected to range between $150 million and $175 million and relate primarily to the mine and mill expansion at Chelopech, the plant

upgrade and expansion at NCS, the development work related to the Krumovgrad Gold Project, and exploration or development work being done to enhance underground operations and advance the open pit project at Deno Gold. Sustaining capital expenditures are expected to range between $30 million and $37 million in 2012.

T and cash equivalents at December 31, 2011, together with the cash currently being generated from its operating facilities, is considered more than sufficient to meet current operating and capital requirements, including its contractual commitments and mandatory debt repayments. Factors that

production levels, capital expenditures, operating cash costs, interest rates and foreign exchange rates. These factors are monitored on a regular basis.

$ thousands	**Three Months**		**Twelve Months**	
Ended December 31,	**2011**	2010	**2011**	2010
Net cash provided from operating activities before changes in non-cash working capital	**41,831**	17,497	**123,599**	53,878
Changes in non-cash working capital	**4,423**	(2,158)	**(1,575)**	(1,244)
Net cash provided from operating activities	**46,254**	15,339	**122,024**	52,634
Net cash used in investing activities	**(30,352)**	(28,626)	**(101,344)**	(88,725)
Net cash provided from (used by) financing activities	**(2,381)**	24,839	**55,899**	101,547
Increase in cash	**13,521**	11,552	**76,579**	65,456
Cash and cash equivalents at beginning of period	**159,283**	84,673	**96,225**	30,769
Cash and cash equivalents at end of period	**172,804**	96,225	**172,804**	96,225

Cash and cash equivalent balances as at December 31, 2011 of $172.8 million were $76.6 million higher than the corresponding period in 2010. The primary factors impacting these cash flow movements are summarized below.

Operating Activities

Cash provided from operating activities before changes in non-cash working capital in the fourth quarter and twelve months of 2011 of $41.8 million and $123.6 million, respectively, was $24.3 million and $69.7 million higher than the corresponding periods in 2010 due primarily to stronger metal prices, higher payable metals in concentrate sold and proceeds from settlement of copper derivative contracts.

The decrease in working capital of $4.4 million in the fourth quarter of 2011 was primarily due to a decrease in accounts receivable as a result of timing of receipts and a decrease in ore inventory at Chelopech partially offset by an increase in concentrate and spare parts and supplies inventories at Chelopech and Deno Gold.

Working capital requirements in 2011 totalled $1.6 million due primarily to an increase in material and spare part inventories consistent with the ramp-up of concentrate production at Chelopech, higher concentrate inventories as a result of timing of shipments, and a decrease in taxes payable partially offset by a decrease in accounts receivable as a result of timing of receipts and a decrease in ore inventory at Chelopech.

Investing Activities

Cash used in investing activities in the fourth quarter of 2011 totalled $30.4 million, up $1.8 million compared to the corresponding period in 2010. Cash used in investing activities in 2011 totalled $101.3 million, up $12.6 million compared to 2010.

cash capital expenditures:

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2011**	2010	**2011**	2010
Chelopech	**17,789**	17,562	**72,072**	47,495
Deno Gold	**4,116**	4,344	**13,947**	18,894
NCS	**6,861**	3,407	**25,871**	8,357
BMM	**726**	1,777	**3,740**	4,650
Other	**660**	26	**1,971**	334
Total capital expenditures	**30,152**	27,116	**117,601**	79,730

Capital expenditures at Chelopech in 2011 were significantly higher than 2010 due to the continued ramp-up of the mine and mill expansion project. Included in the above capital expenditures for Chelopech were growth capital expenditures of $14.3 million and $59.0 million for the fourth quarter and twelve months of 2011, respectively, compared to $12.6 million and $35.8 million in the corresponding periods in 2010. Capital expenditures at Deno Gold in 2010 were higher than 2011 as they included spending related to the mine and mill expansion project, which was completed in the fourth quarter of 2010. Capital expenditures at NCS in the fourth quarter and twelve months of 2011 included upgrades being made to

Restricted cash balances in 2010 increased by $15.1 million in connection with the issuance of a surety bond covering the estimated closure and rehabilitation costs associated with Chelopech.

Proceeds from sale of short-term investments in 2011 were $8.7 million compared to $31.6 million in 2010.

Proceeds from the sale of available-for-sale investments were $8.4 million in 2011 compared to $1.5 million in 2010.

In March 2010, the Company acquired NCS from Weatherly International plc for cash consideration of $17.0 million, net of cash acquired of $1.0 million.

Financing Activities

Cash provided from financing activities in 2011 was $55.9 million compared to $101.5 million in 2010.

Repayments of long-term debt and finance lease obligation totalled $1.2 million and $4.0 million in 2011, respectively, compared to $2.4 million and $3.8 million in 2010.

Interest paid totalled $3.7 million in 2011 compared to $2.3 million in 2010 due primarily to the inclusion in 2011 of a full year of interest on the Chelopech loan.

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Molyco and the cash received from the sale of this interest was $11.6 million.

In May 2011, Chelopech signed a $14.5 million long-term loan agreement with Raiffeisenbank. This loan agreement concluded a total of $81.25 million in long-term debt financing related to the Chelopech mine and mill expansion. Amounts drawn in 2011 totalled $37.0 million (net proceeds of $36.2 million). In the fourth quarter of 2010, $44.25 million was drawn, of which $16.25 million was used to refinance European Bank for Reconstruction EBRD debt due to mature in June 2015, with the balance of $28.0 million (net proceeds of $27.1 million) used to partly fund the expansion.

On January 17, 2011, Avala issued 30,139,750 common shares to its non-controlling shareholders for the exercise of all their outstanding warrants for cash proceeds of $15.7 million.

In July 2010, DPM concluded an agreement with PJV Resources Inc. and Rodeo Capital Corp. (now and the cash received from the sale of this interest was $20.9 million.

In the first quarter of 2010, DPM raised net proceeds of $62.0 million from an equity financing.

Financial Position

$ thousands **As at,**	**December 31, 2011**	December 31, 2010	**Increase/**

rate of U.S. Dollar LIBOR plus 2.80% thereafter. The UCB and Raiffeisenbank loans are subject to a cash sweep which obligates Chelopech to prepay up to an aggregate amount of 30% of Chelopech surplus cash flow rateably to each lender. This mandatory prepayment is limited to the equivalent of two years of loan repayments applied in reverse order of maturity. The terms of the Loans require that Chelopech maintain: (i) minimum forecast debt service coverage ratio of greater than 1.25:1, (ii) current ratio of greater than 1.2:1, (iii) net worth of at least $45 million and (iv) a non-financial covenant. In addition, DPM must maintain: (i) current ratio of greater than 1.5:1 and (ii) net worth of at least $200 million. As at December 31, 2011, Chelopech and DPM were in compliance with their respective debt covenants.

The Company is also required to maintain
2014 projected copper production. To meet this requirement, the Company entered into a number of cash settled derivative commodity contracts in January 2011.

NCS Loan

NCS has an unsecured loan of $4.7 million from
which bears interest at a rate of U.S. Dollar LIBOR plus 4%. Based on a modified term loan agreement between NCS and LDC signed on May 17, 2010, this loan is repayable in twelve equal quarterly installments commencing June 1, 2011. As at December 31, 2011, this loan had an outstanding balance of $3.5 million.

Credit Agreements and Guarantees

On November 26, 2010, Chelopech concluded a $16.0 million credit facility consisting of: (i) a $6.0 million multi-purpose revolving credit facility that matures on December 31, 2012; and (ii) a $10.0 million conditional loan that matures on December 31, 2012 used for the issuance of a bank guarantee in favour of the $25.0 million Chelopech mine closure and rehabilitation insurance policy posted with the Bulgarian Ministry of Economy, Energy and Tourism. Advances under the credit facility are guaranteed by DPM and bear interest at a rate of U.S. dollar LIBOR plus 3.25%. On February 24, 2011, the multi-purpose revolving credit facility was increased to $7.0 million. As at December 31, 2011, $4.3 million (December 31, 2010 - $nil) had been utilized against the $7.0 million revolving facility in the form of letters of credit and letters of guarantee and a $10.0 million (December 31, 2010 - $10.0 million) bank guarantee had been issued against the conditional loan. The above noted $17.0 million credit facility agreement replaced the $10.0 million annual revolving credit facility that was renewed and expanded on September 30, 2010.

Chelopech and BMM also maintain unsecured credit agreements in the amount of $2.0 million and $0.3 million, respectively, for the purpose of providing letters of guarantee for future royalty payments under their concession and exploration license agreements. These credit agreements are presently due to expire on December 31, 2012. DPM has provided unconditional payment guarantees for the benefit of the institutions providing these credit facilities. As at December 31, 2011, letters of guarantee amounting to $2.0 million (December 31, 2010 - $2.1 million) had been written against these credit facilities.

Outstanding Share Data

DPM common shares and share purchase warrants are traded on the TSX under the symbols DPM, DPM.WT and DPM.WT.A, respectively. As at February 16, 2012, there were 125,262,216 common shares and 23,199,500 common share purchase warrants outstanding. In 2007, 2,760,000 warrants were issued and each whole warrant entitles the holder to purchase one common share at a price of Cdn$15.00 until June 29, 2012. In 2008, 20,444,500 warrants were issued and each whole warrant entitles the holder to purchase one common share at a price of Cdn$3.25 until November 20, 2015.

DPM also had 5,948,236 stock options outstanding as of the date of this MD&A with exercise prices ranging from Cdn$1.37 to Cdn$9.51 per share (weighted average exercise price Cdn$4.80 per share).

Other

The Company is involved in legal proceedings, from time to time, arising in the ordinary course of its business. It is not expected that any material liability will arise from current legal proceedings or have a material adverse effect on .

Investments at fair value

As at December 31 had a fair value of $107.6 million, the vast majority of which related to the value of its investment in Sabina.

The fair values of the Sabina Series A and B special warrants are detailed in note 6(a) consolidated financial statements for the year ended December 31, 2011.

As at December 31, 2011, the Company held 11.5% (fair value Cdn$71.0 million) or 18,539,713 of the issued and outstanding common shares of Sabina, a Canadian precious metals exploration company with a portfolio of mineral exploration and pre-development properties in Nunavut, Canada. In addition, the Company held 5,000,000 Sabina Series A special warrants, which will be automatically exercised upon a decision by Sabina to proceed to a feasibility study or proceed to production on the Back River project or upon the occurrence of certain other events and 5,000,000 Sabina Series B special warrants, which will be automatically exercised upon a positive production decision by Sabina with respect to the project or upon the occurrence of certain other events. Each of the Sabina special warrants is exercisable for a period of 35 years, into one common share, and one-
Sabina. Each whole Warrant, if issued, will be exercisable until June 9, 2014, being five years from the date of closing of the sale of the Back River project to Sabina, at the discretion of DPM, into one Sabina common share at a price of Cdn$1.07 per Sabina common share. As at December 31, 2011, the estimated fair value of the 10,000,000 Sabina special warrants was $35.9 million. Refer to the Risks and Uncertainties section of this MD&A for a discussion on the risks related to the portfolio.

Derivative commodity contracts

The Company enters into derivative contracts, from time to time, to mitigate a portion of the copper price exposure associated with the time lag between the provisional and final determination of concentrate sales. During 2011, the Company entered into cash settled derivative contracts to swap future contracted monthly average prices for fixed prices on 9,799,536 pounds of payable copper at an average fixed price of $4.39 per pound.

The Company also entered into derivative contracts to provide price protection on a portion of its 2011, 2012, 2013 and 2014 projected payable copper production and to manage its exposure to fluctuations in copper prices. During 2011, the Company entered into cash settled derivative contracts to swap future contracted monthly average prices for fixed prices to hedge production during these periods as summarized in the table below:

Year of projected payable copper production	Volume hedged (lbs)	Average fixed price ($/lb)
2011	11,629,371	4.31
2012	22,725,223	4.23
2013	6,693,226	3.94
2014	7,195,880	3.73
	48,243,700	**4.14**

As at December 31, 2011, the Company had outstanding contracts on 36,614,329 pounds of copper at an average fixed price of $4.08 per pound covering 2012, 2013 and 2014 as set out in the table below:

Year of projected payable copper production	Volume hedged (lbs)	Average fixed price ($/lb)
2012	22,725,223	4.23
2013	6,693,226	3.94
2014	7,195,880	3.73
	36,614,329	**4.08**

As of December 31, 2011, the fair value gain on all outstanding derivative commodity contracts was $23.2 million, of which $17.7 million was included in other current assets and $5.5 million in other long-term assets in the consolidated statements of financial position.

Unrealized gains and losses on these contracts were calculated based on the corresponding LME forward copper prices and were included in other income in the consolidated statements of earnings. For the three and twelve months ended December 31, 2011, the Company recognized unrealized losses of $19.3 million (2010 net unrealized losses of $0.1 million) and unrealized gains of $23.2 million (2010 net unrealized losses of $0.1 million), respectively. For the three and twelve months of 2011, settled contracts resulted in realized gains of $8.6 million and $12.7 million, respectively, which were reported in other income (2010 net realized losses of $0.1 million).

As at December 31
had been hedged. The Company are exposed to unrealized mark-to-market gains and losses from future price movements during the term of the forward sales contracts.

The Company is also exposed to credit and liquidity risks in the event of non-performance by counterparties in connection with its derivative contracts. These risks are mitigated by entering into transactions with only high credit quality, financially sound counterparties; that are governed by legally enforceable master agreements; and that are monitored on a regular basis.

EXPLORATION

Chelopech

In 2011, a total of 21,774 metres of underground exploration diamond drilling was completed. As the focus was on replacing and increasing the Mineral Resources and Mineral Reserves, drilling targeted the northern and south western mineralized corridors, down plunge of Blocks 151 and 152, and along strike of Block 19. Blocks 19 and 152 were then further defined with grade control drilling in order to convert the new discoveries to Mineral Resources and Reserves.

Chelopech North drilling uncovered a vast number of targets and extensions to existing zones of mineralization. Through geological review, Chelopech North has been defined as having the highest potential for near-mine, high-grade, low-tonnage (+500Kt), 149-style massive sulphide deposits. Target 183 was discovered 100 metres to the southwest of Target 181 and consists of multiple high-grade intersections with the best being hole 149_225_72 6 metres @1.45% copper, 21.17g/t gold. Target 181 drilling extended known mineralization a further 30 metres to the east (see below hole 181_225_13, from 163.5m). This target remains open above and below plunge with a current strike length of 60 metres, depth of 60 metres and width of 5 metres. Mineralization comprising high-grade copper and gold-bearing massive to normal stockwork is hosted within a silica envelope. Limited drilling occurred around Target 182 this year with mineralization remaining open above and down plunge with a current strike length of 30 metres, width of 5 metres and depth of 60 metres (see significant intersection 181_225_13 from 214.5m). Adjacent to these two zones is high-grade copper-gold intersections 1.5 to 3 metres wide which also warrant follow up drilling in 2012.

With additional drilling, Block 147 remains open at depth, to the east and west in the lower levels (see significant results, 181_225_08). The block now extends 150 metres along strike, has an average width of 5 metres, and down plunge extent of 220 metres.

Located 60 metres to the north of current development is the area of mineralization making up Blocks 143 and 144. This zone of mineralization continues to expand with a strike of 100 metres, a width of 60 metres and down plunge extent of 100 metres. These blocks consist of multiple, steeply south dipping shoots of stockwork mineralization along strike and between Blocks 19 and 149 (see significant results, EXT149_225_24 & 26). Drilling will continue to the north in the first half of 2012 in order to define economic mineralization and to improve the ongoing development of the geological model in this area.

Exploration drilling to the north east of Block 19E defined extensions to the mining block (significant intercepts are shown below in hole G19E_380_23). Further grade control drilling during 2011 has defined supplementary economic mineralization proximal to the current mining area. This drilling connected a silicified zone defined by surface drilling north east of Block 19 which has the potential of defining new resources in

2012. An independent exploration drive has been designed and will be developed from the 380 mine level to improve access to this area in the second quarter of 2012.
On completion of exploring the Chelopech South West zone, drilling then returned to the 151 Deeps program, while development is being completed to drill Chelopech West off the 400 mine level behind Block 151 (see significant intercepts hole DP151_225_01 Block 152 from 78 and 152.7; Block 151 from 212.9 and 241.5). To ensure that economic mineralization was not missed to the southwest and within areas drilled during 2011, a down hole electromagnetic program is being planned for the second quarter of 2012.

Blocks 143, 144, 147, 152, Target 181 and Block 19E
Significant intercepts > 4g/t AuEq received in the fourth quarter of 2011

								Grades	
Hole ID	**Northing** *(mRL)*	**Easting** *(mRL)*	**Dip**	**Az**	**From** *(m)*	**To** *(m)*	**Interval** *(m)*	**Cu** *(%)*	**Au** *(g/t)*
181_225_08	29852	5506	-17	347	131.8	139.50	**7.70**	**3.07**	**22.72**
				Including			**2.90**	**5.65**	**43.52**
181_225_13	29852	5507	-8	360	163.5	175.5	**12.0**	**2.04**	**23.73**
				Including			**4.20**	**5.80**	**52.97**
181_225_13					214.5	219	**4.50**	**1.95**	**4.10**
				Including			**1.50**	**3.67**	**6.64**
EXT149_225_24	29725	5676	1	11	115.5	129.0	**13.5**	**2.52**	**3.87**
				Including			**8.10**	**3.70**	**3.46**
EXT149_225_24					204	210	**6.00**	**2.77**	**7.25**
				Including			**1.60**	**7.08**	**19.45**
EXT149_225_26	29725	5677	-18	20	120.0	138.0	**18.0**	**1.00**	**4.15**
					147.0	153.0	**6.00**	**1.26**	**7.15**
DP151_225_01	29409	5850	-35	234	78	106.5	**28.50**	**0.19**	**5.77**
					152.7	166.45	**13.75**	**0.27**	**4.32**
					212.9	219.0	**6.10**	**0.80**	**2.46**
				Including			**1.60**	**1.06**	**3.62**
					241.5	247.5	**6.00**	**2.13**	**3.26**
				Including			**1.50**	**5.17**	**7.14**
G19E_380_23	29844	6016	-37	32	198.0	211.5	**13.50**	**1.65**	**5.62**

1) *Significant intercepts are located within the Chelopech Mine Concession and proximal to the mine workings*
2) *Minimum down hole width reported is 1.5 metres with a maximum internal dilution of 4.5 metres*
3) *True widths are approximately 85% of the intersection width*
4) *Drill holes with prefix G indicate grade control drilling which is performed using BQ diamond drill core. All other holes are drilled with NQ.*
5) *Coordinates are in mine-grid.*
6) *No factors of material effect have hindered the accuracy and reliability of the data presented above.*
7) *No upper grade cuts have been applied to the intercepts reported.*

For detailed information on data verification, exploration, drilling, sampling and analytical methodologies refer to the NI 43- www.sedar.com on March 25, 2011.

Sampling and Analysis

All drill cores are sampled in intervals up to a maximum of 3 metres, with 1.5 metre sample intervals being the common length within mineralized zones. The dimensions of the mineralized zones far exceed the standard sample length. Two sizes of core are drilled; NQ for exploration and BQ for grade control drilling.

Deno Gold

A total of 55,362 metres of surface and 2,397 metres of underground exploration diamond drilling was completed in 2011. Surface drilling collared over the existing underground Shahumyan mine comprised a three phase program of 160 metre by 160 metre, 80 metre by 80 metre and twin holes of Soviet era drilling. The drilling program has been designed to provide data for an evaluation of the potential to establish an open pit operation. Significant results from the drilling program are listed below (refer to holes SHDDR0256 to 289). The 160 metre spaced program, completed in the second quarter of 2011, has provided the framework for infill drilling. The 80 metre spaced drilling program is scheduled to be completed by the end of February 2012 and will be used as additional data for an updated Mineral Resource estimate.

Underground exploration within the Central Zone of the Shahumyan deposit on an 80 metre by 80 metre grid from the 748 mine level, which commenced in September 2011, has confirmed and extended veins 33, 34 and 37 down to the 500 level (see significant assay results below). The drilling also defined additional low-grade halos around the veins, which were previously missed by the Soviet drilling due to selective sampling. Hole NXC02748_02 has intersected a zone of mineralized stockwork veining which had not been intersected by Soviet-era drilling. The additional drilling from both surface and underground has provided additional data for the current geological model and confirms the updated surface regional mapping. One underground diamond core rig is currently operating with plans to increase to three rigs by the second quarter of 2012. A NI 43-101 compliant underground resource estimate will be undertaken with completion projected in the first quarter of 2013.

During 2011, the SGS Kapan assay laboratory was re-commissioned. In addition, a re-evaluation of the 2008 helicopter-borne magnetic and electromagnetic (EM) data was completed. Consultant group Jigsaw Geoscience completed the remaining regional structural and geological mapping covering the +350 square kilometre Kapan Exploration license. Kapan geological staff also completed an analysis of regional soil sample assay data covering the Kapan Exploration License.

Surface drilling on a spacing of 160 metres by 160 metres has discovered a new domain of mineralization east fault. The mineralization is polymetallic with grades of a similar tenor to those encountered in the Shahumyan mine. The new zone covers an area of 1.5 kilometres with veins having a strike length of 500 metres, a depth of 300 metres and an average vein width of 2 metres. Surrounding the veins are zones of disseminated mineralization up to 30 metres wide. Multiple intersections per hole have been routinely encountered. Mineralization is located under a cover sequence of 60 to 150 metres of un-mineralized Upper Jurassic volcanic mudstones and basalts, which overlay the Shahumyan mine sequence of andesites, dacites and

due to the holes being too shallow and often failing to penetrate the barren cover rocks. To date, 21 holes have been drilled into this area. The significant results are summarized below (refer to holes SHDDR0155 to 248). Infill drilling on an 80 metre by 80 metre grid is being completed with assay results pending.

Pit optimization studies will be completed to determine if the Shahumyan East zone can be mined by open pit methods. Intersections have been made with average grades above the current underground mining cut off which may result in the establishment of new underground mineable resources. As a result of the discovery of the Shahumyan East zone, the 160 metre by 160 metre drill pattern will be extended in this area to define the extents of the mineralization. Infill drilling with reverse circulation drilling is planned.

The regional mapping campaign resulted in a significant improvement in the understanding of the stratigraphy, structural history and regional scale mineralization controls, building on the work completed in 2007 and earlier Soviet studies. The main advances made in stratigraphic understanding came with the recognition of larger compositional packages, key sedimentary marker horizons and major unconformities and the mapping of younger units to the north of the exploration license. The majority of structural work completed in 2007 was confirmed. Major advances in structural understanding have included the recognition of a second fold-thrust event to the north and the definition of north-south structural corridors, which are considered critical mineralization controls on a regional scale. In addition, the north plunging anticline proposed in 2007 is now interpreted as an open, gently northeast plunging, early regional fold. The mineralized corridors have been confirmed with EM geophysics and soil sampling to define drill-ready targets.

Surface & Underground significant intercepts > 0.5 g/t AuEq received in the fourth quarter of 2011

Hole ID	Northing (mRL)	Easting (mRL)	Dip	Az	From (m)	To (m)	Interval (m) & AuEQ	Grades Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)
SHDDR0155*	4343469	8624390	-55	1	228	243	15m@4.14	**3.85**	**9.73**	**0.03**	**0.09**
			Including		230	233	3m@9.84	**9.32**	**20.26**	**0.06**	**0.03**
					365	379	14m@1.40	**0.23**	**17.22**	**0.16**	**1.02**
SHDDR0162*	4343279	8624361	-54	359	388	409	21m@1.19	**0.21**	**8.13**	**0.06**	**1.41**
SHDDR0187	4343325	8624149	-60	2	308	337	29m@2.77	**1.05**	**43.65**	**0.11**	**1.21**
SHDDR0248	4344173	8623750	-65	1	217	230	13m@0.86	**0.38**	**13.79**	**0.06**	**0.86**
SHDDR0256	4342803	8623906	-71	353	44	66	22m@1.26	**1.00**	**2.39**	**0.02**	**0.35**
SHDDR0260	4343055	8623669	-64	1	237	252	15m@1.16	**0.57**	**8.53**	**0.07**	**0.55**
SHDDR0271	4343166	8623704	-76	2	20	39	19m@1.08	**0.56**	**8.53**	**0.08**	**0.40**
SHDDR0277	4342796	8624052	-75	184	22	23	10m@1.25	**0.46**	**6.39**	**0.19**	**0.66**
SHDDR0285	4343367	8623669	-60	359	23	41	18m@0.70	**0.24**	**6.04**	**0.2**	**0.55**
					112	122	10m@1.54	**0.64**	**16.03**	**0.13**	**0.68**
SHDDR0289	4343426	8624061	-75	187	128	144	16m@1.47	**0.56**	**18.78**	**0.13**	**0.61**
NXC02748_01	4343616	8623828	-51	0	105	108	3m @ 7.10	**3.70**	**104.37**	**0.17**	**1.89**
					240	244	4m @ 6.40	**2.54**	**33.42**	**0.73**	**3.64**
NXC02748_02	4343616	8623828	-26	0	62	93	32m @ 4.75	**3.43**	**27.61**	**0.34**	**0.38**
			Including		69	75	6m @ 5.05	**2.29**	**43.97**	**1.08**	**0.19**
					80	86	6m @ 13.09	**11.72**	**37.61**	**0.24**	**0.40**
					89	93	4m @ 6.43	**4.67**	**37.37**	**0.14**	**1.43**
NXC02748_03	4343616	8623828	0	0	70	79	9m @ 3.01	**1.13**	**43.86**	**0.11**	**1.48**
NXC02748_04	4343616	8623828	0	345	10	36	26m @ 1.90	**1.48**	**0.33**	**0.06**	**0.58**
			Including		26	36	10m @ 3.72	**3.06**	**0.55**	**0.04**	**1.06**

1) *In situ gold equivalent (AuEq) grade based on the following long-term metal prices: $1,250 per ounce for gold, $25 per ounce for silver, $3.00 per pound for copper and $1.00 per pound for zinc.*
2) *Holes with the prefix SHDDR are surface HQ open pit drilling while NXC holes are underground BQ drilling.*
3) *Significant intercepts for surface holes are located within the Central and Southern Zone while underground drilling is located within the Central Zone of the Shahumyan Deposit.*
4) *True widths are approximately 90% of the intersection width.*
5) *Minimum width reported is 3 metres and a maximum internal dilution of 4 metres.*
6) *All survey coordinates are transformed to AUSPOS.*
7) *No factors of material effect have hindered the accuracy and reliability of the data presented above*
8) *No upper cuts have been applied.*
9) *Drill holes marked with an asterix were drilled in 2007 and 2008.*

Sampling and Analysis

All drill core is sampled in intervals up to a maximum of 3 metres, with 1.0 metre sample intervals most common within the mineralized zones. After transport to the secure core facility, all core is marked up systematically for cutting by a diamond saw. HQ core is cut systematically with care to retain the orientation line. BQ core is sampled whole while HQ is routinely sampled on the right hand side with core samples submitted to the SGS managed laboratory facility for assaying and the residual half core retained in plastic core trays. Samples are routinely assayed for Cu, Au, Ag, Zn and Pb. All drill core is photographed wet and dry by a semi-automated digital system. Following DPM Exploration standard quality control and assurance procedures, a full suite of field and laboratory duplicates and replicates along with internationally accredited standards representing 5% for each sample type, have been submitted with each batch of samples. In addition, SGS submits and reports its own standards, blanks and control samples under the C-Class system.

Sample tickets are entered into the bags with a numbering system, which reconciles sample and assayed results in the Acquire database. The average core recovery within the modeled resource constraints is 96% overall. The weight of a diamond core sample varies between 2kg and 7kg with an average weight of approximately 3.5kg.

Avala

Sediment-Hosted Gold Project

Sediment-hosted gold mineralization, located along the western margin of the Timok Magmatic Complex, represents a previously unrecognized style of gold mineralization within the Timok region. Avala holds a dominant land position in this newly emerging sediment-hosted gold province.

Since 2006, detailed stream sediment sampling identified numerous gold-anomalous drainages over an area of 250 square kilometres and follow-up soil sampling defined a greater than 20 kilometre-long belt of strongly anomalous Au-As-Sb-Hg-Tl geochemistry largely associated with a carbonate-dominated stratigraphy. Detailed geological mapping and trench sampling has been completed over the entire 20 kilometre length of anomalous soil geochemistry. Initial exploration trenches were spaced approximately 800 metres along strike within the principal anomalous target areas of Korkan-Bigar, Kraku Pestar and Umka-Strnjak.

In 2011, drilling of 96,298 metres (including 69,640 metres of core drilling and 26,658 metres of reverse RC drilling was focused primarily on the Korkan-Bigar target area.

Avala commenced a resource definition drilling program utilizing a RC drill rig, on a nominal 80 metre by 80 metre grid spacing at Bigar Hill in August 2011. Resource definition drilling was completed at Bigar Hill late in the fourth quarter of 2011. In early 2012, the drill hole database was delivered to an independent consultant in order to complete an initial NI 43-101 compliant resource estimate.

During the fourth quarter of 2011, drilling continued with six diamond drill rigs assigned to the Korkan-Bigar target area to continue the wide-spaced (nominal 160 metre by 160 metre) program, designed to effectively outline the size of the gold mineralized system within this target area. The drilling was focused on the Rapture Fault, Bigar Hill East and Korkan-Vizur target areas. One diamond drill rig was assigned to the Umka-Strnjak target area, where it was used to drill a series of scout holes on nominal 1,000 metre by 320 metre centers within the target stratigraphy in the southern 10 kilometres of the currently defined (by anomalous soil geochemistry and surface trenches) sediment-hosted gold belt.

Additionally, soil sampling has been extended five kilometres to the north of the Korkan target area and 20 kilometres to the south of the Umka target area on a nominal 400 metre by 50 metre grid spacing across the target stratigraphy in an attempt to increase the overall strike length of the sediment-hosted gold belt from its currently defined 20 kilometres to potentially greater than 50 kilometres; the results of which are expected during the first quarter of 2012. Wide-spaced exploration trenching programs (nominal 800 metre centres) commenced during the fourth quarter of 2011 on some of these locations; exploration trenching will re-commence during the second quarter of 2012.

Concurrently, additional trenching activity has been ongoing within the Korkan-Bigar and Umka-Strnjak target areas with the dual aims of refining geological contacts in areas with limited outcrop and testing second order soil anomalies, which appear to be associated with discrete structural features.

The Timok Diorite Gold-Copper Porphyry Project

Avala is also exploring the Timok Diorite Gold-Copper Porphyry cluster which is located within the Coka Kuruga Concession for Exploration and Exploitation. To date five separate gold and copper or gold-only porphyry centres have been defined. Avala continues to assess the results of the Phase I program completed during 2010. Studies have focused primarily on economic modeling and refinement of the three dimensional geological model for the porphyry cluster.

The Coka Kuruga Concession Agreement allows for a five year exploration period and, on submission of a definitive feasibility study and an EIA total concession period of 30 years. The five year exploration period expired on September 1, 2011 and Avala has recently submitted a proposal to the Serbian Government to extend the exploration period. The submission is pending and there can be no assurance that the extension will be granted.

Dunav

During 2011, the exploration activities were focused on the Tulare copper-gold porphyry cluster where resource definition diamond drilling on a nominal 80 metre by 80 metre surface grid spacing commenced in May 2011 on the Kiseljak Target Area.

Resource definition drilling has focused on establishing the potential of the Kiseljak South zone, which was identified by surface trenching programs conducted late in 2010, and also on the Kiseljak North area where historic Serbian State exploration had previously identified copper-gold porphyry-style mineralization. Recent drilling has indicated that the Kiseljak South and Kiseljak North zones may potentially represent a contiguous copper-gold porphyry centre.

Four diamond drill rigs were operating on the Tulare Project at the end of 2011. Dunav has sourced an additional diamond drill rig during January 2012.

At the Surdulica Molybdenum Project, two deep diamond drill holes were completed during the fourth quarter of 2011, which were designed to test the potential for molybdenum mineralization up to 300 metres below the base of the currently defined Mineral Resource in the target areas of Mackatica and Borovik. Dunav expects to receive the results for these drill holes during the first quarter of 2012.

Regional exploration has involved field review of other exploration properties owned by Dunav and it is also assessing other areas within Serbia and may submit additional exploration license applications to the Ministry of Environment, Mining and Spatial Planning in the coming quarters.

DEVELOPMENT AND OTHER MAJOR PROJECTS

Chelopech - Mine/Mill Expansion Project (the "Project")

Chelopech is presently expanding its mine and mill operations to approximately double its annual concentrate production capacity to 150,000 tonnes, containing on average, from 2012 to 2021, approximately 46 million pounds of copper and approximately 130,000 ounces of gold. The Project comprises: (i) the expansion of mine production capacity to 2.0 million tonnes of ore per year, including the installation of an underground crushing and conveying system, upgrade of the mine ventilation system and construction of a paste fill plant, (ii) the installation of a new SAG mill, and (iii) the modernization and upgrade of the existing concentrator.

The longest portion or critical path for the overall project is the excavation and installation of the underground crusher and conveyor scheduled to be completed in July 2012 with commissioning scheduled to be completed in third quarter of 2012.

As at December 31, 2011, the Company had invested $135.7 million in the Project and the estimated cost to complete the Project was $40.2 million. Following commissioning, the cash operating cost for the expanded facility is expected to decrease to approximately $33 per tonne of ore processed (assuming US$1.35/Euro, excluding royalties and in constant 2009 dollars).

The major equipment related to the concentrator upgrade (the SAG mill, flotation capacity and conveyors) has been operational since February 2011 and current throughput is 230 tonnes per hour. The new filter unit and load out facility were completed in the third quarter of 2011. The balance of the concentrator upgrade (process control system, the new tailings thickener, water recirculation system and tailings flume upgrade) were commissioned in the fourth quarter of 2011. The process plant flow sheet will be fully utilized once the underground crusher and conveyor and the stockpile systems come on line.

The underground crushing and conveying project commenced in January 2010, with hard rock mining of is 4,295 metres long and approximately 5 metres in diameter lined with fibrecrete. It was mined by drilling and blasting at an incline angle of 16%. Seven conveyors are to be installed in the tunnel and an underground crusher will be situated at the bottom end of the tunnel on level 165. With the final breakthrough in November 2011, all of the required 4,295 metres of tunneling for the conveyor drives are now completed.

The civil and steelwork installation work in the crusher chamber commenced during the third quarter of 2011 and is on schedule. The civil and structural work in the conveyor transfer and drive stations was delayed as a result of excavating through a fault zone in the area of Conveyors 4, 5 and 6. This work will commence in the first quarter of 2012 but is not expected to impact the critical path of the project.

The engineering design of the ore passes, transfer stations and crushing station is complete. The engineering design of all mechanical, electrical and instrumentation works was completed during the fourth quarter of 2011. The electrical installation and piping contracts related to the conveyor and ore passes were awarded during the fourth quarter of 2011.

The apron feeders, plate feeder, conveyor belt drives, conveyors and the bulk of the crusher chamber steelwork have been delivered to site and the delivery of the balance of the equipment for the project is on schedule.

Another important section of the new crusher/conveying/milling circuit is the above ground stockpile and the reclaim facility. Crushed ore from underground will be deposited onto the stockpile, collected using a reclaim conveyor and fed onto the surface conveyor system and to the mill. Construction of the surface stockpile vault was completed during the fourth quarter of 2011. The balance of the civil work in this area has commenced and the construction of the surface conveyor facility is on schedule for completion during the second quarter of 2012.

Chelopech - Gold in Pyrites Recovery Project

Currently 55% to 60% of the gold contained in the Chelopech ore mined is recovered with the copper concentrate that is produced while the remaining 40% to 45% of the gold is rejected and placed into tailings, some of which is returned underground as paste fill. The potential exists to economically recover most of the contained gold, silver and copper which is associated with the rejected pyrite minerals. At the full production rate of 2 million tonnes per annum of ore mined, approximately 400,000 tonnes of pyrite concentrate can be produced as a separate product with grades ranging between 6 and 7 g/t of gold, 10 and 15 g/t of silver and 0.5% and 0.7% of copper. At these levels, the concentrate could contain 77,000 to 90,000 ounces of gold, 128,000 to 193,000 ounces of silver, and 4.4 million to 6.2 million pounds of copper. A conceptual study for producing a pyrite concentrate was completed in the third quarter of 2011. The preliminary results from test work undertaken in 2011 on several options to process and recover the contained gold, silver and copper in the pyrite concentrate were completed in the fourth quarter of 2011. This work indicates that a pressure oxidation (autoclave) process can be used to produce a low mass residue, weighing less than 20% of the feed weight that contains gold and silver. This metals rich product could in turn be sold to existing smelters or leach plants. A scoping study to determine the optimal processing configuration and the associated capital and operating costs is currently underway and is expected to be completed in the second quarter of 2012.

Krumovgrad Gold Project

The proposed mine site is located at Ada Tepe, approximately 3 kilometres south of the town of Krumovgrad in south-eastern Bulgaria. The project plan contemplates the construction of an open pit mining operation comprised of a process plant, which will employ conventional crushing, grinding and flotation processing for gold extraction, and the disposal of thickened tailings, together with mine rock waste, in an integrated mine waste facility. A new feasibility study, completed in November 2011, confirmed the commercial and economic viability of the project, which has a payback of approximately 3.3 years. Two ore treatment rates were considered as part of the feasibility study, namely 850,000 tonnes

applications and environmental submissions and at this production rate, the project has a mine life of nine years.

Initial capital costs, excluding sunk costs, are estimated at $127.4 million and sustaining capital, over the life of the mine, is estimated at $12.5 million. The average annual concentrate production is estimated at 11,500 tonnes containing, on average, 74,000 ounces of gold and 35,000 ounces of silver. Gold and silver prices of $1,250 per ounce and $25.00 per ounce, respectively, were assumed in the feasibility study producing a cash cost per ounce of gold equivalent estimated at $404 and an average annual EBITDA estimated at $53 million. The Krumovgrad Gold Project Definitive Feasibility Study NI 43-101

The Company is currently preparing a detailed development and implementation plan for the Krumovgrad Gold Project and site areas, which is a pre-requisite for issuance of a construction permit. The Krumovgrad Gold Project is expected to be fully compliant with all European safety and environmental directives and industry Best Available Techniques requirements.

On November 24, 2011, the Bulgarian Minister of Environment and Waters signed a resolution approving the EIA with a provision for pre-emptive execution. The EIA resolution and the pre-emptive execution were appealed. On January 13, 2012, the three-member panel of the Supreme Administrative Court ed the appeals against the pre-emptive execution of the EIA resolution. The court ruling in favour of the pre-emptive execution is subject to appeal to the five-member panel of the SAC. The Company is not aware of any further appeals having been filed nor of any further hearing dates. As for the appeal related to the EIA resolution itself, the Company is waiting for a decision as to the date for a hearing.

Krum deposit (the Krumovgrad Project) in February 2011, the implementation of which is subject to having a positive EIA resolution in full force. The grant of the concession was appealed over the course of 2011 and the final appeal court (the five-member panel of the SAC) has ruled in support of the grant of the concession to the Company. The concession is not subject to any further appeals.

In August 2010, BMM entered into an agreement with the Institute of Archaeology and Museum at the Bulgarian Academy of Sciences to carry out archaeological work required for clearing the Krumovgrad Gold Project site in order for development to proceed. The first stage of the agreed work is the rescue fieldwork required for project implementation. The second stage includes dissemination of the results through scientific publications and the development of museum exhibitions and can be carried out concurrently with project implementation. It is currently expected that the first stage will be completed by the end of 2012.

NCS – Project 2012

NCS continues to make progress on its program to improve emissions controls, environmental performance and operational efficiency. Key projects include:

- Completion of a landfill facility for the safe disposal of baghouse dust and other waste from the smelting process;
- Projects to reduce dust emissions from the reverberatory and convertor furnace section, which include increasing baghouse capacity, upgrading the taphole fume extraction systems, and improving ducting and fugitive fume collection;
- Projects to reduce emissions from the top submerged lance (Ausmelt) smelting furnace, which include installing new baghouse dust collection equipment including dust-removal, installing new ducting and other gas handling equipment; and
- Construction of a new dust transfer system, upgraded roasting and fume management facilities, enclosed storage area, bag-filling station and extraction system at the arsenic plant, all aimed at reducing the dispersal of dust.

A used oxygen plant, which was purchased in the first quarter of 2011, was shipped from North America to Namibia in November 2011 and is expected to arrive on site in the first quarter of 2012. It is currently expected that this second oxygen plant will be commissioned before the end of 2012 and will increase the smelting capacity of the Ausmelt furnace to 240,000 tonnes per year from its current capacity ranging from 170,000 to 200,000 tonnes per year depending on the types of concentrates smelted.

OFF BALANCE SHEET ARRANGEMENTS

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

SELECTED QUARTERLY AND ANNUAL INFORMATION

Selected financial results for the last eight quarters, which have been prepared in accordance with IFRS, are shown in the table below:

$ millions	**2011**				2010			
except per share amounts	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net revenue	**88.5**	112.5	69.1	68.4	61.5	59.1	60.9	20.5
Net earnings (loss)	**17.2**	36.1	6.4	12.4	20.0	34.1	14.9	(49.0)
Net earnings (loss) attributable to:								
- Non-controlling interest	**(5.5)**	(4.2)	(2.7)	(1.6)	(1.5)	(1.5)	-	-
- Equity shareholders	**22.7**	40.3	9.1	14.0	21.5	35.6	14.9	(49.0)
Net earnings (loss) per share								
- Basic	**0.18**	0.32	0.07	0.11	0.17	0.28	0.12	(0.48)
- Diluted	**0.16**	0.29	0.06	0.10	0.15	0.27	0.12	(0.48)

The variations quarterly results were driven largely by fluctuations in gold, copper, silver and zinc prices, the acquisition of NCS in the first quarter of 2010, increase in concentrate deliveries as a result of the mine and mill expansions at Chelopech and Deno Gold and unrealized mark-to-market gains s.

The following table summarizes the quarterly average trading price for gold, copper, zinc and silver based on the LBMA for gold and silver, the LME for copper (Grade A) and the LME SHG for zinc and highlights the quarter over quarter variability.

	2011				2010			
Average	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
London Bullion gold ($/oz)	**1,686**	1,702	1,505	1,386	1,369	1,227	1,195	1,105
LME settlement copper ($/lb)	**3.40**	4.08	4.15	4.38	3.92	3.29	3.19	3.28
LME settlement SHG zinc ($/lb)	**0.86**	1.01	1.02	1.09	1.05	0.91	0.92	1.04
LBMA spot silver ($/oz)	**31.82**	38.79	38.17	31.71	26.43	18.96	18.32	16.92

The financial information set out in the table below has been prepared in accordance with IFRS, except for the financial information for the year 2009 which has been prepared in accordance with Canadian generally accepted accounting principles.

st three fiscal years.

$ thousands, except per share amounts **At December 31,**	**2011**	2010	2009
Net revenue	**338,480**	201,994	137,573
Gross profit	**130,794**	51,214	39,392
Net earnings attributable to common shareholders	**86,091**	22,932	5,126
Net earnings	**72,129**	19,959	5,126
Basic net earnings per share	**0.69**	0.20	0.05
Diluted net earnings per share	**0.61**	0.19	0.05
Total assets	**927,941**	817,231	535,418
Long-term debt, including current portion	**83,316**	47,532	17,947

Key events impacting the Company results over the period 2009 to 2011 include:

(i) stronger gold, copper, silver and zinc prices;
(ii) increased production and deliveries of concentrates resulting from the mine and mill expansion projects at Chelopech and Deno Gold;
(iii) unrealized mark-to- 2011 compared to unrealized mark-to-market gains in 2010;
(iv) realized and unrealized mark-to-market gains related to the copper derivative contracts entered into in 2011;
(v) in the third quarter of 2011;
(vi) increased debt to assist in the financing of the Chelopech mine and mill expansion project;
(vii) equity offering in the first quarter of 2010;
(viii) from WTI in the first quarter of 2010;
(ix) a net write-down of $50.6 million IA in the first quarter of 2010;
(x) the sale Metali, to Avala in the third quarter of 2010 in return for a controlling interest in Avala; and
(xi) the sale of the Back River exploration project in June 2009 to Sabina.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are

expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. s accounting policies are described in 31, 2011. The following is a list of the most critical accounting estimates made by the Company:

(i) Mineral exploration, evaluation and development expenditures

Exploration and Evaluation Costs

Exploration and evaluation activities involve the search for Mineral Resources and Mineral Reserves, the assessment of technical and operational feasibility and the determination of an identified Mineral R commercial viability. Costs incurred for the acquisition of land and mineral rights are capitalized and mineral rights are amortized over the life of the permit/license. Once the legal right to explore has been acquired, exploration and evaluation expenditures are expensed as incurred until economic production is probable. Exploration expenditures in areas where there is a reasonable expectation to convert existing estimated Mineral Resources to estimated Mineral Reserves and add additional Mineral Resources with additional drilling and evaluations in areas near existing Mineral Reserves and existing or planned production facilities, are capitalized.

Exploration properties that contain estimated Proven and Probable Mineral Reserves, but for which a development decision has not yet been made, are subject to periodic review for impairment when events or ch

Exploration and evaluation assets are reclassified to Mine Properties - Mines under Construction when the technical feasibility and commercial viability of extracting of Mineral Reserve are demonstrable and construction has commenced or a decision to construct has been made. Exploration and evaluation assets are assessed for impairment before reclassification to Mines under Construction and the impairment, if any, is recognized through net earnings.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is probable that future economic benefits will be generated from the exploitation of an exploration and evaluation asset when activities have not yet reached a stage where a

reasonable assessment of the existence of reserves can be determined. The estimation of Mineral Resources is a complex process and requires significant assumptions and estimates regarding economic and geological data and these assumptions and estimates impact the decision to either expense or capitalize exploration and evaluation expenditures. Management is required to make certain estimates and assumptions about future events and circumstances in order to determine if an economically viable extraction operation can be established. Any revision to any of these assumptions and estimates could result in the impairment of capitalized exploration costs. If new information becomes available after expenditures have been capitalized and that the recovery of these expenditures is no longer probable, the expenditures capitalized are written down to the recoverable amount and charged to net earnings in the period the new information became available. As a result, there could be a material impact on the asset balance and results of operations.

Mine Properties - Mines under Construction

All expenditures undertaken in the development, construction, installation and/or completion of the production facilities are capitalized. Upon the commencement of production at the expected capacity level, all assets included in Mines under construction are reclassified to Properties - Producing

All expenditures related to the construction of mine declines and orebody access, including mine shafts and ventilation raises, are considered to be underground capital development and are capitalized. Expenses incurred after reaching the orebody are regarded as operating development costs and are included in the cost of ore hoisted.

Mineral Reserve Estimates

The estimation of Mineral Resources is a complex process and requires significant assumptions and estimates. The Company prepares its Mineral Reserve and Mineral Resource estimates based on information related to the geological data on the size, depth and shape of the ore body which is compiled by appropriately qualified persons. The estimation of recoverable reserves is based upon factors such as estimates of future metal prices, capital requirements, production costs, foreign exchange rates and geological assumptions and judgments made in estimating the size and grade of the orebody. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, depletion and depreciation charges, rehabilitation provisions and deferred income tax assets.

Property, Plant and Equipment and Mine Properties - Producing Mines

Property, Plant and Equipment and Mine Properties 41% of total assets at December 31, 2011
material impact o Items of property, plant and equipment and mine properties are stated at cost less accumulated depreciation and depletion, and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset to a working condition for its intended use, the initial estimate of the rehabilitation provisions, and for qualifying assets, applicable borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Where an item of property, plant and equipment or mine properties is comprised of significant components with different useful lives, the components are accounted for as separate items of property, plant and equipment or mine properties. The capitalized value of a finance lease is also included in property, plant and equipment.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases and from that point on, costs are either regarded as inventory costs or expensed as cost of sales, except for costs related to mining asset additions or improvements, mine development or mineable reserve development which qualify for capitalization.

Depletion and depreciation

The depletion of a producing mine is based on the unit-of-production method over the estimated economic life of the related deposit.

The depreciation of property, plant and equipment related to mines is based on the unit-of-production method over the estimated economic life of the related deposit, except in the case of an asset whose anticipated useful life is less than the life of the deposit, in which case the depreciation is based on the straight-line method. For all other property, plant and equipment, depreciation is based on their remaining anticipated useful lives on a straight-line basis. Depreciation of property, plant and equipment used in a capitalized exploration or development project is capitalized to the project.

Depreciation rates used for each category of non-mine specific property, plant and mine equipment are as follows:

Asset Category	Depreciation rate (%)
Buildings	4 - 7
Machinery and Equipment	6 - 33
Vehicles	20
Computer Hardware	20 - 100
Office Equipment	15 - 33

Construction work-in-progress includes property, plant and equipment in the course of construction and is carried at cost less any recognized impairment loss. These assets are reclassified to the appropriate category of property, plant and equipment and depreciation of these assets commences when they are completed and ready for intended use.

An item of property, plant and equipment, including any significant part initially recognized, is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in net earnings when the asset is derecognized.

The residual values, useful lives and methods of depreciation for all assets are reviewed at each financial year end and are adjusted prospectively, if appropriate.

Depreciation of mine specific assets is based on the unit-of-production method. The life of these assets is assessed annually with regard to both their anticipated useful life and the present assessments of the economically recoverable reserves of the mine property where these assets are located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Any changes to these calculations based on new information are accounted for prospectively.

Exploration and evaluation assets, mine properties, property, plant and equipment and intangible assets 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.

(ii) Intangible assets

Intangible assets include software, licenses and long-term customer contracts. Intangible assets acquired separately are measured upon initial recognition at cost, which comprises the purchase price plus any costs directly attributable to the preparation of the asset for its intended use. Intangible assets acquired through business combinations are initially recognized at fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis. The acquired through the acquisition of NCS relates to the LDC toll processing contract.

The amortization rates used for each category of intangible assets, which are amortized on a straight-line basis, are as follows:

Asset Category	Amortization rate (%)
Computer Software	10 - 50
Licenses	10 - 15
Long-term Customer Contract	9

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets require the use of estimates and assumptions and are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense attributable to an intangible asset is recognized in the consolidated statements of earnings in the expense category consistent with the function of the intangible asset.

The gain or loss arising from the derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in net earnings when the asset is derecognized.

(iii) **Impairment of non-financial assets**

The carrying values of capitalized exploration and evaluation expenditures, mine properties, intangible assets and property, plant and equipment are assessed for impairment whenever indicators of

calculated. The recoverable amount is determined as the higher of the fair value less costs to sell and its value in use. This is determined on an asset-by-asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. If this is the case, individual assets are grouped together into CGU for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or asset groups.

If the carrying amount of the asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount with the corresponding impairment being charged to earnings in the period of impairment. Impairment losses related to continuing operations are recognized in the consolidated statements of earnings in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication of impairment or a change in events and circumstances related to a previously recognized impairment. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment

recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset or CGU is increased to its newly determined recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset or CGU in prior years.

The assessment of impairment requires the use of estimates and assumptions related to future value drivers, such as commodity prices, discount rates, foreign exchange rates and operating and capital costs. Fair value is determined as the net amount that would be obtained from the sale of the asset in an Value in use is based on estimated future cash flows discounted to their present value using a current pre-tax discount rate that is consistent with the risks specific to the asset. Management has assessed its CGUs as being an individual mine or processing site.

(iv) Rehabilitation Provisions

Mining, processing, development and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company recognized a liability for its rehabilitation obligations in the period when a legal and/or constructive obligation is identified. The liability is measured

at the present value of the estimated costs required to rehabilitate operating locations based on the risk free nominal discount rates that are specific to the countries in which the operations are located. A corresponding increase to the carrying amount of the related asset is recorded and depreciated in the same manner as the related asset.

The nature of these restoration and rehabilitation activities includes: i) dismantling and removing structures, ii) rehabilitating mines and tailing dams, iii) dismantling operating facilities, iv) closure of plant and waste sites; and v) restoration, reclamation and re-vegetation of affected areas. Other environmental costs incurred at the operating sites, such as environmental monitoring, water management and waste management costs, are charged to net earnings when incurred.

The liability is accreted over time to its expected future settlement value. The accretion expense is recognized in finance cost in the consolidated statements of earnings.

The Company assesses its rehabilitation provisions at each reporting date. The rehabilitation liability and related assets are adjusted at each reporting date for changes in the discount rates and in the estimated amount, timing and cost of the work to be carried out. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is immediately charged to net earnings.

Significant estimates and assumptions are made by management in determining the nature and costs associated with the rehabilitation liability. The estimates and assumptions required include estimates of the timing, extent and costs of rehabilitation activities, technology changes, regulatory changes, and changes in the discount and inflation rates. These uncertainties may result in future expenditures being different from the amounts currently provided.

Changes in the underlying assumptions used to estimate the rehabilitation liability as well as changes to environmental laws and regulations could cause material changes in the expected cost and expected future settlement value.

At December 31, 2011, the undiscounted future cost for the rehabilitation obligations before inflation was estimated to be $48.3 million. The carrying value of the rehabilitation liability was $36.4 million and $34.7 million at December 31, 2011 and December 31, 2010, respectively.

(v) Income Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on the taxable loss or income for the period. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be generated in future periods to utilize these deductible temporary differences.

The following temporary differences do not result in deferred income tax assets or liabilities:

- The initial recognition of assets or liabilities, not arising from a business combination, that does not affect accounting or taxable profit;

- Initial recognition of goodwill, if any; and
- Investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be generated to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be generated to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current and deferred income taxes related to items recognized directly in equity are recognized in equity and not in net earnings. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Judgment is required in determining whether deferred income tax assets are recognized on the statements of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate future taxable income in future periods in order to utilize the deferred income tax assets. Estimates of future taxable income are based on forecasted cash flows from operations or other activities and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could impact tax deductions in future periods and the value of its deferred tax income assets and liabilities.

(vi) Inventories

Inventories of gold/copper/zinc/silver concentrates are measured and valued at the lower of average production cost and net realizable value. Net realizable value is the estimated selling price of the concentrates, in the ordinary course of business, based on the prevailing metal prices at the reporting date less estimated costs to complete production and to bring the concentrates to sale. 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. Production costs also include any royalty payable.

A significant decrease in the selling prices of the metals produced and sold by the Company 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.

Other materials and supplies inventories are valued at the lower of average cost and net realizable value. Obsolete, redundant and slow moving inventories are identified periodically and written down to their net realizable values.

(vii) Revenue recognition

Revenue from the sale of concentrates containing gold, copper, zinc and silver is recognized when the significant risks and rewards of ownership title have been transferred, which is considered to occur when title passes to the buyer. Title passes to the buyer when the products have been delivered to the location specified in the sales contract and the risk of loss has been transferred to the buyer. Revenue is

warrants and the derivative commodity contracts entered into by the Company to economically hedge a portion of its copper production are classified, where applicable, as financial assets at fair value through profit or loss. Quoted prices are not available for the fair value of the Sabina special warrants and the fair value is determined using valuation models that require the use of assumptions, including future stock price volatility and probability of exercise. Changes in the underlying assumptions could materially impact . The fair value of the derivative commodity contracts is based on market prices quoted from major commodity exchanges.

Derivatives are recognized initially at fair value and all related transaction costs are recognized in other income in the consolidated statements of earnings as incurred. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts. Host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statements of earnings. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would have otherwise been required.

Subsequent measurement – Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These include cash and cash equivalents, restricted cash, accounts receivables, loans receivables and short-term investments. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method less any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statements of earnings. The losses arising from impairment, if any, are recognized as finance cost.

Subsequent measurement – Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for- portfolio investments in publicly traded equity securities are classified as available-for-sale financial assets.

After initial measurement, available-for-sale investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income. When the investment is sold or impaired, the cumulative gain or loss is reclassified from accumulated other comprehensive income and recognized in other income in the consolidated statements of earnings.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred loss event) and the loss has an impact on the estimated cash flows of the financial asset or the group of assets that can be reliably estimated.

For financial assets carried at amortized cost, the Company considers evidence of impairment at both a specific asset and collective level. Objective evidence could include the default or delinquency of a debtor or restructuring of an amount due to the Company on terms that the Company would not consider otherwise. All individually significant financial assets are assessed for specific impairment. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is recognized in the consolidated statements of earnings and is

of estimated future cash flows, excluding future credit losses that have not yet been incurred. If, in a subsequent period, the estimated impairment loss decreases because of an event, any reversal would be credited to net earnings.

For available-for-sale investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its original cost. Significant is evaluated against the original cost of the investment and prolonged against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in net earnings is removed from accumulated other comprehensive income and recognized in other income in the consolidated statements of earnings. Impairment losses on equity investments are not reversed through net earnings; and increases in their fair value after impairment are recognized directly in other comprehensive income.

The assessment for impairment in respect of available-for-sale investments requires significant judgment, where management evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(ix) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss , or other financial liabilities . The Company
payables, bank overdraft, loans and borrowings, and derivative financial instruments.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement – Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if management intends to settle the financial liabilities in the near term. This category includes any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship under IAS 39. Financial liabilities at fair value through profit or loss are carried at fair value with changes in fair value recognized in other income in the consolidated statements of earnings. The derivative commodity contracts entered into by the Company to economically hedge a portion of its copper production are classified, where applicable, as financial liabilities at fair value through profit or loss and the estimated fair value of the liabilities is based on market prices quoted from major commodity exchanges.

Subsequent measurement – other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of earnings.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Any associated gains or losses are reported in other income when the liabilities are derecognized.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards and issued amendments to standards and interpretations are not yet effective for the year ended December 31, 2011, and have not been applied when preparing these consolidated financial statements. nd interpretations is set out below.

IFRS 9, *Financial Instruments*, issued in November 2009
This standard is the first step in the process to replace IAS 39, *Financial Instruments: Recognition & Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets. IFRS 9 establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 has an effective date of January 1, 2015, with early adoption permitted. The Company is currently assessing the impact of this standard.

In May 2011, the published five new and amended standards addressing the accounting for consolidation, joint arrangements and disclosure related to involvement with other entities, each of which is highlighted below:

IFRS 10, *Consolidated Financial Statements*
IFRS 10 replaces the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements,* and S SIC Interpretation 12, *Consolidation - Special Purpose Entities,* by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee. Under IFRS 10, control is based on whether an investor has: 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns.

IFRS 11, *Joint Arrangement*
IFRS 11 replaces IAS 31, *Interests in Joint Ventures*. IFRS 11 focuses on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). It addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for all joint arrangements. This new standard principally addresses two aspects of IAS 31: first, that the structure of the arrangement was the only determinant of the accounting and, second, that an entity had a choice of accounting treatment for joint arrangements. Accordingly, IFRS 11 removes the option to apply the proportional consolidation method and classifies joint arrangements into two types - joint operations and joint ventures. A joint operation is where the parties have joint control of the arrangement (i.e. joint operators) and have rights to the assets and obligations relating to the arrangement. A joint venture is where the parties have joint control of the arrangement (i.e. joint venturers) and have rights to the net assets of the arrangement.

IFRS 12, *Disclosures of Involvement with Other Entities*
IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

IAS 27, *Separate Financial Statements*
The requirements relating to separate financial statements are unchanged and included in the amended IAS 27. The consolidation guidance currently included in IAS 27 is replaced by IFRS 10.

IAS 28, *Investments in Associates and Joint Ventures*
IAS 28 is amended to conform to changes resulting from the issuance of IFRS 10, IFRS 11 and IFRS 12.

Each of the above five standards has an effective date for annual periods beginning on or after January 1, 2013, with earlier application permitted so long as each of the other standards is also early applied. The early adoption of IFRS 12 is not subject to adopting the other standards. The Company is currently assessing the impact of these standards.

IFRS 13, *Fair Value Measurement*, issued in May 2011
IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 with early application permitted. The Company is currently assessing the impact of this standard.

International Financial Reporting Interpretations Committee Interpretation 20 ("IFRIC 20"), *Stripping Costs in the Production Phase of a Surface Mine,* issued in October 2011
IFRIC 20 clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognized as an asset, how the asset is initially recognized and subsequent measurement. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013 with early application permitted. This standard is not expected to

IFRS FIRST-TIME ADOPTION

These are the first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in note 2.2
December 31, 2011 have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS consolidated statement of financial position as at January 1, 2010, transition to IFRS. ial statements for the year ended December 31, 2011 explains the principal adjustments made to the Canadian GAAP consolidated statements of financial position as at January 1, 2010 and its previously published Canadian GAAP consolidated financial statements for the year ended December 31, 2010.

NON-IFRS FINANCIAL MEASURES

Certain financial measures referred to in this MD&A are not measures recognized under IFRS. These measures have no standardized meanings under IFRS and may not be comparable to similar measures presented by other companies. These measures are used by management and investors to assist with assessing , including its ability to generate sufficient cash flow to meet its return objectives and support its investing activities and debt service obligations. These measures 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 IFRS. Non-IFRS financial measures, together with other financial measures calculated in accordance with IFRS, are considered to be important factors that

Non-IFRS Cash Cost Measures

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, cash cost per pound of zinc in concentrate produced, cash cost of sales per ounce of gold sold, net of by-product credits, and cash cost per tonne of concentrate smelted

The following table provides, for the periods per tonne of ore processed and cash cost per tonne of concentrate smelted to its cost of sales:

$ thousands, unless otherwise indicated **For the three months ended December 31, 2011**	**Chelopech**	**Deno Gold**	**NCS**	**Total**
Ore processed *(mt)*	**453,202**	**154,933**		
Metals contained in concentrate produced:				
Gold *(ounces)*	**34,993**	**6,051**		
Copper *(pounds)*	**13,185,889**	**741,907**		
Zinc *(pounds)*	**-**	**5,129,841**		
Concentrate smelted *(mt)*	**-**	**-**	**47,588**	
Cost of sales	**24,714**	**8,904**	**15,985**	**49,603**
Add/(deduct):				
Depreciation, amortization & other non-cash costs	**(4,043)**	**(2,404)**	**(1,897)**	
Transportation and related costs	**-**	**-**	**(2,178)**	
Change in concentrate inventory	**2,601**	**2,978**	**-**	
Total cash cost of production before by-product credits	**23,272**	**9,478**	**11,910**	
Silver by-product credits	**(1,729)**	**(3,920)**	**-**	
Total cash cost of production after by-product credits	**21,543**	**5,558**	**11,910**	
Cash cost per tonne ore processed *($)*	**51.35**	**61.17**	**-**	
Cash cost per pound copper produced *($)*[(1)]	**0.71**	**1.10**	**-**	
Cash cost per ounce gold produced *($)*[(1)]	**350**	**546**	**-**	
Cash cost per pound zinc produced *($)*[(1)]	**-**	**0.28**	**-**	
Cash cost per tonne of concentrate smelted *($)*	**-**	**-**	**250**	

$ thousands, unless otherwise indicated **For the three months ended December 31, 2010**	**Chelopech**	**Deno Gold**	**NCS**	**Total**
Ore processed *(mt)*	249,154	136,256		
Metals contained in concentrate produced:				
Gold *(ounces)*	17,996	9,034		
Copper *(pounds)*	7,416,985	932,643		
Zinc *(pounds)*	-	6,379,742		
Concentrate smelted *(mt)*			37,635	
Cost of sales	17,256	11,401	16,301	44,958
Add/(deduct):				
Depreciation, amortization & other non-cash costs	(3,973)	(3,822)	(2,089)	
Transportation and related costs	-	-	(2,129)	
Change in concentrate inventory	2,079	1,941	-	
Total cash cost of production before by-product credits	15,362	9,520	12,083	
Silver by-product credits	(649)	(4,748)	-	
Total cash cost of production after by-product credits	14,713	4,772	12,083	
Cash cost per tonne ore processed *($)*	61.66	69.87	-	
Cash cost per pound copper produced *($)*[(1)]	1.08	0.83	-	
Cash cost per ounce gold produced *($)*[(1)]	374	287	-	
Cash cost per pound zinc produced *($)*[(1)]	-	0.22	-	
Cash cost per tonne of concentrate smelted *($)*	-	-	321	

$ thousands, unless otherwise indicated **For the twelve months ended December 31, 2011**	**Chelopech**	**Deno Gold**	**NCS**	**Total**
Ore processed *(mt)*	**1,353,733**	**581,852**		
Metals contained in concentrate produced:				
Gold *(ounces)*	**93,881**	**26,876**		
Copper *(pounds)*	**36,801,944**	**2,992,158**		
Zinc *(pounds)*	**-**	**19,584,954**		
Concentrate smelted *(mt)*	**-**	**-**	**180,403**	
Cost of sales	**88,838**	**47,863**	**70,985**	**207,686**
Add/(deduct):				
Depreciation, amortization & other non-cash costs	**(15,499)**	**(9,140)**	**(7,407)**	
Transportation and related costs	**-**	**-**	**(10,349)**	
Change in concentrate inventory	**862**	**416**	**-**	
Total cash cost of production before by-product credits	**74,201**	**39,139**	**53,229**	
Silver by-product credits	**(5,346)**	**(18,166)**	**-**	
Total cash cost of production after by-product credits	**68,855**	**20,973**	**53,229**	
Cash cost per tonne ore processed *($)*	**54.81**	**67.27**	**-**	
Cash cost per pound copper produced *($)*[(1)]	**0.92**	**1.17**	**-**	
Cash cost per ounce gold produced *($)*[(1)]	**373**	**441**	**-**	
Cash cost per pound zinc produced *($)*[(1)]	**-**	**0.29**	**-**	
Cash cost per tonne of concentrate smelted *($)*	**-**	**-**	**295**	

$ thousands, unless otherwise indicated **For the twelve months ended December 31, 2010**	**Chelopech**	**Deno Gold**	**NCS**	**Total**
(mt)				
(ounces)				
(pounds)				
(pounds)				
(mt)				
($)				
($)[1]				
($)[1]				
($)[1]				
($)				

1) *Gold, copper and zinc are accounted for as co-products. Total cash costs are net of by-product silver revenue.*

$ thousands, unless otherwise indicated **Ended December 31,**	**Three Months** **2011**	**Twelve Months** **2011**
	24,714	**88,838**
	(4,043)	**(15,499)**
	19,610	**65,125**
	(45,422)	**(147,812)**
	(5,141)	**(9,348)**
	27,114	**83,796**
($)	**(190)**	**(112)**

$ thousands, unless other indicated **Ended December 31,**	**Three Months** **2011**	**Twelve Months** **2011**
	8,904	**47,863**
	(2,404)	**(9,140)**
	2,047	**11,893**
	(8,027)	**(47,588)**
	520	**3,028**
	4,320	**26,230**
($)	**120**	**115**

1) *Includes realized gains on copper derivatives of $7.8 million and $11.7 million in the fourth quarter and twelve months of 2011, respectively.*
2) *Includes realized gains on copper derivatives of $0.8 million and $0.9 million in the fourth quarter and twelve months of 2011, respectively.*

Adjusted net earnings and adjusted basic earnings per share

o the Company's

$ thousands, unless otherwise indicated **Ended December 31,**	**Three Months 2011**	**Twelve Months 2011**
	22,660	**86,091**
	15,724	**(20,705)**
	(6,493)	**19,926**
	-	**(5,367)**
	-	**110**
	-	**-**
	-	**-**
	31,891	**80,055**
	0.18	**0.69**
	0.25	**0.64**

Adjusted EBITDA

Adjusted EBITDA is used by management and investors to measure the underlying operating

earnings before income tax:

1) depreciation and amortization,
2) interest income,
3) finance cost,
4) impairment provisions or reversals thereof,
5) unrealized gains or losses on derivatives,
6) unrealized and realized gains or losses related to investments at fair value, and
7) non-recurring or unusual income or expenses that are either not operating segments or unlikely to occur on a regular basis.

This measure has no standardized meaning under IFRS and may not be comparable to similar measures presented by other companies.

The following table provides, for the periods indicated, a reconciliation of adjusted EBITDA to earnings before income tax:

$ thousands	**Three Months**		**Twelve Months**	
Ended December 31,	**2011**	2010	**2011**	2010
Earnings before income taxes	**16,603**	14,897	**88,605**	10,433
Add/(deduct):				
Depreciation and amortization	**8,206**	9,797	**31,438**	26,762
Finance costs	**1,314**	428	**5,451**	5,807
Interest income	**(385)**	(588)	**(1,411)**	(1,667)
Unrealized (gains) losses on Sabina special warrants	**(8,038)**	(11,070)	**22,771**	(49,732)
Unrealized (gains) losses on copper derivatives	**19,309**	117	**(23,174)**	124
Realized gains on available-for-sale investments	**-**	(890)	**(6,259)**	(890)
Impairment provisions	**-**	2,264	**110**	52,896
Other	**-**	-	**-**	1,577
Adjusted EBITDA	**37,009**	14,955	**117,531**	45,310

Growth Capital Expenditures

Growth capital expenditures are generally defined as capital expenditures that expand existing capacity and/or increase future earnings. This measure is used by management and investors to assess the extent of discretionary capital spending being undertaken by the Company each period.

Sustaining Capital Expenditures

Sustaining capital expenditures are generally defined as expenditures that support the ongoing operation of the asset or business without any associated increase in capacity or future earnings. This measure is used by management and investors to assess the extent of non-discretionary capital spending being incurred by the Company each period.

RISKS AND UNCERTAINTIES

The operating results and financial condition of the Company are subject to a number of inherent risks and uncertainties associated with its business activities, which include the acquisition, financing, exploration, development and operation of its mine, mill and concentrate processing facilities. The operating results and financial condition are also subject to a variety of market risks impacting, among other things, commodity prices, foreign exchange rates and the availability and cost of capital to fund the capital requirements of the business. Each of these risks could have a material adverse effect on the results of operations and financial condition, and could cause actual results to differ materially from those described in any forward looking statements contained in this MD&A. The Company endeavors to manage these risks and uncertainties in a balanced manner with a view to

mitigate risk while maximizing total shareholder returns. It is the responsibility of senior management, and the functional head of each business, to identify and to effectively manage the risks of each business. This includes developing appropriate risk management strategies, policies, processes and systems. There can be no assurance that the Company will be successful in identifying all risks or that any risk-mitigating strategies adopted to reduce or eliminate risk will be successful. The more significant business risks and uncertainties affecting the Company are set out below. These risks should be considered when evaluating the Company and its outlook.

Global Financial Condition

Financial conditions globally continue to experience significant volatility following the U.S. led financial crisis in 2008, which impacted numerous financial institutions globally, and more recently the escalating financial turmoil in Europe. Each has created considerable uncertainty as a result of excessive government debt levels and the unprecedented steps being taken to avert a full blown global crisis. These factors may impact the ability of the Company to issue debt and equity in the future and to issue it on terms that are reasonable to the Company. Although there have been certain signs of economic recovery, these increased levels of volatility and market turmoil may continue and, as a result,
business, financial condition, results of operations and share price could be adversely impacted.

Financing

ability to achieve and sustain profitable operations and on the availability of debt and equity from the capital markets. Conditions within these markets could change dramatically, affecting both the availability and cost of this capital, which could directly and adversely
and, in turn, could affect total shareholder returns. T
operations will remain profitable or that capital will be available in future to fund its capital needs. Failure to obtain sufficient financing may result in delay or indefinite postponement of development on any or all
en a loss of property interest.

Metal Prices

The Company sells its products at prices that are effectively determined based on major commodity exchanges, in particular the London Metal Exchange and London Bullion Market. The prices of gold,
and
financial condition, and, in turn, price for its common shares and common share purchase warrants.

Gold, copper, zinc and silver prices can fluctuate widely and are affected by numerous factors beyond the
of gold and silver by various central banks and
financial institutions, interest rates, foreign exchange rates, inflation or deflation, global and regional supply and demand and the political and economic conditions of major gold, silver, zinc and copper-producing countries throughout the world. If gold, silver, zinc and copper prices were to decline significantly from current levels, there can be no assurance that cash flow from operations, together with cash on hand, will be sufficient to meet the Compan operating and capital requirements, including its contractual commitments and mandatory debt repayments, and the Company could be forced to discontinue production and/or could lose its interest in, or be forced to sell, some of its properties.

From time to time, the Company may enter into derivative contracts to hedge a portion of its commodity price exposure.

As of December 31, 2011, the Company had outstanding contracts on 36,614,329 pounds of copper at an average fixed price of $4.08 per pound covering a portion of its projected payable copper production for the years 2012, 2013 and 2014.
expected copper production for 2012 had been hedged. These hedges introduce earnings volatility as a result of potential unrealized mark-to-market gains or losses as these transactions are deemed not to be hedges for accounting purposes. Should future copper prices rise and exceed the prices specified in the derivative contracts, the Company will incur an unrealized mark-to-market loss reflecting the opportunity loss on that portion of its future production that is hedged. However, if the price of copper falls below the price specified in the derivative contracts, the Company will benefit from an unrealized mark-to-market gain on that portion of its future production that is hedged.

The Company is also exposed to credit risk in the event of non-performance by counterparties in connection with its derivative contracts. This risk is mitigated by dealing only with financially sound counterparties who are each bound by an International Swaps and Derivatives A ISDA master netting agreement.

Foreign Exchange

By virtue of its international operations, the Company incurs costs and expenses in a number of foreign currencies. The revenue received by the Company is denominated in U.S. dollars since the prices of the metals that it produces are generally referenced in U.S. dollars, while the majority of operating and capital expenditures are denominated in Bulgarian leva, which is pegged to the Euro, Armenian dram, Canadian dollar, and the Namibian dollar, which is tied to the ZAR. Fluctuations in exchange rates between the U.S. dollar and the Euro, the U.S. dollar and the Armenian dram, the U.S. dollar and the Canadian dollar, and the U.S. dollar and the ZAR give rise to foreign exchange exposures, either favourable or unfavourable,

Counterparty Risk

The Company is exposed to counterparty risk, including market pricing and credit-related risk in the event any counterparty, whether a customer, debtor or financial intermediary, is unable or unwilling to fulfill their contractual obligations to the Company or where such agreements are otherwise terminated and not replaced with agreements on substantially the same terms.

osure is limited to one counterparty, that being LDC. In 2012, under the terms of the sales contracts, this counterparty risk is mitigated, as LDC, the purchaser, makes a provisional payment of 85% to 90% of the provisional value of each lot at the time title of the concentrate transfers, with a further advance payment of 5% following presentation of sales documents to the purchaser or 30 days after arrival at the discharge port. 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.

While there can be no assurance that the Company will not experience a material loss for non-performance by any counterparty with whom it has a commercial relationship, the Company takes steps to manage its credit exposure, including assessing the financial strength and aggregate exposure to new and existing counterparties and using contractual arrangements that permit netting of exposures associated with a single counterparty. Should any such losses arise, they could negatively affect the

Environmental, Health and Safety

T extensive environmental, health and safety regulations in the various jurisdictions in which it operates. These regulations can mandate, among other things, the maintenance of air and water quality standards, land rehabilitation, and safety and work environment standards. They can also set forth limitations on the generation, transportation, storage and disposal of various wastes. Environmental, health and safety legislation continues to evolve and, while the Company takes active steps to monitor this legislation, it could result in 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. The Company has active environmental management systems being developed at its operational sites and is using ISO 14000 as the primary guidance document. Health and safety is also a key focus and OSHAS 18000 safety systems will be developed across the operations commencing in 2012. However, there can be no assurance that future changes in environmental, health and safety 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, 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 and processing 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 and processing 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, production costs or future rehabilitation costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

NCS has embarked on a two-year program to improve the environmental performance of its Smelter. It is currently expected that Project 2012 will be completed by December 31, 2012. Failure to complete this capital program in a timely manner business, financial condition and results of operations.

The Company) when a legal and/or constructive obligation is identified. The liability is measured at the present value of estimated costs required to rehabilitate the operating locations based on the risk free nominal discount rates that are specific to the countries in which the operations are located. The carrying value of the ARO liability was $36.4 million and $34.7 million at December 31, 2011 and 2010, respectively. Changes in the underlying assumptions used to estimate the AROs as well as changes to environmental laws and regulations could cause material changes in the expected cost and the fair value of the AROs and these changes could

Chelopech currently has a 40.5 million Bulgarian leva (approximately $27 million) surety bond in place representing the estimated closure and rehabilitation costs of the mine, industrial site and tailings management facility.

Operations

Mining operations and related processing and infrastructure facilities are subject to risks normally encountered in the mining and metals industry. Such risks include, without limitation, environmental hazards, industrial accidents, disruptions in the supply of critical materials and supplies, labour disputes, changes in laws, technical difficulties or failures, equipment failure, failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material. Such risks could result in damage to, or destruction of, mines and other processing facilities, damage to life or property, environmental damage, delays in mining and processing, losses and possible legal liability. Any prolonged downtime or shutdowns at the business, financial condition and results of operations.

s operations also depends on adequate public infrastructure. Reliable roads, bridges, power sources and water supplies are important determinants which affect capital and operating costs. Natural events, such as seismic events and severe climatic conditions, as well as sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely business, financial condition and results of operations.

Production, Operating and Shipping Costs

total cash costs of production, such as the raw cost of inputs, cost of fuel, energy, supplies, labour and

In addition, authorities and court systems in the countries in which the Company conducts its business and operations may be unpredictable. Challenges to foreign asset ownership, operations and regulatory compliance may be brought by government authorities for reasons that cannot be predicted and that may not be motivated by substantive law. It is also not unusual, in the context of a dispute resolution, for a party in these foreign jurisdictions to use the uncertainty of the legal environment as leverage in its 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.

Development Projects

and operation of new mines and related facilities. In developing these new projects, the Company may be required to incur significant preliminary engineering, environmental, permitting and legal-related expenditures prior to determining whether a project is feasible and economically viable. 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.

All projects are approved for development on a project-by-project basis after considering its strategic fit, inherent risks, and expected financial returns. This approach, combined with an experienced management team, staff and contract personnel, helps to minimize the risks associated with development projects. However, there can be no assurance that there will not be delays in obtaining the necessary permits or that the development or construction of the project will be completed on time, on budget or at all, or that the ultimate operating cost of the operation will not be higher than originally envisaged. In addition, to secure long lead times required for ordering equipment, the Company may place orders for equipment and make deposits thereon or advance projects before obtaining all requisite permits and licenses. Such actions are taken only when the Company reasonably believes such licenses or permits will be forthcoming in due course prior to the requirement to expend the full amount of the purchase price. In the event a project, which was deemed economically viable, is not completed or does not operate at anticipated performance levels, the Company may be unable to fully recover its investment and be required to record a write-down.

Despite the achievements and progress made in 2011, there is still risk and uncertainty around obtaining all the required permits necessary to advance the Krumovgrad Gold Project. In particular, the EIA, which was approved in 2011 by the MoEW, has been appealed. The risks relate to community concerns, archaeological clearance of the site, NGOs action, reversal of prior decisions and delays to the permitting process. If the required permits are not obtained and legal avenues are exhausted, an impairment of the project carrying value may be required. Management continues to take steps to advance its permits and remains committed to the future development of the project. As of December 31, 2011, the net book value of the Krumovgrad Gold Project was $56.9 million.

Insurance and Uninsured Risks

erous risks and hazards, including severe climatic conditions, industrial accidents, equipment failures, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and other natural events such as earthquakes. Such occurrences could result in damage to mineral properties or processing facilities, personal injury or death, environmental d
delays in mining and processing, monetary losses and possible legal liability.

In order to eliminate or reduce certain risks, the Company purchases and maintains insurance coverage, subject to limits and deductibles that are considered reasonable and prudent. This insurance does not cover all potential risks because of customary exclusions and/or limited availability, and in some coverage is excessive in relation to the risk or risks being covered. Further, there can be no assurance insurance coverage will continue to be available on commercially reasonable terms, that such coverage will ultimately be sufficient, or that insurers will be able to fulfill their obligations should a claim be made. Losses arising from any such

events that are not fully insured may cause the Company to incur significant costs that could have a material adverse effect on its business, financial condition and results of operations.

Value of Investment Portfolio

The value of the Company
securities acquired by the Company. The business activities of issuers in the resource industry

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
be more volatile than portfolios with a more diversified investment focus. In some cases, the value of securities owned by the Company may also be affected by such factors as investor demand, specified rights or restrictions associated with the security, general market trends or regulatory restrictions. Fluctuations in the market values of such securities may occur for a number of reasons beyond the control of the Company, and there can be no assurance that an adequate market will exist for securities acquired by the Company.

As at December 31, 2011, the Company held 5,000,000 Sabina Series A special warrants, which will be automatically exercised upon a decision to proceed to a feasibility study or proceed to production on the Back River project or upon the occurrence of certain other events and 5,000,000 Sabina Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the project or upon the occurrence of certain other events. Each of the Sabina special warrants is exercisable for a period of 35 years into one common share and one-half of one warrant of Sabina. Each whole warrant, if issued, will be exercisable until June 9, 2014, being five years from the date of closing of the sale of the Back River project to Sabina, at the discretion of DPM, for one Sabina common share at a price of Cdn$1.07 each.

As detailed in note 6 to DPM consolidated financial statements for the year ended December 31, 2011, the estimated fair value of the 10,000,000 Sabina special warrants as at December 31, 2011 was $35.9 million (shares $28.5 million and warrants $7.4 million). The fair value of the Sabina special warrants was determined using valuation models that require the use of assumptions, including future stock price volatility and probability of exercise. If Sabina does not proceed to a feasibility study and/or a mine decision before June 9, 2014, the warrant component of the special warrants will expire worthless. As such, there can be no assurance that DPM will be able to exercise the warrant component of the Sabina special warrants. may be materially impacted
if DPM was not able to exercise the warrants before June 9, 2014.

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, archaeological discovery and other matters. Although the Company currently carries out its operations and business in accordance with all applicable laws, rules and regulations, no assurance can be given that new laws, rules and regulations will not be enacted or that existing laws, rules and regulations will not be changed or be applied in a manner which could limit or curtail production or development. Furthermore, amendments to current laws and regulations governing operations and activities of mining, milling and processing or more stringent implementation thereof could cause costs and delays that would have a substantial adverse impact on the results of operations and financial condition of the Company.

maintaining permits from appropriate governmental authorities. Although the Company currently has the required permits for its current operations, there can be 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 new operations or changes to existing operations.

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

A two-year collective agreement with the Company
July 1, 2011 to June 30, 2013. Within the scope of the Recognition and Procedural Agreement, a three year salary increase agreement was reached in 2010 with employees at NCS which expires June 30, 2013. There are no unions or formal collective agreements in place at Deno Gold.

Income Tax

The Company operates in Canada and several foreign jurisdictions, through a number of subsidiary intermediary entities, and in some instances utilizes inter-company interest-bearing debt. As a result, it is subject to potential changes in tax laws, judicial interpretations in respect thereof, and the administrative and/or assessing practices of tax authorities in each jurisdiction. While these tax risks are proactively managed and monitored by senior management and outside tax experts, there can be no assurance that there will not be material adverse tax changes or rulings that could
business, financial condition and results of operations.

The Company b
Federal income tax purposes and it does not anticipate becoming a PFIC in the foreseeable future. However, the PFIC rules are complex, and, as a Canadian company publicly listed on the TSX, the Company does not operate its business in a manner specifically intended to avoid being classified as a PFIC. Accordingly, there can be no assurance that the Company will not be considered a PFIC. The Company also has not and does not expect to provide any shareholder with information that will enable a U.S. shareholder to make a qualified electing fund election in respect of the Company. To the extent that the Company is a PFIC in respect of any taxable year, its status as such would have adverse tax consequences for taxable U.S. investors. U.S. investors should consult their own tax advisors regarding the PFIC rules and the potential adverse U.S. Federal income tax consequences to which they may be subject in respect of an investment in the Company common shares.

Future Plans

As part of its overall business strategy, the Company examines, from time to time, opportunities to acquire and/or develop new mineral projects and businesses. A number of risks and uncertainties are associated with these potential transactions and DPM may not realize all of the anticipated benefits. The acquisition and the development of new projects and businesses are subject to numerous risks, including political, regulatory, design, construction, labour, operating, technical, and technological risks, as well as uncertainties relating to the availability and cost of capital. Failure to successfully realize the anticipated benefits associated with one or more of these initiatives successfully could have an adverse effect on the Company business, financial condition and results of operations.

Land Title

Although the title to the properties owned by the Company were reviewed by or on behalf of the Company, no formal title opinions were delivered to the Company and, consequently, no assurances can be given that there are no title defects affecting such properties. Title insurance generally is not available, and the Company secure claim to individual mineral properties or
mining concessions may be severely constrained. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt.

Accordingly, the Company
transfers or claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Competition

The Company faces competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious and base metals, as well as the ultimate sale of its production. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, there can be no assurance that the Company will be able to acquire or maintain attractive operations or sell its production on economically acceptable business, results of operations and financial condition could be materially adversely affected.

Market Price of Common Shares

The common shares are listed on the TSX. The price of these and other shares making up the mining sector have historically experienced substantial volatility, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, including those impacting the price of commodities, market perceptions concerning equity securities generally and the precious and base metal sectors in particular, and factors that may be specific to the Company.

As a result of any of these factors, the market price of the common shares at any given point in time may not accurately reflect the Company -term value, which in turn could impact the ability of the Company to raise equity or raise equity on terms considered to be acceptable. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial

Dilution to Common Shares

and deferred share u DSUs granted under its share based compensation plans, the holders are given an opportunity to profit from an increase in the market price of the common shares with a resulting dilution in the interest of shareholders. The holders of common share purchase warrants, stock options and DSUs may exercise such securities at a time when the Company may have been able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights. The increase in the number of common shares in the market, if all or part of these outstanding rights were exercised, and the possibility of sales of these additional shares may have a depressive effect on the price of the common shares.

Foreign Subsidiaries

The Company conducts its operations through foreign subsidiaries and substantially all of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between or among DPM and such entities, could restrict or impact the Company o fund its operations. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse business, financial condition and results of operations.

Key Executives

The Company is dependent on the services of key executives, including its President and Chief Executive Officer and a number of highly skilled and experienced executives and senior personnel. The loss of these persons or the Company highly skilled employees could adversely affect its business and future operations.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development or investment in natural resource companies and consequently there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the CBCA and other applicable laws.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

e defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* - Management, under the supervision of the CEO and CFO, conducted an assessment of the effectiveness of DC&P and ICFR in place as of December 31, 2011 and concluded that such procedures and controls are adequate and effective to ensure accurate and complete disclosures in annual filings. The board of directors also assesses the integrity of the public financial disclosures through the oversight of the Audit Committee.

INTERNAL CONTROL CHANGES

control framework developed by COSO (Committee of Sponsoring Organizations of the Treadway Commission). During 2011, management continued with the assessment and detailed evaluation of the ICFR procedures and controls established in all significant locations and continued to develop the internal control framework. This exercise resulted in improvements being made to strengthen effectiveness and reliability of internal controls aiming to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO during the reporting period. Additional improvements were made in 2011 and will continue to be implemented in the foreseeable future with the aim that the information required to be disclosed by the Company in its interim and annual filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS.

INTERNAL CONTROL EVALUATION

Management evaluated the design and operating effectiveness of the DC&P and ICFR as defined by NI 52-109 as of December 31, 2011. This evaluation was performed under the supervision of, and with the participation of, the CEO and CFO. Based on the evaluation of the design and operating effectiveness of

and ICFR were effective as of December 31, 2011.

NI 52-109 also requires Canadian public companies to disclose in their MD&A any change in ICFR that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to the internal controls in the year ended December 31, 2011, however certain enhancements were made.

Only reasonable, rather than absolute assurance, that misstatements are prevented or detected on a timely basis by ICFR can be provided due to the inherent limitations of the ICFR system. Such limitations also apply to the effectiveness of ICFR as it is also possible that controls may become inadequate because of changes in conditions or deterioration in compliance with policies and procedures.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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 and output, costs of production, capital

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The accompanying consolidated financial statements of Dundee Precious Metals Inc. (the "Company") and all information in this financial report are the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, include management's best estimates and judgments. Management has reviewed the financial information presented throughout this report and has ensured it is consistent with the consolidated financial statements.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Board of Directors appoints the Audit Committee, and all of its members are unrelated directors. The Audit Committee meets periodically with management and the auditors to review internal controls, audit results, accounting principles and related matters. The Board of Directors approves the consolidated financial statements on recommendation from the Audit Committee.

PricewaterhouseCoopers LLP, an independent firm of Chartered Accountants, was appointed by the shareholders at the last annual meeting to examine the consolidated financial statements and provide an independent professional opinion. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.

(Signed) "Jonathan Goodman"

Jonathan Goodman
President and Chief Executive Officer

(Signed) "Hume Kyle"

Hume Kyle
Executive Vice President and
Chief Financial Officer

February 16, 2012

February 16, 2012

Independent Auditor's Report

To the Shareholders
of Dundee Precious Metals Inc.

We have audited the accompanying consolidated financial statements of Dundee Precious Metals Inc. (the Company), which comprise the consolidated statement of financial position as at December 31, 2011 and December 31, 2010, and January 1, 2010 and the consolidated statements of earnings, comprehensive income (loss), cash flow and changes in shareholders' equity for the years ended December 31, 2011 and December 31, 2010, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dundee Precious Metals Inc. as at December 31, 2011 and December 31, 2010, and January 1, 2010 and its financial performance and its cash flows for the years ended December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2011, December 31, 2010 and January 1, 2010

(in thousands of U.S. dollars)

		December 31, 2011	December 31, 2010	January 1, 2010
ASSETS	***Notes***		*(Note 29)*	*(Note 29)*
Current Assets				
Cash and cash equivalents		**172,804**	96,225	30,769
Short-term investments		**4,425**	13,155	44,796
Inventories	*4*	**43,778**	39,485	30,600
Accounts receivable	*5*	**31,251**	30,714	27,407
Other current assets	*6(c)*	**18,385**	2,414	263
		270,643	181,993	133,835
Assets Held for Sale	*12*	**-**	26,119	15,788
		270,643	208,112	149,623
Non-Current Assets				
Investments at fair value	*6(a),6(b)*	**107,609**	174,534	34,403
Exploration and evaluation assets	*7*	**102,814**	93,896	87,129
Mine properties	*8*	**118,171**	79,842	60,457
Property, plant & equipment	*9*	**263,533**	195,360	177,601
Intangible assets	*10*	**34,224**	37,950	4,612
Deferred income tax assets	*21*	**437**	2,961	818
Other long-term assets	*11*	**30,510**	24,576	19,376
		657,298	609,119	384,396
TOTAL ASSETS		**927,941**	817,231	534,019
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	*13*	**38,306**	33,959	18,675
Income tax liabilities		**8,616**	1,711	3,676
Current portion of long-term debt	*14*	**1,571**	1,178	5,110
Current portion of long-term liabilities	*16*	**2,780**	5,863	3,158
		51,273	42,711	30,619
Non-Current Liabilities				
Long-term debt	*14*	**81,745**	46,354	12,837
Rehabilitation provisions	*15*	**36,431**	34,741	17,750
Share based compensation	*17*	**4,686**	5,170	1,633
Deferred income tax liabilities	*21*	**5,416**	10,320	7,330
Other long-term liabilities	*16*	**19,311**	21,417	11,881
		147,589	118,002	51,431
TOTAL LIABILITIES		**198,862**	160,713	82,050
EQUITY				
Share Capital		**372,643**	371,461	283,965
Warrants		**14,115**	14,116	14,117
Contributed surplus		**27,378**	16,348	11,155
Retained earnings		**247,726**	161,635	138,703
Accumulated other comprehensive income		**42,391**	80,558	4,029
Equity attributable to common shareholders of the Company		**704,253**	644,118	451,969
Non-controlling interests	*3(a),3(b)*	**24,826**	12,400	-
TOTAL EQUITY		**729,079**	656,518	451,969
TOTAL LIABILITIES AND EQUITY		**927,941**	817,231	534,019

The accompanying notes are an integral part of the consolidated financial statements

Approved by the Board of Directors

(Signed) "Jonathan Goodman"
Jonathan Goodman, Director

(Signed) "Garth MacRae"
Garth MacRae, Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31, 2011 and 2010

(in thousands of U.S. dollars, except per share amounts)

	Notes	2011	2010
			(Note 29)
Revenue		**338,480**	201,994
Cost of sales	*18*	**207,686**	150,780
Gross profit		**130,794**	51,214
General and administrative expenses	*18*	**27,958**	22,504
Exploration expenses	*18*	**26,281**	7,217
Finance cost	*19*	**5,451**	5,807
Impairment loss on assets held for sale	*12*	**110**	52,896
Interest income		**(1,411)**	(1,667)
Other income	*20*	**(16,200)**	(45,976)
Earnings before income taxes		**88,605**	10,433
Current income tax expense	*21*	**13,829**	362
Deferred income tax expense (recovery)	*21*	**2,647**	(9,888)
Net earnings		**72,129**	19,959
Net earnings (loss) attributable to:			
Common shareholders of the Company		**86,091**	22,932
Non-controlling interests		**(13,962)**	(2,973)
Net earnings		**72,129**	19,959
Earnings per share attributable to common shareholders of the Company			
- Basic	*22*	**0.69**	0.20
- Diluted	*22*	**0.61**	0.19

The accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2011 and 2010

(in thousands of U.S. dollars)

	2011	2010
		(Note 29)
Net earnings	**72,129**	19,959
Other comprehensive income (loss)		
Unrealized (losses) gains on available-for-sale investments, net of income tax (recovery) expense of $(3,851) (2010 - $6,779)	**(31,219)**	76,660
Realized gains on available-for-sale investments transferred to net earnings, net of income tax expense of $862 (2010 - $95)	**(5,998)**	(638)
Currency translation adjustments	**(1,701)**	507
	(38,918)	76,529
Comprehensive income, net of income taxes	**33,211**	96,488
Comprehensive income (loss) attributable to:		
Common shareholders of the Company	**47,924**	98,910
Non-controlling interests	**(14,713)**	(2,422)
Comprehensive income, net of income taxes	**33,211**	96,488

The accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOW

For the years ended December 31, 2011 and 2010

(in thousands of U.S. dollars)

	Notes	2011	2010 (Note 29)
OPERATING ACTIVITIES			
Earnings before income taxes		**88,605**	10,433
Items not affecting cash and other adjustments	*24(a)*	**30,312**	47,073
Changes in non-cash working capital	*24(b)*	**(1,575)**	(1,244)
Proceeds from (payments for) settlement of derivative commodity contracts		**10,683**	(76)
Income taxes paid		**(6,001)**	(3,552)
Net cash provided from operating activities		**122,024**	52,634
INVESTING ACTIVITIES			
Proceeds from sale of short-term investments		**8,730**	31,641
Proceeds from sale of available-for-sale investments	*6(b)*	**8,409**	1,530
Proceeds from disposal of property, plant and equipment		**326**	111
Purchase of Namibia Custom Smelters (Pty) Ltd. (net of cash acquired of $1,013)		**-**	(16,987)
Purchase of additional interest in Vatrin Investment Ltd.		**-**	(1,500)
Purchase of investments at fair value		**-**	(5,693)
Expenditure on exploration and evaluation assets		**(7,609)**	(6,329)
Expenditure on mine properties		**(37,325)**	(17,645)
Expenditure on property, plant and equipment		**(72,416)**	(55,318)
Expenditure on intangible assets		**(251)**	(438)
Increase in restricted cash		**(1,208)**	(15,097)
Loan advances		-	(3,000)
Net cash used in investing activities		**(101,344)**	(88,725)
FINANCING ACTIVITIES			
Proceeds from shares issued		**1,335**	62,128
Proceeds from shares issued by subsidiary	*3(b)*	**15,686**	-
Cash received from sale of interest in Dundee Moly Company d.o.o.	*3(a)*	**11,613**	-
Cash received from sale of interest in Dundee Plemeniti Metali d.o.o.		**-**	20,866
Proceeds from issuance of long-term debt		**36,176**	27,090
Repayments of long-term debt		**(1,179)**	(2,375)
Repayments of finance lease obligation		**(4,009)**	(3,770)
Redemption of deferred share units		**-**	(45)
Interest paid		**(3,723)**	(2,347)
Net cash provided from financing activities		**55,899**	101,547
Increase in cash and cash equivalents		**76,579**	65,456
Cash and cash equivalents, beginning of year		**96,225**	30,769
Cash and cash equivalents, end of year		**172,804**	96,225

The accompanying notes are an integral part of the consolidated financial statements

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2011 and 2010

(in thousands of U.S. dollars, except for number of shares and warrants)

	December 31, 2011		December 31, 2010	
	Number	**Amount**	Number	Amount
Share Capital				*(Note 29)*
Authorized				
Unlimited common and preference shares with no par value				
Issued				
Fully paid common shares with one vote per share				
Balance at beginning of year	**124,913,151**	**371,461**	97,540,538	283,965
Shares issued on financing	**-**	**-**	20,000,000	64,788
Share issuance costs		**-**		(2,112)
Shares issued on acquisition *(note 3)*	**-**	**-**	4,446,420	13,917
Shares issued on settlement of metals exposure	**-**	**-**	2,903,525	10,977
Shares issued on exercise of warrants	**2,500**	**8**	2,500	8
Shares issued on exercise of stock options *(note 17)*	**554,343**	**1,336**	100,294	139
Shares cancelled	**(231,111)**	**(731)**	(80,126)	(275)
Transferred from warrants on exercise of warrants		**1**		1
Transferred from contributed surplus on exercise of stock options		**568**		53
Balance at end of year	**125,238,883**	**372,643**	124,913,151	371,461
Warrants *(note 25(a))*				
Balance at beginning of year	**23,202,000**	**14,116**	23,204,500	14,117
Transferred to share capital on exercise of warrants	**(2,500)**	**(1)**	(2,500)	(1)
Balance at end of year	**23,199,500**	**14,115**	23,202,000	14,116
Contributed surplus				
Balance at beginning of year		**16,348**		11,155
Share based compensation expense		**8,644**		2,716
Gain on sale of interest in Dundee Moly Company d.o.o. *(note 3(a))*		**6,344**		-
Gain on sale of interest in Dundee Plemeniti Metali d.o.o.		**-**		6,259
Settlement on acquisition of additional interest in Vatrin Investment Limited		**-**		(2,077)
Transferred to share capital on exercise of stock options		**(568)**		(53)
Other		**(3,390)**		(1,652)
Balance at end of year		**27,378**		16,348
Retained earnings				
Balance at beginning of year		**161,635**		138,703
Net earnings attributable to common shareholders of the Company		**86,091**		22,932
Balance at end of year		**247,726**		161,635
Accumulated other comprehensive income *(note (25(b))*				
Balance at beginning of year		**80,558**		4,029
Other comprehensive (loss) income		**(38,167)**		76,529
Balance at end of year		**42,391**		80,558
Total equity attributable to common shareholders of the Company		**704,253**		644,118
Non-controlling interests				
Balance at beginning of year		**12,400**		-
Net loss attributable to non-controlling interests		**(13,962)**		(2,973)
Other comprehensive (loss) income attributable to non-controlling interests		**(751)**		551
Non-controlling interest at date of transaction *(note 3(a) & 3(b))*		**7,602**		13,189
Shares issued by subsidiary *(note 3(b))*		**15,686**		-
Other changes in non-controlling interests		**3,851**		1,633
Balance at end of year		**24,826**		12,400
Total equity at end of year		**729,079**		656,518

The accompanying notes are an integral part of the consolidated financial statements

1. CORPORATE INFORMATION

Dundee Precious Metals Inc. ("DPM") is a Canadian based, international mining company engaged in the acquisition, exploration, development, mining and processing of precious metal properties. DPM is a publicly listed company incorporated in Canada with limited liability under legislation of the Province of Ontario. DPM has common shares and share purchase warrants traded on the Toronto Stock Exchange ("TSX"). The address of DPM's registered office is Dundee Place, 1 Adelaide Street East, Suite 500, P. O. Box 195, Toronto, Ontario, M5C 2V9.

DPM's consolidated financial statements include DPM and its subsidiary companies (collectively, the "Company"). DPM's principal subsidiaries include:

- 100% of Chelopech Mining EAD ("Chelopech"), which owns and operates a gold, copper and silver mine located east of Sofia, Bulgaria;
- 100% of Deno Gold Mining Company CJSC ("Deno Gold"), which owns and operates a gold, copper, zinc and silver mine located south east of the capital city of Yerevan in southern Armenia;
- 100% of Balkan Mineral and Mining EAD ("BMM"), focused on the development of a gold property ("Krumovgrad Gold Project") located in south eastern Bulgaria, near the town of Krumovgrad;
- 100% of Namibia Custom Smelters (Pty) Limited ("NCS"), which owns and operates a concentrate processing facility located in Tsumeb, Namibia;
- 51.4% of Avala Resources Ltd. ("Avala"), a TSX Venture Exchange ("TSXV") listed company (TSXV: AVZ) focused on the exploration and development of the Timok and Potoj Cuka copper and gold projects in Serbia; and
- 47.7% of Dunav Resources Ltd. ("Dunav"), a TSXV listed company (TSXV: DNV) focused on the exploration and development of the Tulare copper and gold project, the Surdulica molybdenum project, and other early stage projects in Serbia *(note 3(a))*.

2.1 BASIS OF PREPARATION

Transition to International Financial Reporting Standards ("IFRS")

These are the Company's first annual consolidated financial statements prepared in accordance with IFRS and IFRS 1, *First-time Adoption of International Financial Reporting Standards,* has been applied.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS consolidated statement of financial position as at January 1, 2010, for the purpose of the transition. *Note 29* explains the principal adjustments made to the Company's consolidated statements of financial position as at January 1, 2010 previously prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") and its previously published Canadian GAAP consolidated financial statements for the year ended December 31, 2010.

The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of February 16, 2012, the date the Board of Directors approved these consolidated financial statements.

2.2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are, among other things, considered when assessing whether the Company controls another entity.

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability relating to any contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess, if any, of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated statements of earnings.

Subsidiaries are fully consolidated from the date on which control is acquired by the Company and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All inter-company balances, revenues and expenses and earnings and losses resulting from inter-company transactions are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are a separate component of the Company's equity. Non-controlling interests consist of the non-controlling interests at the date of the original business combination plus the non-controlling interests' share of changes in equity since the date of acquisition.

Significant judgments are required by management to determine whether the Company controls an entity when it holds less than one half of the entity's voting rights. As at December 31, 2011, DPM had a 47.7% ownership interest in Dunav. The remaining equity and voting rights are held by numerous other shareholders, none individually holding a significant percentage of the voting rights. Given the level of shareholder participation and the size and dispersion of shareholdings, DPM concluded that its 47.7% ownership interest is sufficient to control Dunav as DPM has the power to govern the financial and operating policies of Dunav.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

The significant areas of estimation and uncertainty considered by management in preparing the consolidated financial statements include, but are not limited to:

- basis of consolidation *(note 2.2(a))*;
- inventories *(note 2.2(g))*;
- fair value of financial instruments *(note 2.2(j))*;
- mineral exploration, evaluation and development expenditures *(note 2.2(k))*;
- property, plant and equipment and mine properties *(note 2.2(l))*;
- amortization and depletion rates *(note 2.2(l))*;
- intangible assets *(note 2.2(m))*;
- assets held for sale *(note 2.2(n))*;
- impairment of assets *(note 2.2(h) and 2.2(o))*;
- rehabilitation provisions *(note 2.2(p))*;
- contingencies *(note 2.2(p))*;
- metals exposure *(note 2.2(r))*;
- share based compensation transactions *(note 2.2(t))*; and
- deferred income tax assets and liabilities *(note 2.2(u))*.

(c) Presentation and functional currency

The Company's presentation currency is the U.S. dollar and the functional currency of its wholly-owned operations is the U.S. dollar as it was assessed by management as being the primary currency of the economic environment in which the Company operates.

(d) Foreign currency

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at period end exchange rates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was determined. 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 net earnings, except those arising on the translation of available-for-sale equity instruments that are recorded in other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated at the exchange rate in effect at the transaction date.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign operations

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to U.S. dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to U.S. dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognized as currency translation adjustments in other comprehensive income. Avala and Dunav are the only foreign operations of the Company with their functional currencies as the Canadian dollar and their principal subsidiaries with functional currencies as the Serbian dinar.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and deposits that are highly liquid with an original maturity of less than three months.

(f) Short-term investments

Short-term investments include bankers' acceptances and guaranteed investment certificates ("GICs") with original maturities between three months and less than one year at the time the investment is made. Short-term investments are recorded at amortized cost.

(g) Inventories

Inventories of gold, copper, zinc and silver concentrates are measured and valued at the lower of average production cost and net realizable value. Net realizable value is the estimated selling price of the concentrates in the ordinary course of business based on the prevailing metal prices at the reporting date, less estimated costs to complete production and to bring the concentrates to sale. 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. Production costs also include any royalties payable. Other materials and supplies inventories are valued at the lower of average cost and net realizable value. Obsolete, redundant and slow moving inventories are identified periodically and written down to their net realizable values.

(h) Financial assets and liabilities

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition & Measurement,* are classified as "financial assets at fair value through profit or loss", "loans and receivables", or "available-for-sale financial assets", as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Subsequent measurement - Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if management intends to sell the financial assets in the near term. This category includes any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship under IAS 39. Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in other income in the consolidated statements of earnings. The Company's investment in Sabina Gold & Silver Corp. ("Sabina") special warrants and the derivative commodity contracts entered into by the Company to economically hedge a portion of its copper production are, where applicable, classified as financial assets at fair value through profit or loss.

Derivatives are recognized initially at fair value and all attributable transaction costs are recognized in other income in the consolidated statements of earnings, as incurred. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts. Host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statements of earnings. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would have otherwise been required.

Subsequent measurement - Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These include cash and cash equivalents, restricted cash, accounts receivables, loans receivable and short-term investments. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate ("EIR") method less any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statements of earnings. The losses arising from impairment, if any, are recognized as finance cost.

Subsequent measurement - Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Company's portfolio investments in publicly traded equity securities are classified as available-for-sale financial assets.

After initial measurement, available-for-sale investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income. When the investment is sold or impaired, the cumulative gain or loss is reclassified from accumulated other comprehensive income and recognized in other income in the consolidated statements of earnings.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the asset.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and the loss has an impact on the estimated cash flows of the financial asset or group of assets that can be reliably estimated.

For financial assets carried at amortized cost, the Company considers evidence of impairment at both a specific asset and collective level. Objective evidence could include the default or delinquency of a debtor or restructuring of an amount due to the Company on terms that the Company would not consider otherwise. All individually significant financial assets are assessed for specific impairment. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is recognized in the consolidated statements of earnings and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not yet been incurred. If, in a subsequent period, the estimated impairment loss decreases because of an event, any reversal would be credited to net earnings.

For available-for-sale investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its original cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in net earnings, is removed from accumulated other comprehensive income and recognized in other income in the consolidated statements of earnings. Impairment losses on equity investments are not reversed through net earnings; and increases in their fair value after impairment are recognized directly in other comprehensive income.

The assessment for impairment in respect of available-for-sale investments requires significant judgment, where management evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as "financial liabilities at fair value through profit or loss", or "other financial liabilities". The Company's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, and derivative financial instruments.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Subsequent measurement - Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if management intends to settle the financial liabilities in the near term. This category includes any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship under IAS 39. Financial liabilities at fair value through profit or loss are carried at fair value with changes in fair value recognized in other income in the consolidated statements of earnings. The derivative commodity contracts entered into by the Company to economically hedge a portion of its copper production are, where applicable, classified as financial liabilities at fair value through profit or loss.

Subsequent measurement - Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of earnings.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Any associated gains or losses are reported in other income when the liabilities are derecognized.

(i) Offsetting of financial instruments

Financial assets and financial liabilities are offset if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

(j) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. These valuation models require the use of assumptions, including future stock price volatility and probability of exercise.

Changes in the underlying assumptions could materially impact the Company's investments at fair value through profit or loss. Further details on measurement of the fair values of financial instruments are provided in *note 6*.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Mineral exploration, evaluation and development expenditures

Exploration and evaluation costs

Exploration and evaluation activities involve the search for Mineral Resources/Mineral Reserves, the assessment of technical and operational feasibility and the determination of an identified Mineral Reserve's commercial viability. Costs incurred for the acquisition of land and mineral rights are capitalized and mineral rights are amortized over the life of the permit/license. Once the legal right to explore has been acquired, exploration and evaluation expenditures are expensed as incurred until economic production is probable. Exploration expenditures in areas where there is a reasonable expectation to convert existing estimated Mineral Resources to estimated Mineral Reserves or to add additional Mineral Resources with additional drilling and evaluations in areas near existing Mineral Reserves and existing or planned production facilities, are capitalized.

Exploration properties that contain estimated Proven and Probable Mineral Reserves, but for which a development decision has not yet been made, are subject to periodic review for impairment when events or changes in circumstances indicate the project's carrying value may not be recoverable.

Exploration and evaluation assets are reclassified to "Mine Properties - Mines under construction" when the technical feasibility and commercial viability of extracting a Mineral Reserve are demonstrable and construction has commenced or a decision to construct has been made. Exploration and evaluation assets are assessed for impairment before reclassification to "Mines under construction", and the impairment loss, if any, is recognized through net earnings.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is probable that future economic benefits will be generated from the exploitation of an exploration and evaluation asset when activities have not yet reached a stage where a reasonable assessment of the existence of reserves can be determined. The estimation of Mineral Resources is a complex process and requires significant assumptions and estimates regarding economic and geological data and these assumptions and estimates impact the decision to either expense or capitalize exploration and evaluation expenditures. Management is required to make certain estimates and assumptions about future events and circumstances in order to determine if an economically viable extraction operation can be established. Any revision to any of these assumptions and estimates could result in the impairment of the capitalized exploration costs. If new information becomes available after expenditures have been capitalized that the recovery of these expenditures is no longer probable, the expenditures capitalized are written down to the recoverable amount and charged to net earnings in the period the new information becomes available.

Mine Properties - Mines under construction

All expenditures undertaken in the development, construction, installation and/or completion of the production facilities are capitalized. Upon the commencement of production at the expected capacity level, all assets included in "Mines under construction" are reclassified to "Mine Properties - Producing mines" or "Property, plant and equipment".

All expenditures related to the construction of mine declines and ore body access, including mine shafts 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 ore hoisted.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Mineral Reserve estimates

The estimation of Mineral Resources is a complex process and requires significant assumptions and estimates. The Company prepares its Mineral Reserve and Mineral Resource estimates based on information related to the geological data on the size, depth and shape of the ore body which is compiled by appropriately qualified persons. The estimation of recoverable reserves is based upon factors such as estimates of future metal prices, capital requirements, production costs, foreign exchange rates and geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment *(note 2.2(l)),* depletion and depreciation charges *(note 2.2(l)),* rehabilitation provisions *(note 2.2(p)),* and deferred income tax assets *(note 2.2(u)).*

(l) Property, plant and equipment and producing mines

Property, plant and equipment and producing mines are stated at cost less accumulated depletion and depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset to a working condition for its intended use, the initial estimate of the rehabilitation provisions, and for qualifying assets, applicable borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Where an item of property, plant and equipment or mine properties are comprised of significant components with different useful lives, the components are accounted for as separate items of property, plant and equipment or mine properties. The capitalized value of a finance lease is also included in property, plant and equipment.

When a mine construction project moves into the production stage, the capitalization of certain mine construction costs ceases, and from that point on, costs are either regarded as inventory costs or expensed as cost of sales, except for costs related to mining asset additions or improvements, mine development or mineable reserve development which qualify for capitalization.

Depletion and Depreciation

The depletion of a producing mine is based on the unit-of-production method over the estimated economic life of the related deposit.

The depreciation of property, plant and equipment related to mines is based on the unit-of-production method over the estimated economic life of the related deposit, except in the case of an asset whose anticipated useful life is less than the life of the deposit, in which case the depreciation is based on the straight-line method. For all other property, plant and equipment, depreciation is based on their remaining anticipated useful lives on a straight-line basis. Depreciation of property, plant and equipment used in a capitalized exploration or development project is capitalized to the project.

Depreciation rates used for each category of non-mine specific property, plant and equipment are as follows:

Asset Category	Depreciation rate (%)
Buildings	4 - 7
Machinery and Equipment	6 - 33
Vehicles	20
Computer Hardware	20 - 100
Office Equipment	15 - 33

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Construction work-in-progress includes property, plant and equipment in the course of construction and is carried at cost less any recognized impairment loss. These assets are reclassified to the appropriate category of property, plant and equipment and depreciation of these assets commences when they are completed and ready for intended use.

An item of property, plant and equipment, including any significant part initially recognized, is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in net earnings when the asset is derecognized.

The residual values, useful lives and methods of depreciation of all assets are reviewed at each financial year end and are adjusted prospectively, if appropriate.

Depreciation of mine specific assets is based on the unit-of-production method. The life of these assets is assessed annually with regard to both their anticipated useful life and the present assessments of the economically recoverable reserves of the mine property where these assets are located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Any changes to these calculations based on new information are accounted for prospectively.

Major maintenance and repairs

Expenditures on major maintenance include the cost of replacing an asset, or part of an asset, and overhaul costs. When an asset, or part of an asset that is considered a separate component, is written down, or is being replaced, and it is probable that future economic benefits associated with the replacement or overhauled item will flow to the Company through an extended life, the expenditure is capitalized.

Where part of an asset is not considered a separate component, the replacement value is used to estimate the carrying amount of the replaced asset which is immediately written down. All other regular maintenance and repair costs are expensed as incurred.

(m) Intangible assets

Intangible assets include software, licenses and long-term customer contracts. Intangible assets acquired separately are measured upon initial recognition at cost, which comprises the purchase price plus any costs directly attributable to the preparation of the asset for its intended use. Intangible assets acquired through business combinations are initially recognized at fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses.

The amortization rates used for each category of intangible assets, which are amortized on a straight-line basis, are as follows:

Asset Category	Amortization rate (%)
Computer Software	10 - 50
Licenses	10 - 15
Long-term Customer Contract	9

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets require the use of estimates and assumptions and are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense attributable to an intangible asset is recognized in the consolidated statements of earnings in the expense category consistent with the function of the intangible asset.

The gain or loss arising from the derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in net earnings when the asset is derecognized.

(n) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before being classified as held for sale, the assets are re-measured in accordance with the Company's accounting policies for relevant assets. Thereafter the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in net earnings. The reversal of any previously recognized impairment loss cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset held for sale.

The measurement of assets held for sale requires the use of estimates and assumptions related to the carrying value and its recoverability through sale. The actual sale proceeds may materially differ from the carrying value.

(o) Impairment of non-financial assets

The carrying values of capitalized exploration and evaluation expenditures, mine properties, intangible assets and property, plant and equipment are assessed for impairment whenever indicators of impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell and its value in use. This is determined on an asset-by-asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. If this is the case, individual assets are grouped together into a Cash Generating Unit ("CGU") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or groups of assets.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount with the corresponding impairment being charged to earnings in the period of impairment. Impairment losses related to continuing operations are recognized in the consolidated statements of earnings in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication of impairment or a change in events or circumstances relating to a previously recognized impairment. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset or CGU is increased to its newly determined recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset or CGU in prior years.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

The assessment of impairment requires the use of estimates and assumptions related to future value drivers, such as commodity prices, discount rates, foreign exchange rates and operating and capital costs. Fair value is determined as the net amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is based on estimated future cash flows discounted to their present value using a current pre-tax discount rate that is consistent with the risks specific to the asset. Management has assessed its CGUs as being an individual mine or processing site.

(p) Provisions

General

Provisions are recognized when: a) the Company has a present obligation (legal or constructive) as a result of a past event; and b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when it is virtually certain that reimbursement will be received if the Company settles the obligation. The reimbursement shall be treated as a separate asset. If the effect of the time value of money is material, provisions are discounted using a current pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision as a result of the passage of time is recognized in finance cost in the consolidated statements of earnings.

Rehabilitation provisions

Mining, processing, development and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes a liability for its rehabilitation obligations in the period when a legal and/or constructive obligation is identified. The liability is measured at the present value of the estimated costs required to rehabilitate operating locations based on the risk free nominal discount rates that are specific to the countries in which the operations are located. A corresponding increase to the carrying amount of the related asset is recorded and depreciated in the same manner as the related asset.

The nature of these restoration and rehabilitation activities includes: i) dismantling and removing structures; ii) rehabilitating mines and tailing dams; iii) dismantling operating facilities; iv) closure of plant and waste sites; and v) restoration, reclamation and re-vegetation of affected areas. Other environmental costs incurred at the operating sites, such as environmental monitoring, water management and waste management costs, are charged to net earnings when incurred.

The liability is accreted over time to its expected future settlement value. The accretion expense is recognized in finance cost in the consolidated statements of earnings.

The Company assesses its rehabilitation provisions at each reporting date. The rehabilitation liability and related assets are adjusted at each reporting date for changes in the discount rates and in the estimated amount, timing and cost of the work to be carried out. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is immediately charged to net earnings.

Significant estimates and assumptions are made by management in determining the nature and costs associated with the rehabilitation liability. The estimates and assumptions required include estimates of the timing, extent and costs of rehabilitation activities, technology changes, regulatory changes, and changes in the discount and inflation rates. These uncertainties may result in future expenditures being different from the amounts currently provided.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

(q) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement at the inception date.

Finance leases

Finance leases which transfer substantially all the risks and rewards incidental to ownership of the leased item to the Company as a lessee, are capitalized at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability. Finance charges are recognized in finance cost in the consolidated statements of earnings.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the term of the lease.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership to the Company as a lessee are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of earnings on a straight-line basis over the lease term.

(r) Revenue recognition

Revenue from the sale of concentrates containing gold, copper, zinc and silver is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the buyer. Title passes to the buyer when products have been delivered to the location specified in the sales contract and the risk of loss has been transferred to the buyer. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of concentrates is initially recorded based on a provisional value which is a function of prevailing market prices, estimated weights and grades less smelter and financial deductions. Under the terms of the concentrate sales contracts, the final metal price ("settlement price") for the payable metal is based on a predetermined quotational period of London Metal Exchange daily prices. The price of the concentrate is the sum of the metal payments less the sum of specified deductions, including treatment and refining charges, penalties for deleterious elements, and freight. The terms of these contracts result in embedded derivatives because of the timing difference between the prevailing metal prices for provisional payments and the actual contractual metal prices used for final settlement. These embedded derivatives are adjusted to fair value at the end of each reporting period through to the date of final price determination with any adjustments recognized in revenue.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

Revenue from toll processing is recognized as concentrate is processed through the smelter. As part of the tolling agreement between NCS and Louis Dreyfus Commodities Metals Suisse SA ("LDC"), NCS incurs a charge based on the aggregate of: i) the pro-forma value of the raw material received, ii) the value of tolling fees paid by LDC to NCS commencing upon the date of payment, less iii) the value of payable metals contained in blister copper received by LDC from the fifth day following the arrival of the carrying vessel. This charge is recorded as a reduction of revenue.

The Company adjusts its toll processing revenues for any over or under recoveries of copper and precious metals relative to its contracted rates with LDC. These adjustments represent metals exposure and are calculated by comparing (i) the copper, gold and silver content in the concentrate received by NCS multiplied by the percentage payable in the LDC contract to (ii) the copper, gold and silver in the blisters delivered to LDC and in the concentrate still being processed by NCS.

Many parts of the metals exposure calculation are subject to estimation, including the amount of metals in process where the Company uses its process knowledge and multiple assay results. Metals in concentrate received and metals in the blisters returned are subject to final verification from assay results and may materially differ from the estimated metals exposure.

(s) Borrowing costs

Borrowing costs directly related to the acquisition and the construction of a qualifying capital asset are capitalized and added to the cost of the asset until such time as the asset is considered substantially ready for its intended use. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where funds used to finance a project form part of general borrowings, the amount capitalized is calculated using the weighted average cost applicable to relevant general borrowings of the Company during the period. All other borrowing costs are recognized in net earnings in the period in which they are incurred.

(t) Share-based compensation transactions

Equity-settled transactions

Stock options are granted to directors and selected employees to buy common shares of the Company. Options vest equally over a three-year period and expire five years from the date of grant. Grants of stock options are based on the closing price of the common shares on the TSX the day before the effective grant date and reflect the Company's estimate of the number of awards that will ultimately vest. The stock options are measured at the date of grant by reference to the fair value determined using a Black-Scholes valuation model, further details of which are given in *note 17*. The value is recognized as an expense in the consolidated statements of earnings and an increase to contributed surplus in the consolidated statements of changes in shareholders' equity over the period in which the performance and/or service conditions are fulfilled.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Cash-settled transactions

In 2004, a Deferred Share Unit ("DSU") Plan was established for directors and certain employees in lieu of cash compensation. The DSUs are phantom shares which mirror the value of the Company's publicly-traded common shares and can only be settled in cash. The cost of cash-settled transactions is measured initially at fair value at the grant date based on the closing stock price at the date of grant. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognized in share based compensation expense.

(u) Income taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on the taxable loss or income for the period. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be generated in future periods to utilize these deductible temporary differences.

The following temporary differences do not result in deferred income tax assets or liabilities:

- The initial recognition of assets or liabilities, not arising from a business combination, that does not affect accounting or taxable profit;
- Initial recognition of goodwill, if any; and
- Investments in subsidiaries, associates and jointly controlled entities where the timing of reversal of the temporary differences can be controlled and reversal in the foreseeable future is not probable.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be generated to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be generated to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Current and deferred income taxes related to items recognized directly in equity are recognized in equity and not in net earnings. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Judgment is required in determining whether deferred income tax assets are recognized on the statements of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate future taxable income in order to utilize the deferred income tax assets. Estimates of future taxable income are based on forecasted cash flows from operations or other activities and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could impact tax deductions in future periods and the value of its deferred income tax assets and liabilities.

(v) Earnings per share

Basic earnings per share is computed by dividing the net earnings available to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share reflects 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 at the beginning of the period with proceeds based on 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.

2.3 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards and issued amendments to standards and interpretations are not yet effective for the year ended December 31, 2011, and have not been applied when preparing these consolidated financial statements. The Company's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9, *Financial Instruments*, issued in November 2009
This standard is the first step in the process to replace IAS 39, *Financial Instruments: Recognition & Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets. IFRS 9 establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 has an effective date of January 1, 2015, with early adoption permitted. The Company is currently assessing the impact of this standard.

In May 2011, the International Accounting Standards Board ("IASB") published five new and amended

3. BUSINESS COMBINATIONS AND OTHER TRANSACTIONS

NCS Acquisition

On March 24, 2010, the Company completed the purchase of NCS from Weatherly International plc ("WTI"). The fair value of the purchase consideration for NCS was $42.4 million, consisting of: (i) $18.0 million in cash (less amounts due under a $2.0 million working capital loan to WTI), (ii) the issuance of 4,446,420 fully paid common shares of DPM at a closing price of Cdn$3.21 per share and (iii) the assumption of the pre-existing $10.4 million of NCS long-term debt and accrued interest owing to Chelopech.

The following table states the fair value of the consideration given as at acquisition date:

Cash	18,000
DPM common shares	13,917
	31,917
Loan advanced from Chelopech and interest therein	10,435
Total consideration transferred	42,352

The following table sets forth the fair value of identifiable assets and liabilities acquired:

Cash and cash equivalents	1,013
Accounts receivable and other assets	2,588
Inventories	1,519
Restricted cash	535
Intangible asset	35,125
Property, plant and equipment	46,285
Total assets acquired	87,065
Accounts payable and accrued liabilities	15,219
Long-term debt	4,300
Rehabilitation provisions	6,291
Other long-term liabilities	18,903
Total liabilities assumed	44,713
Net assets acquired	42,352

DPM completed the accounting for the acquisition of NCS in the fourth quarter of 2010. Management's judgments and estimates included: (i) identification of all material assets and liabilities based primarily on those outlined in the purchase agreement and knowledge of NCS' business; (ii) fair value measurement of tangible property, plant and equipment with the assistance of an independent appraiser; (iii) valuation of an intangible asset related to NCS' toll processing contract with LDC using a discounted cash flow methodology; and (iv) measurement of environmental obligations with the assistance of an external environment specialist.

Transaction costs related to the acquisition totaling $0.5 million were expensed in 2010.

If the acquisition of NCS had been made on or before January 1, 2010, DPM's consolidated mining and processing net revenue would have increased by $8.5 million to $210.5 million and the consolidated net earnings would have decreased by $2.0 million to $18.0 million for the year ended December 31, 2010 (unaudited).

Other transactions

(a) Dunav

On September 1, 2011, Dunav (previously Queensland Minerals Ltd.) exercised its option agreement with DPM, wherein DPM received, amongst other consideration, a 47.5% ownership interest in Dunav in exchange for DPM's remaining Serbian properties, namely its Surdulica molybdenum, Tulare copper and gold and other early stage projects in Serbia directly held by Dundee Moly Company d.o.o. As at September 1, 2011, the impact of the consolidation of Dunav into DPM's financial results was an $11.6 million increase in cash and cash equivalents, a net gain of $6.3 million recognized through contributed surplus, and a $7.6 million non-controlling interest on the consolidated statements of financial position.

As a result of this transaction, DPM received 47,257,922 common shares of Dunav and 36,790,009 warrants to purchase common shares of Dunav at a unit price of $0.41 (Cdn$0.42) which are exercisable until September 1, 2013, subject to acceleration under certain circumstances.

As at December 31, 2011, DPM had a 47.7% ownership interest in Dunav. The increase in DPM's ownership interest from 47.5% to 47.7% was due to certain share cancellations by Dunav. The non-controlling interest's share in Dunav's net loss resulting from its exploration activities was $2.8 million for the four month period ended December 31, 2011 subsequent to Dunav's exercise of its option agreement. The non-controlling interest in Dunav's net assets as at December 31, 2011 was $5.1 million.

(b) Avala

In April 2010, DPM subscribed for 4,857,000 units of PJV Resources Inc. ("PJV") at a price of Cdn$0.35 per unit for total cash consideration of $1.7 million (Cdn$1.7 million). Each unit consisted of one common share of PJV and one half of one share purchase warrant. Each whole warrant was exercisable to purchase a common share of Avala at Cdn$0.50 per share.

On July 30, 2010, DPM concluded an agreement with PJV and Rodeo Capital Corp. (now Avala) wherein it received, amongst other consideration, a 50.3% controlling ownership in Avala and $1.6 million cash in exchange for DPM's Serbian subsidiary, Dundee Plemeniti Metali d.o.o. ("Metali"). The shares and warrants of PJV subscribed for in April 2010 were issued and converted to shares and warrants of Avala as part of this transaction.

As a result of these transactions and the exchange of the PJV shares and warrants, DPM received 73,437,357 common shares and 36,718,679 warrants of Avala. DPM also received special rights (the "Special Rights") to acquire up to an aggregate of 50,000,000 additional Avala common shares for no additional consideration, of which 25,000,000 are issuable upon a positive decision by Avala to proceed to a feasibility study on all or part of the projects and an additional 25,000,000 are issuable upon a positive decision by Avala to bring all or part of the projects into production.

At the time of acquisition, the Avala warrants and Special Rights were valued at $9.3 million (Cdn$9.6 million) consisting of: a) $1.2 million (Cdn$1.3 million) related to 36,718,679 warrants; and b) $8.1 million (Cdn$8.3 million) related to 50,000,000 Special Rights. The fair value of the Special Rights was estimated based on the current bid price of the Avala common shares, adjusted for the likelihood of a positive decision to proceed to a feasibility study and a positive decision to bring all or part of the projects into production.

Pursuant to the certificates and indenture governing certain of the Avala warrants issued on July 30, 2010, Avala had the right to accelerate the expiry date of each class of warrants any time after October 25, 2010 if the closing price of its common shares was above Cdn$1.00 for 20 consecutive trading days. Having met this precondition, on December 13, 2010 and February 25, 2011, Avala issued notification of its decision to accelerate the expiry date of these warrants to January 14, 2011 and March 28, 2011, respectively. In response, DPM exercised 2,428,500 warrants to purchase the same number of Avala common shares at Cdn$0.50 per share during the fourth quarter of 2010. On March 23, 2011, DPM exercised all of its remaining warrants at Cdn$0.50 each, resulting in the acquisition of 34,290,179 Avala common shares. Avala's cash proceeds from the share issuance to DPM were eliminated upon consolidation.

As a result of Avala's notification to accelerate the expiry date of certain share purchase warrants to January 14, 2011, Avala also issued 30,139,750 common shares to its non-controlling shareholders for the exercise of all of their outstanding warrants for cash proceeds of $15.7 million on January 17, 2011.

As at December 31, 2011, DPM held a 51.4% controlling interest in Avala through its holding of 110,156,036 common shares. The non-controlling interest's share in Avala's net loss resulting from its exploration activities for the year ended December 31, 2011 was $11.2 million (2010 - $3.0 million). The non-controlling interest in Avala's net assets as at December 31, 2011 was $19.7 million (December 31, 2010 - $12.4 million).

(c) Vatrin Investment Limited ("Vatrin"):

On December 20, 2010, DPM purchased the remaining 5% interest in Vatrin, to increase its equity interest to 100%, for net cash consideration of $1.5 million and the elimination of all associated third party indebtedness. Vatrin holds a 100% equity interest in Deno Gold.

4. INVENTORIES

	December 31, 2011	December 31, 2010	January 1, 2010
Gold/Copper/Zinc/Silver ore and concentrates	**14,341**	15,053	9,960
Spare parts and supplies	**29,437**	24,432	20,640
	43,778	39,485	30,600

For the year ended December 31, 2011, the cost of inventories recognized as an expense and included in cost of sales was $109.3 million (2010 - $83.3 million).

5. ACCOUNTS RECEIVABLE

	December 31, 2011	December 31, 2010	January 1, 2010
Accounts receivable	**11,307**	12,900	15,711
Supplier advances and other prepaids	**8,260**	8,519	4,644
Value added tax recoverable	**11,684**	9,295	7,052
	31,251	30,714	27,407

6. FINANCIAL INSTRUMENTS

Set out below is a comparison, by category, of the carrying amounts of the Company's financial instruments that are recognized in the consolidated statements of financial position:

		Carrying Amount		
	Financial instrument classification	**December 31, 2011**	December 31, 2010	January 1, 2010
Financial assets				
Cash and cash equivalents	Loans and receivables	**172,804**	96,225	30,769
Short-term investments	Loans and receivables	**4,425**	13,155	44,796
Accounts receivable *(note 5)*	Loans and receivables	**31,251**	30,714	27,407
Restricted cash	Loans and receivables	**24,584**	24,908	9,258
Loans receivable	Loans and receivables	**-**	-	7,335
Sabina special warrants *(a)*	Held for trading	**35,924**	58,695	10,253
Available-for-sale investments *(b)*	Available for sale	**71,685**	115,839	24,150
Derivative commodity contracts - current portion *(c)*	Held for trading	**17,719**	-	-
Derivative commodity contracts - long-term portion *(c)*	Held for trading	**5,456**	-	-
Financial liabilities				
Accounts payable and accrued liabilities *(note 13)*	Other financial liabilities	**38,306**	33,959	18,675
Long-term debt *(note 14)*	Other financial liabilities	**83,316**	47,532	17,947
Derivative commodity contracts *(c)*	Held for trading	**-**	124	75

The carrying values of all the financial assets and liabilities approximate their fair values as at December 31, 2011, December 31, 2010 and January 1, 2010.

(a) Sabina special warrants

Following the completion of the sale of the Back River exploration project to Sabina on June 9, 2009, the Company held: (i) 17,000,000 common shares of Sabina, (ii) 5,000,000 Series A special warrants, which will be automatically exercised upon a decision by Sabina to proceed to a feasibility study or proceed to production on the Back River project or upon the occurrence of certain other events; and (iii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the project or upon the occurrence of certain other events. Each of the special warrants is exercisable for a period of 35 years into one common share and one-half of one common share purchase warrant ("Warrant") of Sabina. Each whole Warrant, if issued, will be exercisable until June 9, 2014, being five years from the date of closing of the sale of the Back River project to Sabina, at the discretion of DPM, into one Sabina common share at a price of $1.05 (Cdn$1.07) per Sabina common share.

The fair value of the Warrants is estimated using the closing bid price of Sabina's common shares in the Black-Scholes pricing model with the following assumptions:

For the year ended December 31, 2011, the Company recorded unrealized losses of $22.8 million (2010 – unrealized gains of $49.7 million) on the Sabina special warrants in other income *(note 20)* in the consolidated statements of earnings.

(b) Available-for-sale investments

Available-for-sale investments comprise a portfolio of equity investments in publicly traded securities. During the year ended December 31, 2011, the Company sold a portion of its holdings for total cash proceeds of $8.4 million (2010 - $1.5 million) and recorded realized gains of $6.3 million (2010 - $0.9 million) in other income *(note 20)*.

(c) Derivative commodity contracts

The Company enters into derivative contracts from time to time to mitigate a portion of the copper price

As at December 31, 2011, the fair value gain on all outstanding derivative commodity contracts was $23.2 million, of which $17.7 million was included in other current assets and $5.5 million in other long-term assets *(note 11)* in the consolidated statements of financial position. As at December 31, 2010 and January 1, 2010, the Company reported a fair value loss on the outstanding derivative commodity contracts of $0.1 million in other long-term liabilities *(note 16)*.

Unrealized gains and losses on these contracts were calculated based on the corresponding London Metal Exchange forward copper prices and were included in other income *(note 20)* in the consolidated statements of earnings. For the year ended December 31, 2011, the Company reported unrealized gains of $23.2 million (2010 – unrealized losses of $0.1 million). The Company also reported realized gains on the settlement of some of its derivative commodity contracts of $12.7 million (2010 – realized losses of $0.1 million) in other income *(note 20)* for the year ended December 31, 2011.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: based on quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: based on inputs which have a significant effect on fair value that are observable, either directly or indirectly from market data; and
- Level 3: based on inputs which have a significant effect on fair value that are not observable from market data.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2011, December 31, 2010 and January 1, 2010:

			As at December 31, 2011	
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Sabina special warrants	**-**	**-**	**35,924**	**35,924**
Available-for-sale investments	**71,685**	**-**	**-**	**71,685**
Derivative commodity contracts	**-**	**23,175**	**-**	**23,175**

			As at December 31, 2010	
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Sabina special warrants	-	-	58,695	58,695
Available-for-sale investments	115,761	-	-	115,761
Financial liabilities				
Derivative commodity contracts	-	124	-	124

			As at January 1, 2010	
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Sabina special warrants	-	-	10,253	10,253
Available-for-sale investments	24,072	-	-	24,072
Financial liabilities				
Derivative commodity contracts	-	75	-	75

During the years ended December 31, 2011 and 2010, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

The following table reconciles level 3 fair value measurements from January 1, 2010 to December 31, 2011:

	December 31, 2011	December 31, 2010
Balance at beginning of year	**58,695**	10,253
Reclassification of unrealized gain to net earnings from other comprehensive income	**-**	(1,290)
Unrealized (loss) gain included in net earnings *(note 20)*	**(22,771)**	49,732
Balance at end of year	**35,924**	58,695

7. EXPLORATION AND EVALUATION ASSETS

	December 31, 2011	December 31, 2010
Balance at beginning of year	**93,896**	87,129
Additions	**8,517**	6,646
Capitalized depreciation	**496**	253
Write-offs and disposals	**(95)**	(132)
Balance at end of year	**102,814**	93,896

Exploration and evaluation expenditures directly expensed to net earnings amounted to $26.3 million (2010 - $ 7.2 million) for the year ended December 31, 2011.

8. MINE PROPERTIES – PRODUCING MINES

	December 31, 2011	December 31, 2010
Cost:		
Balance at beginning of year	**96,691**	71,409
Additions	**42,250**	18,780
Acquisitions	**-**	681
Capitalized depreciation	**2,154**	2,547
Change in rehabilitation provisions	**26**	3,274
Balance at end of year	**141,121**	96,691
Accumulated depletion and impairment:		
Balance at beginning of year	**16,849**	10,952
Depletion	**6,101**	5,897
Balance at end of year	**22,950**	16,849
Net book value:		
At beginning of year	**79,842**	60,457
At end of year	**118,171**	79,842

The depletion expense for mine properties – producing mines has been fully charged to cost of sales in the consolidated statements of earnings for the years ended December 31, 2011 and 2010.

Capitalized borrowing costs relating to mine properties – producing mines amounted to $3.7 million (2010 - $nil) for the year ended December 31, 2011, at a weighted average interest rate of 5.28%.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Construction Work-in-Progress	Total
Cost:				
Balance as at January 1, 2010	28,498	70,815	132,535	231,848
Additions	393	(112)	54,877	55,158
Acquisitions	6,117	39,487	-	45,604
Disposals	(231)	(6,694)	-	(6,925)
Write-offs and impairment charge *(note 12)*	(14)	(5,885)	(54,047)	(59,946)
Transfer to assets held for sale *(note 12)*	-	-	(11,370)	(11,370)
Change in rehabilitation provisions	(1,468)	6,607	-	5,139
Transfers	(397)	62,958	(62,561)	-
Balance as at December 31, 2010	32,898	167,176	59,434	259,508
Additions	**442**	**15,064**	**54,707**	**70,213**
Disposals	**(46)**	**(7,247)**	**-**	**(7,293)**
Write-offs and impairment charge	**(8)**	**(2,151)**	**-**	**(2,159)**
Transfer from assets held for sale *(note 12)*	**-**	**-**	**25,096**	**25,096**
Change in rehabilitation provisions	**(241)**	**(849)**	**-**	**(1,090)**
Transfers	**1,229**	**22,128**	**(23,357)**	**-**
Balance as at December 31, 2011	**34,274**	**194,121**	**115,880**	**344,275**
Accumulated depreciation and impairment:				
Balance as at January 1, 2010	5,204	49,043	-	54,247
Depreciation expense	1,569	16,561	-	18,130
Capitalized depreciation	-	2,800	-	2,800
Depreciation relating to disposals	(7)	(6,646)	-	(6,653)
Write-offs and impairment charge	(14)	(4,362)	-	(4,376)
Balance as at December 31, 2010	6,752	57,396	-	64,148
Depreciation expense	**1,813**	**19,900**	**-**	**21,713**
Capitalized depreciation	**32**	**2,551**	**-**	**2,583**
Currency translation adjustment	**99**	**20**	**-**	**119**
Depreciation relating to disposals	**(14)**	**(6,199)**	**-**	**(6,213)**
Write-offs and impairment charge	**(2)**	**(1,606)**	**-**	**(1,608)**
Balance as at December 31, 2011	**8,680**	**72,062**	**-**	**80,742**
Net book value:				
As at January 1, 2010	23,294	21,772	132,535	177,601
As at December 31, 2010	26,146	109,780	59,434	195,360
As at December 31, 2011	**25,594**	**122,059**	**115,880**	**263,533**

Of the total depreciation expense for the year ended December 31, 2011, $21.0 million (2010 - $17.3 million) was charged to cost of sales and $0.7 million (2010 - $0.8 million) was charged to general and administrative expenses in the consolidated statements of earnings.

The carrying value of equipment held under finance leases as at December 31, 2011 was $22.0 million (December 31, 2010 - $25.8 million; January 1, 2010 – 8.8 million). Additions during the year ended December 31, 2011 included $1.1 million (2010 - $20.7 million) of equipment under finance leases. Leased assets are pledged as security for the related finance lease obligations.

10. INTANGIBLE ASSETS

	December 31, 2011	December 31, 2010
Cost:		
Balance at beginning of year	**43,443**	7,866
Additions	**780**	980
Acquisition	**-**	35,125
Currency translation adjustment	**12**	-
Disposals	**(3)**	(349)
Write-offs and impairment charge	**(542)**	(179)
Balance at end of year	**43,690**	43,443
Accumulated amortization and impairment:		
Balance at beginning of year	**5,493**	3,254
Amortization	**3,624**	2,735
Capitalized depreciation	**67**	-
Currency translation adjustments	**331**	-
Amortization relating to disposals	**(3)**	(343)
Write-offs and impairment charge	**(46)**	(153)
Balance at end of year	**9,466**	5,493
Net book value:		
At beginning of year	**37,950**	4,612
At end of year	**34,224**	37,950

As at December 31, 2011, the Company had $29.5 million (December 31, 2010 - $32.7 million) intangible assets related to the LDC toll processing contract. This long-term contract was identified and initially valued at $35.1 million as part of the finalization of the purchase price allocation for the acquisition of NCS *(note 3)*. For the year ended December 31, 2011, the Company recorded a $3.2 million (2010 - $2.4 million) amortization expense on this intangible asset. The remaining useful life of this intangible asset is expected to be nine years from the reporting date.

Of the total amortization expense of intangible assets for the year ended December 31, 2011, $3.4 million (2010 - $2.7 million) was charged to cost of sales and $0.2 million (2010 - $0.03 million) was charged to general and administrative expenses in the consolidated statements of earnings.

11. OTHER LONG-TERM ASSETS

	December 31, 2011	December 31, 2010	January 1, 2010
Restricted cash *(a)*	**23,982**	21,967	6,317
Escrow deposit for environmental commitment *(b)*	**602**	1,402	2,941
Derivative commodity contracts *(6(c))*	**5,456**	-	-
Tax recoverable	**470**	410	2,448
Loans receivable	**-**	-	7,335
Other	**-**	797	335
	30,510	24,576	19,376

(a) Restricted cash consists of $15.0 million (December 31, 2010 - $15.0 million; January 1, 2010 - $nil) held as collateral in support of Chelopech's mine closure and rehabilitation performance bond obligations with the Bulgarian Government; $8.5 million (December 31, 2010 - $4.0 million; January 1, 2010 - $4.9 million) held as collateral against metal price derivative contracts *(note 6(c));* $0.5 million (December 31, 2010 - $0.6 million; January 1, 2010 - $nil) held as collateral against bank guarantees provided to Namibia Power Corporation (Pty) Ltd; $nil (December 31, 2010 - $1.4 million; January 1, 2010 - $1.4 million) held as collateral against bank guarantees provided to the Serbian government until September 2011; and $nil (December 31, 2010 - $1.0 million; January 1, 2010 - $nil) held as collateral against certain foreign exchange transactions.

(b) This commitment pertains to the deposit in an escrow account the Company provided for the Chelopech mine and facilities to fund future environmental risk management and remediation costs. As at December 31, 2011, there was a deposit of $0.6 million (December 31, 2010 - $2.9 million; January 1, 2010 - $2.9 million) for the environmental commitment, of which $0.6 million (December 31, 2010 - $1.4 million; January 1, 2010 - $2.9 million) was recorded in other long-term assets, with the current portion of $nil (December 31, 2010 - $1.5 million; January 1, 2010 - $nil) recorded in other current assets. Correspondingly, the Company recorded a liability for this environmental commitment in other long-term liabilities *(note 16)* and current portion of long-term liabilities, respectively, in the consolidated statements of financial position.

12. ASSETS HELD FOR SALE

As at December 31, 2010 and January 1, 2010, assets held for sale included $13.9 million and $15.8 million, respectively, relating to a refurbished oxygen plant that management reasonably believed it would sell in 2010/2011. In 2010, this oxygen plant was written down by $2.3 million to its estimated fair value less cost to sell, which continues to represent its current fair value as at December 31, 2011.

On April 15, 2010, the Bulgarian Supreme Administrative Court revoked the Ministry of Environment and Water's July 2008 Environmental Impact Assessment resolution for the construction of the Company's proposed Metals Processing Facility ("MPF") at Chelopech, Bulgaria. As a result, the MPF project was cancelled and certain equipment related to the project was reclassified to assets held for sale in 2010 as management reasonably believed it would sell these assets in 2011. As at December 31, 2010, assets held for sale included $11.8 million of these MPF related fixed assets.

A property impairment provision of $50.6 million was recorded in 2010 to write-down the carrying value of the MPF project to its estimated fair value. This impairment charge was net of a $3.4 million recovery related to excess royalties previously accrued that no longer apply as a result of the Bulgarian Court decision. In 2011, these assets were written down by an additional $0.1 million.

As at December 31, 2011, the oxygen plant and the MPF related assets were reclassified to property, plant and equipment as these assets could be used in connection with a potential capital project being developed to produce a pyrite concentrate at the Company's Chelopech mine.

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2011	December 31, 2010	January 1, 2010
Accounts payable	**18,209**	16,883	9,086
Accrued liabilities	**18,361**	15,747	8,174
Other payables	**1,736**	1,329	1,415
	38,306	33,959	18,675

14. LONG-TERM DEBT

	December 31, 2011	December 31, 2010	January 1, 2010
Current portion of debt			
Chelopech loan	**-**	-	4,041
Deno Gold loan	**-**	-	1,069
NCS loan	**1,571**	1,178	-
	1,571	1,178	5,110
Long-term portion of debt			
Chelopech loan	**79,780**	42,818	12,837
NCS loan	**1,965**	3,536	-
	81,745	46,354	12,837
Total long-term debt	**83,316**	47,532	17,947

(a) Loans

Chelopech Loans

On December 3, 2010, Chelopech finalized a $66.75 million long-term loan agreement with the European Bank for Reconstruction and Development ("EBRD") and UniCredit Bulbank ("UCB") to assist in the financing of its mine and mill expansion project and to refinance $16.25 million of EBRD indebtedness that was due to mature in June 2015. On May 10, 2011, Chelopech signed a $14.5 million long-term loan agreement with Raiffeisenbank (Bulgaria) EAD ("Raiffeisenbank"). The loan agreement with Raiffeisenbank concluded a total of $81.25 million in long-term debt financing (collectively "the Loans") for the Chelopech expansion. As at December 31, 2011, $81.25 million had been fully drawn under the facility.

The Loans, which are guaranteed by DPM and secured by a first ranking charge over the shares of Chelopech, are repayable in ten equal semi-annual instalments commencing June 2013 and bear interest at a rate of U.S. Dollar LIBOR plus 3.25% until completion of the Chelopech mine and mill expansion and at a rate of U.S. Dollar LIBOR plus 2.80% thereafter. The UCB and Raiffeisenbank loans are subject to a cash sweep which obligates Chelopech to prepay up to an aggregate amount of 30% of Chelopech surplus cash flow rateably to each lender. This mandatory prepayment is limited to the equivalent of two years of loan repayments applied in reverse order of maturity. The terms of the Loans require that Chelopech maintain: (i) minimum forecast debt service coverage ratio of greater than 1.25:1, (ii) current ratio of greater than 1.2:1, (iii) net worth of at least $45 million, and (iv) a non-financial covenant. In addition, DPM must maintain: (i) current ratio of greater than 1.5:1 and (ii) net worth of at least $200 million. As at December 31, 2011, Chelopech and DPM were in compliance with their respective debt covenants.

The Company is also required to maintain metal price protection on 15% of Chelopech's 2012, 2013 and 2014 projected copper production. To meet this requirement, the Company entered into a number of cash settled derivative commodity contracts in January 2011 *(note 6(c))*.

NCS Loan

(a) Finance leases

(i) NCS entered into a long-term lease agreement with Air Liquide Namibia (Pty) Ltd. for the supply of oxygen. The initial term of the lease is 15 years, payable on a monthly basis. The lease payments were discounted at a rate of 12.5%.

(ii) Starting in 2008, DPM entered into long-term lease agreements for the purchase of certain IT equipment payable in various instalments with various maturities and at various interest rates.

Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	Payments Due by Period			
	up to 1 year	**1 - 5 years**	**over 5 years**	**Total**
Minimum lease payments	4,982	12,349	21,640	**38,971**
Finance charges				**(17,782)**
Present value of minimum lease payments				**21,189**

17. SHARE BASED COMPENSATION PLANS

DSU plan

In 2004, DPM established a DSU Plan for directors and certain employees. The DSUs are phantom shares which mirror the value of DPM'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 are redeemable in cash on the date the employee ceases to be employed by DPM or a subsidiary thereof. Under the Director DSU Plan, effective January 1, 2005 and amended on March 24, 2010, directors may receive a portion of their annual compensation in the form of DSUs. The DSUs are redeemable in cash on the date the director ceases to be a director of DPM.

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

	Number of DSUs	**Amount**
Balance as at January 1, 2010	478,093	1,633
DSUs granted	82,069	350
DSUs redeemed	(12,000)	(45)
Mark-to-market adjustments	-	3,038
Foreign exchange	-	194
Balance as at December 31, 2010	548,162	5,170
DSUs granted	**31,632**	**260**
Mark-to-market adjustments	**-**	**(613)**
Foreign exchange	**-**	**(131)**
Balance as at December 31, 2011	**579,794**	**4,686**

Stock option plans

DPM stock option plan

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. In May 2010, the plan was amended to increase the aggregate number of shares from treasury from 6,500,000 shares to 10,000,000 shares. Options vest equally over a three year period and expire five years from the date of grant.

During the year ended December 31, 2011, the Company granted 1,982,000 (2010 – 2,046,914) stock options with a fair value of $7.6 million or Cdn$7.7 million (2010 – $3.6 million or Cdn$3.6 million). The estimated value of the options granted will be recognized as an expense in the consolidated statements of earnings and an addition to contributed surplus in the consolidated statements of changes in shareholders' equity over the vesting period. The Company recorded stock option expenses of $4.6 million (2010 – $2.0 million) for the year ended December 31, 2011 under the DPM stock option plan.

As at December 31, 2011, there was $4.6 million or Cdn$4.7 million (December 31, 2010 – $3.3 million or Cdn$3.3 million; January 1, 2010 – $1.6 million or Cdn$1.7 million) of share based compensation cost remaining to be charged to net earnings in future periods relating to stock option grants. The fair value of options granted was estimated using the Black-Scholes option pricing model. Expected volatility is estimated based on historic average share price volatility. The inputs used in the measurement of the fair values at the time the options were granted were the following:

	2011	2010
Five year risk free interest rate	**1.5% - 2.6%**	2.0% - 2.6%
Expected life in years	**4.75**	4.75
Expected volatility	**49.0% - 54.0%**	46.0% - 48.4%
Dividends per share	**-**	-

The following is a stock option continuity for the years indicated:

	Number of options	**Weighted average exercise price per share (Cdn$)**
Balance as at January 1, 2010	3,770,692	3.35
Options granted	2,046,914	4.13
Options exercised	(100,294)	1.43
Options forfeited	(155,536)	8.22
Options expired	(156,667)	8.88
Balance as at December 31, 2010	5,405,109	3.38
Options granted	**1,982,000**	**8.85**
Options exercised	**(554,343)**	**2.37**
Options forfeited	**(651,197)**	**5.49**
Options expired	**(210,000)**	**10.66**
Balance as at December 31, 2011	**5,971,569**	**4.80**

The following lists the options outstanding and exercisable as at December 31, 2011:

	Options outstanding			Options exercisable	
Range of exercise prices per share (Cdn$)	**Number of options outstanding**	**Weighted average remaining years**	**Weighted average exercise price per share (Cdn$)**	**Number of options exercisable**	**Weighted average exercise price per share (Cdn$)**
1.37 - 4.27	3,781,003	2.71	2.54	1,948,606	2.10
6.00 - 7.40	189,066	2.39	7.08	135,731	6.96
8.09 - 9.51	2,001,500	4.15	8.86	63,500	9.34
1.37 - 9.51	**5,971,569**	**3.18**	**4.80**	**2,147,837**	**2.62**

Avala stock option plan

Avala has established an incentive stock option plan for directors, officers, employees and consultants. The stock option expense in respect of this plan was $3.2 million (2010 - $0.7 million) for the year ended December 31, 2011.

As at December 31, 2011, an additional $2.8 million or Cdn$2.9 million (December 31, 2010 - $0.9 million or Cdn$0.9 million) is expected to be charged to earnings in future periods relating to these stock option grants. The fair value of options granted was estimated using the Black-Scholes option pricing model. Expected volatility is estimated based on historic average share price volatility. The inputs used in the measurement of the fair values at the time the options were granted were the following:

	2011	2010
Five year risk free interest rate	**1.3% - 2.8%**	2.0% - 2.3%
Expected life in years	**5.0**	5.0
Expected volatility	**120.5% - 135.3%**	85.0% - 100.5%
Dividends per share	**-**	-

Dunav stock option plan

Dunav has also established an incentive stock option plan for directors, officers, employees and consultants. The stock option expense in respect of this plan was $0.8 million (2010 - $nil) for the year ended December 31, 2011.

As at December 31, 2011, an additional $1.5 million or Cdn$1.5 million (December 31, 2010 - $nil) is expected to be charged to earnings in future periods relating to these stock option grants.

18. EXPENSES BY NATURE

The operating costs, including cost of sales, general and administrative expenses and exploration expenses, as reported in the consolidated statements of earnings, have been regrouped by the nature of the expenses as follows:

	2011	2010
Raw materials, consumables and spare parts	**80,984**	57,802
Staff costs	**59,037**	42,448
Service costs	**27,647**	20,835
Exploration	**18,514**	3,060
Maintenance	**11,593**	9,844
Royalties	**10,333**	6,494
Share based compensation expense	**8,293**	5,975
Depletion of mine properties *(note 8)*	**6,101**	5,897
Depreciation of property, plant and equipment *(note 9)*	**21,713**	18,130
Amortization of intangible assets *(note 10)*	**3,624**	2,735
Other costs	**14,086**	7,281
Total operating costs	**261,925**	180,501

19. FINANCE COST

	2011	2010
Interest on borrowings *(a)*	**452**	1,684
Finance charges under finance leases	**2,245**	1,835
Accretion expense related to rehabilitation provisions *(note 15)*	**2,754**	2,288
	5,451	5,807

(a) Interest on borrowings was net of the interest on long-term debt that had been capitalized to mine properties *(note 8)*.

20. OTHER INCOME

	2011	2010
Unrealized (losses) gains on Sabina special warrants *(note 6(a))*	**(22,771)**	49,732
Realized gains on available-for-sale investments *(note 6(b))*	**6,259**	890
Gains (losses) on derivative commodity contracts *(note 6(c))*	**35,871**	(199)
Net foreign exchange losses	**(2,187)**	(1,899)
Loss on settlement of metals exposure	**-**	(1,577)
Other	**(972)**	(971)
	16,200	45,976

21. INCOME TAXES

The major components of income tax expense (recovery) recognized in net earnings were as follows:

	2011	2010
Current income tax expense on earnings	**13,829**	362
Deferred income tax expense (recovery) related to:		
Origination and reversal of temporary differences	**2,647**	(9,888)
Income tax expense (recovery)	**16,476**	(9,526)

The reconciliation of the combined Canadian federal and provincial government statutory income tax rates to the effective tax rate was as follows:

	2011	2010
Combined Canadian federal and provincial statutory income tax rates *(a)*	**28.25%**	31.00%
Earnings before income taxes	**88,605**	10,433
Income tax expense at Canadian statutory rates	**25,031**	3,234
Adjusted for the effect of:		
Decrease in enacted future tax rates	**(556)**	(1,463)
Lower rates on foreign earnings	**(22,724)**	(1,438)
Unrecognized tax benefit relating to foreign and Canadian losses	**9,206**	5,686
Recognition of previously unrecognized tax losses	**-**	(6,808)
Non-taxable portion of capital (gains) and unrealized (gains) losses on special warrants	**2,327**	(7,846)
Gain on sale of interest in Dundee Moly Company d.o.o.	**4,320**	-
Other, net	**(1,128)**	(891)
Income tax expense (recovery)	**16,476**	(9,526)

(a) The Canadian government enacted a change in federal income tax rate from 19.0% to 16.5% effective January 1, 2011 and a change in the Ontario provincial income tax rate from 12% to 11.5% effective July 1, 2011, resulting in the change in the combined federal and provincial statutory income tax rates from 31.0% to 28.25% for 2011.

The income tax credited (charged) to other comprehensive income for the year ended December 31, 2011 was $4.7 million (2010 – $(6.7) million) relating to the deferred income tax on losses (gains) on available-for-sale investments.

The significant components of the Company's deferred income taxes as at December 31, 2011, December 31, 2010 and January 1, 2010 were as follows:

As at December 31, 2011, the Company had $0.4 million (December 31, 2010 – $3.0 million; January 1, 2010 – $0.8 million) deferred income tax assets and $5. doonpa .:fs:ÔXNÃS"₱ƒ12EÕfB,ÐØRHF1VFp8bžmnZap›A1tÙAkÔÐ

22. EARNINGS PER SHARE

	2011	2010
Net earnings attributable to common shareholders	**86,091**	22,932
Basic weighted average number of common shares outstanding	**125,116,438**	118,681,429
Effect of warrants	**12,578,414**	7,136,995
Effect of stock options	**2,678,399**	2,347,809
Diluted weighted average number of common shares	**140,373,251**	128,166,233
Basic earnings per share	**0.69**	0.20
Diluted earnings per share	**0.61**	0.19

23. KEY MANAGEMENT REMUNERATION

The Company's related parties include its key management. Key management includes directors (executive and non-executive), the Chief Executive Officer ("CEO") and the Executive and Senior Vice Presidents reporting directly to the CEO.

The remuneration of the key management of the Company, as defined above, for the years ended December 31, 2011 and 2010 was as follows:

	2011	2010
Salaries, management bonuses and director fees	**4,899**	4,230
Other benefits	**758**	63
Share based compensation *(a)*	**3,680**	1,703
Total remuneration	**9,337**	5,996

(a) The share based compensation is based on the fair value of the stock options and DSUs at the date of grant for the years ended December 31, 2011 and 2010 *(note 17).*

24. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Items not affecting cash and other adjustments:

	2011	2010
Depreciation and amortization	**31,438**	26,762
Net interest expense	**1,286**	1,852
Accretion expense related to rehabilitation provisions	**2,754**	2,288
Impairment loss on assets held for sale	**110**	56,311
Share based compensation expense	**8,293**	5,975
Unrealized losses (gains) on Sabina special warrants	**22,771**	(49,732)
Realized gains on available-for-sale investments	**(6,259)**	(890)
(Gains) losses on derivative commodity contracts	**(35,871)**	199
Unrealized loss on revaluation of debt	**-**	678
Loss on settlement of metals exposure	**-**	1,577
Other, net	**5,790**	2,053
Items not affecting cash and other adjustments	**30,312**	47,073

(b) Changes in non-cash working capital:

	2011	2010
Decrease in accounts receivable and other assets	**3,922**	186
Increase in inventories	**(4,293)**	(7,366)
Increase in accounts payable and accrued liabilities	**1,852**	4,446
(Decrease)/increase in income tax liabilities	**(921)**	5,863
Decrease in other liabilities	**(2,135)**	(4,373)
Changes in non-cash working capital	**(1,575)**	(1,244)

25. SUPPLEMENTARY SHAREHOLDERS' EQUITY INFORMATION

(a) Warrant issuances

During 2007, 2,760,000 warrants were issued at a fair value of $4.5 million (Cdn$4.8 million) as part of an equity financing. Each whole warrant entitles the holder to purchase one common share at a price of $14.75 (Cdn$15.00) until June 29, 2012.

During 2008, 20,444,500 warrants were issued at a fair value of $9.6 million (Cdn$11.9 million) as part of an equity financing. Each whole warrant entitles the holder to purchase one common share at a price of $3.20 (Cdn$3.25) until November 20, 2015.

A relative fair value calculation was used to present the carrying value of these warrants.

(b) Changes in accumulated other comprehensive income

	2011	2010
Unrealized gains on available-for-sale investments		
Balance at beginning of year	**80,051**	4,029
Unrealized (losses) gains on available-for-sale investments, net of income taxes	**(31,219)**	76,660
Realized gains on available-for-sale investments transferred to earnings, net of income taxes	**(5,998)**	(638)
Balance at end of year	**42,834**	80,051
Accumulated currency translation adjustments		
Balance at beginning of year	**507**	-
Currency translation adjustments	**(950)**	507
Balance at end of year	**(443)**	507
Accumulated other comprehensive income	**42,391**	80,558

26. COMMITMENTS AND OTHER CONTINGENCIES

(a) Contractual obligations

The Company had the following minimum future contractual obligations as at December 31, 2011:

	up to 1 year	1 - 5 years	over 5 years	Total
Long-term debt *(note 14)*	1,571	66,965	16,250	**84,786**
Finance lease obligations *(note 16)*	4,982	12,349	21,640	**38,971**
Capital commitments	20,225	125	-	**20,350**
Purchase obligations	9,336	11	-	**9,347**
Operating lease obligations	2,136	3,420	2,415	**7,971**
Other long-term obligations	431	1,503	9	**1,943**
Total contractual obligations	**38,681**	**84,373**	**40,314**	**163,368**

(b) Other

The Company is involved in legal proceedings, from time to time, arising in the ordinary course of its business. It is not expected that any material liability will arise from current legal proceedings or have a material adverse effect on the Company's future business, operations and financial condition.

27. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise accounts payable and long-term debt. The main purpose of these financial instruments is to assist with the management of the Company's short term and long term cash flow requirements. The Company has various financial assets such as cash and cash equivalents, accounts receivable and short-term investments, which arise directly from its operations.

The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are market risk (which includes commodity price risk, interest rate risk and foreign currency risk), liquidity risk and credit risk. Management reviews each of these risks and establishes policies for managing them as summarized below.

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and the impact on net earnings and shareholders' equity, where applicable. Financial instruments affected by market risk include cash and cash equivalents, accounts receivable, investments at fair value, derivative commodity contracts, long-term debt, accounts payable and accrued liabilities. The sensitivity has been prepared using financial assets and liabilities held as at the reporting dates. The derivative commodity contracts that the Company has entered into do not meet the IFRS criteria for hedge accounting and therefore, do not receive hedge accounting treatment, even though they serve as effective economic hedges.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees involved in risk management activities understand their roles and obligations.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commodity price risk, interest rate risk and foreign currency risk. The impact of each of these components is discussed below.

Commodity price risk

The Company is subject to price risk associated with fluctuations in the market prices for metals. The Company sells its products at prices that are effectively determined by reference to the traded prices on 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 and financial condition. The Company enters into derivative contracts from time to time to reduce the price exposure associated with the time lag between the provisional and final determination of copper concentrate sales and projected payable copper production.

The following table demonstrates the effect on 2011 and 2010 earnings before income taxes of a 5% change in commodity prices, with all other variables held constant. The impact on equity is the same as the impact on net earnings.

Effect of a 5% increase in metal prices on earnings before income taxes

	2011	2010
Gold	**8,729**	5,224
Copper	**4,329**	4,356
Zinc	**855**	673
Silver	**1,044**	462
Total increase on earnings before income taxes	**14,957**	10,715

The total effect of a 5% decrease in metal prices would be a decrease of $15.0 million (2010 – $10.7 million) on the Company's 2011 earnings before income taxes.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in the market interest rates relates primarily to the Company's cash and cash equivalents, short-term investments, loan receivable, floating rate denominated long-term debt and finance lease obligations, the majority of which have associated cash flows based on floating interest rates. For the year ended December 31, 2011, a 100 basis point increase or decrease in interest rates across the yield curve, with all other variables held constant, would increase or decrease earnings by $1.7 million (2010 - $0.6 million), excluding a $0.8 million (2010 - $nil) increase or decrease related to capitalized interest. The impact on equity is the same as the impact on net earnings.

Foreign currency risk

The Company's foreign currency exposures arise primarily from its sales being denominated principally in the U.S. dollar, the Company's functional currency, while a portion of its operating and capital costs are denominated in currencies other than the U.S. dollar. The Company periodically undertakes to purchase, in advance, a portion of its foreign denominated cash flow requirements on a spot or forward basis to reduce this exposure.

The following table demonstrates the effect on 2011 and 2010 earnings before income taxes of a 5% change in the key foreign exchange rates impacting the Company's operating results, with all other variables held constant. The impact on equity is the same as the impact on net earnings.

Effect of a 5% appreciation of the U.S. dollar on earnings before income taxes

	2011	2010
Canadian Dollar	**(4,857)**	(3,100)
Euro	**1,348**	761
Armenian Dram	**(47)**	(142)
Namibian Dollar	**918**	1,142
Total decrease on earnings before income taxes	**(2,638)**	(1,339)

The total effect of a 5% depreciation of the U.S. dollar would be an increase of $2.6 million (2010 – $1.3 million) on the Company's 2011 earnings before income taxes.

Credit risk

The exposure to credit risk arises through the potential failure of a customer or another third party to meet its contractual obligations to the Company. During 2011, the Company had contracts with three customers for the sale of its concentrate production. Approximately 81% (2010 - 80%) of the total concentrate sales for the year ended December 31, 2011 were to one customer.

Under the terms of the Company's concentrate sales contracts, the purchaser makes an initial advance payment equal to 85% to 90% of the provisional value of each lot at the time title transfers, with a further advance payment of 5% of the provisional value following presentation of sales documents to the purchaser or 30 days after arrival at the discharge port. This serves to mitigate a portion of the Company's credit risk.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, short-term investments, equity investments and derivative financial assets, the Company's maximum exposure is equal to the carrying amount of these instruments. The Company limits its counterparty credit risk on these assets by dealing with highly rated counterparties and issuers that are subject to minimum credit ratings.

Liquidity risk

The Company relies on the cash flows generated from its operations, retained cash balances, and its ability to raise debt and equity from the capital markets to fund its liquidity needs. The cyclical nature of the Company's businesses and the volatility of capital markets is such that conditions can change dramatically, affecting the Company's liquidity, cost of capital and its ability to access capital. To reduce these risks, the Company (i) prepares regular cash flow forecasts to monitor its capital requirements; (ii) maintains a prudent capital structure that is comprised primarily of equity financing and to a lesser degree long-term amortizing debt; and (iii) maintains surplus cash balances and short-term investments to avoid having to raise additional capital at times when the costs or terms would be regarded as unfavourable.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	As at December 31, 2011			
	up to 1 year	**1 - 5 years**	**over 5 years**	**Total**
Accounts payable and accrued liabilities	**38,306**	-	-	**38,306**
Long term debt	**1,571**	**66,965**	**16,250**	**84,786**
Finance lease obligations	**4,982**	**12,349**	**21,640**	**38,971**
Other long-term obligations	**431**	**1,503**	**9**	**1,943**
	45,290	**80,817**	**37,899**	**164,006**

	As at December 31, 2010			
	up to 1 year	1 - 5 years	over 5 years	Total
Accounts payable and accrued liabilities	33,959	-	-	33,959
Long term debt	1,178	30,086	17,700	48,964
Finance lease obligations	6,486	13,193	23,608	43,287
Other long-term obligations	96	167	10	273
	41,719	43,446	41,318	126,483

Capital management

The Company's objective for capital management is to: (i) maintain sufficient levels of liquidity to fund and support its exploration, development and operating activities; (ii) maintain a strong financial position to ensure it has ready access to debt and equity markets to supplement free cash flow being invested in its growth projects; and (iii) comply with all financial covenants set out in its debt agreements and guarantees. See note 14 for discussion on the Company's compliance with these requirements. The Company monitors its financial position and the potential impact of adverse market conditions 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. The Company's primary long-term funding strategy has been to raise Canadian public equity to supplement the free cash flow generated from its businesses. As a result, the portion of debt making up the Company's capital base is relatively low. Given the long term nature of the assets being funded and the U.S. dollar denominated revenue stream generated therefrom, the Company's general strategy around any debt financing is to raise long-term U.S. dollar denominated debt to supplement these equity financings.

Overall financial leverage is monitored on the basis of total debt as a percentage of total capital, defined as total debt (both current and long-term portion) divided by the sum of total equity and total debt, all as shown on the consolidated statements of financial position. As of December 31, 2011, the Company's debt as a percentage of total capital was 10% (December 31, 2010 – 7%; January 1, 2010 – 4%).

	As at January 1, 2010				
	Chelopech	Deno Gold	NCS	Corporate and Other	Total
Total current assets	39,098	30,183	-	64,554	133,835
Assets held for sale	15,788	-	-	-	15,788
Total non-current assets	209,091	79,908	-	95,397	384,396
Total assets	263,977	110,091	-	159,951	534,019
Total liabilities	61,628	8,997	-	11,425	82,050

The Company is domiciled in Canada. Revenues from external customers by geographic location for the years ended December 31, 2011 and 2010 were summarized below:

	Year ended December 31, 2011				
	Canada	**Europe**	**Armenia**	**Namibia**	**Total**
Revenue	**-**	**199,465**	**73,023**	**65,992**	**338,480**

	Year ended December 31, 2010				
	Canada	Europe	Armenia	Namibia	Total
Revenue	**-**	113,792	46,501	41,701	201,994

Assets by geographic location as at December 31, 2011, December 31, 2010 and January 1, 2010 were summarized below:

	As at December 31, 2011				
	Canada	**Europe**	**Armenia**	**Namibia**	**Total**
Total current assets	**108,853**	**114,850**	**36,130**	**10,810**	**270,643**
Total non-current assets	**117,982**	**333,241**	**100,207**	**105,868**	**657,298**
Total assets	**226,835**	**448,091**	**136,337**	**116,678**	**927,941**

	As at December 31, 2010				
	Canada	Europe	Armenia	Namibia	Total
Total current assets	79,866	57,972	34,861	9,294	181,993
Assets held for sale	-	26,119	-	-	26,119
Total non-current assets	187,194	242,892	91,258	87,775	609,119
Total assets	267,060	326,983	126,119	97,069	817,231

	As at January 1, 2010				
	Canada	Europe	Armenia	Namibia	Total
Total current assets	62,816	40,836	30,183	-	133,835
Assets held for sale	-	15,788	-	-	15,788
Total non-current assets	46,227	258,261	79,908	-	384,396
Total assets	109,043	314,885	110,091	-	534,019

29. IFRS FIRST-TIME ADOPTION

Transition to IFRS

As stated in *note 2.1*, these are the Company's first annual consolidated financial statements prepared in accordance with IFRS.

The accounting policies set out in *note 2.2* have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS consolidated statement of financial position as at January 1, 2010, the date of the Company's transition to IFRS. This note explains the principal adjustments made to the Company's Canadian GAAP consolidated statements of financial position as at January 1, 2010 and its previously published Canadian GAAP consolidated financial statements for the year ended December 31, 2010.

Exemptions applied

IFRS 1 sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to assets and liabilities recorded to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to the retrospective application of its opening statement of financial position dated January 1, 2010:

(i) Business combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3, *Business Combinations,* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and has applied IFRS 3 to business combinations that occurred on or after January 1, 2010.

(ii) Cumulative translation differences

IFRS 1 permits cumulative translation differences to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with IAS 21, *The effects of changes in foreign exchange rates*, from the date a subsidiary or equity method investee was formed or acquired. The Company elected to reset all cumulative translation differences to zero to opening retained earnings at its transition date.

(iii) Rehabilitation provisions

The Company has elected to apply the exemption from full retrospective application of rehabilitation provisions as allowed under IFRS 1. As such, the Company has re-measured the provisions as at January 1, 2010 under IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, and estimated the amount to be included in the cost of the related asset by discounting the liability to the date at which the liability first arose. The Company did this using its best estimates of the historical risk-adjusted discount rates, and recalculated the accumulated depreciation, depletion and amortization under IFRS up to the transition date.

(iv) Share-based compensation transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2, *Share-based Payment,* to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010, which have been accounted for in accordance with Canadian GAAP.

The Canadian GAAP consolidated statement of financial position as at January 1, 2010 has been reconciled to IFRS as follows:

	Note	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS
ASSETS					
Current Assets					
Cash and cash equivalents		30,769	-	-	30,769
Short-term investments		44,796			44,796
Inventories		30,600			30,600
Accounts receivable		27,407			27,407
Other current assets		263			263
		133,835	**-**	**-**	**133,835**
Assets Held for Sale		**15,788**			**15,788**
		149,623	**-**	**-**	**149,623**
Non-Current Assets					
Investments at fair value		34,403			34,403
Exploration and evaluation assets	*(a)*	-		87,129	87,129
Mine properties	*(a), (b), (d)*	152,673	(488)	(91,728)	60,457
Property, plant & equipment	*(b), (d)*	178,525	(911)	(13)	177,601
Intangible assets	*(b)*	-		4,612	4,612
Deferred income tax assets		818			818
Other long-term assets		19,376			19,376
		385,795	**(1,399)**	**-**	**384,396**
TOTAL ASSETS		**535,418**	**(1,399)**	**-**	**534,019**
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities		18,675	-	-	18,675
Income tax liabilities		3,676			3,676
Current portion of long-term debt		5,110			5,110
Current portion of long-term liabilities		3,158			3,158
		30,619	**-**	**-**	**30,619**
Non-Current Liabilities					
Long-term debt		12,837			12,837
Rehabilitation provisions	*(d)*	19,049	(1,299)		17,750
Share-based compensation		1,633			1,633
Deferred income tax liabilities	*(e)*	7,357	(27)		7,330
Other long-term liabilities		11,881			11,881
		52,757	**(1,326)**	**-**	**51,431**
TOTAL LIABILITIES		**83,376**	**(1,326)**	**-**	**82,050**
EQUITY					
Share capital	*(g)*	283,231	734		283,965
Warrants		14,117			14,117
Contributed surplus	*(c)*	10,624	531		11,155
Retained earnings	*(c) to (g)*	99,667	39,036		138,703
Accumulated other comprehensive income	*(f)*	44,403	(40,374)		4,029
TOTAL EQUITY		**452,042**	**(73)**	**-**	**451,969**
TOTAL LIABILITIES AND EQUITY		**535,418**	**(1,399)**	**-**	**534,019**

The Canadian GAAP consolidated statement of financial position at December 31, 2010 has been reconciled to IFRS as follows:

	Note	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS
ASSETS					
Current Assets					
Cash and cash equivalents		96,225	-	-	96,225
Short-term investments		13,155			13,155
Inventories		39,485			39,485
Accounts receivable		30,714			30,714
Other current assets		2,414			2,414
		181,993	**-**	**-**	**181,993**
Assets Held for Sale		**26,119**			**26,119**
		208,112	**-**	**-**	**208,112**
Non-Current Assets					
Investments at fair value		174,534			174,534
Exploration and evaluation assets	*(a)*	-		93,896	93,896
Mine properties	*(a), (b), (d)*	177,738	1,130	(99,026)	79,842
Property, plant & equipment	*(b), (d)*	192,701	2,749	(90)	195,360
Intangible assets	*(b)*	32,730		5,220	37,950
Deferred income tax assets		2,961			2,961
Other long-term assets		24,576			24,576
		605,240	**3,879**	**-**	**609,119**
TOTAL ASSETS		**813,352**	**3,879**	**-**	**817,231**
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities		33,959	-	-	33,959
Income tax liabilities		1,711			1,711
Current portion of long-term debt		1,178			1,178
Current portion of long-term liabilities		5,863			5,863
		42,711	**-**	**-**	**42,711**
Non-Current Liabilities					
Long-term debt		46,354			46,354
Rehabilitation provisions	*(d)*	30,330	4,411		34,741
Share-based compensation		5,170			5,170
Deferred income tax liabilities	*(e)*	10,364	(44)		10,320
Other long-term liabilities		21,417			21,417
		113,635	**4,367**	**-**	**118,002**
TOTAL LIABILITIES		**156,346**	**4,367**	**-**	**160,713**
EQUITY					
Share capital	*(g)*	370,727	734		371,461
Warrants		14,116			14,116
Contributed surplus	*(c)*	15,668	680		16,348
Retained earnings	*(c) to (g)*	123,163	38,472		161,635
Accumulated other comprehensive income	*(f)*	120,932	(40,374)		80,558
Equity attributable to equity holders of the Company		**644,606**	**(488)**	**-**	**644,118**
Non-controlling interest		12,400			12,400
TOTAL EQUITY		**657,006**	**(488)**	**-**	**656,518**
TOTAL LIABILITIES AND EQUITY		**813,352**	**3,879**	**-**	**817,231**

The Canadian GAAP consolidated statement of earnings for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Note	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS
Revenue	*(h)*	201,795	-	199	201,994
Cost of sales	*(d)*	152,636	434	(2,290)	150,780
Gross profit		**49,159**	**(434)**	**2,489**	**51,214**
General and administrative expenses	*(c)*	22,354	150		22,504
Exploration expenses		7,217			7,217
Finance cost	*(d)*	3,519	(2)	2,290	5,807
Impairment loss on assets held for sale		52,896			52,896
Interest income		(1,667)			(1,667)
Other income	*(h)*	(46,175)		199	(45,976)
Earnings before income taxes		**11,015**	**(582)**	**-**	**10,433**
Current income tax expense		362			362
Deferred income tax recovery	*(e)*	(9,870)	(18)		(9,888)
Net earnings		**20,523**	**(564)**	**-**	**19,959**
Net earnings (loss) attributable to:					
Common shareholders of the Company		23,496	(564)		22,932
Non-controlling interests		(2,973)			(2,973)
Net earnings		**20,523**	**(564)**		**19,959**
Earnings per share attributable to common shareholders of the Company					
- Basic		**0.20**			**0.20**
- Diluted		**0.19**			**0.19**

The Canadian GAAP consolidated statement of comprehensive income for the year ended December 31, 2010 has been reconciled to IFRS as follows:

	Canadian GAAP	IFRS Adjustments	IFRS Reclassifications	IFRS
Net earnings	**20,523**	**(564)**		**19,959**
Other comprehensive income (loss)				
Unrealized gains on available-for-sale investments, net of income taxes	76,660			76,660
Realized gains on available-for-sale investments transferred to earnings, net of income taxes	(638)			(638)
Currency translation adjustments	507			507
	76,529			**76,529**
Comprehensive income, net of income taxes	**97,052**	**(564)**		**96,488**
Comprehensive income attributable to:				
Common shareholders of the Company	99,474	(564)		98,910
Non-controlling interests	(2,422)			(2,422)
Comprehensive income, net of income taxes	**97,052**	**(564)**		**96,488**

The implementation of IFRS did not have a material impact on the operating, investing or financing cash flows previously reported under Canadian GAAP. Interest and income taxes paid have been separately disclosed on the body of the consolidated statements of cash flows, whereas they were previously disclosed as supplementary information under Canadian GAAP. There were no material differences in the consolidated statements of cash flows between Canadian GAAP and IFRS.

Transition adjustments from Canadian GAAP to IFRS

(a) Exploration and evaluation

Previously under Canadian GAAP, the Company's policy for exploration and evaluation expenditures was to capitalize and allocate exploration and evaluation expenditures that are likely to be economically recoverable to their respective mine properties. This policy is acceptable within the framework of IFRS and, consequently, no adjustments were made.

Under IFRS, these assets are presented separately as "exploration and evaluation assets" and as a result, have been reclassified on the consolidated statements of financial position from "mine properties" to "exploration and evaluation 20(e9an)4(d 48Ɔnc2 9.-6(on)4(0(i)-6j /TTa(al)- Tc -)7(ora00048052n)-7(20(e9an Tc ow)13(s

CORPORATE INFORMATION

Directors

Derek H.L. Buntain [4]
Cayman Islands, B.W.I.

R. Peter Gillin [2, 4]
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Ned Goodman
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Murray John [4]
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Peter Nixon [2, 3]
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Ronald Singer [1, 3]
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William G. Wilson [2]
Vancouver, British Columbia, Canada

Donald Young [1, 3]
Vancouver, British Columbia, Canada

[1] Audit Committee
[2] Compensation Committee
[3] Corporate Governance & Nominating Committee
[4] Health, Safety & Environment Committee

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Officers

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Chairman

Jonathan Goodman
President and Chief Executive Officer

Adrian Goldstone
Executive Vice President, Sustainable Business Development

Richard Howes
Executive Vice President and Chief Operating Officer

Hume Kyle
Executive Vice President and Chief Financial Officer

Lori E. Beak
Senior Vice President, Investor and Regulatory Affairs, and Corporate Secretary

Michael Dorfman
Senior Vice President, Corporate Development

Paul Proulx
Senior Vice President, Corporate Services

Jeremy Cooper
Vice President, Commercial Affairs

Michael Frilegh
Vice President and Treasurer

Iliya Garkov
Vice President and General Manager, Deno Gold Mining Company CJSC

Nikolay Hristov
Vice President and General Manager Chelopech Mining EAD

Simon Meik
Vice President, Processing

Reuben Mills
Vice President, Safety and Asset Risk Management

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Stock Listings & Symbols

The Toronto Stock Exchange

DPM – Common Shares
DPM.WT – 2012 Warrants
DPM.WT.A – 2015 Warrants

Copies of the Company's Quarterly and Annual Reports are available on written request from our registrar:

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