



DUNDEE

PRECIOUS METALS INC.



ANNUAL REPORT

2007

**MOVING FORWARD
DELIVERING RESULTS**



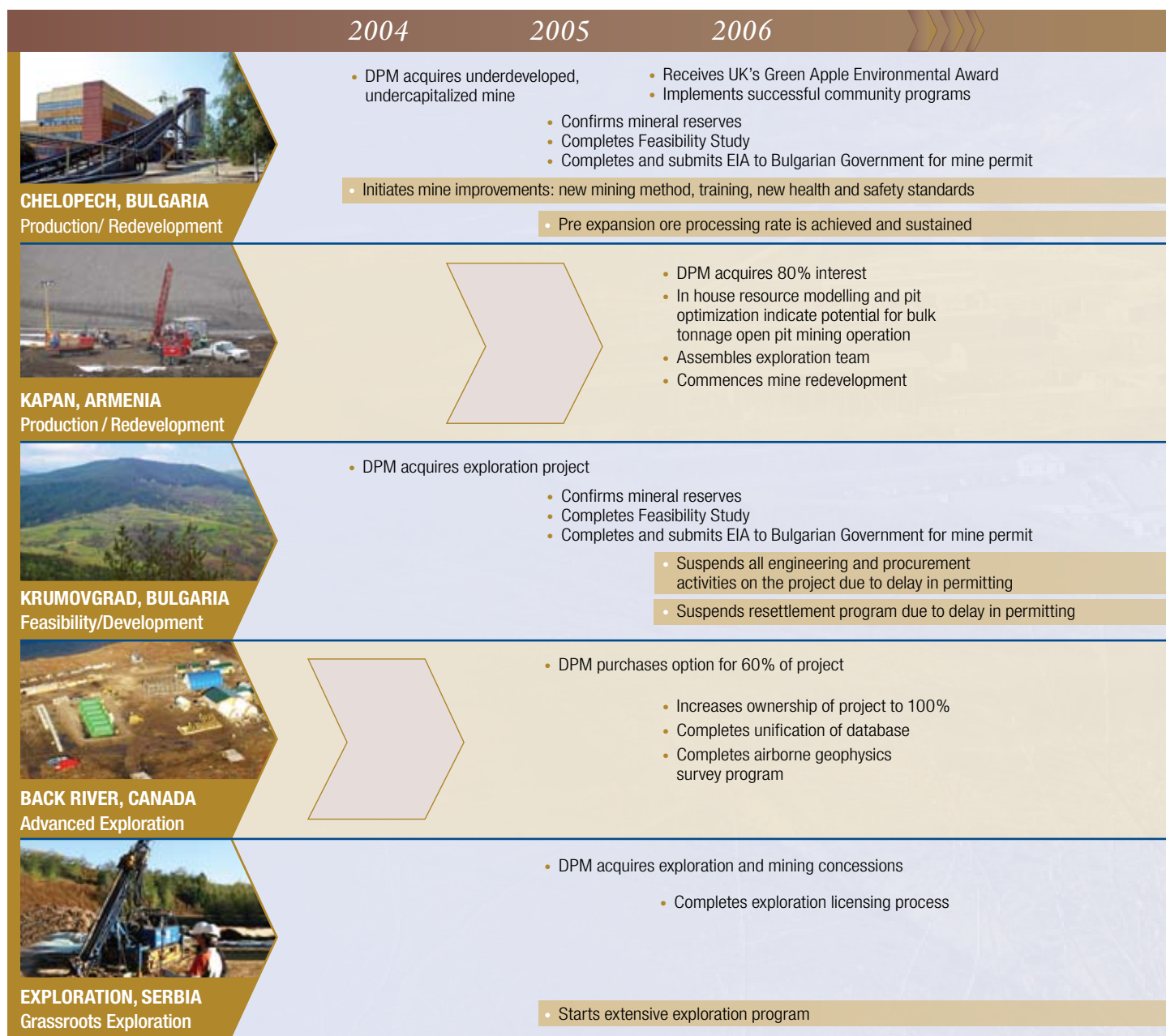
CORPORATE PROFILE

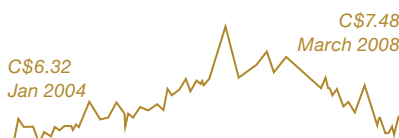
Dundee Precious Metals Inc. is a Canadian based, international mining company engaged in the acquisition, exploration, development and mining of precious metal properties. Its common shares and share purchase warrants (symbol: DPM; DPM.WT) are traded on the Toronto Stock Exchange (TSX).

DPM owns the Chelopech Mine, a gold/copper concentrate producer and the Krumovgrad gold project, a mining

development project, both located in Bulgaria, and 95% of the Kapan Mine, a gold / copper / zinc concentrate producer in southern Armenia. In addition, DPM holds significant exploration and exploitation concessions in some of the larger gold-copper-silver mining regions in Serbia and owns the Back River gold exploration project in Nunavut, Canada.

Four Years in The Life of a Mining Company





Mineral Resources

NI 43-101 Compliant	Gold Ounces (‘000)	Silver Ounces (‘000)	Copper Tonnes (‘000)	Zinc Tonnes (‘000)
Measured & Indicated	5,548	8,764	389	-
Inferred	1,636	1,889	47	-
Historical Resources (Non NI 43-101 compliant)	997	19,933	98	310

2007

- Completes first phase backfill plant
- Commissions mine decline
- Develops comprehensive 3D model of Chelopech region to 2km vertical depth
- Establishes first custom-built exploration drives

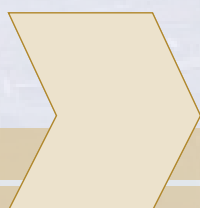
2008

- Bulgarian Government and DPM announce agreement-in-principle for Expansion and Autoclave permit

- Purchases 6 drill rigs
- Aggregate 350km² exploration license granted
- Initiates cooperation and training programs with local and international NGO's
- Increases interest to 95%
- Establishes full service analytical laboratory

- Initial results support potential for a large scale, bulk mineable open pit
- Initial diamond drilling return wide polymetallic intercepts, providing initial support of the concept

- Undertakes exploration program to confirm scale of deposit



- DPM and the Bulgarian government commence negotiations with a view to implementing the Krumovgrad gold project, including initiating the next stage in the EIA approval process

- Resource update increased 19% in situ oz.
- Completes soil sampling
- Cdn\$18 million funded by flow through shares

- Starts new resource calculation
- Starts 10,000m diamond drilling program
- Advance metallurgical sampling and testwork
- Airborne geophysical survey over Wishbone claims
- Soil and geophysical data targeting and follow-up

- Initiates scoping study

- Confirms high sulphidation Au and Porphyry Cu-Au mineralization at Timok
- Establishes sample preparation laboratory run independently by SGS
- Confirms major zone of porphyry Mo-Re mineralization at Surdulica
- Continues major ground acquisition program

- Assay results confirm existence of major limestone hosted gold mineralized province
- Initiates scoping study and resource estimation on Surdulica porphyry Mo-Re project

2008 Goals

- Obtain permits and start construction of the Chelopech expansion project
- Reach agreement with the Bulgarian Government to commence the Krumovgrad gold project
- Continue drilling in Armenia to establish open pit mining potential
- Complete initial resource and scoping study at Surdulica Molybdenum project
- Advance Serbian exploration efforts
- Complete infill drill program at Back River and finalize the metallurgy and scoping study

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OUR MESSAGE TO SHAREHOLDERS

From the Chairman



To Our Shareholders,

In 2007, our employees worked hard to resolve the impasse between the Bulgarian Government and the Company. This effort culminated with the positive understanding reached with the Government in March 2008.

The Company is fortunate to have such enthusiastic and competent women and men looking after your interest. Their dedication is commendable.

During the year, we made considerable progress on our portfolio of mineral properties in Serbia, Armenia and Canada.

During 2007, our share price suffered due to the delays in Bulgaria. After reaching the understanding with the Bulgarian Government in March 2008 the share price has begun to act positively.

Mr. Michael Cooper and Mr. Colin Benner resigned from your Board to pursue other interests. We thank them for their contribution. We are pleased that Mr. Jeremy Kinsman, former Canadian Ambassador to the European Union, joined the Board. Mr. Kinsman's experience in Europe and Asia will be invaluable.

In 2008, we will move swiftly to expand the Chelopech mine and to construct the metallurgical facilities to treat the Chelopech concentrate, always maintaining the highest environmental and ethical standards.

We will aggressively advance our exciting discoveries in Serbia and in Armenia.

William G. Wilson
Chairman

March 20, 2008

From the President and Chief Executive Officer

Friedrich Nietzsche said "That which does not kill us makes us stronger". I am pleased to report that, after more than two years of discussion with Bulgarian government officials, we have reached an agreement-in-principle on the Chelopech gold, copper mine expansion and processing development and, as a Company and management team, are much stronger for it.

We are also presently working to reach an agreement on the Krumovgrad gold project development. Government legislated splits of mining profits between companies and governments are issues affecting the mining industry all over the world. Our arrangement at Chelopech, which includes a sliding scale royalty, is one that works for us. In a robust commodities market, the new structure will provide significant profit for Bulgaria and for us. Conversely, when the commodity markets are weak, we are protected by lower royalties. We are better off as a Company with a higher royalty regime and government support than low royalties and a government that feels the arrangement is not in the best interests of the State.

We are also pleased with the progress that has been made at the Chelopech mine and processing facilities. Based on recent external risk reports, the Chelopech safety record now exceeds average North American standards. In addition, we have improved metal recovery rates by between three and five percent and replaced all of the ore resources that have been mined. We are looking forward to the start of the mine expansion project which will continue the process of improvements that has been ongoing since the end of 2003. As part of this project, we will be building a metals production facility in a 75% / 25% partnership with the government of Bulgaria. Once final permitting is complete, we will undertake an exploration program at Chelopech to look at the possibility of expanding mine production to three million tonnes of ore per year.

At the Deno Gold operation in Armenia, we are drilling off the open pit potential identified during our due diligence on the property. The mine is made up of a series of vein structures of which only a few are being mined underground. Surface diamond drilling of the deposit commenced in the fourth quarter of 2007. While we are still in the early stages, preliminary drill results are very encouraging.

Drilling in Serbia has continued to outline great targets. We have had ore grade intercepts in porphyry copper and gold deposits, high sulphidation systems like Chelopech and "Carlin" style gold mineralization. Serbia continues to have a vast range of

promising exploration opportunities. This year we will continue to focus our exploration efforts on defining economic deposits. At our Surdulica project, we have outlined a major system of molybdenum and rhenium mineralization. This project has the potential to be one of the largest in the world, in a country that has a ten-year tax-free holiday, excellent infrastructure, a tradition of mining and a free trade agreement with both the European Union and Russia.

Our Back River project in Nunavut, northern Canada continues to move forward. Fully funded through 2008 with flow-through common shares, this project has unique characteristics that demonstrate the potential to become a very significant asset. This year's program will consist of infill drilling and definition drilling to improve the quality of the resource. We will be testing the metallurgy of the resource, which could have some very exciting economic implications for the project.

As we look forward in 2008, our expectations are to advance the Chelapech mine expansion and construction of the new metals processing facility, continue to prove up the open pit potential at Deno Gold and improve the reserve and resource profile of our greenfield exploration properties – all value enhancing activities. We will also look at strategic opportunities to take on partners in some of our more advanced, capital intensive projects.

We would like to thank Bruce Burton, former Chief Financial Officer of the Company, who retired in December 2007 and assisted with a smooth transition through the end of January. Bruce was part of our original management team and we are grateful for his efforts. At the same time, we welcome Stephanie Anderson, as our new Chief Financial Officer. Stephanie comes to us with over 20 years varied experience in the mining industry. Prior to joining DPM, she held the position of Vice President and Treasurer at Inco Limited.

It has been almost four years since we converted from an investment company to an operating company. While the path towards success has had many challenges, all of our projects are exhibiting the potential that we believed they had and are heading in the right direction. Our management team is fully dedicated to delivering results. In my opinion, our stock price does not reflect its true value but as long as we persevere, we expect, in time, our shareholders will be rewarded.



Jonathan Goodman
President and Chief Executive Officer

March 20, 2008

Jonathan Goodman
President and
Chief Executive
Officer



Stephanie Anderson
Executive Vice President
and Chief Financial
Officer



Julian Barnes
Executive
Vice President

Lori E. Beak
Vice President and
Corporate Secretary



Sean M. Hasson
Vice President,
Exploration

Adrian Goldstone
Vice President,
Environment and
Sustainable
Development



Laurence D. Marsland
Executive Vice President
and Chief Operating Officer

Paul Proulx
Vice President
Human Resources



Gabriella M. Sanchez
Vice President
Investor Relations

James Small
Vice President
Government Affairs





CHELOPECH MINING EAD (CHELOPECH MINE), Bulgaria



Underground shop, preparing for regular maintenance

Working Towards a World Class Mine

Located 75 kilometers east of Sofia, DPM's flagship underground gold, copper mine produced 65,060 tonnes of concentrate in 2007, containing 75,075 ounces of gold and 23.6 million pounds of copper. For the third year in a row, the mine has maintained its target pre-expansion production rate of greater than 900,000 tonnes of ore per year.

DPM intends to double mine and processing production capacity to 2.0 million tonnes per year and to construct a downstream metals production facility to process the concentrate to gold doré and LME grade copper cathode (the "Expansion"). The process will be enhanced to convert the arsenic present in the concentrate into an environmentally stable form suitable for safe disposal. As at December 31, 2007, the Company had invested approximately US\$81 million on the Expansion project, principally engineering, procurement and construction management costs related to the pressure oxidation plant,

mine upgrades, Nadejda mine access decline, acquisition and refurbishment of an oxygen plant and the first phase of the mine cemented back-fill plant. Work completed to date ensures the Company is well positioned in the way of procurement for long lead items. The Company is currently preparing to update its original 2005 project feasibility study for the Expansion project.

On March 10, 2008, the Company announced that the Bulgarian Government and the Company had entered into an agreement-in-principle concerning the proposed Expansion of the Chelopech copper-gold mine. Under the new terms, DPM will pay a royalty on the value of the copper, gold and silver mined at Chelopech based on a sliding scale of between 2% and 8% at a profitability ratio of between 10% and 60%. The Bulgarian Government and DPM also agreed-in-principle to enter into a public private partnership for the metals processing facility to be built at the Chelopech mine site, of which Bulgaria's Silver Fund will own 25%. In addition, DPM will provide a full environmental reclamation bond covering the Chelopech mine, one of the first of its kind in Europe.

It is currently expected that the new processing facility will take approximately 18 months to complete, from receipt of all permits. Once complete, the new processing facility is expected to add 150 new direct and indirect jobs to the Bulgarian economy. The project's Environmental Impact Assessment ("EIA") was submitted to the Minister of Environment and Waters in November 2005. Applications for the balance of permits required to commence construction and operation of the expanded facility are currently being finalized.

Current Measured and Indicated Resources at the Chelopech mine are estimated to contain 3.5 million ounces of gold,

Mineral Resources (NI 43-101 Compliant)

Metal	Measured & Indicated			Inferred		
	Tonnes (million)	Grade (g/t)	Ounces (‘000)	Tonnes (million)	Grade (g/t)	Ounces (‘000)
Gold	24.88	4.4	3,520	3.9	3.7	464
Silver	24.88	10	8,324	3.9	15	1,881
	Tonnes (million)	Grade (%)	Tonnes (‘000)	Tonnes (million)	Grade (%)	Tonnes (‘000)
Copper	24.88	1.6	389	3.9	1.2	47

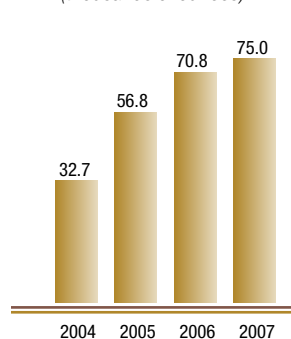
Chelopech mineral resources based on cut-off grade of 4 grams per tonne gold equivalent



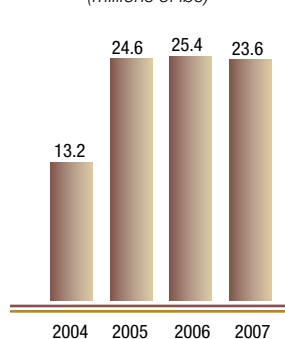
Installing frames for ore pass tipping structure

8.3 million ounces of silver and 389,000 tonnes of copper. The Company will finalize an updated resource and reserve estimate upon completion of a cut-off grade study, expected sometime in the third quarter of 2008. Exploration has identified multiple mineralized targets above and adjacent to existing working areas including some high grade zones. The deposit also remains open at depth which will be tested in due course.

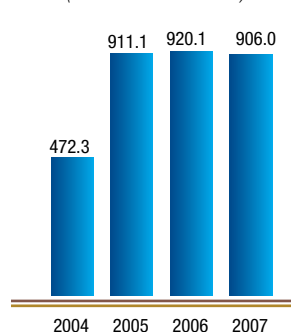
Gold Production
(thousands of ounces)



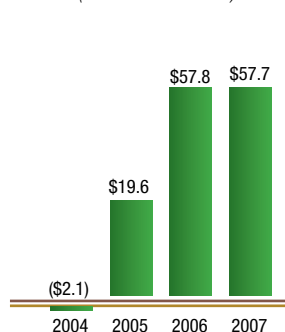
Copper Production
(millions of lbs)



Ore Mined
(thousands of tonnes)



EBITDA
(millions of dollars)



Production, Costs, Deliveries and Net Revenue

(in thousands of US\$ except as otherwise stated)

Ended December 31,	Twelve Months	
	2007	2006
Ore mined (mt)	906,070	920,150
Ore processed (mt)	913,440	952,753
Head grade (ore milled)		
Copper (%)	1.35	1.41
Gold (g/mt)	3.92	3.99
Concentrate produced (mt)	65,060	70,108
Metals contained in concentrate produced		
Copper (lbs)	23,620,146	25,361,802
Copper (% recovered)	87.1	85.3
Gold (ounces)	75,075	70,781
Gold (% recovered)	65.2	58.0
Cash cost per tonne of ore processed (US\$) ^{(1), (3)}	\$ 46.84	\$ 39.48
Cash cost per pound of Copper in Concentrate Produced (US\$) ^{(1), (2), (3)}	\$ 1.03	\$ 0.92
Cash cost per ounce of Gold in Concentrate Produced (US\$) ^{(1), (2), (3)}	\$ 227	\$ 182
Gross value of metals sold (US\$000)	\$ 118,664	\$ 101,492
Net Revenue		
US\$000 ⁽⁴⁾	\$ 98,872	\$ 93,476
Cdn\$000 ⁽⁴⁾	\$ 106,461	\$ 106,233
Deliveries		
Concentrate (dmt)	66,712	64,939
Copper in Concentrate (lbs)	22,739,659	22,673,114
Gold in Concentrate (ounces)	66,158	58,569

(1) Costs are reported in U.S. dollars for the purpose of comparing costs to revenues, though the majority of costs incurred are denominated in non-U.S. dollars. Cash costs consist of all production related expenses including mining, processing, services, royalties and general and administrative costs. The year 2006 cash cost measures have been recalculated to be in line with the revised definition.

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

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

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



Drilling at Kapan is underway

Redevelopment Project with Significant Historical Resources

The Kapan Mine is located in southeastern Armenia, approximately 320 kilometers south of the capital city of Yerevan. In 2007, DPM purchased an additional 15% in Deno Gold to hold a 95% interest in the company. The Kapan Mine is made up of two underground deposits, the Centralni copper-gold deposit (which historically produced more than 30 million tonnes of approximately 1.5% copper ore) and the Shahumyan copper, gold, silver, zinc, lead deposit. Deno Gold produces two concentrates, a copper, gold concentrate and a zinc concentrate. In 2007, the facility produced 8,326 tonnes of concentrate containing 9,312 ounces of gold, 1.7 million pounds of copper and 5.7 million pounds of zinc.

The focus at Deno Gold has been and continues to be on environment, health, safety and operational sustainability. Plans

and specific measures for addressing key risks have been identified and are being implemented, including high priority items such as training, procedures and controls. In addition, approximately US\$18.5 million has been budgeted in 2008 for resource definition drilling and related activities adjacent to the existing mine workings. The intent of this program is to confirm the scale of the deposit, enable NI 43-101 compliant resources to be estimated and to assist in the identification of potential mine/plant expansion opportunities. To assist in this effort, a new onsite laboratory, independently managed by SGS SA, is in the initial phase of commissioning and is expected to be fully operational by May 2008. Three of the six drill rigs purchased by DPM are actively drilling off the deposit. The remaining rigs are expected to be operating in first half of 2008.



First three LM-5 sample pulverizers + sample crusher at work



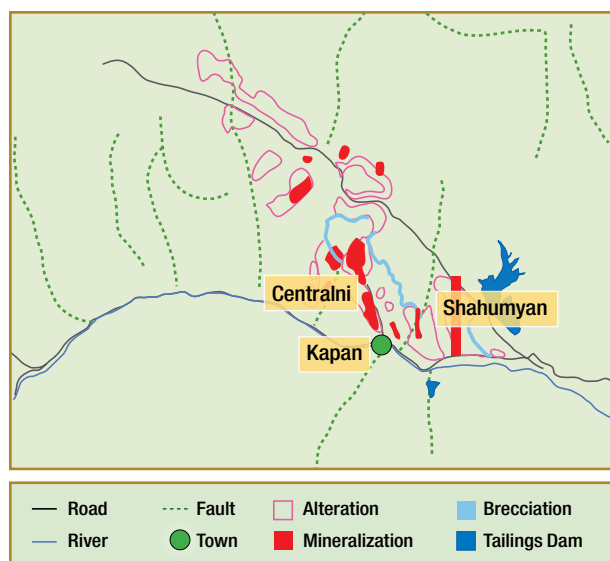
Kapan location map

In February 2008, DPM announced that in-house modeling and pit optimization studies on the historic (non NI 43-101 compliant) diamond drill and underground sampling database for the Shahumyan deposit, suggest potential for a large

scale, bulk mineable open pit. In addition, diamond drill results from the first two holes in the “Vein 5” area have returned wide zones of polymetallic mineralization, providing initial support of the concept.

Historical Resources (Non NI 43-101 Compliant)

	Tonnes (million)	Gold		Silver		Copper		Zinc	
		Grade (g/t)	Ounces (‘000)	Grade (g/t)	Ounces (‘000)	Grade (%)	Tonnes (‘000)	Grade (%)	Tonnes (‘000)
Shahumyan	12.40	2.5	997	50	19,933	0.56	69	2.50	310
Centralni	2.90	-	-	-	-	0.99	29	-	-



Mines Locations and Geology

Both deposits remain open at depth

Shahumyan Assessment

In house studies on a large historic database (non NI 43-101 compliant) assessed large scale (mega pit) and initial small scale mining (starter pits). These studies indicated that the current “resource” is conservative. As part of DPM exploration protocol, independent metallurgical studies were completed in Canada and confirmed high recoveries.

Centralni Assessment

This deposit was assessed post acquisition through the compilation of historic underground sampling data.

Historical records indicate production of over 30 million tonnes at 1.5% copper by underground and open pit. In house studies (non NI 43-101 compliant) suggest potential for open pit on remaining mineralization.

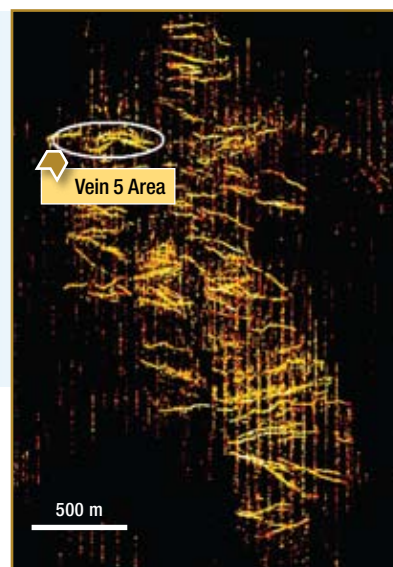
Proof of concept drilling is planned to start April 2008.

Vein Array System Extending to Surface

Vein 5 area drill results support the concept of bulk mineable mineralization with wide polymetallic intercepts returned in the first two assayed holes spaced 100m along strike, including:

- SHDDR0001: 65m @ 2.2g/t AuEq (0.5g/t Au 30 g/t Ag 0.1% Cu 0.8% Zn)
- SHDDR0001:17m @ 0.9 g/t AuEq (0.2g/t Au 8g/t Ag 0.1% Cu 0.4% Zn)
- SHDDR0008:89m @ 4.1g/t AuEq (1.4g/t Au 66g/t Ag 0.1% Cu 1.1%Zn)
- SHDDR0008:14m @ 1.0g/t AuEq (0.2g/t Au 13g/t Ag 0.1%Cu 1.0%Zn)

Note: In situ gold equivalent (AuEq) grade based on the following metal prices:
Au: US\$750/oz, Ag: US\$15/oz, Cu: US\$2.30/lb, Zn: US\$1.10/lb, Pb: US\$1.10/lb





BALKAN MINERAL AND MINING (KRUMOVGRAD DEPOSIT), Bulgaria



Overview of the Krumovgrad area

Shallow, High Grade Gold Deposit

The Krumovgrad gold property is a feasibility stage project located in southeast Bulgaria. Based on a definitive feasibility study completed in 2005, the construction of an open pit mining and processing facility to produce 150,000 ounces per year of gold in the first four years of operation has been proposed. The project is awaiting regulatory approval for construction and operation. DPM filed an EIA with the Minister of Environment and Waters in April 2005, incorporating best available practices, designed to meet or exceed Bulgarian and European Union guidelines.

In response to a delay in receipt of permits from the Bulgarian Government, all engineering and procurement activities on the project were suspended in May of 2006.

On March 10, 2008, DPM announced that the Company and the Bulgarian Government had commenced discussions with respect to the advancement of the Krumovgrad gold project, including initiating the next step in its EIA approval process. An update of the year 2005 feasibility study will be prepared upon confirmation of the permitting process going forward.

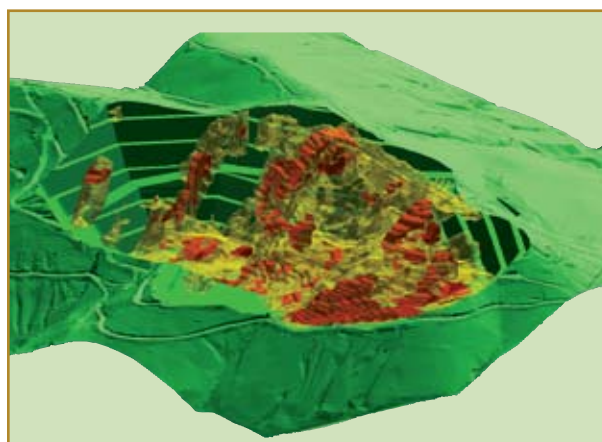
Mineral Resources (NI 43-101 Compliant)

Metal	Measured & Indicated			Inferred		
	Tonnes (million)	Grade (g/t)	Ounces ('000)	Tonnes (million)	Grade (g/t)	Ounces ('000)
Gold	5.22	5.0	835	0.21	1.6	11
Silver	5.22	3	440	0.21	1	8

Krumovgrad mineral resources based on cut-off grade of 1 gram per tonne gold.



Once the permits are granted, DPM intends to restart exploration work



Pit design 1g/t (yellow) and 5g/t (red) grade shells



DUNDEE PRECIOUS METALS (BACK RIVER PROJECT), Canada



Exploration crew unloading supplies

Advanced Exploration

The Back River gold project in Nunavut, Canada is located 520 kilometers northeast of Yellowknife, Northwest Territories. The project covers a total of 45 Crown mining leases and 121 mineral claims, covering approximately 145,000 hectares of land. Gold mineralized zones within the region are characterized by deformed, sulphide-enriched iron formation containing quartz veins.



Cutting core at Goose Lake

In 2007, an independent NI 43-101 compliant resource estimate was completed, defining in excess of 3.4 million tonnes of Indicated and 3.5 million tonnes of Inferred Resources and grading approximately 10 grams per tonne gold (cut-off grade 5 grams per tonne). To

date, DPM has received all outstanding assay results from both the diamond drilling and soil geochemistry sampling programs carried out on the project during 2007. The assay results are currently being reviewed by the project geological team and will be integrated into a target ranking process. The 2008 exploration program will include 10,000 meters of diamond

drilling, including infill drilling with the intention of converting the currently defined Inferred Resource to a higher level of resource confidence.

DPM is presently conducting an in-house scoping level study on the project to assist in its future planning. Core samples, representative of the mineralized zones, will be collected for additional metallurgical test work in support of the internal scoping level study.



Aerial view of the Goose Lake camp

Mineral Resources (NI 43-101 Compliant)

Metal	Indicated			Inferred		
	Tonnes (million)	Grade (g/t)	Ounces ('000)	Tonnes (million)	Grade (g/t)	Ounces ('000)
Gold						
George Lake	1.84	10.0	590	2.56	10.5	866
Goose Lake	1.58	11.9	603	0.99	9.2	295

Back River mineral resources based on cut-off grade of 5 grams per tonne gold



DUNDEE PLEMENITI METALI (EXPLORATION), Serbia



View of exploration concessions area



Location Map

Host to World Class Mineralized Belts

DPM has been actively exploring in Serbia since 2004 and is the largest concession holder in the country with 901 square kilometers held under exploration and concession licenses and an additional 1,000 square kilometers under application. Exploration targets within the licenses include porphyry copper-gold and molybdenum deposits, skarn-hosted base metal deposits and sediment-hosted and high sulphidation epithermal gold mineralization.

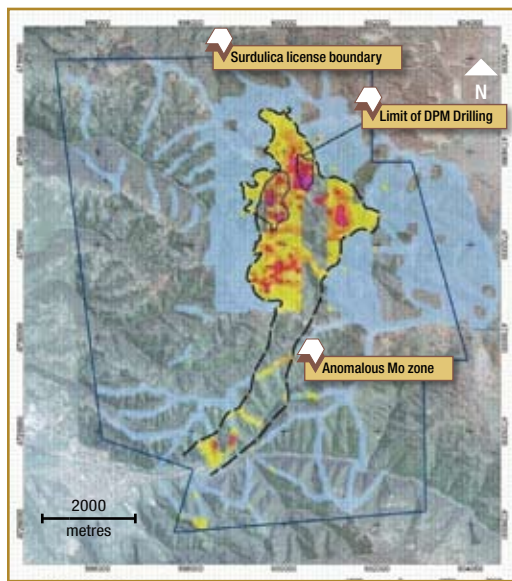
By the end of 2007, a total of 63,177 meters of diamond drilling had been completed on the properties. DPM currently has up to 12 drill rigs in operation at any one time, testing targets. Diamond and reverse circulation drilling on the Surdulica license has defined a major zone of molybdenum-rhenium mineralization. In addition, recent assay results from the Timok concession and exploration licenses have been significant, confirming the presence of major limestone hosted gold mineralization along the boundary of the Timok Magmatic Complex. Prospect scale mapping and substantial trenching and drilling were carried out on the Coka Kuruga, Tilva Njgra, Coka Kupiatra and Jasikova licenses (see diagram). Trenching and drilling at Bozuluj in the Tilva Njgra Concession intersected significant limestone hosted gold mineralization. Trenching and drilling at the Valja Strz and Coka Kuruga prospects in the Coka Kuruga Concession intersected significant porphyry copper-gold and high sulphidation gold mineralization, respectively.

Surdulica Molybdenum-Rhenium Project

The eight kilometer long by three kilometer wide zone of anomalous molybdenum-rhenium mineralization at Surdulica includes the Mackatica and Borovik prospects. Geological mapping and geophysical surveying suggest these two prospects are contiguous and form part of a larger mineralized system that remains open in all directions. A scoping study, including an initial NI 43-101 compliant resource estimate, to define the parameters for a pre-feasibility study is currently underway and expected to be completed in the second quarter of 2008. The project area location has excellent logistics with close access to power, railways and highways.



Active exploration program underway



Surdulica Main Intercepts

- Results from diamond drilling, reverse circulation drilling and trench sampling have confirmed both the extent and tenor of the Mackatica and Borovik Prospects.
- Outstanding individual intercepts (which form part of multiple intersections within individual drill holes) include the following (using a 300ppm Mo cut off, 2m minimum interval and 2m maximum contiguous interval waste):

Note 1,000 ppm Mo = 0.1% Mo

Mackatica

MCDD003	150m at 732ppm Mo from 55m
MCDD006	123m at 510ppm Mo from 112m
MCDD022	160m at 738ppm Mo from 89m
MCRC006	187m at 611ppm Mo from 62m
MCRC014	97m at 655ppm Mo from 146m

Borovik

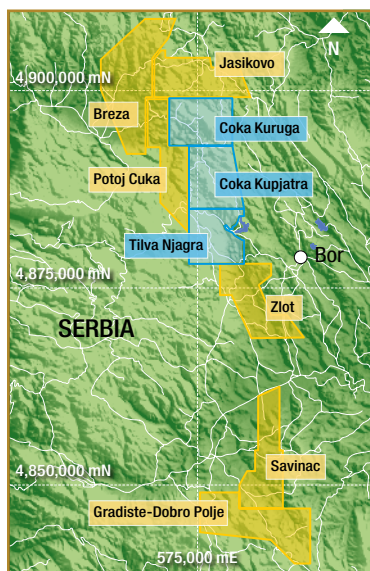
BVDD004	44m at 816ppm Mo from 136m
BVDD005	66m at 610ppm Mo from 54m
BVDT002	81.6m at 552ppm Mo from 117.4m
BVRC001	63m at 729ppm Mo from 44m
BVRC005	135m at 582ppm Mo from 0m

Only 8% of the anomalous molybdenum footprint has been drill tested

Timok: Limestone Hosted Gold Mineralization

A belt-wide appraisal, ranging from Romania to Turkey, carried out by the DPM exploration team has identified the potential for a previously unrecognized style of mineralization within the Cretaceous magmatic arc in Serbia (which forms part of the world class Tethyan Belt). In February 2008, DPM announced that significant results returned from soil sampling, trenching and diamond drilling confirmed the existence of a major zone of limestone-hosted gold mineralization along the eastern border of the Timok Magmatic Complex in northeastern Serbia. This

limestone-hosted belt of strongly anomalous gold, arsenic, antimony, silver geochemistry is at least 25 kilometers long. Numerous targets were identified within this trend from soil sampling (up to 5 grams per tonne gold), rock chip sampling and geophysical data. Trenching and diamond drilling of the Bozuluj prospect has been completed as the initial part of a "proof of concept" program. A follow-up program of trenching has been designed within the currently defined 25 kilometer geochemical trend to enable target ranking of the many anomalies for first-pass drilling.



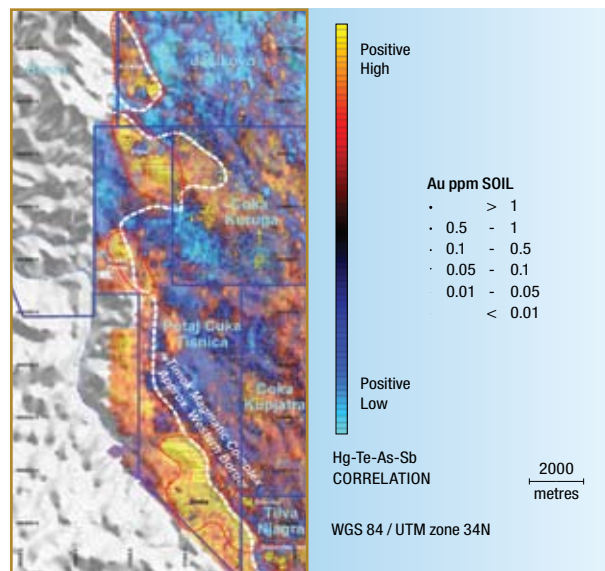
Main Intercepts

Trench results:
Bozuluj and Beljevina North (0.5g/t Au cut off)

TNTR025:	51m @ 2.3g/t
TNTR027:	38m @ 2.1g/t
TNTR027:	25m @ 2.7g/t
TNTR029:	73m @ 1.6g/t
TNTR039:	23m @ 2.8g/t
TNTR032:	29m @ 1.0g/t
TNTR032:	53m @ 1.6g/t

Drill results:
Bozuluj (0.5g/t cut/off)
BZDD001: 4m @ 6.6g/t
BZDD005: 19m @ 3.5g/t
BZDD006: 7m @ 2.1 g/t
BZDD007: 6m @ 1.6g/t

Drill results:
Bozuluj (geological 0.1 g/t cut off)
BZDD001: 94m @ 0.7 g/t
BZDD002: 87m @ 0.4 g/t
BZDD005: 37m @ 1.9 g/t



Concession Licenses Exploration Licenses

Limestone hosted target - soil anomalism on eastern margin of the Timok Magmatic Complex

CORPORATE ENVIRONMENTAL, SUSTAINABILITY AND SOCIAL RESPONSIBILITY



Community engagement program monthly meeting



Environmental rehabilitation at the new decline site

During 2007, DPM commenced the implementation into its business of the environment and sustainability policies that were adopted by the board of directors in 2006. The Company has established teams at its key operating and development locations to address technical, environmental, sustainability and social responsibility matters in Bulgaria, Armenia, Serbia and Canada.

In December 2007, DPM joined the International Cyanide Management Institute and adopted the International Cyanide Management Code as part of its long term commitment to international best practice. The code allows for pre-certification of projects and operations and the Chelopech metals production project has been nominated for assessment. Pre-certification of Chelopech project engineering is expected in the first half of 2008.

Bulgaria

Rehabilitation of the Chelopech site continued during 2007, including the filling of surface subsidence zones. The site has been awarded second prize at the Fifth Annual Socially Responsible Business Awards organized by the Bulgarian Business Leaders Forum.

A community engagement program was started in 2007 within the local municipalities of Chelopech, Chavdar and Karlievo. Community-based programs aimed at alcohol awareness and the dangers of smoking have also been successfully implemented.

DPM funded various community projects during the year in the municipality of Chelopech including the commissioning of a new



Student environmental program at Chelopech

water treatment plant, the purchase of new garbage collection equipment and the rehabilitation of green areas throughout the village as well as the local primary school. Also during 2007, DPM funded the Chelopech Language School, students of which have been awarded national academic prizes.



Chelopech opening of the Pirdop technical school



Chelopech Language School

In the municipality of Chavdar, DPM funded the resurfacing of major streets and the refurbishment of the local high school and daycare facilities. Cultural events in both Chelopech and Chavdar are also supported by DPM. In the municipality of Karlievo, DPM contributed toward the repair of the municipal building and street resurfacing.



Tailings Management Facility: before and after the construction of a new retention wall with 28 new piezometers which control and monitor the dam



Environmental assessment at the Kapan Mine was completed in 2007

Armenia

A significant environmental assessment program of the Company's operations in Armenia was completed in 2007 and is being used to structure future improvement at site as well as to provide the basis for permitting of future open pit resources. DPM also completed a risk assessment program aimed at understanding the effects of underground mining activities, undertaken by previous operators, and the present risk to residents.

DPM has also jointly funded the needs assessment phase of the Armenian Government's Rural Poverty Alleviation Project. This project considers the social and infrastructure needs of rural villages in the region of the Company's operation, the results of which will be used to plan suitable social and sustainability programs with the government, the communities and DPM's future operations.

During 2007, DPM provided community assistance through the installation of gas pipelines to areas not adequately serviced for heating and cooking needs and new roofing for community buildings in neighbouring villages. DPM also supports local sports teams, one of which has achieved international success and, in turn, brought wider benefits to the Kapan area.

Exploration

DPM's exploration and development projects in Serbia and northern Canada continue to be operated and measured against international benchmarks for social and environmental performance in exploration. Company representatives are building strong community relationships, funding community programs and engaging the communities in early stage project development plans.



INTRODUCING DPM'S STAFF IN THE FIELD

"The Back River team consists of an energetic and dedicated group of explorationists poised for discovery."

Doug Cater
Project Manager,
Back River, Canada



"The ground-holdings where DPM is exploring or mining have one thing in common: all locations host, or have the potential to host, truly world-class deposits."

Brett Davis
Principal Consulting
Structural Geologist

"By strictly following the Bulgarian and EU legal standards, DPM became an exemplary corporate citizen and a model for integrity in Bulgaria."

Petya Dombalova-Sechenska
Legal Manager, Chelopech
Mining EAD, Bulgaria



"Our goal at Kapan is to attain the highest safety and operational standards and make all employees proud to be part of this team."

Robert Faletta
General Manager,
Kapan Mine, Armenia

"Chelopech continues to improve towards best practice focusing on safety, environment and supporting all those associated with the site."

Robert Howie
General Manager,
Chelopech Mine, Bulgaria



"When we manage the simple processes well, excellence will follow - this is what we are chasing every day."

Simon Meik
Operations Manager,
DPM Group

"Our consistent efforts towards improving the environment has brought us national and international recognition."

Irena Stambolieva
Environmental Manager,
Chelopech Mining EAD, Bulgaria



"DPM Serbia is a great team exploring in a world class mineralized belt."

Ian Stockton
District Geologist,
DPM Serbia

"With this year's exploration program, we're aiming to significantly expand the areas of known mineralization."

Justin Van Der Toorn
Project Geologist,
DPM Serbia



"It is very exciting working on all these different mineralization styles here in Serbia."

Aleksandar Vuckovic
Senior Geologist,
DPM Serbia

EASTERN EUROPEAN EXPLORATION



Eastern Europe Geology

DPM's Commitment to Highest Standards in World Class Belts

The Tethyan tectonic belt, which extends from southeast Asia to Europe, is one of the most strongly mineralized belts on earth. The belt contains world class porphyry copper-gold, polymetallic vein array and epithermal gold-silver deposits, and is host to the DPM's advanced projects and mines in Serbia, Bulgaria and Armenia.

DPM's exploration strategy in this part of the world has been to clearly define a strategic exploration sequence model, focusing on establishing dominant land positions within belts with proven world class endowment with the goal of building a "pipeline"

of multi-commodity projects (gold, copper, silver, molybdenum, rhenium and zinc).

As part of the exploration program, DPM is in the process of implementing full sample preparation and assaying facilities at each of its sites in Eastern Europe, independently run by NATA endorsed international laboratories, e.g. SGS Laboratories Inc.

Rigorous exploration, sampling, assaying and QAQC procedures are in place and early metallurgical testing are an inherent part of the exploration protocols.

DPM's Geological Inventory in Eastern Europe

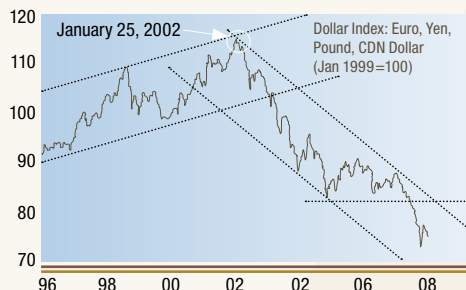
Serbia	Bulgaria	Armenia
Porphyry Cu-Au	High sulphidation Cu-Au	Epithermal Au-Cu-Zn-Ag
Epithermal high sulphidation Au-Cu	Epithermal Au-Ag	Mesothermal Cu
Limestone hosted Au		
Porphyry Mo-Re		

GOLD UPDATE

Despite the surge in price during 2007 the case for gold remains very bullish. According to the chief economist of Dundee Wealth Inc., Dr. Martin Murenbeeld, the eight arguments supporting a bullish gold outlook that were outlined in last year's annual report have not changed appreciably, although the order of importance has changed.

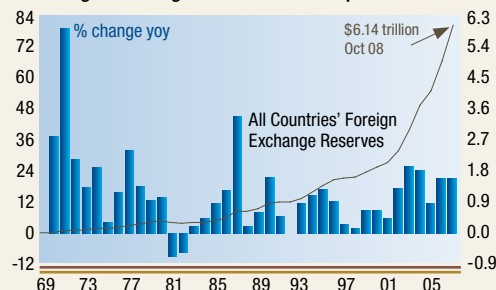
(2) US Dollar

The Dollar broke down in 2002 ...



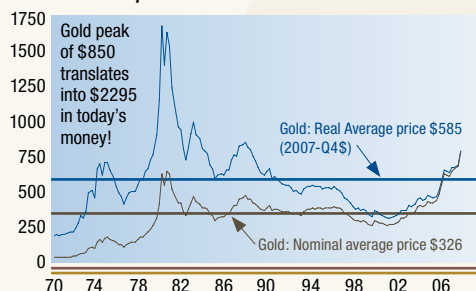
(3) US Dollar Reserves

Foreign exchange reserves have exploded



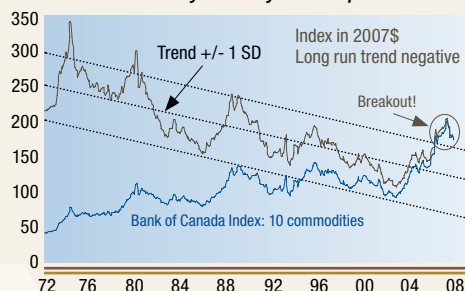
(4) Gold is "cheap"

Gold cheap in constant Dollars



(7) Commodity Cycle

Commodities only recently broke upwards



(1) Monetary policies are being relaxed. Last year this factor was a "future" factor, but as events have unfolded since August 2007 when credit markets seized up, and the risks of recession have risen, it has become a "current" factor. Historically gold has always done well when monetary policies are relaxed, other things constant. This time around should be no different.

(2) The US dollar must decline further. Stage 1 of the US dollar's decline is more or less completed – its decline against the euro and Canadian dollar. Stage 2 is the dollar's decline against the Asian currencies (if not also OPEC currencies and the ruble). Further dollar declines against Asian currencies may well be the more important stage for gold, given Asian consumers' general interest in gold. The dollar's decline is also important in helping stave off a serious US recession.

(3) Central bank reserves are excessive and must be diversified. Total world currency reserves are in excess of \$6 trillion, of which about 65-70% is in the form of US dollars. Central banks that hold these US dollars will remain under pressure to diversify them into other currencies and/or possibly into gold. Either way gold will benefit.

(4) Gold is "cheap". Despite the 32% rise in the gold price during 2007 the gold price remains "subdued" on an inflation-adjusted basis. The 1980 peak of \$850 translates into \$2300 in today's money. And gold remains somewhat depressed relative to oil and various stock market indices.

(5) Supply is limited. This follows from #4, because exploration budgets were cut during the low-price years. Mine output is unlikely to rise significantly in the near term because only recently have margins in the industry begun to widen. (Costs in the industry have tended to rise faster than inflation!) Central bank supply is largely limited by the Central Bank Gold Agreement, and sales by the signatories have actually been somewhat less than the 500 tonne upper limit.

(6) The demand side of the gold market is expanding rapidly. In the first instance Asia is becoming wealthier. In the second, distribution networks for gold products – including investment products such as ETF's – are expanding rapidly. New gold exchange markets are springing up around the world as gold markets are being deregulated.

(7) The commodity price cycle generally lasts for years. The shortest up-cycle in the inflation-adjusted gold price since 1800 was 10 years, from 1970 to 1980. In other commodity markets the shortest up-cycle is typically longer. Gold is now in its seventh year of this up-cycle. We think this cycle, on account of the rapid economic development in Asia, will last longer than 10 years. But a year of price setback cannot be ruled out, and would be quite typical.

(8) The geopolitical environment is gold-friendly. This is not an attractive reason, but unfortunately true. The peak in the gold price in 1980 came on the back of a geopolitical crisis involving Iran and Afghanistan.

DPM thanks Dr. Martin Murenbeeld for his contribution to this page.



AN EXPERIENCED MANAGEMENT TEAM

Jonathan Goodman

President and Chief Executive Officer

Mr. Goodman received his Geological Engineering degree from the Colorado School of Mines, his Masters in Business Administration from the University of Toronto and holds the Chartered Financial Analyst designation. He has over 20 years experience in the resource and investment industry where he has served as a geologist, senior analyst, portfolio manager and senior executive.

Stephanie Anderson

Executive Vice President and Chief Financial Officer*

Ms. Anderson has an Honours B.Sc. in Geology from the University of New Brunswick and a Masters in Business Administration from the University of Toronto. With more than twenty years of experience in the mining industry, she has held a broad range of increasingly senior roles with Inco including: Director Market Research, Assistant Comptroller, Financial Planning and Analysis, Assistant Treasurer, Corporate Finance and, most recently, Vice President and Treasurer.

* effective December 3, 2007

Lori E. Beak

Vice President and Corporate Secretary

Ms. Beak has over 20 years of corporate legal experience and is a member of the Canadian Society of Corporate Secretaries. She has provided corporate secretarial services to public companies since 1986 including International Corona Resources Ltd., Dundee Corporation and DundeeWealth Inc.

Adrian Goldstone

Vice President, Environment and Sustainable Development

Mr. Goldstone obtained both his Bachelor and Masters of Science degrees with honours from the University of Auckland. He has over 25 years experience in the mineral sector including positions with governments, industry and consulting. Mr. Goldstone is internationally recognized as an expert on water management and cyanide use in the minerals industry and has given numerous lectures, papers, and short courses to industry and other groups.

Paul Proulx

Vice President Human Resources

Paul Proulx obtained his Bachelor degree in Political Sciences from the University of Western Ontario and a Masters in Industrial Relations from the University of Toronto. Mr. Proulx has over 20 years experience in a variety of senior management roles including, most recently, Group Vice President of Human Resources for an international food company and with IBM's Business Transformation Practice. Mr. Proulx also held a variety of senior roles with CanWel Distribution Ltd. including VP Human Resources, VP Corporate Services and Ontario General Manager with Weston Bakeries Ltd.

James Small

Vice President Government Affairs

Mr. Small has both a Bachelor of Arts in English literature and a Bachelor of Laws from the University of New Brunswick, and is a member of the Law Society of Upper Canada. He has worked as a senior advisor to Cabinet Ministers at both the federal and provincial levels of government in Canada. Prior to joining DPM, Mr. Small provided independent strategic policy and government relations advice to a number of Canadian and international companies in the privatization, telecommunication, infrastructure, urban development and electricity sectors.

Julian Barnes

Executive Vice President

Dr. Barnes obtained his Bachelor of Science Honours Geology degree from the University College Swansea of Wales, UK and his PhD from the University of Leeds, UK. He has over 25 years experience in major exploration/development project management, technical computing applications, bankable due diligence studies, mergers and acquisitions, structural analysis, exploration and mining geology, technical audits, evaluations, resource evaluations, ore reserve modeling and pit optimization.

Sean M. Hasson

Vice President, Exploration

Mr. Hasson obtained his Bachelor of Science, Geology degree from the University of Western Australia. He has over 10 years of experience in exploration and mining geology relating to exploration/development project management, project generation, exploration geochemistry, project scheduling and budgeting together with quality control program management.

Laurence D. Marsland

Executive Vice President and Chief Operating Officer

Mr. Marsland completed his Bachelor of Applied Science in Mechanical Engineering from the Western Australia Institute of Technology and completed his Master of Science in Management at the Stanford University Graduate School of Business. He has over 20 years of experience in evaluation, development and implementation of mining projects in South America, Canada, Australia and Eastern Europe.

Gabriela M. Sanchez

Vice President Investor Relations

Ms. Sanchez received her Honours Financial Accounting degree and Masters of Business Administration from the Catholic University of Dominican Republic, under a program sponsored by the University of South Carolina. She has over 20 years of experience in the mining industry where she has successfully assisted increasing the profile of growing gold mining companies. Ms. Sanchez specializes in developing communications programs and strategies that better service the institutional and retail investors of public mining companies.

BOARD OF DIRECTORS



William G. Wilson

Chairman of the Board of Directors, Director since 1983, Member of the Compensation Committee

Mr. Wilson has been a director of Dundee Precious Metals Inc. since its inception and is currently the Company's Chairman. He has over 30 years of experience in the mining and natural resource industry, as well as extensive accounting experience. Mr. Wilson has served as Chief Financial Officer, and subsequently President and Chief Operating Officer, of Cominco Ltd., an international mining company. He was also a Partner at Clarkson, Gordon & Co., a national accounting firm.

Mr. Wilson holds a Chartered Accountant designation. He has been a director of numerous Canadian and International resource, manufacturing and financial service companies and has also held numerous public positions, among them director of the Mining Association of Canada.



Derek H. L. Buntain

President, The Dundee Bank, Director since 1983, Member of the Health, Safety & Environment Committee

Derek Buntain resides in the Cayman Islands, where he is President of The Dundee Bank. He has over 30 years of experience in the investment industry in Canada and abroad. His background includes positions in research, international arbitrage, corporate and government finance and mergers and acquisitions, with Burns Bros. and Merrill Lynch Canada Inc. He was President of Canadian Express Limited and, in 1996, became President of Goodman & Company (Bermuda) Limited, an investment management firm.

Mr. Buntain attended Dartmouth College and the University of Western Ontario, where he earned a Master of Business Administration. He is also a fellow of the Canadian Securities Institute and a director of several publicly-traded companies.



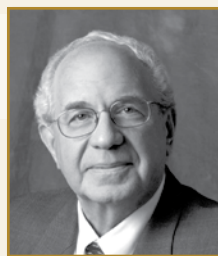
Jonathan Goodman

President and Chief Executive Officer, Dundee Precious Metals Inc., Director since 1993

Jonathan Goodman has over 20 years experience in the resource and investment industry, working as a geologist, senior analyst, portfolio manager and senior executive.

Mr. Goodman joined Goodman & Company, Investment Counsel Ltd. in 1990, where he was responsible for the selection of Canadian equities and played a major role in developing asset allocation strategies, before becoming the company's President. He is also a founder of Goepel Shields and Partners, an investment firm.

Mr. Goodman graduated from the Colorado School of Mines as a Professional Engineer and holds a Master of Business Administration from the University of Toronto. He is also a Chartered Financial Analyst, and is a director of several publicly-traded resource companies.



Ned Goodman

President and Chief Executive Officer, Dundee Corporation and Chairman, DundeeWealth Inc., Co-Founder and Director since 1983

Ned Goodman has over four decades of investment experience as a securities analyst, portfolio manager and senior executive. He has an established reputation as one of

Canada's most successful investment counselors and is the lead portfolio manager for the Dynamic Focus+ family of funds.

Mr. Goodman has a Bachelor of Science degree from McGill University and a Master of Business Administration from the University of Toronto. He earned the designation of Chartered Financial Analyst in 1967. In 1997, he was awarded a Doctorate of Laws, honoris causa, by Concordia University.

Mr. Goodman is also chairman of the Board of Trustees of Dundee REIT and a director of several resource companies. He is actively involved in various philanthropic activities, is Chairman Emeritus of the Canadian Council of Christians and Jews and a Governor of Junior Achievement of Canada.



Murray John

President and Chief Executive Officer, Dundee Resources Limited, Director since 2005, Member of the Health, Safety & Environment Committee

Murray John is also a director, President and Chief Executive Officer of Corona Gold Corporation, director and interim President and Chief Executive Officer of Odyssey

Resources Ltd., both exploration companies. Prior to September 2004, Mr. John was an investment banker with Dundee Securities Corporation, a securities dealer.

Mr. John began his investment career with Goodman & Company, Investment Counsel Ltd. as a mining analyst in 1993 and subsequently worked as a portfolio manager specializing in precious metals equities from 1995 to 1998. He joined Dundee Securities Corporation as a research analyst in 1998 and moved to the mining investment banking team in early 2001.

Mr. John also serves on the board of directors of Iberian Minerals Corp. and Breakwater Resources Ltd. After graduating from the Camborne School of Mines in 1980, he acquired extensive experience working as a mining engineer for Strathcona Mineral Services Ltd., Nanisivik Mines Ltd. and Eldorado Nuclear Limited. Mr. John received a Master of Business Administration from the University of Toronto in 1992.



Jeremy Kinsman

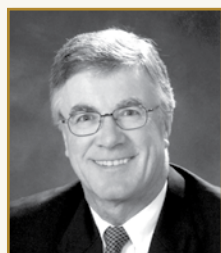
Director since 2007

One of Canada's most experienced diplomats, Jeremy Kinsman was born in Montreal and educated at Princeton University and the Institut d'Etudes Politiques, Paris, before joining the Canadian Foreign Service in 1966.

After earlier postings abroad, Mr. Kinsman served as Deputy Permanent Representative to the UN in New York and Minister for Political Affairs in Washington. From 1985 to 1989 he was

Assistant Deputy Minister for Cultural Affairs and Broadcasting in the Department of Communications where he was responsible for preparing the still-current Broadcasting Act and Copyright legislation. In the Department of Foreign Affairs and International Trade, he was Chairman of Policy Planning and later Political Director, before being named Canada's Ambassador in Moscow in 1992. He was subsequently Ambassador in Rome (1996-2000), High Commissioner in London (2000-2002), and Ambassador to the EU in Brussels (2002-2006).

Mr. Kinsman is at present Diplomat in Residence at the Woodrow Wilson School of Princeton University, Princeton, N.J., where he is also heading up a project on democracy support for the Community of Democracies. He has served on numerous Councils and Boards, including being a Trustee of the Imperial War Museum, London, and a member of the Commonwealth War Graves Commission.



John Lydall

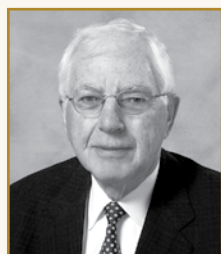
Director since 2003, Chairman of the Compensation Committee, Member of the Corporate Governance and Nominating Committee

John Lydall has had a distinguished career in mining and financial markets. In the early part of his professional life, he gained extensive underground mining experience. Later, during

the 26 years he spent with National Bank Financial and its predecessor company, First Marathon, he was a top-ranked mining analyst and an investment banking executive. Prior to his retirement, he was Managing Director of the firm's mining investment banking group.

During his career, Mr. Lydall has advised on, and participated in, financings for many North American mining companies. He also served on the boards and committees of several professional and educational organizations.

Mr. Lydall holds a degree in Mining Engineering from Nottingham University and a Master of Business Administration from Cranfield University. He is also a director of Baffinland Iron Mines Corporation and FNX Mining Company Inc.



Garth A. C. MacRae

Director since 1988, Chairman of the Health, Safety & Environment Committee, Member of the Audit Committee

Garth MacRae brings to the board of directors of Dundee Precious Metals over 30 years of experience in the resource industry, as well as over 16 years of public accounting experience.

Mr. MacRae has held executive positions with Hudson Bay Mining, Brinco Limited and Denison Mines Limited and served as Vice Chairman of Dundee Corporation from 1993 until 2004. He also served as Chairman of Dundee Precious Metals from 1995 until 2002.

Mr. MacRae holds a Chartered Accountant designation. He is also a director of several publicly-traded natural resource companies.



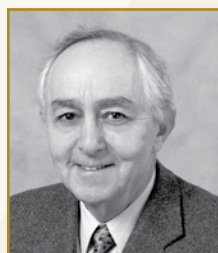
Peter B. Nixon

Director since 2002, Chairman of the Corporate Governance and Nominating Committee, Member of the Compensation Committee

Peter Nixon has spent more than three decades in the investment industry, specializing in the natural resource sector and working primarily in research and institutional

sales. He helped found the investment firm Goepel Shields & Partners and was subsequently President of the firm's U.S. subsidiary. He later joined Dundee Securities, with the mandate to expand the company's activities in the United States.

Mr. Nixon is also a director of several publicly-traded natural resource companies.



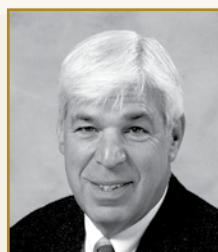
Ronald Singer

Director since 1998, Chairman of the Audit Committee, Member of the Corporate Governance and Nominating Committee

Ronald Singer is a Chartered Accountant. He was a senior partner with Hyde Houghton, Chartered Accountants, until his retirement. His practice focused on corporate clients, both private and public, and specialized in the

purchase and sale of businesses and corporate reorganizations.

Mr. Singer is also Chairman of the board of governors for the Dynamic family of mutual funds and a consultant to the Cree Economic Enterprises Company of Quebec. Mr. Singer was named a Fellow of the Quebec Order of Chartered Accountants in 1988.



Brian J. Steck

President, St. Andrews Financial Corp., Director since 2006, Member of the Audit Committee, Member of the Corporate Governance and Nominating Committee

Brian Steck has over 29 years experience in investment banking, institutional equity sales and wealth management. He became CEO of Nesbitt Thomson & Company Limited and

subsidiaries in 1987 and Chairman in 1989. He was appointed Vice-Chairman of Bank of Montreal in 1992, responsible for wealth management and investment banking. Mr. Steck remained Chairman and CEO after merging both Nesbitt Thomson and Burns Fry until his retirement from both in 1999.

Mr. Steck is past Chairman of the Investment Dealers Association of Canada, the Canadian Securities Institute and the Canadian District of the Securities Industry Association of America. He is past Governor of the Toronto Stock Exchange. Mr. Steck is also a director of other investment and service related companies as well as being Chairman of Purolator Courier.

Mr. Steck obtained a Bachelor of Commerce degree from Concordia University, a Master of Business Administration from the Wharton Graduate School of Finance and earned both his CFA and FCSI.

Management's Discussion and Analysis

of Consolidated Financial Condition and Results of Operations



for the Financial Year Ended December 31, 2007

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

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Dundee Precious Metals Inc. ("DPM" or the "Company") for the financial year ended December 31, 2007. This discussion should be read in conjunction with the consolidated financial statements and the notes thereto. Additional Company information, including the Company's most recent Financial Statements and Annual Information Form, can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and the Company's website at www.dundeeprecious.com.

This information is provided as at March 5, 2008.

OVERVIEW

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

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

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

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

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains "forward-looking statements" that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold, copper, zinc and silver, the estimation of mineral reserves and resources, the realization of mineral estimates, the timing and amount of estimated future production, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate", or "believes", or variations of such words and phrases or that state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any other future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: the actual results of

current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold, copper, zinc and silver; possible variations in ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, fluctuations in metal prices, as well as those risk factors discussed or referred to in this MD&A under the heading "Risk and Uncertainties" and other documents filed from time to time with the securities regulatory authorities in all provinces and territories of Canada and available at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. The Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

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

SELECTED ANNUAL INFORMATION

The financial information has been prepared in accordance with Canadian GAAP. Certain non-GAAP measures are discussed in this MD&A which are clearly disclosed as such.

All dollar references in this document are to Canadian dollars unless otherwise indicated.

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

\$ thousands, except per share amounts				
At December 31,	2007	2006	2005	
Net revenue	\$ 122,417	\$ 110,935	\$ 63,234	
Investment income	39,679	64,859	23,852	
Net earnings	15,375	69,732	19,890	
Basic net earnings per share	0.27	1.29	0.37	
Diluted net earnings per share	0.26	1.26	0.37	
Total assets	538,468	454,854	337,909	
Long-term debt, including current portion ¹	9,708	16,897	11,630	

Key events, impacting the variation in results over this period include (i) 2007 equity offering for aggregate net proceeds of \$77.5 million (issuance of 5,520,000 common shares, 2,760,000 common share purchase warrants, and 1,955,000 flow-through common shares); (ii) the August 2006 acquisition of an initial 80% interest of Vatrín which holds 100% interest in Deno Gold (subsequently increased to 95% in December 2007); (iii) 2006 acquisition of 100% interest in the Back River project, (iv) increasing operating costs alongside improved operating practice (including environment, health and safety) and industry-wide cost increases and (v) a depreciating U.S. dollar.

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

RESULTS OF OPERATIONS

Executive Summary and 2008 Outlook

DPM is presently awaiting Bulgarian government approvals for the planned mine expansion and conversion of the Chelopech operation from copper/gold concentrate to onsite finished copper metal and gold doré bullion production based on a definitive feasibility study completed in December 2005. As at December 31, 2007, the Company had invested US\$80.7 million for engineering, procurement and construction management associated with the pressure oxidation plant, mine upgrades, the construction of the Nadejda decline, acquisition and refurbishment of an oxygen plant and the first phase of the mine backfill plant. Work completed to date ensures the Company is well positioned in the way of procurement for long lead items. The Company is also maximizing preliminary works that do not require permitting.

For the year 2008, the Company plans to invest approximately US\$38.0 million in Chelopech on further upgrades to the existing plant, mines and site infrastructure related to the expansion project. All non-critical capital expenditures related to the expansion have been deferred until such time as the Environmental Impact Assessment ("EIA") is approved by the Bulgarian government. Refer to the table entitled "Contractual Obligations" in the section entitled "Liquidity and Capital Resources" for information on the purchase obligation relating to Chelopech's expansion project.

On March 3, 2008, the Company announced that it is presently in discussions with the government of the Republic of Bulgaria in respect of the planned expansion of Chelopech. The Bulgarian Minister of Economy and Energy announced in the Bulgarian parliament on Friday, February 29, 2008 that the government was negotiating with the Company on these issues. DPM will report on the results of these discussions, if any, in due course.

The Krumovgrad project is presently awaiting regulatory approvals from the Bulgarian government for the construction and operation of what is expected to be an 850,000 tonnes per year open pit to produce approximately 150,000 ounces of gold/silver doré bullion per year over the first four years. The current exploration license on this property expires in June 2008. The Company has applied for a mining license and is waiting for government approvals.

The focus at Deno Gold has been and continues to be on environment, health, safety and operational sustainability and a resource definition drilling program. Plans and specific measures for addressing key risks have been identified and are being implemented, including high priority items such as training, procedures and controls. Approximately US\$18.5 million has been budgeted in 2008 for resource definition drilling and related activities adjacent to the existing mine workings. The intent of this program is to confirm the scale of the deposit, enable National Instrument 43-101 ("NI 43-101") compliant resources to be estimated and to assist in the identification of potential mine/plant expansion opportunities. To assist in this effort, an onsite laboratory, independently managed by SGS SA, has been built and is in the initial phase of commissioning.

On March 4, 2008 the Company announced that initial diamond drilling results from the first two holes in the vein 5 area at Deno Gold have returned wide polymetallic intercepts, providing initial support of the concept of bulk mineable polymetallic open pit mineralization.

In 2007, an independent NI 43-101 compliant resource estimate was completed on the Back River project defining in excess of 3.4 million tonnes of Indicated and 3.5 million tonnes of Inferred Resource grading approximately 10 grams gold per tonne at a cut-off grade of 5 grams per tonne. In 2008, the Company plans to spend approximately \$13 million on infill drilling – to reclassify Inferred Resources to Indicated – and related exploration activity, including sampling (two 300 kilogram samples) for metallurgical testing. The funding for this program is from proceeds realized on the sale of flow-through common shares in June 2007.

In Serbia, the 2007 exploration program confirmed a major three kilometre by five kilometre zone of molybdenum-rhenium mineralization at the Company's Surdulica exploration license area in south east Serbia. DPM has commenced a scoping study at Surdulica covering the environmental, social sustainability, logistics, economics and anticipated technical aspects of the project. The Company currently plans to complete the scoping study in the second quarter of 2008. In addition, the Company recently announced the identification of a major zone of limestone hosted gold mineralization bordering the Timok Magmatic Complex in north eastern Serbia. Numerous geochemical and geophysical targets have been identified along a 25 kilometre trend. Exploration efforts in the region will continue throughout 2008.

In December of 2007, DPM announced it had entered into a memorandum of understanding with Global Yatirim Holding A.S. of Istanbul, Turkey to jointly assess and collaborate on prospective project opportunities in the mineral resource sector in Turkey.

During the year, DPM generated \$125.1 million in pre and after-tax proceeds from the disposition of certain of its shareholdings, including \$46.7 million through the tendering of its Goldbelt Resources Ltd. ("Goldbelt") shares to Wega Mining ASA. As at December 31, 2007, the market value of the Company's portfolio of investments was approximately \$66.0 million.

Demand for gold as a reserve against economic uncertainty coupled with some mine supply interruptions have been two significant reasons for the continued rise in the U.S. dollar gold price. The demand for copper and zinc metals continues to be strong. Persistently strong demand from Asia, as urbanization continues at a pace that shows no slowing down, has caused both the copper and zinc prices to continue to trade at a significant premium to historic average levels. By the end of 2007, physical market exchange stocks were reported to be at less than the equivalent of five days average consumption. Expectations are for metal prices to remain strong throughout 2008.

In the copper concentrate market, smelters are actively looking for additional supply of clean concentrate to meet a continued increase in demand. Market settlement terms for 2008 treatment and refining charges are reported to have been concluded with Chinese and Indian smelters at further reduced levels from those agreed for 2007 which in turn were down 30% on the previous year. Chelovech has contracted sales for its base forecast production for 2008. The unique high arsenic content means there is limited opportunity in the spot market to further benefit from the downward trend in smelter deductions. Conversely, excess supply of zinc concentrate has resulted in smelters holding out for higher treatment charges in 2008. Deno Gold has agreed commercial terms for the sale of its 2008 production of zinc and copper/gold concentrates.

Summary of Net Earnings

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

Condensed Income Statement

\$ thousands, except per share amounts

Ended December 31,	Three Months		Twelve Months	
	2007	2006	2007	2006
Net revenue	\$ 22,246	\$ 32,858	\$ 122,417	\$ 110,935
Cost of sales	26,346	21,177	81,483	51,445
Gross profit (loss) from mining operations	(4,100)	11,681	40,934	59,490
Investment income	8,849	22,807	39,679	64,859
Earnings before the undernoted	4,749	34,488	80,613	124,349
Exploration expense	7,219	6,037	29,232	14,864
Administrative expenses	5,885	4,254	21,916	14,359
Other expenses (income)	(8)	2,445	8,203	11,386
Expenses	13,096	12,736	59,351	40,609
Non-controlling interest	-	(120)	-	-
Income tax expense	1,147	3,489	5,887	14,008
Net earnings (loss)	\$ (9,494)	\$ 18,383	\$ 15,375	\$ 69,732
Net earnings (loss) per share				
- basic	\$ (0.15)	\$ 0.34	\$ 0.27	\$ 1.29
- diluted	\$ (0.15)	\$ 0.33	\$ 0.26	\$ 1.26

Net Earnings Before Expenses and Income Tax

The main reasons for the decrease in net earnings in 2007 were as follows:

- (1) Revenue from the sale of concentrates was \$22.2 million in the fourth quarter of 2007, a decrease of 32% compared with the fourth quarter of 2006. The reduction was due to lower deliveries of concentrate from Chelovech and the unfavourable impact of a stronger Canadian dollar relative to the U.S. dollar partially offset by stronger metal prices for gold, copper and silver. Deliveries of gold/copper concentrates produced at Chelovech totalled 14,873 tonnes in the fourth quarter of 2007, a decrease of 41%

when compared with deliveries of 25,366 tonnes in the fourth quarter of 2006. Two shipments totaling 9,200 tonnes that were scheduled for delivery in the month of December were deferred to the first quarter of 2008 at the request of the customers. One of these shipments was exported in January 2008 and the second one was sold in the first half of February. Similarly in 2006, a 6,318 tonne shipment scheduled for December delivery was deferred to the first quarter of 2007. Deliveries of gold/copper/zinc concentrates produced at Deno Gold totalled 2,678 tonnes, an increase of 20% compared with deliveries of 2,223 tonnes in the fourth quarter of 2006.

Revenue from the sale of concentrates was \$122.4 million in the year 2007, an increase of 10% compared with the year 2006 due to higher deliveries from Deno Gold and Chelopech. Stronger metal prices for gold, copper and silver were partially offset by the unfavourable impact of a stronger Canadian dollar relative to the U.S. dollar. Deliveries of gold/copper concentrates produced at the Chelopech mine totalled 66,712 tonnes in the year 2007, an increase of 3% when compared with deliveries of 64,939 tonnes in the year 2006. Deliveries of gold/copper/zinc concentrates produced at Deno Gold totalled 7,662 tonnes, an increase of 155% compared with deliveries of 3,002 tonnes in the year 2006. The year 2007 results at Deno Gold reflect a full year of operation whereas the year 2006 included four months of operation following the acquisition of an initial 80% interest in August 2006.

- (2) Cost of sales totalled \$26.3 million in the fourth quarter of 2007, an increase of 24% compared with the fourth quarter of 2006 due to higher operating costs at Chelopech and Deno Gold partially offset by lower deliveries of concentrates. Cash cost per tonne of ore processed¹ increased by 30% at Chelopech due to rising prices for raw material and power, the introduction of cemented rock fill in the mine (which will lead to better resource utilization in the future) and the negative impact of a weaker U.S. dollar relative to the Euro. Cash cost per tonne of ore processed¹ increased by 152% at Deno Gold due to the significant increase in resources required to improve the levels of safety, communications and general operating standards towards the Company's required levels and to the appreciation in the Armenian dram relative to the U.S. dollar. The impact of higher operating costs was an increase in cost of sales of approximately \$11 million. The impact of lower deliveries was a decrease in cost of sales of approximately \$6 million.

Cost of sales totalled \$81.5 million in the year 2007, an increase of 58% compared with the year 2006 due to higher operating costs at Chelopech and Deno Gold and to higher deliveries from both operations. Cash cost per tonne of ore processed¹ increased by 19% at Chelopech for the reasons discussed above and the negative impact on cash cost per tonne of lower volume of ore processed. Cash cost per tonne of ore processed¹ at Deno Gold was significantly higher than the prior year for the reasons discussed above. The impact of higher operating costs was an increase in cost of sales of approximately \$20 million. The impact of higher deliveries was an increase in cost of sales of approximately \$10 million.

- (3) Investment income in the fourth quarter of 2007 totalled \$8.8 million, a decrease of \$14.0 million when compared with the fourth quarter of 2006. The decrease was primarily due to a \$13.0 million write-down, reflecting a decline in the market value of certain investments which were determined to be other than temporary, principally with respect to the Company's holding in Tahera Diamond Corporation (\$12.9 million).

Investment income in the year 2007 totalled \$39.7 million, a decrease of \$25.2 million when compared with the year 2006. The decrease was primarily due to the write-down noted above and a decrease in net realized gains on sale of investments. There was no comparable write-down of investments in 2006.

Administrative Expenses

Administrative costs were \$5.9 million and \$21.9 million for the three and twelve months ended December 31, 2007, respectively, compared to \$4.3 million and \$14.4 million for the three and twelve month periods ended December 31, 2006. The increase over the prior year was due to the addition of senior staff, and associated travel and recruitment expenses, required for a rapidly growing international mining company. Professional fees and assistance in resolving the complex permitting issues in Bulgaria have also contributed to this increase.

¹ A reconciliation of the Company's cash cost per tonne ore processed to cost of sales under Canadian GAAP for the years 2007 and 2006 is shown in the table entitled "Non-GAAP Financial Measures."

Exploration Expenses

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

\$ thousands	Three Months		Twelve Months	
Ended December 31,	2007	2006	2007	2006
Serbia	\$ 5,961	\$ 4,828	\$ 24,374	\$ 11,358
Canada	407	-	407	-
Bulgaria	851	1,209	4,451	3,506
Total exploration expenditures	\$ 7,219	\$ 6,037	\$ 29,232	\$ 14,864

DPM expenses all early stage exploration costs until the date it can be established that a property has mineral resources which have the potential of being economically recoverable at which time all such expenditures are capitalized. The higher spending in 2007 was related to an increased level of exploration activity in Serbia.

Other Expenses

(1) Stock Based Compensation Expense

Stock based compensation expense includes costs associated with granting stock options and costs related to the Company's employee and director deferred share unit ("DSU") plans. The value of the stock options granted was \$1.5 million and \$2.5 million for the three and twelve months ended December 31, 2007, respectively, calculated using a Black-Scholes model. These costs are charged to operations over their three year vesting period. During the three months ended December 31, 2007, there was a credit of \$0.1 million charged to stock option expense. For the twelve months ended December 31, 2007, the stock option expense charged to the earnings statement was \$1.9 million. The DSUs vest immediately and the associated compensation expense is recognized at the time of grant. The outstanding liability is marked-to-market each quarter. During the quarter, \$0.04 million was charged to compensation expense for the issuance of DSUs and \$0.4 million was credited to compensation expense as a result of the decline in the Company's stock price over the quarter. For the twelve months ended December 31, 2007, \$0.2 million relating to the issue of DSUs was charged to compensation expense and \$1.9 million relating to the mark-to-market of the DSUs was credited to compensation expense as a result of the decline in the Company's stock price over the prior year.

(2) Foreign Exchange

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the period end exchange rates, whereas non-monetary assets and liabilities and related expenses denominated in foreign currencies are translated at the exchange rate in effect at the transaction date. Income and expense items are translated at the exchange rate in effect on the date of the transaction. Exchange gains and losses resulting from the translation of these amounts are included in the consolidated statement of earnings. In the fourth quarter of 2007, there was a foreign exchange gain of \$1.5 million compared with a foreign exchange gain of \$1.1 million in the fourth quarter of 2006. In the year 2007, there was a foreign exchange loss of \$2.0 million compared with a foreign exchange loss of \$0.8 million in the year 2006.

Income Tax Expense

DPM's effective tax rate for 2007 of 27.7% was lower than the statutory rate of 36.12% due to the benefit of profits earned in jurisdictions having a lower tax rate and the non-taxable portion of capital gains related to the sales of investments. These benefits were partially offset by unrecognized tax benefits relating to operating losses. The Company's effective tax rate for 2006 was 16.7% as a result of the non-taxable portion of capital gains and the benefit of profits earned in jurisdictions having a lower tax rate.

Summary of Operating Cash Flows, Investing and Financing Activity

Operating Cash Flow

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

\$ thousands	Three Months		Twelve Months	
Ended December 31,	2007	2006	2007	2006
Net earnings (loss)	\$ (9,494)	\$ 18,383	\$ 15,375	\$ 69,732
Non-cash charges (credits) to earnings:				
Amortization of property, plant and equipment	3,229	3,207	12,512	9,127
Net realized gains on sale of investments	(18,811)	(23,102)	(53,733)	(68,682)
Other	12,416	6,035	18,490	13,263
Total non-cash credits to earnings	(3,166)	(13,860)	(22,731)	(46,292)
Increase in non-cash working capital	(8,441)	(10,600)	(45,251)	(301)
Net cash provided by (used in) operating activities	\$ (21,101)	\$ (6,077)	\$ (52,607)	\$ 23,139

Cash used by operating activities in the fourth quarter of 2007 was \$21.1 million, compared with cash used by operating activities of \$6.1 million in the fourth quarter of 2006. The greater shortfall was primarily due to the loss generated by the mining operations, related to lower revenue and increased costs and higher spending on administrative and exploration expenses.

Cash used by operating activities in the year 2007 was \$52.6 million, compared with cash provided by operating activities of \$23.1 million in the year 2006. The shortfall was due to lower net earnings generated by the mining operations, related to increased operating costs, higher spending on administrative and exploration expenses and an increase in working capital requirements. The increase in working capital requirements was primarily due to higher level of supplies inventory at Deno Gold and income taxes related to the 2006 fiscal year paid in 2007.

Investing Activities

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

\$ thousands	Three Months		Twelve Months	
Ended December 31,	2007	2006	2007	2006
Purchase of investments	\$ (1,250)	\$ (47,446)	\$ (18,046)	\$ (61,313)
Proceeds on sale of investments	51,324	38,151	125,069	111,118
Acquisition of company, net of cash of \$523	-	(75)	-	(24,950)
Purchase of additional interest in company, net of share issue of \$2,464	(2,199)	-	(2,199)	-
Capital expenditures	(14,386)	(17,250)	(110,209)	(95,422)
Other	273	-	273	-
Net cash provided by (used in) investing activities	\$ 33,762	\$ (26,620)	\$ (5,112)	\$ (70,567)

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

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

\$ thousands	Three Months		Twelve Months	
Ended December 31,	2007	2006	2007	2006
Chelopech	\$ (9,069)	\$ (14,852)	\$ (64,924)	\$ (58,319)
Deno Gold	(2,748)	(2,692)	(21,821)	(3,356)
Back River	(2,293)	1,203	(21,436)	(24,539)
Other	(276)	(909)	(2,028)	(9,208)
Total capital expenditures	\$ (14,386)	\$ (17,250)	\$ (110,209)	\$ (95,422)

Capital expenditures for the Chelopech mine in the year 2007 were 11% higher than the prior year due to increased spending on upgrade work associated with mining activities such as the purchase of new equipment, construction of the Nadejda decline and the first phase of the backfill plant. The work completed in 2007 resulted in improvement of the mine operability and recovery. In addition, spending related to the engineering, project management and procurement of the pressure oxidation plant continued in 2007.

Capital expenditures for Deno Gold in the year 2007 reflect twelve months of spending whereas spending for four months were reflected in 2006 following the acquisition of Deno Gold in August 2006. Included in the capital expenditures for Deno Gold in the year 2007 was \$10.3 million for exploration.

As at December 31, 2007, the Company has capitalized the following costs:

Property, Plant and Equipment

<i>\$ millions</i>	Acquisition Cost	Project Cost	Total Cost
Back River (<i>Nunavut, Canada</i>)	\$ 18.0	\$ 50.5	\$ 68.5
Chelopech (<i>Bulgaria</i>)	20.3	180.0	200.3
Krumovgrad (<i>Bulgaria</i>)	30.1	20.3	50.4
Serbia	0.1	8.3	8.4
Deno Gold (<i>Armenia</i>)	36.5	24.7	61.2
Corporate	-	1.5	1.5
Total	\$ 105.0	\$ 285.3	\$ 390.3

Financing Activities

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

<i>\$ thousands</i>	Three Months		Twelve Months	
Ended December 31,	2007	2006	2007	2006
Issue of common shares	\$ 140	\$ 413	\$ 1,380	\$ 1,880
Net proceeds of equity financing	-	-	77,474	-
Redemption of deferred share units	(112)	-	(112)	-
Repayment of debt	(1,263)	-	(3,841)	-
Net cash provided by (used in) financing activities	\$ (1,235)	\$ 413	\$ 74,901	\$ 1,880

In the year 2007, DPM realized net proceeds of \$77.5 million (gross proceeds of \$81.9 million) from the sale of 5,520,000 common shares, 2,760,000 common share purchase warrants and 1,955,000 flow-through common shares. Refer to note 15 of the consolidated financial statements for more details.

Mining Activities

Chelopech Gold/Copper Mine, Bulgaria

The Chelopech deposit lies in the northern part of the Panagurishte mining district where a number of copper-bearing massive sulphide and porphyry copper deposits exist.

The Mining License covers an area of 266 hectares and includes the area of the Chelopech mining operation and the immediate surrounds.

The Company owns the land upon which the facilities are constructed and operates under a Concession Agreement that was granted by the Republic of Bulgaria in 1999 for a period of 30 years. The Republic of Bulgaria currently holds a 1.5% gross royalty on the Chelopech mine.

Production, Costs, Deliveries and Net Revenue

(in thousands of US\$ except as otherwise stated)				
	Three Months		Twelve Months	
Ended December 31,	2007	2006	2007	2006
Ore mined (<i>mt</i>)	253,252	252,201	906,070	920,150
Ore processed (<i>mt</i>)	251,970	249,838	913,440	952,753
Head grade (<i>ore milled</i>)				
Copper (%)	1.36	1.70	1.35	1.41
Gold (<i>g/mt</i>)	4.33	4.83	3.92	3.99
Concentrate produced (<i>mt</i>)	18,344	22,389	65,060	70,108
Metals contained in concentrate produced				
Copper (<i>lbs</i>)	6,605,066	8,141,122	23,620,146	25,361,802
Copper (% recovered)	87.2	86.8	87.1	85.3
Gold (<i>ounces</i>)	24,467	23,878	75,075	70,781
Gold (% recovered)	69.8	61.6	65.2	58.0
Cash cost per tonne of ore processed (<i>US\$</i>) ^{(1), (3)}	\$ 54.73	\$ 42.10	\$ 46.84	\$ 39.48
Cash cost per pound of Copper in Concentrate Produced (<i>US\$</i>) ^{(1), (2), (3)}	\$ 1.05	\$ 0.79	\$ 1.03	\$ 0.92
Cash cost per ounce of Gold in Concentrate Produced (<i>US\$</i>) ^{(1), (2), (3)}	\$ 258	\$ 151	\$ 227	\$ 182
Gross value of metals sold (<i>US\$000</i>)	\$ 25,688	\$ 44,683	\$ 118,664	\$ 101,492
Net Revenue				
US\$000 ⁽⁴⁾	\$ 18,486	\$ 25,662	\$ 98,872	\$ 93,476
Cdn\$000 ⁽⁴⁾	\$ 17,389	\$ 29,492	\$ 106,461	\$ 106,233
Deliveries				
Concentrate (<i>dmt</i>)	14,873	25,366	66,712	64,939
Copper in Concentrate (<i>lbs</i>)	5,042,046	8,643,471	22,739,659	22,673,114
Gold in Concentrate (<i>ounces</i>)	12,499	24,402	66,158	58,569

- (1) Costs are reported in U.S. dollars for the purpose of comparing costs to revenues, though the majority of costs incurred are denominated in non-U.S. dollars. Cash costs consists of all production related expenses including mining, processing, services, royalties and general and administrative costs. The fourth quarter 2006 and year 2006 cash cost measures have been recalculated to be in line with the revised definition.
- (2) Gold and copper are accounted for as co-products. Copper units are converted into gold units using the ratio of the average gold value to the average copper value for the period. Total cash costs are net of by-product silver sales revenue.
- (3) A reconciliation of these non-GAAP measures is shown in the table entitled "Reconciliation of Non-GAAP Measures to Canadian GAAP Cost of Sales" under "Non-GAAP Financial Measures" below.
- (4) Deductions from gross metal values are made for treatment charges, penalties, transportation and other selling costs to arrive at the value received for concentrate sold.

Production

Total tonnes of ore mined and processed in the year 2007 was slightly lower than the year 2006 due to significant improvement in maintenance work and upgrades, including the commencement of raise boring for ventilation in the fourth quarter and stope availability. Lower metal grades were partially offset by higher copper and gold recovery rates.

Concentrate production for the fourth quarter of 2007 was 18,344 tonnes, a decrease of 18% compared with the fourth quarter of 2006, principally due to lower copper and gold grades. Copper metal contained in concentrate produced in the fourth quarter of 2007 was 6.6 million pounds, a decrease of 19% compared with the fourth quarter of 2006. The decrease was primarily due to lower copper grades and was partially offset by higher metal recoveries. Gold metal contained in concentrate produced was 24,467 ounces, an increase of 2% compared with the fourth quarter of 2006 as a result of higher recoveries partially offset by lower grades.

Concentrate production in the year 2007 was 65,060 tonnes, a decrease of 7% compared with the year 2006. The decrease was primarily due to the lower amount of ore mined and processed in 2007 as a result of maintenance work and upgrades performed in the third quarter of 2007. Copper contained in concentrate produced was 23.6 million pounds, a decrease of 7% compared with the year 2006 due to lower grades partially offset by higher recoveries. Gold contained in concentrate produced was 75,075 ounces, an increase of 6% compared with the year 2006 due to higher recoveries partially offset by lower grades. Copper and gold recoveries in the fourth quarter and year 2007 were higher than the recoveries in the fourth quarter and year 2006 as a result of more favourable ore metallurgy and improved processing controls, including improved metallurgical modeling. Copper and gold grades will vary from period to period depending on the area that is being mined.

Unprocessed ore stock piles at surface were 20,242 tonnes at December 31, 2007, down from 27,612 tonnes at the end of December 31, 2006. The drawdown of unprocessed ore inventory in 2007 was related to reduced mining stope availability and maintenance work and upgrades performed in the third quarter.

Cash Cost per Tonne of Ore Processed

Fourth quarter 2007 unit cash cost per tonne of ore processed of US\$54.73 was 30% higher than fourth quarter 2006. Year 2007 unit cash cost per tonne of ore processed was US\$46.84, an increase of 19% compared with US\$39.48 in the year 2006. Increases in unit cash costs in the fourth quarter and year 2007 were due to rising prices for raw materials and power, the introduction of cemented rock fill in the mine (which will lead to better resource utilization in the future) and the negative impact of a weaker U.S. dollar relative to the Euro. The unit cash cost for the twelve months of 2007 was also negatively impacted by lower volume of ore processed. A reconciliation of this non-GAAP measure is shown in the table entitled "Reconciliation of Non-GAAP Measures to Canadian GAAP Cost of Sales" under "Non-GAAP Financial Measures" below.

Expansion and Redevelopment

The Project

In late 2005, DPM's board of directors approved an investment of US\$175 million to undertake the mine expansion and construction of a metal processing facility at Chelopech. The investment was based on the results of a definitive feasibility study undertaken by GRD Minproc Ltd. The proposed Chelopech expansion project includes the increase of mine production capacity to 2.0 million tonnes per year and modernization of the existing flotation concentrator to handle the capacity, including the introduction of a new semi-autogenous grinding mill. The process will also convert the arsenic present in the concentrate into an environmentally stable form suitable for safe disposal into a tailings management facility. Based on present Measured and Indicated Resources and other definitive feasibility study results, the mine life for the operation is expected to be a minimum of 9.3 years from commissioning of the new facilities. Once approval of the EIA has been received, the definitive feasibility study will be updated to reflect current circumstances.

As at December 31, 2007, the Company had invested US\$80.7 million in the expansion project for engineering, procurement and construction management on the pressure oxidation plant, mine upgrades, the construction of the Nadejda decline for access from surface to underground, acquisition and refurbishment of an oxygen plant and the first phase of the mine backfill plant. Upgrades and improvements were also made to existing site infrastructure. The Company is also maximizing preliminary works that do not require permitting. All non-critical capital expenditures related to the expansion have been deferred until such time as the EIA is approved by the Bulgarian government.

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

Permitting

An EIA was completed by the Balkan Science and Education Centre of Ecology and Environment and submitted to the Bulgarian Ministry of Environment and Waters ("MoEW") on November 3, 2005. In March 2006, the Supreme Expert Environmental Council voted in favour of the resolution to approve the EIA. Following the expiry of the legislative deadline for a decision, the Company lodged an appeal with the Supreme Administrative Court (the "Court") against the MoEW and its failure to issue a final resolution on the Chelopech EIA. In October 2006, the Court ruled in favour of the Company's claim and ordered the MoEW to issue a final resolution on the project.

The decision was appealed by the MoEW and on April 26, 2007, the Court again revoked the silent refusal and the MoEW has been instructed to render a decision on the Chelopech EIA. The decision of the Court cannot be appealed.

On June 6, 2007, DPM filed a formal complaint with the European Commission ("EC") against the Bulgarian government. The complaint states that the MoEW has failed to perform its obligations and that its inaction is in direct violation of several provisions of European Community law. Continuing delays by the MoEW may force the Company to seek redress in the International Courts for international treaty violations and may result in a relocation of the planned metals processing facility to a more collaborative jurisdiction. DPM has requested that the EC exercise its full powers to investigate the ongoing failure of the MoEW to perform its lawful obligations. The complaint is being assessed by the EC who will then decide whether or not to open an infringement procedure against the State of Bulgaria for failing to comply with its obligations under the European Union ("EU") and EC Treaties.

The Minister of MoEW has publicly stated that the current royalty paid by Chelopech is insufficient and additional State participation in the project is required. DPM's position is that the royalty rate is globally competitive and there is no precedent in the EU for state ownership of mining assets once privatized. Furthermore, the Chelopech concession agreement is between the Minister of Economy and Energy ("MoEE"), on behalf of the Republic of Bulgaria and the Company and cannot be altered without DPM's consent. The Company is working with the Government on a proactive basis with the objective of resolving the impasse concerning the final sign-off on the EIA by the MoEW. DPM has tabled a proposal with the Government of Bulgaria and looks forward to a timely resolution. The Company remains hopeful that this dispute will be resolved.

In accordance with the Annual Work Plan for 2007, the Company developed a Mill Upgrade Investment Project. In September 2007, the Company notified the Sofia Regional Environmental Inspectorate ("SREI"), about the investment project. In December 2007, the SREI Director halted the Mill Upgrade Project on the basis that it is connected with the EIA procedure for the Chelopech expansion project. The Order did not provide any specific arguments on the possible interrelatedness of the two procedures. As the two procedures are not interrelated, the Company appealed the Order with the competent court.

As a result of the delay in the approval of the EIA, the schedule for ramp-up in production and completion of the facilities has been postponed to 2010 at the earliest. Any further delay in the approval of the EIA may lead to further extension of the schedule. As of the date of this report, the Company has had no formal response from the MoEW.

Deno Gold Copper/Gold/Zinc Mine, Armenia

The primary mining operation (Shahumyan) is an underground mine from which separate copper and zinc sulphide concentrates, containing gold and silver by-products, are produced. The secondary deposit is an underground mine (Centralni), which historically has produced more than 30 million tonnes of copper ore. Both deposits remain open at depth. These deposits and associated surface infrastructure are located within the town of Kapan, which is some 320 kilometres by road to the south east of the capital city of Yerevan.

The onsite plant currently produces a copper (with gold) concentrate and a zinc concentrate by sequential flotation. These concentrates are transported by road to the town of Ararat (60 kilometres south of Yerevan) where they are offloaded onto the rail system for transport to the Black Sea via Georgia. Neither of the deposits contain material quantities of deleterious elements which would incur penalties in the treatment of concentrate.

The complex comprises two underground mines, a rail transport system, two primary crushing stations and ore stockpiles, a processing plant (which historically processed in excess of 1 million tonnes of ore per year) and various infrastructure facilities that were built to support the operation. The Company's approach is to treat the existing operation as a development project, whereby current ore production from underground mining will be supplemented with material from one or more new open pits as soon as suitable resources are proven and permitting obtained. Capital expenditure for existing infrastructure has now been restricted until resource definition is completed. Once medium-term plans are in place, the appropriate capital will be allocated to the mine to enable the increased production rates to be achieved, with the resulting improvement in financial results.

Under the present law and its current License Contract, Deno Gold has the right to exploit the Shahumyan mine concession, as per the License Contract conditions, until 2010.

Under the present law and its current License Contract, Deno Gold has the right to exploit the Centralni mine concession, as per the License Contract conditions until 2017.

Production, Costs, Deliveries and Net Revenue

(in thousands of US\$ except as otherwise stated)	Three Months 2007	Three Months 2006	Twelve Months 2007	Four Months ⁽¹⁾ 2006
Ended December 31,				
Ore mined (<i>mt</i>)	75,312	83,808	321,000	113,911
Ore processed (<i>mt</i>)	72,643	77,291	323,371	111,875
Head grade (<i>ore milled</i>)				
Copper (%)	0.29	0.28	0.29	0.29
Gold (<i>g/mt</i>)	1.23	0.98	1.24	1.16
Zinc (%)	1.43	1.07	1.19	1.40
Concentrate produced (<i>mt</i>)	2,113	1,829	8,326	2,956
Metals contained in concentrate produced				
Copper (<i>lbs</i>)	374,421	349,379	1,654,618	519,570
Copper (% recovered)	81.7	72.1	79.7	72.1
Gold (<i>ounces</i>)	2,294	1,288	9,312	2,409
Gold (% recovered)	77.1	52.9	75.0	57.6
Zinc (<i>lbs</i>)	1,639,759	1,076,834	5,727,796	2,154,391
Zinc (% recovered)	71.8	58.8	68.5	62.5
Cash cost per tonne of ore processed (<i>US\$</i>) ^{(2), (4)}	\$ 121.28	\$ 48.14	\$ 84.30	\$ 42.86
Cash cost per pound of Copper in Concentrate (<i>US\$</i>) ^{(2), (3), (4)}	\$ 5.40	\$ 2.86	\$ 3.93	\$ 2.04
Cash cost per ounce of Gold in Concentrate (<i>US\$</i>) ^{(2), (3), (4)}	\$ 1,254	\$ 542	\$ 910	\$ 382
Cash cost per pound of Zinc in Concentrate (<i>US\$</i>) ^{(2), (3), (4)}	\$ 2.01	\$ 1.52	\$ 1.70	\$ 1.00
Gross value of metals sold (<i>US\$000</i>)	\$ 6,458	\$ 4,217	\$ 18,651	\$ 5,619
Net Revenue				
(<i>US\$000</i>) ⁽⁵⁾	\$ 4,801	\$ 2,949	\$ 14,818	\$ 4,149
(<i>Cdn\$000</i>) ⁽⁵⁾	\$ 4,857	\$ 3,360	\$ 15,956	\$ 4,702
Deliveries				
Concentrate (<i>dmt</i>)	2,678	2,223	7,662	3,002
Copper in concentrate (<i>lbs</i>)	450,375	337,828	1,435,632	493,037
Gold in concentrate (<i>ounces</i>)	2,659	1,240	7,406	1,737
Zinc in Concentrate (<i>lbs</i>)	1,751,817	1,167,524	4,366,029	1,457,302

- (1) On August 31, 2006, DPM acquired an 80% interest in this producing mine. It subsequently increased its interest to 95% on December 20, 2007.
- (2) Costs are reported in U.S. dollars for the purpose of comparing costs to revenues, though the majority of costs incurred are denominated in non-U.S. dollars. Cash costs consist of all production related expenses including mining, processing, services, royalties and general and administrative costs. The fourth quarter 2006 and year 2006 cash cost measures have been recalculated to be in line with the revised definition.
- (3) Gold, copper and zinc are accounted for as co-products. Copper and zinc units are converted into gold units using the ratio of the average gold value to the average copper and zinc values for the period. Total cash costs are net of by-product silver sales revenue.
- (4) A reconciliation of these non-GAAP measures is shown in the table entitled "Reconciliation of Non-GAAP Measures to Canadian GAAP Cost of Sales" under "Non-GAAP Financial Measures" below.
- (5) Deductions from gross metal values are made for treatment charges, penalties, transportation and other selling costs to arrive at the value received for concentrate sold.

Production

Ore mined in the fourth quarter of 2007 totalled 75,312 tonnes, a decrease of 10% compared with the fourth quarter of 2006. Ore processed in the fourth quarter of 2007 was 72,643 tonnes at 0.29% copper, 1.43% zinc and 1.23 grams per tonne gold, a decrease of 6% compared with the fourth quarter of 2006. Fourth quarter mine production was reduced over a period of five weeks as a result of the previously announced maintenance shutdown to replace the ventilation fan which returned to operation in mid-December. In addition, production was also negatively impacted by adverse winter conditions in the second half of December, limiting the amount of ore transported from the mine to the stockpile and from the stockpile to the mill. Concentrate production in the fourth quarter of 2007 was 2,113 tonnes, an increase of 16% compared with the fourth quarter of 2006. The increase was due to higher feed grades for all metals treated and to more stable operating conditions in the mill. This enabled higher metal recoveries to be realized, in part due to various circuit improvements completed over the course of the year.

For the year 2007, mine and concentrate production were adversely impacted by a crown pillar collapse in near surface workings, a tailings pipe collapse in the tailings management facility, a five week mine maintenance shutdown in the fourth quarter to replace a ventilation fan and adverse winter conditions in the second half of December limiting the amount of ore transported from the mine to the mill. In November 2007, Deno Gold received Ministerial approvals to proceed with the use of the Geghanush tailings management facility. This facility is expected to be fully operational by the end of the first quarter 2008.

In January 2008, a fatal accident occurred in the Shahumyan underground mine. After an investigation by State and Local regulatory and mine safety authorities, as well as the Company's own in-house team, Deno Gold was cleared of any negligence or breach in State or Company safety procedures and the Company was allowed to resume underground mine operations. As a follow-up to the incident, Deno Gold has undertaken the task to re-assess the risks associated with various aspects of the operation to enhance future safety performance. A property-wide geotechnical risk overview assessment is currently being formulated and will be initiated during the first quarter 2008.

Focus at the Deno Gold mine continues to be on the long-term development project and not on maximizing production. Until exploration is completed and the long-term plans are in place, the results of the day-to-day operations will not be consistent.

Deno Gold has agreed commercial terms for the sale of all its zinc and copper/gold concentrates production for 2008. Contract documentation is expected to be signed in the first quarter of 2008.

Cash Cost per Tonne of Ore Processed

Cash cost per tonne of ore processed of US\$121.28 was significantly higher than the Q4 2006 cash cost per tonne of US\$48.14 due to the significant increase in resources required to improve the levels of safety, communications and general operating standards. In addition, cash cost was negatively impacted by a 16% appreciation in the Armenian dram relative to the U.S. dollar. A reconciliation of this non-GAAP measure is shown in the table entitled "Reconciliation of Non-GAAP Measures to Canadian GAAP Cost of Sales" under "Non-GAAP Financial Measures".

Project Development

Since acquiring Deno Gold, an assessment of health, safety and environmental risks has been completed and plans for addressing these risks on a prioritized basis have been prepared and are being systematically implemented. The health and safety function has been strengthened with the addition of an experienced safety professional, new safety reporting and the implementation of incident follow up procedures. As a result, a clearer picture is emerging of safety performance and weaknesses. Specific measures including training, procedures and controls have been targeted as the highest priority items. This is an ongoing process and, although immediate risks to employee and community safety will be mitigated, management expects improvements will be incremental and will occur over a number of years.

There are concurrent changes being implemented to tailings management and water management practices. These changes are intended to provide for incremental improvement toward international best practice over the next two to three years. A review of the existing arrangements for tailings management indicated that an alternative should be put in place as a matter of priority. As a result, the design and construction work on an alternative site that was already underway was expedited and the design was modified to meet international standards. This new facility is regarded as a temporary facility with a life of several years at current production rates. A design concept has been prepared for a long-term alternative and preliminary engineering has commenced. When exploration is further advanced and the future production schedule is better understood, engineering will be advanced and permitting will commence to provide sufficient storage for an assumed resource and production upgrade and to switch to open pit mining. The temporary facility has been commissioned and, as a result, the risks identified with the existing facility are not expected to impinge on production.

DPM plans to undertake an extensive drilling program as part of its proposed activities in order to confirm the scale of the deposit and to enable NI 43-101 compliant resources to be estimated and used as the source for mine scheduling as part of a definitive feasibility study. The Company had budgeted up to \$21.3 million for the 2007 exploration program, of which \$10.3 million was spent in 2007. The commencement of the exploration program was delayed due to the late arrival of drill rigs into Armenia. Deno Gold has purchase commitments of US\$11.0 million (Cdn\$10.9 million) for the purchase of drill rigs. At December 31, 2007, US\$9.2 million (Cdn\$9.2 million) of this commitment had been paid.

An exploration license, for an aggregate area of 350 sq kilometres surrounding the Deno Gold project area, was granted to the Company in April 2007 for an initial three year period. A thorough program of first pass exploration is planned, including helicopter based geophysics, soil and stream sediment sampling and geological mapping. The geophysical program was completed during the third quarter of 2007. Further data processing and interpretation of this data is required.

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

EXPLORATION

Krumovgrad Gold Project, Bulgaria

The Krumovgrad Gold Project has a proven and probable mineral reserve of approximately 4.86 million tonnes of ore grading 5.08 grams of gold per tonne (cut-off grade of 1.3 g/t gold) as of July 2005. A definitive feasibility study completed in 2005 estimated construction costs for the proposed open pit mine and related facilities of \$75 million, with comparatively low unit cash operating costs, after tax payback in less than two years and annual gold production of 150,000 ounces per year for the first four years. The project is currently held under an Exploration License issued in May 2000 and recently extended until June 2008. The Company has applied for a mining license and is waiting for government approvals.

In September 2004, DPM initiated proceedings to the MoEW for issuance of a commercial discovery certificate, which is required in order to obtain a mining license. Bulgarian officials advised DPM that a commercial discovery certificate would be issued following the delivery of an EIA approved by the MoEW. DPM filed an EIA with the Bulgarian MoEW in April 2005, incorporating best available techniques designed to meet or exceed Bulgarian and EU guidelines, which, to date, is being held in abeyance by the MoEW without explanation. To protect the Company's interests, a legal appeal was filed in December 2005 with the Court against the MoEW for failure to rule on DPM's EIA submission within the timeframe allowed by Bulgarian legislation. The Company requested the Court to revoke the silent refusal of the MoEW and approve the EIA or, alternatively, to instruct the MoEW to address the matter appropriately in compliance with Bulgarian law.

On February 13, 2007, the Court revoked the silent refusal of the MoEW on the Krumovgrad EIA. The Court ruled that, by failing to issue a pronouncement on the EIA within the statutory timeframe, the MoEW has breached the procedural rules under the Environmental Protection Act. This Act does not provide for a silent refusal and therefore the MoEW has been required to issue a pronouncement on the Krumovgrad EIA. The MoEW appealed the decision in front of the appellate instance of the Court and the appeal was heard on May 10, 2007. On July 13, 2007, the appellate Court upheld the Court's original decision and instructed the MoEW to issue a decision on the Krumovgrad EIA. This resolution is final and cannot be appealed.

The Company is pursuing all available avenues, including additional legal actions in both the Bulgarian and the International Courts, in order to protect its rights to the property. On June 2, 2007, in order to further attempt to protect the Company's rights, an application for a mining license was filed in lieu of having had all the statutory requirements for registering a commercial discovery satisfied. The application is currently under review by the MoEE. Although the MoEE has taken steps to review the Company's application, the failure to formally issue an administrative act certifying opening of the administrative proceedings within the general administrative statutory timeline is considered, under the Bulgarian law, a silent refusal to start the proceedings. As a result, on December 21, 2007, the Company filed with the Court an appeal against the MoEE for silent refusal to open proceedings for direct granting of the mining concession. The appeal was filed to ensure that the Company's rights were protected and were not going to be precluded because of the delay on the part of the state administration.

In March 2007, the Bulgarian Government included the Krumovgrad project area in lands designated as part of the Natura 2000 network, an EU directive of setting aside areas of conservation designed to protect the most seriously threatened habitats and species. DPM has filed an appeal with the Court challenging the legalities of the process the Bulgarian Government employed to define the protected sites.

All engineering and procurement activities on the project were suspended in May 2006. This is in addition to the suspension of the resettlement program which occurred at the end of February 2006. Consequently, the Krumovgrad Gold Project will be delayed until such time as the MoEW meets its legal obligations and approves the EIA which has been deemed to be fully compliant by independent international and licensed Bulgarian environmental experts. As of the date of this report, the Company has had no formal response from the MoEW.

Back River Project, Canada

The Back River Project consists of 45 leases and 26 mineral claims totalling 158,603 acres. In addition, DPM has another 95 mineral claims totalling 202,367 acres on both Crown and Kitikmeot Inuit owned lands. These claims, referred to as the Wishbone property, are located 50 kilometres west of the Goose Lake project on the Hackett River Group volcanic trend. The Wishbone claim group extends 60 kilometres in length and is located in an area possessing a favourable geological setting for gold, copper, silver, zinc and lead mineralization.

In 2007, an independent NI 43-101 compliant resource estimate was completed on the Back River project defining in excess of 3.4 million tonnes of Indicated and 3.5 million tonnes of Inferred Resource grading approximately 10 grams gold per tonne (cut-off grade of 5 grams per tonne). To date, DPM has received all outstanding assay results from both the diamond drilling and soil geochemistry sampling programs carried out on the project during 2007. The assay results are currently being reviewed by the project geological team and will be integrated into a target ranking process in the first quarter of 2008. An updated independent NI 43-101 compliant resource estimate using the 2007 exploration data will be produced.

Exploration expenditures for 2007 totalled \$21.4 million and included 10,473 metres of diamond drilling, the collection of greater than 20,000 soil samples, the staking of 95 mineral claims along the Hackett River Greenstone belt and ongoing baseline environmental monitoring activities.

Planning for the 2008 field season is underway and will be the primary function in the first quarter of 2008. The Back River camp will open in mid-March and a total of three diamond drills have been committed for use on the project by the diamond drill contractor as part of the 2008 exploration drill program.

The objective of the 2008 exploration program at Back River is to conduct approximately 10,000 metres of diamond drilling. Infill diamond drilling will be conducted on both the George Lake and Goose Lake deposits with the intention of converting the currently defined Inferred Resource categories to higher levels of resource confidence. Concurrently, core samples representative of the mineralized zones will be collected for additional metallurgical test work in support of the internal scoping level study. Thermistors will be installed to monitor the permafrost temperature conditions at the Goose Lake and George Lake deposits. A project budget of \$13.0 million is planned at Back River in 2008.

DPM is presently conducting an in-house scoping level study on the project; the results of which will determine the direction of the project.

Serbia

DPM has been actively exploring in Serbia since 2004 and is the largest holder of mineral exploration licenses in the country. The Company currently holds 11 exploration licenses (748 square kilometres) and three concession licenses (153 square kilometres) for a total landholding of 901 square kilometres. In addition, a number of license applications are pending with the Ministry of Mines and Energy.

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

The DPM exploration tenements are located within several significant mining districts in Serbia including the Timok Magmatic Complex (hosting the Bor and Majdanpek deposits), the Lece Magmatic Complex (hosting the Lece mine) and the Besna Kobila-Osgovo Metallogenic Belt (hosting the historic Mackatica molybdenum mine). By the end of 2007, a total of 63,177 metres of diamond drilling had been completed, including 4,289 metres of reverse circulation drilling. DPM currently has up to 12 drill rigs operating in country testing targets on the Timok Concession licenses, the Surdulica exploration license and various regional targets. Other exploration activities currently underway include geological mapping and substantial geochemical soil and trenching surveys. Major airborne and ground geophysical surveys have also been undertaken on the Timok Concession licenses and various other exploration licenses. In addition, DPM is continuing environmental baseline studies of the Timok area.

Exploration activity (geological mapping, soil sampling, trenching, ground geophysical surveys and diamond drilling) continued on the Timok concession and exploration licenses during the reporting period. Recent assay results have been significant, confirming the existence of a major limestone hosted gold mineralized province along the boundary of the Timok Magmatic Complex.

Prospect-scale mapping and substantial trenching were also completed on the Coka Kuruga, Tilva Njagra and Jasikovo licenses. Trenching at Bozuluj intersected limestone hosted gold mineralization and trenching at Valja Strz intersected significant porphyry style mineralization.

Regional Licenses

Regional work programs continued and substantial exploration activities took place during the quarter. Work completed during the period included geological mapping, soil sampling, channel sampling and drilling. Significant diamond and reverse circulation drilling continued on the Surdulica license to expand the footprint of the historic molybdenum deposits at Mackatica and Borovik and a major zone of molybdenum-rhenium mineralization was confirmed. Geological mapping has shown that the Mackatica and Borovik areas form part of a contiguous mineralized zone.

Exploration Technique	Quarter 4 – 2007	Year to Date
Ground geophysics (line km)	38.4	628.4
Soil sampling	4,184 samples	26,635 samples
Stream sediment sampling	-	163 samples
Detailed geological mapping	Prospect scale	Major prospects/corridors
Trenching	5,734 metres	25,346 metres
All Drilling	91 holes for 20,224 metres	251 holes for 63,177 metres

DPM has initiated a scoping study at Surdulica which will be used to define the parameters for a pre-feasibility study. It is expected that the scoping study will be completed in the second quarter of 2008. For further information, please refer to the press release issued by DPM on November 5, 2007, which has been filed on the SEDAR website at www.sedar.com.

INVESTMENT PORTFOLIO

As at December 31, 2007, the Company's portfolio of investments had a market value of \$66.0 million. The top two investments, representing approximately 67% of the total market value were: Frontier Pacific Mining Corporation ("Frontier Pacific") - \$31.5 million and Crescent Gold Limited ("Crescent") (Australian) - \$12.6 million:

- Frontier Pacific is a mineral exploration and development company based in Vancouver, British Columbia. Frontier Pacific is focused on a gold project in Europe and a uranium project in South America with its primary asset being the Perama Hill gold project in northwestern Greece which is in the advanced permitting stage.
- Crescent is an emerging Australian gold producer with its primary operation being the Laverton Gold Project located in Western Australia and a portfolio of exploration properties.

In addition to the above, the Company held greater than 10% of the outstanding shares of Cassidy Gold Corp.: a gold exploration and development company with its principal asset being its 100% owned interest, subject to a 15% state participation, in the Kouroussa, Tambiko and Siguiri gold concessions in Guinea, West Africa.

In response to Wega Mining ASA's take-over bid for all the outstanding shares of Goldbelt, DPM tendered its share holdings realizing pre and after-tax cash proceeds of \$46.7 million.

For the three and twelve months ended December 31, 2007, DPM realized pre and after-tax cash proceeds of \$51.3 million and \$125.1 million, respectively on the disposition of certain shareholdings, including Goldbelt, as noted above. By comparison, for the three and twelve months ended December 31, 2006, DPM realized pre and after-tax cash proceeds of \$38.2 million and \$111.1 million, respectively on the disposition of certain shareholdings.

For the three and twelve months ended December 31, 2007, DPM invested \$1.3 million and \$18.0 million, respectively in marketable securities. By comparison for the three and twelve months ended December 31, 2006, DPM invested \$47.4 million and \$61.3 million, respectively, in marketable securities.

During the year, a \$13.0 million write-down of investments (principally Tahera Diamond Corporation, \$12.9 million, as it filed for protection under the *Companies' Creditors Arrangement Act* with the Ontario Superior Court of Justice) was taken as it was determined by management that the decline in the market value of the securities was other than temporary.

QUARTERLY INFORMATION

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

\$ millions, except per share amounts	2007				2006			
	Q4	Q3	Q2*	Q1	Q4	Q3	Q2	Q1
Net revenue	\$ 22.2	\$ 26.8	\$ 52.5	\$ 20.9	\$ 32.9	\$ 17.2	\$ 41.1	\$ 19.8
Cost of sales	26.3	17.1	25.8	12.2	21.2	8.1	12.5	9.7
Gross profit / (loss)	(4.1)	9.7	26.7	8.7	11.7	9.1	28.6	10.1
Investment income (loss)	8.8	(2.2)	16.0	17.0	22.8	16.0	25.7	0.4
Earnings before undernoted	4.7	7.5	42.7	25.7	34.5	25.1	54.3	10.5
Expenses	(13.1)	(18.3)	(15.4)	(12.6)	(12.7)	(9.1)	(12.1)	(6.7)
Non-controlling interest	-	-	-	-	0.1	(0.1)	-	-
Income tax recovery (expense)	(1.1)	1.1	(3.8)	(2.1)	(3.5)	(2.5)	(7.9)	(0.1)
Net earnings (loss)	\$ (9.5)	\$ (9.7)	\$ 23.5	\$ 11.0	\$ 18.4	\$ 13.4	\$ 34.3	\$ 3.7
Net earnings (loss) per share								
- basic	\$ (0.15)	\$ (0.16)	\$ 0.43	\$ 0.20	\$ 0.34	\$ 0.25	\$ 0.64	\$ 0.07
- diluted	\$ (0.15)	\$ (0.16)	\$ 0.42	\$ 0.20	\$ 0.33	\$ 0.24	\$ 0.61	\$ 0.07

* Q2 2007 figures have been restated.

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

US\$, Average	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
London Bullion gold (\$/oz)	788	681	668	650	614	622	628	554
LME cash copper (\$/lb)	3.26	3.50	3.47	2.69	3.21	3.48	3.27	2.24
LME cash zinc (\$/lb)	1.19	1.46	1.66	1.57	1.91	1.53	1.49	1.02
LME spot silver (\$/oz)	14.22	12.70	13.34	13.31	12.62	11.70	12.29	9.69

MANAGEMENT AND STAFFING

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

In December 2007, Stephanie Anderson was appointed Executive Vice President and Chief Financial Officer of DPM. Ms. Anderson has over 20 years of experience in the mining industry, a BSc (Hon) in Geology and an MBA. Prior to joining DPM, she was Vice-President and Treasurer at Inco Limited.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2007, the Company had cash and cash equivalents of \$49.2 million and a portfolio of investments with a market value of \$66.0 million. The Company's excess cash is invested in bankers' acceptances.

The Company raised \$77.5 million of net proceeds (\$81.9 million gross) from an equity financing completed in July 2007. The financing consisted of the sale of 5,520,000 common shares, 2,760,000 common share purchase warrants and 1,955,000 flow-through common shares. Each whole warrant entitles the holder to purchase one common share at a price of \$15.00 until June 29, 2012. Use of net proceeds from the units offering was for general corporate purposes. Proceeds from the flow-through common share offering will be used to fund the Company's 2008 Canadian exploration projects.

In response to Wega Mining's ASA's take-over bid for all the outstanding shares of Goldbelt, DPM tendered its share holdings realizing pre and after-tax cash proceeds of \$46.7 million.

Total exploration expenditures in 2007 were \$64.5 million, of which \$35.3 million was capitalized. For 2008, the Company is projected to spend \$61.0 million, of which \$32.3 million will be capitalized. A significant portion of these expenditures are discretionary and can be deferred, if necessary, for a period of time. Total capital expenditures in 2007 (including exploration) were \$110.2 million. DPM is projecting total capital expenditures (including exploration) of \$105 million in 2008.

In the event the required permits and approvals are obtained for the Chelopech expansion project and Krumovgrad development project, updated detailed feasibility reports will need to be completed and assessed prior to commencement of the projects. The ability to complete both development projects will be dependent on the outcome of the updated reports and the Company's ability to adequately raise sufficient funding. Preliminary discussions have been held with international financial institutions regarding debt financing for both projects. The equity markets are also available for providing new funds for superior projects and are especially active in strong commodity cycles.

It is currently anticipated that the Company's level of cash and cash equivalents and portfolio of investments as of December 31, 2007, together with currently projected cash to be provided by operating activities, would enable the Company to meet its 2008 operating and capital requirements, including its contractual commitments. DPM may access the debt and/or equity markets to assist in the financing of such activities.

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

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

Contractual Obligations

\$ millions	Payments Due by Period				
	Total	Up to 1 Year	1 – 3 Years	4 – 5 Years	Over 5 years
Long-term debt	\$ 9.7	\$ 3.4	\$ 6.3	\$ -	\$ -
Operating lease obligations	2.1	0.9	1.0	0.2	-
Purchase obligations	36.0	32.9	3.1	-	-
Other long-term obligations	0.2	0.1	0.1	-	-
Total contractual obligations	\$ 48.0	\$ 37.3	\$ 10.5	\$ 0.2	\$ -

Total long-term debt includes US\$7.5 million owed by Chelopech Mining and US\$3.4 million owed by Deno Gold. On April 6, 2005, Chelopech signed a \$10 million loan agreement with the European Bank for Reconstruction and Development ("EBRD"). The loan is guaranteed by the Company. It bears interest at LIBOR plus 1.0% and is repayable in eight equal semi-annual installments beginning June 2007.

There are several financial debt covenants that must be satisfied under the terms of Chelopech's EBRD loan. Chelopech's forecast debt service coverage ratio must be at least 1.2:1, tested annually and must maintain a current ratio in excess of 1.2:1. DPM must also have consolidated shareholder's equity of at least \$50 million and maintain a current ratio greater than 1.5:1. Both Chelopech and the Company are in compliance with their respective debt covenants.

On December 22, 2005, Deno Gold obtained a US\$4.5 million loan from the EBRD. The loan is secured by: (1) a first ranking pledge over a Deno Gold bank account through which all concentrate sales are credited and which shall maintain at all times an amount no less than the next three months debt service requirement; and (2) a first priority pledge of the shares in Deno Gold. It bears interest at LIBOR plus 5.5% and is repayable in eight equal semi-annual installments, beginning March 2007.

Included in the purchase obligations are \$18.9 million relating to Chelopech's expansion project purchase commitments, \$5.4 million for site capital projects, \$1.0 million in contracts relating to the Back River Project, \$2.2 million relating to Deno Gold purchase commitments and \$6.3 million in contracts related to the exploration project in Serbia.

BMM has entered into a US\$0.3 million credit agreement for the purpose of providing letters of guarantee for certain of its obligations under its exploration license agreements. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As of December 31, 2007, letters of guarantee amounting to \$0.1 million had been written against this credit facility.

Chelopech has entered into a US\$2.0 million credit agreement for the purpose of providing letters of guarantee for future royalty payments under its concession license agreements. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As of December 31, 2007, letters of guarantee amounting to \$1.2 million had been written against this credit facility.

FINANCIAL AND OTHER INSTRUMENTS

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

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

OFF BALANCE SHEET ARRANGEMENTS

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

OUTSTANDING SHARE DATA

DPM's shares and share purchase warrants are traded on the TSX under the symbols DPM and DPM.WT. As at March 4, 2008, there were 61,984,538 common shares outstanding with a stated value of \$268.7 million and 2,760,000 common share purchase warrants were outstanding with a stated value of \$4,758,000. There were also 5,185,833 stock options outstanding as of the date of this MD&A with a weighted average exercise price of \$7.92 per share. Stock options outstanding have expiry dates ranging from February 24, 2009 to January 6, 2013.

RISKS AND UNCERTAINTIES

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

Metal Prices

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

Gold, copper, zinc and silver prices may fluctuate widely and are affected by numerous factors beyond the Company's control, including the sale or purchase of gold and silver by various central banks and financial institutions, interest rates, exchange rates, inflation or

deflation, fluctuation in the value of the U.S. dollar and foreign currencies, global and regional supply and demand and the political and economic conditions of major gold, silver, zinc and copper-producing countries throughout the world. Depending on the price of gold, silver, zinc and copper, cash flow from mining operations may not be sufficient and the Company could be forced to discontinue production and may lose its interest in, or may be forced to sell, some of its properties.

It is currently the Company's policy not to hedge gold prices. Depending on market conditions, it may enter into copper hedging contracts. In the third quarter of 2006, the Company acquired copper put options on 11,825 tonnes covering the period of October 2006 to December 2007. There were no metal hedges in place as at December 31, 2007.

Foreign Exchange

The Company's metal concentrates are priced and sold in U.S. dollars but the majority of its operating and capital expenditures are Euro, Armenian dram or U.S. dollar based. The Company's investment income is denominated primarily in Canadian dollars as most of the investments trade on the TSX and the majority of cash balances are held in Canadian dollars. Favourable and unfavourable fluctuations in exchange rates between the U.S. and Canadian dollar and between the U.S. dollar and other currencies could have a material affect on the Company's results of operations and financial condition. The Company does not currently hedge its foreign exchange exposure.

Counterparty Risk

The Company's concentrate production is sold in U.S. dollars under "take or pay" contracts. Under the terms of these arrangements, the purchaser makes a provisional payment of 85% to 95% of the value of each lot at the time title of the concentrate transfers or is delivered to the purchaser's destination. A final adjusting payment, reflecting the actual metal prices for the specified quotational period, is made when final weights and assays are agreed. All contractual commitments are subject to force majeure clauses which, if implemented, could have a significant impact on revenue. Approximately 66% of the total projected copper concentrate sales in 2008 are to one customer. We do not anticipate a loss for non-performance by any counterparty with whom we have a commercial relationship.

Environmental Risks and Hazards

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

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

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

Operations

Mining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of gold, copper, zinc and silver, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental

damage and possible legal liability. Although adequate precautions to minimize risk will be taken, milling operations are subject to hazards such as equipment failure or failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability.

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

Production, Operating and Shipping Costs

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

As commodity prices continue to strengthen, combined with the decline in the U.S. dollar, mine exploration and development costs continue to increase and the availability of reliable sources of supply of qualified personnel, supplies, services and equipment at reasonable prices becomes more difficult, all of which could have a material adverse impact on the results of operation and financial condition.

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

Mineral Resources and Reserves

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

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

Exploration

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

Development Projects

The Company's ability to sustain or increase present levels of production is dependent, in part, on the successful development of new ore bodies and/or expansion of existing mining operations. The commercial viability of development projects is based on many factors,

including: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; government regulations; capital and operating costs of such projects; and foreign currency exchange rates. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits and the acquisition of satisfactory surface or other land rights. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Political

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

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

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.

Insurance

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

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

Diversification

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

Government Laws and Regulations

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

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

Financing

The mining, processing, development and exploration of the Company's properties may require substantial additional financing. Failure to obtain sufficient financing may result in delay or indefinite postponement of development on any or all of the Company's properties or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

Labour Relations

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

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

Capitalization of Exploration Expenses

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

Asset Retirement Obligations

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

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

Property, Plant and Equipment

Property, plant and equipment represent 66% of total assets at December 31, 2007. As such, the application of the Company's accounting policies for these assets has a material impact on the Company's financial results. Property, plant and equipment and related capitalized expenditures are recorded at cost. Amortization expense is based on the estimated useful lives of these assets. The carrying values of mining properties and property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Impairment assessments are based on estimates of future cash flows, which include: the quantity of mineral reserves; future metal prices and future operating and capital costs to mine and process the Company's reserves. The variability of these factors depends on a number of conditions, including the uncertainty of future events and, as a result, accounting estimates may change from one period to another. Asset balances could be materially impacted if other assumptions and estimates had been used. In addition, future operating results could be impacted if different assumptions and estimates are applied in future periods.

Income Taxes

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

Investments

Investments represent 9% of total assets at December 31, 2007. As such, the application of the Company's accounting policies for these assets has a material effect on the Company's financial results. Investments are recorded at fair value. Subsequent changes in the fair value will be recorded in other comprehensive income until such time as the security is sold at which time cumulative gains or losses will be transferred to earnings. Investments in which the Company has significant influence, but does not control, are accounted for at cost using the equity method. Investments are reviewed for impairment based on the market values of the securities. When the loss on investment is considered other than temporary, the investment is written down to recognize the loss and a charge is reflected in the earnings statement. The volatility of the market values can cause accounting estimates to change from one period to the next. As a result, balances could be materially impacted.

2007 ACCOUNTING DEVELOPMENTS

On January 1, 2007, the Company adopted three new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"); Section 1530, "Comprehensive Earnings", Section 3855, "Financial Instruments – Recognition and Measurement" and Section 3865, "Hedges". These standards were adopted on a prospective basis and, as such, prior periods have not been restated.

The new standards require that the Company assess all of its financial assets and liabilities in order to determine which should be recorded at fair value. Accordingly, a one-time adjustment to record the fair value of its financial assets and liabilities was made as at January 1, 2007. The classification of the asset or liability establishes the specific accounting treatment to be followed in the future.

As a result, the Company's investment portfolio was designated as available for sale and is carried at fair value. Subsequent changes in the fair value are recorded in other comprehensive earnings until such time as the security is sold at which time cumulative gains or losses are transferred to earnings. DPM's investment in Goldbelt, as of December 31, 2006, was accounted for under the equity method and, accordingly, was carried at cost. Currently the Company's investment in Frontier Pacific is accounted for under the equity method.

The Company's debt and notes payable will be carried at fair value discounted to maturity, using the effective interest method. Any further change in fair value is recorded in the statement of earnings in the period in which it occurs. DPM also elected to expense all financing costs as incurred which resulted in a further adjustment to opening retained earnings.

Recorded in the financial statements was a transition adjustment of \$60.4 million, net of taxes, as an adjustment to accumulated other comprehensive earnings, representing the unrealized net gains on the Company's portfolio investments as at January 1, 2007. Additionally, an adjustment increasing opening retained earnings in the amount of \$2.1 million, net of taxes, was made representing the adjustment to fair value of DPM's debt and notes payable, net of deferred financing charges.

2008 ACCOUNTING DEVELOPMENTS

In December 2006, the CICA issued Handbook Sections 1535, "Capital Disclosures", 3682, "Financial Instruments – Disclosures" and 3683, "Financial Instruments – Presentation". These standards are effective for interim and annual financial statements relating to fiscal years commencing on October 1, 2007. The Company will adopt these new standards effective January 1, 2008.

The new standards will increase the level of disclosure in the Company's consolidated financial statements. DPM will be required to disclose its capital management strategy detailing the objectives, policies and procedures surrounding the management of capital. The Company will also be required to disclose risk management information on both a qualitative and quantitative basis.

In June 2007, the CICA issued Handbook Section 3031, "Inventories" which brings the standard inline with International Financial Reporting Standards. The Company will adopt these new standards effective January 1, 2008, the effects of which will not have a material impact on the financial statements.

NON-GAAP FINANCIAL MEASURES

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

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

\$ thousands, unless otherwise indicated			
For the year ended December 31, 2007	Chelopech	Deno Gold	Total
Ore processed (mt)	913,440	323,371	
Concentrate produced			
Gold in concentrate (ounces)	75,075	9,312	
Copper in concentrate (pounds)	23,620,146	1,654,618	
Zinc in concentrate (pounds)	-	5,727,796	
Cost of sales (Cdn\$)	\$ 51,631	\$ 29,852	\$ 81,483
Cost of sales (US\$)	\$ 47,235	\$ 27,323	\$ 74,558
Add/(Deduct):			
Amortization	(6,912)	(1,612)	
Other non-cash charges	-	(130)	
Change in concentrate inventory	2,459	1,678	
Total cash cost of production before by-product credits (US\$)	\$ 42,782	\$ 27,259	
Silver credits (US\$)	(1,499)	(2,569)	
Total cash cost of production after by-product credits (US\$)	\$ 41,283	\$ 24,690	
Cash cost per tonne ore processed (US\$)	46.84	84.30	
Cash cost per pound Copper produced (US\$) ⁽¹⁾	1.03	3.93	
Cash cost per ounce Gold produced (US\$) ⁽¹⁾	227	910	
Cash cost per pound Zinc produced (US\$) ⁽¹⁾	-	1.70	

\$ thousands, unless otherwise indicated

For the year ended December 31, 2006	Chelopech	Deno Gold ⁽²⁾	Total
Ore processed (mt)	952,753	111,875	
Concentrate produced			
Gold in concentrate (ounces)	70,781	2,409	
Copper in concentrate (pounds)	25,361,802	519,570	
Zinc in concentrate (pounds)	-	2,154,391	
Cost of sales (Cdn\$)	\$ 45,785	\$ 5,660	\$ 51,445
Cost of sales (US\$)	\$ 40,295	\$ 4,950	\$ 45,245
Add/(Deduct):			
Amortization	(5,570)	(371)	
Change in concentrate inventory	2,890	216	
Total cash cost of production before by-product credits (US\$)	\$ 37,615	\$ 4,795	
Silver credits (US\$)	(1,400)	(664)	
Total cash cost of production after by-product credits (US\$)	\$ 36,215	\$ 4,131	
Cash cost per tonne ore processed (US\$)	39.48	42.86	
Cash cost per pound Copper produced (US\$) ⁽¹⁾	0.92	2.04	
Cash cost per ounce Gold produced (US\$) ⁽¹⁾	182	382	
Cash cost per pound Zinc produced (US\$) ⁽¹⁾	-	1.00	

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

(2) Includes four months of results following the acquisition by DPM in August 2006.

DISCLOSURE CONTROLS AND PROCEDURES

Requirements of MI 52-109 include conducting an evaluation of the effectiveness of disclosure controls and procedures. Management conducted an assessment of the effectiveness of the disclosure controls and procedures in place as of December 31, 2007 and concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in annual filings. The board of directors assesses the integrity of the public financial disclosures through the oversight of the Audit Committee.

Internal Control Changes

During 2007, the Company completed a detailed evaluation of the effectiveness of internal controls over financial reporting using the Committee of Sponsoring Organizations of the Treadway Commission framework. This exercise resulted in improvements being made to strengthen the portfolio of internal controls in all significant locations. Additional improvements will be made in 2008 to further enhance internal controls over financial reporting.



Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Dundee Precious Metals Inc. and all information in this financial report are the responsibility of management. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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 controls designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable.

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.

Jonathan Goodman

President and Chief Executive Officer

Stephanie Anderson

*Executive Vice President and
Chief Financial Officer*

March 5, 2008



Auditors' Report

To the Shareholders of

Dundee Precious Metals Inc.

We have audited the consolidated balance sheets of Dundee Precious Metals Inc. as at December 31, 2007 and December 31, 2006 and the consolidated statements of earnings, comprehensive loss, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2007 and December 31, 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

March 5, 2008



Consolidated Balance Sheets

As at December 31, 2007 and December 31, 2006
(in thousands of Canadian dollars)

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 49,175	\$ 31,993
Accounts receivable and other assets (note 5)	39,274	33,082
Inventories (note 6)	32,396	17,097
Total current assets	120,845	82,172
Portfolio investments (market value-\$34,567; December 2006-\$151,887) (note 7)	34,567	79,603
Equity accounted investments (market value-\$31,457; December 2006-\$37,639) (note 7)	13,665	29,752
Other long-term assets (note 8)	9,570	6,443
Property, plant & equipment (note 9)	354,549	251,962
Future income tax asset (note 13b)	5,272	4,922
Total assets	\$ 538,468	\$ 454,854
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 24,114	\$ 35,129
Deferred revenue	-	6,246
Current portion of long-term debt and other long-term liabilities (notes 10 and 11)	3,604	4,246
Total current liabilities	27,718	45,621
Long-term Liabilities		
Long-term debt (note 10)	6,114	12,672
Reclamation and other long-term liabilities (note 11)	13,643	12,567
Long-term compensation (note 14)	3,233	5,034
Future income tax liability (note 13b)	16,380	11,647
Total long-term liabilities	39,370	41,920
SHAREHOLDERS' EQUITY		
Share capital	268,669	193,307
Warrants (note 15)	4,758	-
Contributed surplus	9,081	7,019
Retained earnings	184,510	166,987
Accumulated other comprehensive earnings	4,362	-
Total shareholders' equity	471,380	367,313
Total liabilities and shareholders' equity	\$ 538,468	\$ 454,854

Contingent liabilities and commitments (note 12)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Earnings

For the years ended December 31, 2007 and December 31, 2006
(in thousands of Canadian dollars, except per share amounts)

	2007	2006
Mining operations		
Gold/copper/zinc concentrates net revenue	\$ 122,417	\$ 110,935
Cost of sales	81,483	51,445
Gross profit	40,934	59,490
Investment income / (expense)		
Dividends, interest and other income	2,211	1,395
Loss on equity accounted investments	(51)	(916)
Net realized gains on sale of investments	53,733	68,682
Loss on copper put options	(3,192)	(4,229)
Impaired investments written down to market value (note 7)	(13,022)	(73)
Investment income	39,679	64,859
Earnings before undernoted items	80,613	124,349
Expenses		
Administrative and other expenses	21,916	14,359
Stock based compensation expense (note 16)	193	5,395
Exploration expense	29,232	14,864
Amortization of property, plant and equipment	2,061	2,329
Financing and other costs	3,992	2,869
Foreign exchange loss	1,957	793
Total expenses	59,351	40,609
Earnings before income taxes	21,262	83,740
Provision for income taxes (note 13a)		
Current	4,967	11,292
Future	920	2,716
Total provision for income taxes	5,887	14,008
Net earnings for the year	\$ 15,375	\$ 69,732
Basic net earnings per share (note 17)	\$ 0.27	\$ 1.29
Diluted net earnings per share (note 17)	\$ 0.26	\$ 1.26

Consolidated Statement of Comprehensive Loss

For the years ended December 31, 2007
(in thousands of Canadian dollars)

	2007
Comprehensive loss	
Net earnings	\$ 15,375
Other comprehensive loss, net of taxes	
Net unrealized losses on available-for-sale investments	(20,125)
Reclassification of realized gains on available-for-sale investments to earnings	(35,870)
Other comprehensive loss	(55,995)
Total comprehensive loss	\$ (40,620)

See accompanying notes to the consolidated financial statements.



Consolidated Statements of Cash Flow

For the years ended December 31, 2007 and December 31, 2006
(in thousands of Canadian dollars)

	2007	2006
OPERATING ACTIVITIES		
Net earnings for the year	\$ 15,375	\$ 69,732
Non-cash charges (credits) to earnings:		
Amortization of property, plant and equipment	12,512	9,127
Stock based compensation expense	193	5,395
Repurchase of stock options	-	(950)
Net gains on sale of investments	(53,733)	(68,682)
Impaired investments written down to market value	13,022	73
Unrealized loss on revaluation of debt	715	-
Future income taxes	920	2,716
Loss on copper put options	3,192	4,229
Other non-cash charges	448	1,800
Changes in non-cash working capital:		
Increase in accounts receivable and other assets	(9,367)	(17,934)
Increase in inventories	(15,299)	(2,982)
Increase in other long-term assets	(3,353)	(5,239)
Increase (decrease) in accounts payable	(17,261)	26,056
Increase (decrease) in other liabilities	29	(202)
Net cash provided by (used in) operating activities	(52,607)	23,139
INVESTING ACTIVITIES		
Purchase of investments	(18,046)	(61,313)
Proceeds on sale of investments	125,069	111,118
Acquisition of company, net of cash of \$523 (note 4)	-	(24,950)
Purchase of additional interest in company, net of share issue of \$2,464 (note 4)	(2,199)	-
Acquisition of mineral properties	-	(8,950)
Exploration and development costs capitalized	(59,504)	(44,758)
Purchase of plant and equipment	(50,705)	(41,714)
Proceeds on sale of plant and equipment	273	-
Net cash used in investing activities	(5,112)	(70,567)
FINANCING ACTIVITIES		
Issue of common shares	1,380	1,880
Net proceeds of equity financing	77,474	-
Redemption of deferred share units	(112)	-
Repayment of debt	(3,841)	-
Net cash provided by financing activities	74,901	1,880
Increase (decrease) in cash and equivalents	17,182	(45,548)
Cash and equivalents at beginning of year	31,993	77,541
Cash and equivalents at end of year	\$ 49,175	\$ 31,993
Supplemental Disclosures		
Interest paid (received)	\$ (25)	\$ 1,351
Taxes paid	\$ 13,960	\$ 1,447

See accompanying notes to the consolidated financial statements.



Consolidated Statements of Shareholders' Equity

As at ended December 31, 2007 and December 31, 2006
(in thousands of Canadian dollars)

	December 31, 2007		December 31, 2006	
	Number	Amount	Number	Amount
SHARE CAPITAL				
Authorized				
Unlimited common shares				
Issued				
Common Shares				
Balance at beginning of year	53,985,838	\$ 193,307	53,739,007	\$ 190,666
Shares issued on financing (note 15)	5,520,000	53,202	-	-
Flow-through shares issued on financing (note 15)	1,955,000	23,949	-	-
Future tax recognized on flow-through shares (note 15)	-	(2,995)	-	-
Financing fees (note 15)	-	(4,434)	-	-
Future tax recognized on financing fees (note 15)	-	1,401	-	-
Shares issued on purchase of additional interest in company (note 4)	337,033	2,464	-	-
Shares issued on exercise of stock options	186,667	1,380	246,831	1,880
Transferred from contributed surplus on exercise of stock options	-	395	-	761
Balance at end of year	61,984,538	268,669	53,985,838	193,307
WARRANTS				
Balance at beginning of year	-	-	-	-
Warrants issued on financing (note 15)	2,760,000	4,758	-	-
Balance at end of year	2,760,000	4,758	-	-
CONTRIBUTED SURPLUS				
Balance at beginning of year		7,019		4,260
Stock based compensation expense		2,457		3,892
Stock options repurchased		-		(372)
Transferred to capital stock on exercise of stock options		(395)		(761)
Balance at end of year		9,081		7,019
RETAINED EARNINGS				
Balance at beginning of year		166,987		97,255
Transition adjustment				
- financial instruments		2,148		-
Net earnings		15,375		69,732
Balance at end of year		184,510		166,987
ACCUMULATED OTHER COMPREHENSIVE EARNINGS				
Balance at beginning of year		-		-
Transition adjustment				
- financial instruments		60,357		-
Net change on available-for-sale investments		(55,995)		-
Balance at end of year		4,362		-
Shareholders' equity at the end of year		\$ 471,380		\$ 367,313

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

For the year ended December 31, 2007

(in thousands of Canadian dollars, unless otherwise indicated)

1. NATURE OF OPERATIONS

Dundee Precious Metals Inc. ("DPM") is a Canadian based, international mining company engaged in the acquisition, exploration, development and mining of precious metal properties.

In Bulgaria, the Company currently owns an operating underground gold/copper mine ("Chelopech") which is being expanded and is in the process of seeking regulatory approval for the expansion and conversion from concentrate to metal production; and a feasibility stage gold project ("Krumovgrad Gold Project"), owned by Balkan Mineral and Mining EAD ("BMM"), a wholly-owned subsidiary of the Company, is awaiting regulatory approval for construction and operation. In addition, DPM also owns 95% of Vatrín Investment Limited ("Vatrín"), a private entity which holds 100% of Deno Gold Mining Company ("Deno Gold"), its principal asset being the Kapan Mine, a gold, copper and zinc concentrates producer in southern Armenia. DPM holds three significant exploration and exploitation concessions in one of the larger gold-copper-silver mining regions in Serbia. The Company also has active exploration properties located in Nunavut in the Canadian Arctic (the "Back River Project"). For a complete review of the Company's risks and uncertainties, refer to the "Risks and Uncertainties" section of Management's Discussion and Analysis for the year ended December 31, 2007.

The consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a "going concern" which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. At December 31, 2007, the Company has committed and contractual obligations of \$37.3 million over the next twelve months. Management expects that it will be able to fund its cash requirements and that additional financing will be available and may be sourced in time to allow the Company to continue its planned and future exploration and development activities.

The principal accounting policies are described hereunder.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Adoption of new accounting standards

On January 1, 2007, the Company adopted two new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"); Section 1530, "Comprehensive Earnings", and Section 3855, "Financial Instruments – Recognition and Measurement", and Section 3865 "Hedges". These standards were adopted on a retroactive basis with no restatement and, as such, prior periods have not been restated.

i) Comprehensive earnings

Comprehensive earnings is composed of net earnings (loss) and other comprehensive earnings (loss) ("OCE") which comprises revenues, expenses, gains and losses that GAAP requires to be included in shareholders' equity such as unrealized gains and losses on financial assets classified as available-for-sale, but are excluded from the calculation of net earnings (loss). Cumulative changes in OCE other than net income are presented in accumulated other comprehensive earnings (loss) ("AOCE") which is presented as a new category of shareholders' equity on the consolidated balance sheet.

ii) Financial instruments

Under this standard, all financial assets and financial liabilities, including derivatives, are required to be recognized on the consolidated balance sheet when the Company becomes a party to the contractual provisions of the financial instrument or non-financial derivative contract. Under this standard, all financial assets and liabilities are required to be measured at fair value on initial recognition except for certain related party transactions.

Financial assets and liabilities designated as held-for-trading are measured at fair value with changes in those fair values recognized in financing and other costs on the consolidated statement of earnings. Loans and other financial assets and liabilities are measured at amortized cost using the effective interest rate method of amortization. Available-for-sale financial assets are presented as investments on the consolidated balance sheet and are measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, being recognized in OCE. Investments in equity instruments over which the Company exercises significant influence are accounted for under the equity method of accounting.

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values for the investments are determined by reference to market prices. For the investment portfolio, the Company uses the closing price on each financial instrument as the basis for fair value. Fair values can also be determined using valuation models which require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, the Company looks primarily to external readily observable market inputs including factors such as interest rate yield curves, currency rates, and price and rate volatilities, as applicable.

The Company uses put option contracts from time to time to manage the effect of price changes on a portion of the contained metals in the concentrate sold by the Company depending on market conditions. These derivative contracts, which represent a right, not an obligation, to sell, are not designated as hedges and are initially recorded on the balance sheet at fair value. Subsequent gains and losses arising from changes in market value on these contracts are charged or credited to earnings in the period in which they occur.

Derivatives that are not designated as part of a hedging relationship are classified as held-for-trading and recorded at fair value at the balance sheet date. As such, any changes in the fair value are recognized in earnings in the period in which they occur.

DPM has elected to expense all transaction costs as incurred on its financial assets and liabilities.

iii) Impact of adoption

The transition adjustments attributable to the re-measurement of financial liabilities were recognized in opening retained earnings as at January 1, 2007. Adjustments arising from the revaluation of financial assets available-for-sale were recognized as an adjustment to opening AOCE as at that date.

The following transition adjustments have been recorded in the consolidated financial statements: an increase to opening retained earnings in the amount of \$2.1 million, net of taxes, representing changes made to the fair value of financial liabilities, and recognition of \$60.4 million, net of taxes, (\$72.3 million before taxes) related to the unrealized net gains on available-for-sale financial assets. Accordingly, the investment portfolio balance increased by \$72.3 million, as at January 1, 2007, while the financial liabilities decreased by \$2.1 million.

b) Consolidation

The consolidated financial statements are presented in Canadian dollars and are prepared in accordance with Canadian GAAP. The consolidated financial statements consolidate the assets, liabilities and results of all entities in which the Company holds a controlling financial interest. The Company defines a controlling financial interest as ownership of a majority voting interest of the entity. The effects of all transactions between controlled entities are eliminated. Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of loss and deficit from the date on which control commences. Where control of an entity ceases during a financial year, its results are only included for the portion of the year over which control exists.

c) Use of Estimates

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

d) Foreign Currency Translation

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

e) Cash and Cash Equivalents

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

f) Inventories

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

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

g) Flow-through Common Shares

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

h) Valuation of Investments

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

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

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

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

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

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

i) Property, Plant and Equipment

Mining interests, exploration and development costs

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

Amortization rates for these assets are as follows:

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

Property, plant and mine equipment

Property, plant and equipment used in the mining business are recorded at cost. The amortization of mine infrastructure is based on the units-of-production method over the estimated economic life of the related deposit. Where the anticipated useful lives of the

buildings, machinery and equipment related to mines are less than the life of the deposit, amortization is based on their remaining anticipated useful lives on a straight line basis. Reviews for impairment of the producing property and properties under development are conducted annually, where circumstances indicate that an impairment exists. The carrying values of property, plant and equipment are tested for impairment and, when an impairment exists, are written down to their estimated fair value.

j) Asset Retirement Obligations

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

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

k) Revenue Recognition

Revenue from the sale of gold/copper/zinc concentrate is recognized when significant risks and ownership title are transferred to the buyer. Under the terms of certain sales contracts, the final gold, copper, zinc and silver prices are set based on spot market metal prices on a specified future date after the shipment date. Revenue is recorded based on forward market prices prevailing at the time of shipment ("provisional price"). The terms of the contracts result in embedded derivatives because of the timing difference between the provisional price and the final settlement price. These embedded derivatives are adjusted to fair value through revenue each period until the date of final price determination.

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

l) Stock Based Compensation

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

Grants of stock for services rendered are recorded at fair value at the time of the grant, which are based on the closing stock price at the date of grant.

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

m) Income Taxes

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

n) Earnings Per Share

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

o) Future Accounting Developments

Presentation and Disclosure of Capital and Financial Instruments

In December 2006, the CICA issued Handbook Sections 1535, "Capital Disclosures", 3682, "Financial Instruments – Disclosures" and 3683, "Financial Instruments – Presentation". These standards are effective for interim and annual financial statements relating to fiscal years commencing on October 1, 2007. The Company will adopt these new standards effective January 1, 2008.

The new standards will increase the level of disclosure with respect to DPM's policies and procedures surrounding capital, increased risk disclosures and related sensitivities in the Company's consolidated financial statements.

In June 2007, the CICA issued Handbook Section 3031, "Inventories" which brings the standard inline with International Financial Reporting Standards. The Company will adopt these new standards effective January 1, 2008, the effects of which will not have a material impact on the financial statements.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

As described in note 2 above, the Company's investment portfolio is carried at fair value with the exception of the Company's interest in Frontier Pacific Mining Corporation ("Frontier Pacific"), which is accounted for using the equity method. DPM also used the equity method of accounting to account for its interest in Goldbelt Resources Ltd. ("Goldbelt") during 2006 and 2007.

The Company purchased copper put options in the aggregate amount of US\$6.5 million (Cdn\$7.2 million) in 2006 giving the Company the right, but not the obligation, to sell up to 11,825 mt of copper at US\$2.50/lb. These options were in place over the period October 2006 – December 2007 and matured evenly by month over this time period. The purpose of these instruments was to protect the Company, in the short term, against a potential decline in the value of copper. The Company has not applied hedge accounting for these financial instruments and, accordingly, adjustments to the fair value of these puts, amounting to losses of US\$2.7 million (Cdn\$3.2 million), have been recorded on the statement of earnings for the year ended December 31, 2007. The adjustments to fair value and associated charge to the statement of earnings is due to the market value of copper remaining above the strike price of the copper put options. As at December 31, 2007, the options have all expired.

As a result of the adoption of the new accounting standards, certain financial instruments, previously reported at cost, are now measured at fair value. The following table provides a comparison of carrying and fair values as at December 31, 2007 and fair values at December 31, 2006:

						As at	December 31,
Carrying value and fair value of financial instruments						December 31, 2007	2006
	Designated		Classified				
	as	Equity	as held-	Classified	Total	Total	Total
	available-	accounted	for-	as	carrying	fair	fair
	for-sale	investments	trading	loans	value	value	value
Investments	\$ 34,567	13,665	-	-	\$ 48,232	\$ 66,024	\$ 189,526
Long-term debt	\$ -	-	-	9,708	\$ 9,708	\$ 9,708	\$ 14,562
Note payable	\$ -	-	-	-	\$ -	\$ -	\$ 1,838
Copper puts	\$ -	-	-	-	\$ -	\$ -	\$ 3,175

4. BUSINESS COMBINATION

On August 23, 2006, the Company acquired 80% of Vatrín which holds 100% of Deno Gold, its principal asset being the Kapan Mine in southern Armenia.

The Company has accounted for this acquisition as a business combination with the Company as the accounting acquirer. Vatrín's results of operations have been consolidated for the period subsequent to the acquisition. The purchase price was \$25.5 million and was composed of payments of \$24.3 million (US\$22.0 million) and transaction costs of \$1.2 million.

In accordance with the purchase method of accounting, the purchase cost has been allocated to the underlying assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. No goodwill has been recognized on the acquisition.

The table below sets out the allocation of the purchase price to the assets acquired and liabilities assumed, based on estimates of fair value. Final valuations of the assets and liabilities listed below have been completed.

Summary Purchase Price Allocation

Cash	\$	523
Accounts receivable and other assets		4,234
Inventories		2,064
Future income tax asset		60
Mineral properties		27,128
Buildings, plant and equipment		6,654
Total assets acquired	\$	40,663
Accounts payable	\$	1,999
Asset retirement obligation		2,115
Other long-term liabilities		1,890
Future income tax liabilities		4,208
Long-term debt		4,974
Total liabilities assumed	\$	15,186
Net assets acquired	\$	25,477

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

5. ACCOUNTS RECEIVABLE AND OTHER ASSETS

	December 31, 2007	December 31, 2006
Accounts receivable	\$ 28,638	\$ 21,866
Copper puts (note 3)	-	3,175
Prepaid expenses	10,636	8,041
	\$ 39,274	\$ 33,082

6. INVENTORIES

	December 31, 2007	December 31, 2006
Gold/copper/zinc ore and concentrate	\$ 11,818	\$ 8,984
Spare parts and supplies	20,578	8,113
	\$ 32,396	\$ 17,097

7. INVESTMENTS

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

	December 31, 2007	December 31, 2006
Portfolio investments at cost, beginning of year	\$ 79,603	\$ 63,706
Transition adjustment to opening balance - financial instruments (<i>note 2a</i>)	72,284	-
Portfolio investments at market value, beginning of year	151,887	63,706
Adjustment to fair market value at the end of the year	(23,958)	-
Transfer of market value gains to net income from sale of securities	(43,086)	-
Investment converted to equity accounting	(8,716)	-
Cost of investments purchased during the year	13,046	58,509
Cost of investments sold during the year		
Proceeds from sales	(78,396)	(111,118)
Net realized gain on sale of investments	36,812	68,682
Loss on equity investments	-	(103)
Impaired investments written down to market	(13,022)	(73)
Total portfolio investments at market value, end of year	34,567	79,603
Equity accounted investments at cost, beginning of year	29,752	27,761
Investment converted to equity accounting	8,716	-
Cost of investments purchased during the year	5,000	2,804
Cost of investments sold during the year		
Proceeds from sales	(46,673)	-
Net realized gain on sale of investments	16,921	-
Loss on equity investments	(51)	(813)
Total equity accounted investments, end of year	13,665	29,752
Investments, end of year	\$ 48,232	\$ 109,355

The implementation of CICA Handbook Section 3855 was applied on a retroactive basis with no restatement. As such, the 2006 comparative figures for portfolio investments are carried at cost, not at fair market value. At the end of 2006, DPM had only one equity accounted investment, Goldbelt. During 2007, the Company sold its equity accounted position in Goldbelt, resulting in proceeds of \$46.7 million and a gain on sale of investments of \$16.9 million and also began to equity account for Frontier Pacific. At December 31, 2007, DPM has a 25.5% interest in Frontier Pacific on an undiluted basis.

During 2007, DPM wrote down two investments to market value recognizing a loss of \$13.0 million, principally with respect to the Company's holdings in Tahera Diamond Corporation (\$12.9 million). It was determined by management that the decline in the value of these securities was other than temporary.

8. OTHER LONG-TERM ASSETS

	December 31, 2007	December 31, 2006
Escrow deposit for asset retirement obligation (<i>note 12a</i>)	\$ 2,064	\$ 1,935
Restricted cash (<i>a</i>)	6,990	3,844
Deferred financing charges	-	268
Restricted guaranteed investment certificate (GIC) (<i>b</i>)	284	284
Other	232	112
	\$ 9,570	\$ 6,443

(a) The cash, held for concession licenses in Serbia, is restricted as a bank guarantee until July 2010 and, as such, is classified as a long-term asset.

(b) The GIC is restricted and held as collateral for future reclamation on the Back River Project. The collateral will be in force until the required reclamation has taken place at the end of the project.

9. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2007			December 31, 2006		
	Cost	Accumulated depreciation & depletion	Net book value	Cost	Accumulated depreciation & depletion	Net book value
Mineral properties						
Chelopech	\$ 81,069	\$ 7,161	\$ 73,908	\$ 50,371	\$ 4,972	\$ 45,399
Krumovgrad	48,109	137	47,972	47,723	94	47,629
Serbia	5,107	129	4,978	4,880	55	4,825
Deno Gold	38,160	281	37,879	25,111	104	25,007
Back River	67,940	-	67,940	46,885	-	46,885
	240,385	7,708	232,677	174,970	5,225	169,745
Buildings, plant and equipment						
Chelopech	119,241	23,431	95,810	84,461	15,658	68,803
Krumovgrad	2,301	233	2,068	2,439	256	2,183
Serbia	3,281	689	2,592	2,050	252	1,798
Deno Gold	23,036	2,420	20,616	8,885	252	8,633
Back River	583	121	462	-	-	-
Corporate	1,522	1,198	324	1,594	794	800
	149,964	28,092	121,872	99,429	17,212	82,217
	\$ 390,349	\$ 35,800	\$ 354,549	\$ 274,399	\$ 22,437	\$ 251,962

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

10. LONG-TERM DEBT

	December 31, 2007	December 31, 2006
Long-term debt	\$ 9,708	\$ 16,897
Less: current portion	3,594	4,225
	\$ 6,114	\$ 12,672

The long-term debt is carried at fair value in 2007. The implementation of CICA Handbook Section 3855 was applied on a retroactive basis with no restatement. As such, the comparative figures for 2006 are carried at cost.

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

There are several financial debt covenants that must be satisfied under the terms of Chelopech's EBRD loan. Chelopech's forecast debt service coverage ratio must be at least 1.2:1, tested annually, and must maintain a current ratio in excess of 1.2:1. DPM must also have consolidated shareholders' equity of at least \$50 million and must maintain a current ratio greater than 1.5:1. Both Chelopech and the Company are in compliance with its debt covenants.

On December 22, 2005, Deno Gold obtained a US\$4.5 million loan from the EBRD. The loan is secured by: (1) a first ranking pledge over a Deno Gold bank account through which all concentrate sales are credited and which shall maintain at all times an amount no less than the next three months debt service requirement; and (2) a first priority pledge of the shares in Deno Gold. It bears interest at LIBOR plus 5.5% and is repayable in eight equal semi-annual installments, beginning March 2007.

The debt repayment schedule is presented in the table below:

Principal repayments (in US\$ thousands)	2008	2009	2010	Total
Chelopech EBRD	\$ 2,500	\$ 2,500	\$ 2,500	\$ 7,500
Deno Gold EBRD	1,125	1,125	1,125	3,375
	\$ 3,625	\$ 3,625	\$ 3,625	\$ 10,875

11. RECLAMATION AND OTHER LONG-TERM LIABILITIES

	December 31, 2007	December 31, 2006
Asset retirement obligations	\$ 13,454	\$ 10,335
Note payable (a)	-	2,083
Long-term leases	10	21
Other	189	149
	13,653	12,588
Less: current portion	10	21
	\$ 13,643	\$ 12,567

(a) The note payable was purchased from the minority shareholder by one of the Company's subsidiaries as part of the purchase of the additional 15% interest in Vatrín.

As at December 31, 2007, asset retirement obligations amounting to \$11.3 million (2006 - \$10.3 million) reflect the net present value of the Chelopech mine site closure obligations. During the year ended December 31, 2007, accretion expense of \$1.0 million (2006 - \$1.0 million) was recognized. The anticipated future cash flows have been estimated using current prices at the time the obligation was recognized and discounted using a real interest rate of 8% after inflation growth of 3% per annum.

Asset retirement obligations of \$2.1 million have been recorded during the year ended December 31, 2007 and reflect the net present value of the Deno Gold mine site closure obligations. Accretion expense of \$0.1 million was recognized during the year. The anticipated future cash flows have been estimated using current prices at the time the obligation was recognized and discounted using a real interest rate of 9% after inflation growth of 3% per annum.

12. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Concession Obligations

The Company has committed to make capital investments in the underground facilities of the Chelopech mine in accordance with the terms of the concession contract with the Republic of Bulgaria totaling US\$14.5 million. The commitment for 2008 is US\$2.9 million. As at December 31, 2007, the Company has satisfied the above concession obligation.

In addition, a concession fee of 1.5% of the current value of the ore extracted is payable to the Republic of Bulgaria. During the period from January 1, 2004 to December 31, 2010, this fee is reduced by 50%, subject to a minimum payment of US\$0.6 million per annum. An amount equaling 50% of the original concession fee is to be deposited into an escrow account which will be used to fund future environmental risk management and remediation costs. During the fourth quarter of 2007, US\$0.9 million (Cdn\$0.9 million) of the funds from the escrow account were withdrawn from escrow to finance qualifying environmental remediation assets as specified in the concession contract. The remaining balance in the environmental escrow account at December 31, 2007 is US\$2.1 million (Cdn\$2.1 million) and is included in other long-term assets (see note 8).

(b) Gold/Copper Concentrate Sales

Chelopech currently has sales contracts with two customers in 2008. Approximately 66% of DPM's total projected copper concentrate sales are to one customer. In addition, the Company has agreed to roll 9,200 tonnes of concentrate sales forward to 2008. The basis of mining operations as a concentrate producer at Chelopech, at the planned levels of production, are dependent on these sales contracts. Chelopech has signed copper concentrate contracts through 2010. Additional sales may be contracted if Chelopech receives acceptable terms for its high arsenic bearing concentrate.

Deno Gold has a copper/gold and a zinc contract with a trader to purchase all concentrate produced in 2007. The Company has agreed commercial terms for the sale of all its zinc and copper/gold concentrate production for 2008 with two purchasers. Contract documentation is expected to be signed by mid-March.

(c) Purchase Commitments

In order to secure the materials and equipment required in the planned expansion and redevelopment of the Chelopech mine, the Company has entered into certain purchase commitments which, as at December 31, 2007, amounted to US\$19.1 million (Cdn\$18.9 million). In addition, Chelopech has commitments of US\$5.4 million (Cdn\$5.4 million) for purchases relating to sustaining capital and operating activities. The Company has also entered into purchase commitments of US\$6.4 million (Cdn\$6.3 million) to secure the resources required for the 2008 exploration program in Serbia. At Deno Gold, there are purchase commitments of US\$2.2 million (Cdn\$2.2 million) for the purchase of drills and other equipment, materials and services. These obligations are not provided for in the financial statements.

(d) Credit Agreements

BMM has entered into a US\$0.3 million credit agreement for the purpose of providing letters of guarantee for certain of its obligations under its exploration license agreements. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As of December 31, 2007, letters of guarantee amounting to \$0.1 million had been written against this credit facility.

Chelopech has entered into a US\$2 million credit agreement for the purpose of providing letters of guarantee for future royalty payments under its concession license agreements. The Company has provided an unconditional payment guarantee for the benefit of the institution providing the credit facility. As of December 31, 2007, letters of guarantee amounting to \$1.2 million had been written against this credit facility.

13. INCOME TAXES

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

December 31,	2007	2006
Combined federal and provincial statutory income tax rates	36.12%	36.12%
Income tax at statutory rates	\$ 7,680	\$ 30,247
Adjusted for the effect of:		
Change in future tax rates	(1,446)	(2,613)
Non-taxable portion of capital gains	(9,833)	(11,333)
Lower rate on foreign earnings	(13,216)	(3,603)
Unrecognized tax benefit relating to losses	19,179	-
Non-deductible writedown of investments expenses	2,352	-
Non-deductible stock compensation	680	1,705
Other, net	491	(395)
Provision for income taxes	\$ 5,887	\$ 14,008

- (b) Significant components of the Company's future income taxes as at December 31, 2007 and December 31, 2006 are as follows:

As at December 31,	2007	2006
Future Income Tax Assets		
Financing costs	\$ 1,180	\$ -
Stock compensation	938	1,661
Investment write-downs	2,137	2,174
Other	1,017	1,087
	\$ 5,272	\$ 4,922
Future Income Tax Liabilities		
Depreciable property, plant and equipment	\$ (1,648)	\$ (1,311)
Flow-through shares	(2,995)	-
Deferred exploration	(11,737)	(10,336)
	(16,380)	(11,647)
Net future income tax liability	\$ (11,108)	\$ (6,725)

The future income tax liability related to flow-through common shares was created when \$11.1 million of expenditures were renounced at year end. A further income tax liability of \$3.4 million will be created when the remaining \$12.8 million of expenditures are renounced in 2008.

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

Year ended December 31, 2007		
Net unrealized losses on available-for-sale investments	\$	3,835
Reclassification of gains on available-for-sale investments to earnings		7,216
Total income taxes	\$	11,051

14. LONG-TERM COMPENSATION

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

Under the Employee DSU Plan, grants to employees of the Company are determined by the board of directors or the compensation committee in lieu of a cash bonus. The DSUs vest immediately and are redeemable in cash on the date the employee ceases to be employed by the Company. During the year, no DSUs were granted (2006 – \$nil) under the Employee DSU Plan and there was no stock based compensation expense recognized (2006 - \$nil). The outstanding DSUs were marked-to-market at December 31, 2007, and, as a result of the decline in the market value of the Company's shares, \$1,679 was credited to earnings (2006 - \$591 charge) during the year.

Under the Director DSU Plan, effective January 1, 2005, directors receive a portion of their annual compensation in the form of DSUs. The DSUs vest immediately and are redeemable in cash on the date the director ceases to be a director of the Company. During the year, 25,200 DSUs were granted (2006 – 25,542) under the Director DSU Plan and \$225 (2006 - \$301) was recognized as stock based compensation expense. Also, 11,763 DSUs were redeemed during the year, (2006 – nil) for cash of \$112. The outstanding DSUs were marked-to-market at December 31, 2007, and, as a result of the decline in the market value of the Company's shares during 2007, \$235 was credited to earnings (2006 - \$34 charge) during the year.

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

	Year Ended December 31, 2007		Year Ended December 31, 2006	
	Number	Amount	Number	Amount
Balance at beginning of period	434,358	\$ 5,034	408,816	\$ 4,109
Issued during the period	25,200	225	25,542	300
Redeemed during the period	(11,763)	(112)	-	-
Mark to market adjustment	-	(1,914)	-	625
Balance at end of period	447,795	\$ 3,233	434,358	\$ 5,034

15. EQUITY FINANCING

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

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

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

16. STOCK BASED COMPENSATION

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

Total stock options outstanding for the years ending December 31, 2007 and December 31, 2006 were:

	Twelve months ended December 31, 2007		Twelve months ended December 31, 2006	
	Options (number)	Weighted average exercise price	Options (number)	Weighted average exercise price
Balance at beginning of period	5,068,168	\$ 7.80	5,096,667	\$ 7.35
Granted	508,500	9.50	560,000	11.74
Exercised	(186,667)	7.39	(246,831)	7.60
Cancelled or expired	(172,501)	9.21	(341,668)	7.45
Balance at end of period	5,217,500	\$ 7.94	5,068,168	\$ 7.80

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding as at December 31, 2007	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable as at December 31, 2007	Weighted average exercise price
\$ 6.98-\$7.00	3,736,500	1.25	\$ 7.00	3,661,500	\$ 7.00
\$ 7.70-\$9.59	864,334	3.40	\$ 9.28	339,990	\$ 9.19
\$ 10.50-\$14.35	616,666	3.63	\$ 11.74	183,325	\$ 11.69
\$ 6.98-\$14.35	5,217,500	1.96	\$ 7.94	4,184,815	\$ 7.38

The fair value of options granted during the year ended December 31, 2007 was estimated using a Black-Scholes option pricing model with the following assumptions:

Five year risk free interest rate	3.95 – 4.73%
Expected life in years	4.75
Expected volatility	53.15 – 59.67%
Dividends per share	-

During the year ended December 31, 2007, the Company granted 508,500 stock options with a fair value of \$2.5 million. The total number of shares issued pursuant to outstanding stock options exercised for the year ended December 31, 2007 was 186,667.

The estimated value of the options granted will be recognized over the vesting period. As at December 31, 2007, there is \$3.6 million (2006 - \$4.1 million) remaining to be charged to earnings in future periods relating to stock option grants.

17. EARNINGS PER SHARE

For the years ended December 31,	2007	2006
Basic net earnings per share		
Net earnings available to shareholders	\$ 15,375	\$ 69,732
Weighted average number of common shares outstanding	57,867,589	53,879,686
Basic net earnings per share	\$ 0.27	\$ 1.29
For the years ended December 31,	2007	2006
Diluted net earnings per share		
Net earnings available to shareholders	\$ 15,375	\$ 69,732
Weighted average number of common shares outstanding	57,867,589	53,879,686
Dilutive effect of stock options	1,056,515	1,677,083
Weighted average number of diluted common shares outstanding	58,924,104	55,556,769
Diluted net earnings per share	\$ 0.26	\$ 1.26

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

18. SEGMENT INFORMATION

The Company has three operating segments, a Canadian based corporate and investment business, and Bulgarian, Canadian, Serbian and Armenian based mining and exploration operations.

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

	2007	2006
Net revenue		
Mining operations	\$ 40,934	\$ 59,490
Investments	39,679	64,859
	\$ 80,613	\$ 124,349
Net earnings		
Mining operations	\$ 40,934	\$ 59,490
Exploration	(29,232)	(14,864)
Investments	39,679	64,859
Net earnings of combined segments	51,381	109,485
Corporate and administration	(28,162)	(24,952)
Foreign exchange loss	(1,957)	(793)
Income tax provision	(5,887)	(14,008)
Net earnings	\$ 15,375	\$ 69,732
Capital expenditures		
Exploration	\$ 23,530	\$ 34,958
Mining	86,679	60,464
	December 31, 2007	December 31, 2006
Assets		
Mining operations	\$ 300,993	\$ 221,261
Exploration	150,828	111,016
Investments	86,647	122,577
	\$ 538,468	\$ 454,854
	December 31, 2007	December 31, 2006
Assets		
Canada	\$ 167,457	\$ 170,630
Europe	284,794	237,515
Armenia	86,217	46,709
	\$ 538,468	\$ 454,854

19. COMPARATIVE FIGURES

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



CORPORATE INFORMATION

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Derek Buntain ⁽⁴⁾

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Brian Steck ^{(1) (3)}

Stouffville, Ontario, Canada

(1) Audit Committee

(2) Compensation Committee

(3) Corporate Governance & Nominating
Committee

(4) Health, Safety & Environment Committee

OFFICERS

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Jonathan Goodman

President and Chief Executive Officer

Stephanie Anderson

Executive Vice President and Chief
Financial Officer

Dr. Julian Barnes

Executive Vice President

Lori E. Beak

Vice President and Secretary

Adrian Goldstone

Vice President, Environment &
Sustainable Development

Sean Hasson

Vice President, Exploration

Stephanie Malec

Controller

Laurence Marsland

Executive Vice President
and Chief Operating Officer

Paul Proulx

Vice President, Human Resources

Gabriela M. Sanchez

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James Small

Vice President, Government Affairs



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STOCK LISTINGS & SYMBOLS

Stock Listings & Symbols

The Toronto Stock Exchange

DPM - Common Shares

DPM.WT - Warrants

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

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Annual and Special Meeting

Wednesday, May 7, 2008 at 3:30 p.m. EST

TSX Broadcast Centre - Gallery

The Exchange Tower

130 King Street West

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Forward Looking Statement

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



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