DUNDEE PRECIOUS METALS

LEADING THROUGH...

ANNUAL REPORT 2012

Dundee
PRECIOUS METALS

WE'RE A PRECIOUS METALS FOCUSED MINING COMPANY THAT IS GROWING BY RESPONSIBLY DEVELOPING GREAT ASSETS AND PEOPLE.

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ANNUAL SHAREHOLDER'S MEETING

Thursday, May 9, 2013 at 3:30 pm EST
Design Exchange
The Trading Floor – 2nd Floor
234 Bay Street
Toronto, Ontario, Canada M5K 1B2

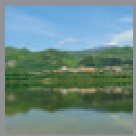
Cover image:

A sample of visible gold in the host rock – Krumovgrad Gold Project, Dundee Precious Metals' development project.

INNOVATION

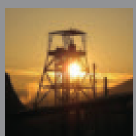
Underground crushing and conveying system at the Chelopech Mine.

AT A GLANCE



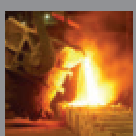
CHELOPECH MINE

- Produced 120,631 oz of gold and 42.7 million lbs of copper in 2012
- 2012 Adjusted EBITDA of $196 million
- Mine/mill expansion completed on time and under budget
- Advancing pyrite project that will add 75,000 to 90,000 oz of gold production
- Cash cost per tonne of ore processed decreased a further 16% in 2012



KAPAN MINE

- Produced 21,843 oz of gold and 2.5 million lbs of copper in 2012
- Completed construction of new lead circuit
- Exploration drilling nearing completion to support potential increase in capacity and life of mine

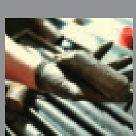


TSUMEB SMELTER

- Smelted 159,356 tonnes of concentrate in 2012
- Project 2012 dust emissions improvements completed January 2013
- Awarded sulphuric acid plant construction contract
- Installed a second refurbished oxygen plant to increase the smelting capacity
- Announced plans to install an electric holding furnace to increase recoveries and reduce costs
- Entered MOU for the sale of acid to be produced by smelter
- Contracted for 200,000 tonnes of concentrate at substantially higher rates than remaining volumes under existing arrangements

KRUMOVGRAD GOLD PROJECT

- Successful completion of the EIA permitting process
- Obtained a 30-year concession to develop the deposit
- Finalized archaeological work required for the clearing of the project site
- Detailed engineering of the process plant and integrated mine waste facility underway



EXPLORATION ASSETS

- Avala and Dunav exploration activities in Serbia continue to show potential to add significant value over time

OPERATING ASSETS

100% Chelopech (Bulgaria)
100% Kapan (Armenia)
100% Tsumeb (Namibia)

DEVELOPMENT ASSETS

100% Krumovgrad (Bulgaria)

EXPLORATION ASSETS

53% Avala (Serbia)
47% Dunav (Serbia)

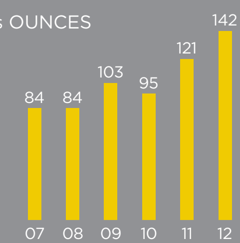
CORPORATE STRATEGY

- Optimize value of existing operating assets:
  - Chelopech: resource expansion and pyrite recovery project
  - Tsumeb: environmental upgrades, capacity expansion and long-term contracting
  - Kapan: potential open pit and underground expansion
- Grow business beyond existing operating assets:
  - Develop Krumovgrad gold project
  - Establish pipeline of greenfieldexploration opportunities
  - Investigate possible acquisitions that offer accretive growth, diversity and gold exposure
- Sustain a low quartile operating cost position
- Maintain a solid financial position

CONSOLIDATED PRODUCTION AND FINANCIAL HIGHLIGHTS

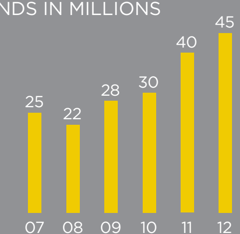
GOLD

PRODUCTION 000s OUNCES



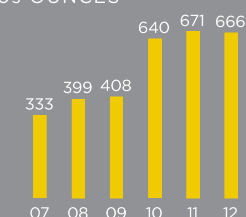
COPPER

PRODUCTION POUNDS IN MILLIONS



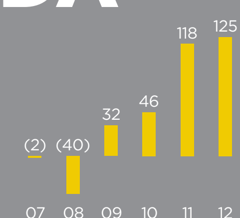
SILVER

PRODUCTION 000s OUNCES



ADJUSTED EBITDA

US$MM



MESSAGE TO SHAREHOLDERS

APRIL 1, 2013

Had someone told me five years ago that the gold price would be US$1,600 an ounce in 2013 I would have been very excited at the prospect that stock prices for gold producers would reach record levels. Had they also told me that gold stocks would trade at lower prices and that the mood of the gold mining industry would be depressed, I would have suggested they seek professional help to overcome such delusions.

Yet this is the state that we find ourselves in today. With the popularity of the Gold ETF (Exchange Traded Fund), gold mining companies have failed to provide investors with a compelling case to own them. If higher gold prices were the only reason to own a gold stock, investors would no doubt prefer an ETF but we all know investors want more than this. Mining companies are not all the same and investors are always on the lookout for well-managed companies that can deliver predictable operating and financial results, capital projects that meet expectations, and growth in earnings and cash flow per share. Unfortunately, a number of mining companies have disappointed shareholders with their results, including several recent announcements that highlighted large capital project overruns and escalating operating costs, which are the very things investors seek to avoid through buying gold. To make matters worse, several companies also made significant acquisitions that were not well received by the market and have proven to be unsuccessful ventures. As a result, the gold mining sector has suffered in the face of what could have been its finest hour.

At DPM, I believe we are different in many respects and have bucked the industry trend on costs. While we too are affected by higher costs, we have invested in projects that have increased capacity and delivered lower costs per tonne today than five years ago at both of our mines. Over the last five years, we have grown our business in terms of production and free cash flow significantly and we expect this will continue over the next several years with the pipeline of projects we have in front of us — the Chelopech pyrite project, the mine expansion at Kapan, the upgrades and expansion at our Tsumeb smelter and the development of our new mine at Krumovgrad. Our corporate development and exploration teams are also working to identify additional accretive growth opportunities that will feed into our growth initiatives beyond 2016. We have worked hard to get to where we are and we know the future has never looked better.

We have also worked hard to build successful relationships with local authorities and community stakeholders in all jurisdictions and establish ourselves as an exemplary corporate citizen and channel for the enhancement of local and national capacities. Our efforts were recently recognized by being awarded the Bulgarian Business Leaders Forum's highest award in the Investor Community category for our efforts with respect to the archaeological aspects of our Krumovgrad Gold Project.

In order to continue our success, we recognize we have to allocate our capital and manage our capital projects and operations in a way that will create value for our shareholders. This requires a strong, disciplined management team. At DPM, we have been fortunate to attract and retain some very talented people, who together have helped to build a very special culture centred around teamwork. A Google search of "teamwork" returns some 44 million hits. Everyone has an opinion on what constitutes good teamwork. Academics and consultants have built careers on the subject, yet, for so many organizations, it remains an elusive and frustrating concept. For us, it is all about assembling a group of skilled people whose common values and desire to do what is right allows them to work together, overcome formidable obstacles, and ultimately achieve extraordinary things.

While my sense of teamwork has developed over the course of 27 years, it has been refined considerably with the events we have encountered over the last ten years in my role as President and CEO. Throughout our company, I have encountered people working together (against forces both visible and anonymous) to build something that is very special. In Bulgaria, Armenia and Namibia, we have asked many people to make significant changes ranging from the way they do things all the way to changing what they do. The results of these changes have had a profound impact on our company at each of our operations.

As previously announced, I too am embarking on a change in 2013 as I take on the role of Executive Chairman of the board, replacing William Wilson, our current Chairman, who intends to resign this role and continue as an independent director of the Company. Filling Bill's shoes will be no easy task. Bill has been a director of DPM since its inception in 1983 and has served as Chairman since 2002. During this period he has provided strong leadership, wise counsel and an intimate knowledge of the financial and operational aspects of the mining business that has been an integral part of our success. On behalf of the management team, the board and all shareholders, I would like to thank Bill for his invaluable contributions over the years as Chairman. With this move, Rick Howes, our existing Chief Operating Officer, will step into the role of President and CEO. Rick brings substantial operational experience and industry knowledge to the table and, since joining DPM in 2009, has played an instrumental role in the successful transformation of our Chelopech mine, establishing record production levels and delivering significant cost reductions.

As I sit here today, I see a company that has visible growth, is well financed and has a strong management team. Having worked with Rick for the last four years, I am confident the team will only grow stronger under his leadership. While the gold mining industry, as a whole, has failed to give investors a good reason to invest as of late, DPM has delivered and continues to offer investors significant growth potential and an attractive value proposition. I am very proud of what this team has built over the last ten years. I am also confident DPM will only get better and I look forward to continuing to contribute to our success in my new role as Executive Chairman.

JONATHAN GOODMAN
President and Chief Executive Officer

Left: Jonathan Goodman
Right: William G. Wilson

CHELOPECH MINE BULGARIA

Overall, the Company performed well financially during 2012 with strong performance from Chelopech. Innovative ideas and leading technologies have set the stage for continued success throughout the life of mine.

Chelopech is DPM's flagship asset. We acquired Chelopech in 2003 and since then have improved its performance through the implementation of innovative leading technologies. 2012 was an exciting year for Chelopech, with the completion of the mine and mill expansion to 2 million tonnes of ore production a year, on time and under budget. In addition, the gold in pyrite recovery project has the potential to economically recover the majority of 40% to 45% of the contained gold in the ore mined that is not recovered in the current circuit, and continues to advance through stage one, that will enable the production of a separate pyrite concentrate.

At the end of 2012, DPM reached an agreement with Xiangguang Copper Co., ("XGC") a Chinese smelter, for the sale of 200,000 tonnes per year of pyrite concentrate between 2014 and 2016. XGC has also agreed to purchase 3,000 tonnes per month of Chelopech copper concentrate from March to July 2013 and then 2,000 tonnes per month until 2014.

01 The newly constructed and commissioned conveying and crushing system from underground, which has resulted in an expansion of annual ore production to 2 million tonnes.

Focus on Chelopech

Increased production and low cost position, together with further opportunities to increase production and mineral resource and reserves, support Chelopech's continued long-term success.

LOCATION
Chelopech, Bulgaria

OWNERSHIP
100%

RESOURCES MEASURED AND INDICATED (December 31, 2012)
Gold — 3,800,000 oz
Copper — 825,000,000 lbs

RESERVES (December 31, 2012)
Gold — 2,500,000 oz
Copper — 519,000,000 lbs

MINE TYPE
Underground

PRODUCT
Copper concentrate containing gold and silver

DEPOSIT TYPE
High sulphidation epithermal deposit

2012 Ore Processed
1.8 million tonnes

2012 Gold Production
120,631 ounces

2012 Copper Production
42.7 million pounds

2012 Adjusted EBITDA
$196 million

Innovation at Chelopech

DPM's innovative spirit is evident in many of Chelopech's key initiatives. "Taking the Lid Off the Mine" is a project that draws on our own advanced concepts for managing all production and maintenance activities in an underground mine in real time. Of the few other underground mines working towards a similar goal, Chelopech is the most advanced in this approach. It has the potential to significantly improve the effectiveness and efficiency of our operations. This project could not have been achieved without the partnership of our major vendors who have common interests in developing such advanced approaches. These technologies and systems were integrated together to create an innovative solution to real time production management for an underground mine.

Chelopech's pyrite recovery project will allow for the potential to economically recover most of the contained gold, silver and copper associated with rejected pyrite minerals. The implementation of well-established technologies, such as the pressure oxidation process, in a unique and creative way, will allow us to produce a low-mass residue resulting in a metal-rich product for sale.

In addition, DPM is the first independent installer of Staged Flotation Reactor technology, which will result in significant energy savings, smaller space requirements, better mineral selectivity and lower capital costs, ultimately improving the grade and metal recovery in the concentrates produced.

01 Control centre for our "Taking the Lid Off the Mine" initiative.

02 Staged Flotation Reactor.

KAPAN MINE ARMENIA

In 2010, DPM completed the expansion of the underground mine/mill rate from 400,000 to 600,000 tonnes per year. Since then, the Company has been focused on optimizing its existing asset base through the reduction of costs and further mine expansion based on current exploration activities, which continue to support the potential to increase the life of mine through expanded underground operations and/or an open pit mine.

During 2012, a new lead circuit was installed at Kapan to address the high lead content in the copper concentrate.

In 2013, resource estimates for both the underground and surface exploration programs will be completed, following which we will be in a position to assess alternative expansion opportunities to optimize the value of the mine.

01 Underground exploration drilling at the Kapan Mine.

02 Existing mill/process plant – annual ore processing capability of 600,000 tonnes.

03 Main entrance and main office building, Kapan Mine.

Focus on Kapan

LOCATION
Kapan, Armenia

OWNERSHIP
100%

MINE TYPE
Underground

PRODUCT
Copper and zinc concentrate both containing gold and silver

DEPOSIT TYPE
Polymetallic vein deposit

2012 Ore Processed
509,419 tonnes

2012 Gold Production
21,843 ounces

2012 Copper Production
2.5 million pounds

2012 Adjusted EBITDA
$12.5 million

Innovation at Kapan

As exhibited at Chelopech, DPM is a leader in applying innovative technology in underground mining operations. This is particularly evident at Kapan with the implementation of the ‘Dundee Redundant Underground Communication System.’ This system ensures reliable communications in the underground environment through full data communication and power supply redundancy. It is the necessary prerequisite for building a modern, automated and centralized system for the management of underground processes. This system will deliver significant benefits including improvement of underground processes, labour and equipment productivity and, most importantly, the safety of our workforce.

Focus on Tsumeb

LOCATION
Tsumeb, Namibia

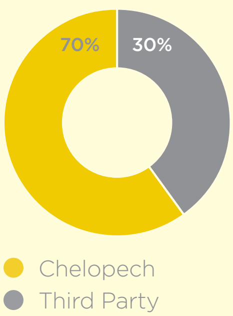
OWNERSHIP
100%

TECHNOLOGY
Ausmelt

PRODUCT
Copper blister bars

SMELTING CAPACITY
240,000 tpy

2012 Concentrate Smelted



2012 Concentrate Smelted

159,356 tonnes

TSUMEB SMELTER NAMIBIA

01 The erection of a second oxygen plant at the Tsumeb smelter. Upon completion the plant will be able to produce 400 gaseous tonnes of oxygen per day.

02 Three blocks of dust-capturing chambers have been installed in the new baghouse for the Ausmelt furnace.

The Tsumeb smelter was originally built in the early 1960s and is one of only a few smelters worldwide which can process complex concentrates. The facility currently consists of two smelting furnaces, a reverb furnace and an ausmelt furnace. The reverb furnace will be decommissioned when the electric holding furnace is installed and operational in late 2014. This smelter represents a unique, one-of-a-kind, strategic asset which secures capacity to treat DPM's concentrate as well as the opportunity to treat third-party concentrate at favourable rates under long-term contracts.

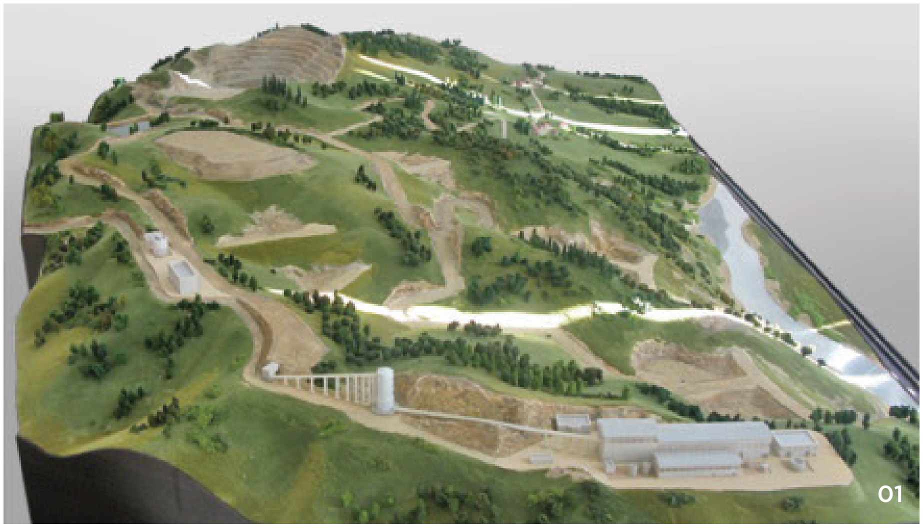
DPM recently completed a comprehensive fugitive dust management improvement project called "Project 2012", aimed at further improving off-gas capture and workplace conditions.

In addition, in order to increase smelting capacity from 170,000–200,000 tonnes per year to 240,000 tonnes per year, DPM completed the refurbishment of a second oxygen plant. As part of its long-term strategy to bring the smelter to internationally accepted environmental standards, DPM has initiated the construction of a sulphuric acid plant to capture and process the off-gases from the smelter thus reducing emissions and further improving workplace and living conditions around the smelter.

Innovation at Tsumeb

DPM's acquisition of the Tsumeb smelter secured the processing of the copper concentrate produced at Chelopech. As part of the long-term strategy to optimize existing assets, DPM is utilizing the latest technologies to bring the smelter to internationally accepted environmental health and safety standards and further expanding smelting capacity. The construction of the sulphuric acid plant, to capture and process the off-gases from the smelter, effectively creates a fully closed system as well as a separate revenue stream with the sale of sulphuric acid to meet local and international demand.

KRUMOVGRAD GOLD PROJECT BULGARIA



01

The revised project plan for Krumovgrad contemplates the construction of an open pit mining operation comprised of a process plant and an integrated mine waste facility. A new feasibility study, completed in November 2011, confirmed the commercial and economic viability of the project, which has a payback of approximately 3.3 years. DPM is preparing a detailed development and implementation plan for the project and site areas, which is a prerequisite for issuance of a construction permit. The project is expected to be fully compliant with all European safety and environmental directives and industry Best Available Techniques requirements. Achievements of key milestones in the permitting process continue to advance the project to a 2015 production date including:

- successful completion of the EIA permitting process
- receipt of a 30-year mining concession
- finalization of the archaeological work required for clearing the project site for development with final ministerial approval expected in the second half of 2013
- commencement of detailed engineering of the process plant and integrated mine waste facility

01 A small scale model of the project site upon completion.

Focus on Krumovgrad

LOCATION
Krumovgrad, Bulgaria

OWNERSHIP
100%

RESOURCES MEASURED AND INDICATED (January 11, 2012)
Gold — 884,000 oz
Silver — 508,000 oz

RESERVES (January 11, 2012)
Gold — 781,000 oz
Silver — 450,000 oz

MINE TYPE
Open pit

PRODUCT
Gold concentrate

DEPOSIT TYPE
Low sulphidation epithermal gold deposit

Estimated Average Annual Ore Production

850,000 tonnes

Estimated Average Annual Gold Production

74,000 ounces

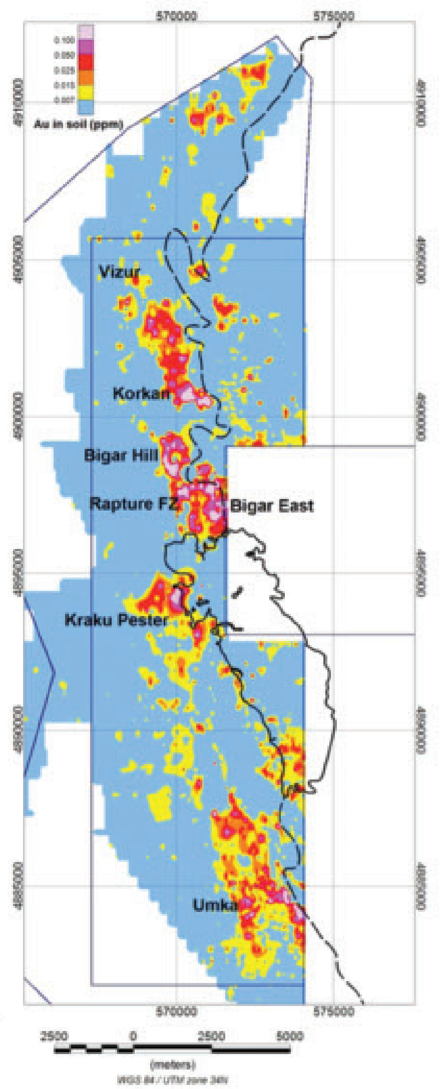
Gold Recoveries

85%

Innovation at Krumovgrad

Leading technologies, such as an integrated mine waste facility, will be used at Krumovgrad in place of cyanide processing. This facility will receive both the thickened tailings and the mine waste rock from the pit. The tailings storage location will minimize land use and reduces the environmental footprint by over 50%. The concept is to place dewatered and thickened tailings into cells constructed from mine rock. The mine rock provides the strength required for overall stability and internal drainage.

EXPLORATION ASSETS
SERBIA



TIMOK GOLD PROJECT

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

DPM owns 53% of Avala Resources and 47% of Dunav Resources. Each are publicly traded, Canadian-based mineral exploration companies that are conducting copper and gold exploration on a large block of exploration licenses in Serbia.

Avala Resources
(TSX.V:AVZ)

In 2012, Avala completed 172,528 metres of drilling. Metallurgical test work programs continued on representative drill core samples from Bigar Hill, Korkan and Kraku Pester. Looking forward, Avala's main objectives are to continue to refine the potential process flow sheet for the Timok Gold Project based on the 2012 metallurgical test work results; provide updated resource estimates for the Bigar Hill and Korkan deposits; prepare a preliminary economic assessment for the Timok Gold Project during the latter half of 2013; and explore new targets to generate additional gold resources.

AVZ RESOURCE DEFINITION DRILLING INDICATES

- Bigar Hill initial inferred resource 26.4 MT @ 1.6 g/t Au for 1.4 Moz
- Korkan initial inferred resource 20.1 MT @ 1.5 g/t Au for 1.0 Moz
- Kraku Pester initial inferred resource 2.2 MT @ 1.0 g/t Au for 0.07 Moz

Dunav Resources
(TSX.V:DNV)

In 2012 Dunav completed 43,809 metres of diamond drilling. Exploration activities were focused on the Tulare Copper-Gold Porphyry Project which comprises several targets including Kiseljak, Yellow Creek, Calovica vis South, Trlica and the Bakrenjaca carbonate-base metal epithermal vein system. Resource definition drilling focused on the potential of the Kiseljak North area. Dunav also acquired the Degrmen exploration licence approximately 20 kilometres northwest from Tulare. Looking forward, Dunav's main objectives are to complete drilling on the Yellow Creek and Kiseljak extension target areas to generate an initial resource estimate; conduct further exploration drilling and metallurgical test work on the recently defined Bakrenjaca system; and complete a drilling program to establish the potential of the Degrmen exploration licence area to host copper-gold porphyry-style mineralization.

DNV RESOURCE DEFINITION DRILLING INDICATES

- Kiseljak mineral resource initial estimate 300 MT grading 0.27% Cu and 0.26 g/t Au for 1.8 Blbs Cu and 2.5 Moz Au.
- Bakrenjaca gold-silver-base metal epithermal system, drilling intersected 11m @ 5.13 g/t Au, 346 g/t Ag and 1.19% Cu

SUSTAINABILITY AT WORK
WE SUCCEED BECAUSE WE CARE

01 Bulgaria's rhythmic gymnastics teams competing at the Dundee Cup.

02 Kindergarten class in Kapan, Armenia.

03 Maria, owner of the Tsumeb Wellness Centre. Recipient of the SME grant.

DPM is developing a disciplined "outcomes-based" approach to CSR, which ensures that our spending is channeled towards sustainable initiatives with meaningful social impact. In the education sector, for example, this can be as simple as replacing washroom facilities and improving sanitary conditions in kindergartens, resulting in fewer sick days and more time spent in school during this important period of a child's development.

The Tsumeb Community Trust, primarily funded by Namibia Custom Smelter, was established in late 2010, with the primary purpose of funding community and social development programs in Tsumeb. Since then, the Trust has awarded grants totalling $500,000, including $195,000 in 2012, which was primarily focused on donations to local schools to fund the renovation and building of classrooms, and small-medium enterprises ("SME").

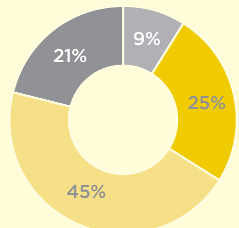
In 2012, DPM established the Dundee Foundation in Bulgaria, with its primary focus being the sponsorship of Bulgarian national sports, arts and culture. Since 2011, we have been the lead sponsors of Bulgaria's national rhythmic gymnastics team and, in 2012, we were proud to support the team's efforts at the London Olympic Games.

In 2012 we set out to define our brand promise. Recognizing that our key stakeholders include our 3,000 plus employees and the communities within which we operate, we have defined our brand promise as "We Succeed Because We Care". Our approach to CSR is an important element of our strategy and values that demonstrates how our caring attitude supports the success of these stakeholder groups.

CSR Initiatives

In 2012, DPM spent $3.4 million on Corporate Social Responsibility ("CSR") initiatives. This spending can be broadly categorized as follows:

Percentage of CSR Spending



- Art, Culture and Sport
- Infrastructure
- Education
- Other

KEY 2012 HIGHLIGHTS

- 17% increase in CSR spending in 2012 versus 2011
- Dundee Foundation established in Bulgaria to support national sports, arts and culture
- Targeted outcomes of DPM's CSR spending:
  - Increased capacity for advanced learning in high schools
  - Reduced incidence of sick days in kindergartens
  - Increased number of participants in organized sports, arts and cultural activities
  - Sustainable growth of small and medium-sized businesses
  - Reduced student-teacher ratios and increased graduation rates

DPM's 2nd annual Sustainability Report will be published in May 2013.

FINANCIAL RESULTS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations

for the Year Ended December 31, 2012

(All monetary figures are expressed in U.S. 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" and, together with its consolidated subsidiaries, collectively referred to as the "Company") for the three and twelve months ended December 31, 2012. This discussion should be read in conjunction with DPM's audited consolidated financial statements for the year ended December 31, 2012 and the notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional Company information, including the Company's most recent financial statements and annual information form ("AIF"), 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. Capitalized terms used in this MD&A that have not been defined have the same meanings attributed to them in DPM's 2012 consolidated financial statements. Information contained on the Company's website is not incorporated by reference herein and does not form part of this MD&A.

This MD&A contains forward looking statements that are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may vary materially from management's expectations. See the "Cautionary Note Regarding Forward Looking Statements" and "Risks and Uncertainties" sections later in this MD&A for further information.

The technical information in this MD&A, with respect to the Company's material mineral projects, has been prepared in accordance with Canadian regulatory requirements set out in National Instrument 43-101 *Standards of Disclosure for Mineral Projects* ("NI 43-101"), and has been reviewed and approved by Dr. Julian Barnes, B.Sc.Hon., PhD (Geology), Technical Consultant, formerly an Executive Vice President of DPM, who is a Qualified Person as defined under NI 43-101 and not independent of the Company. See "Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources".

The information in this MD&A is provided as at February 15, 2013.

OVERVIEW

Our Business

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

DPM's principal subsidiaries include:

- 100% of Chelopech Mining EAD ("Chelopech"), which owns and operates a gold, copper and silver mine located east of Sofia, Bulgaria;
- 100% of Deno Gold Mining Company CJSC ("Deno Gold"), which owns and operates a gold, copper, zinc and silver mine located south east of the capital city of Yerevan in southern Armenia;
- 100% of Balkan Mineral and Mining EAD ("BMM"), focused on the development of a gold property ("Krumovgrad Gold Project") located in south eastern Bulgaria, near the town of Krumovgrad;
- 100% of Namibia Custom Smelters (Pty) Limited ("NCS"), which owns and operates a concentrate processing facility located in Tsumeb, Namibia;
- 51.4% (53.1% as at January 17, 2013 – see note 28 to DPM's consolidated financial statements for the years ended December 31, 2012 and 2011 for details) of Avala Resources Ltd. ("Avala"), a TSX Venture Exchange ("TSXV") listed company (TSXV: AVZ) focused on the exploration and development of the Timok and Potoj Cuka copper and gold projects in Serbia; and
- 47.3% of Dunav Resources Ltd. ("Dunav"), a TSXV listed company (TSXV: DNV) focused on the exploration and development of the Tulare copper and gold project, the Surdulica molybdenum project, and other early stage projects in Serbia.

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

Significant Accomplishments and Noteworthy Events

Overall, the Company performed well financially during 2012 with strong performance from Chelopech partially offset by lower production at Deno Gold and NCS. Significant accomplishments and noteworthy events during 2012 included the following:

Chelopech

- The mine and mill expansion project at Chelopech was completed in the fourth quarter of 2012 on time and under budget. Since then, the mill has been operating continuously at the design throughput rate of 250 tonnes per hour;
- Chelopech continues to advance its gold in pyrite recovery project (the "Pyrite Project"), which has the potential to economically recover most of the 40% to 45% of the contained gold in the Chelopech ore mined that is rejected in the current circuit, being either placed into tailings or returned underground as paste fill. Based on the results of a preliminary economic assessment completed in the second quarter of 2012, approximately 400,000 tonnes of pyrite concentrate could be produced annually containing 75,000 to 90,000 ounces of gold, 130,000 to 190,000 ounces of silver, and 4.5 million to 6.0 million pounds of copper. The Pyrite Project will be implemented in two stages, with the first being the production of a separate pyrite concentrate, expected to be completed by the fourth quarter of 2013. Refer to the "Development and Other Major Projects" section of this MD&A for more details on the Pyrite Project;
- The Company entered into an agreement with Xiangguang Copper Co. ("XGC") for the sale of 200,000 tonnes per year of pyrite concentrate to be produced by Chelopech during stage 1 of its Pyrite Project, with deliveries expected to commence in the first quarter of 2014. The total annual concentrate supply to XGC is expected to contain between 28,000 and 30,000 ounces of payable gold at a cash cost of approximately $1,200 per ounce. DPM will earn a payable amount based on the gross value of the concentrate;

- XGC has also agreed to purchase 3,000 tonnes per month of Chelopech copper concentrate, on market competitive terms, from March to June 2013 and then 2,000 tonnes per month until March 2014;

Deno Gold

- Construction was completed on the new lead circuit at Deno Gold, which was installed to address the high lead content in the copper concentrate, and commissioning is underway;
- Concentrate production in 2012 was negatively impacted by production disruptions encountered during the installation of the second stage of the lead circuit and reduced availability of loading and haulage equipment. In 2011, oxidized ore, stockpiled on surface from past mining operations, was used to fully utilize the mill while there was no oxidized ore processed in 2012;
- Exploration drilling results continue to support the potential to expand the capacity and life of mine;

NCS

- Construction relating to Project 2012 (as defined herein), primarily a fugitive dust management improvement project aimed at improving off-gas capture and workplace conditions to better comply with national standards, was substantially complete in January 2013. Commissioning of the new gas handling systems is underway and expected to be completed during the first quarter of 2013. Certain non-environmental components of Project 2012, related to the new oxygen plant and materials handling, will be commissioned during the major shutdown scheduled in May 2013;
- Concentrate smelted at NCS in 2012 was negatively impacted by a short-term production curtailment resulting from directives issued by the Namibian Minister of Environment and Tourism (the "Minister") in April and July 2012. NCS expects to return to full capacity in the first half of 2013 following the commissioning and testing of its new gas handling and fugitive dust handling systems;
- As part of its strategy to bring the smelter at NCS to internationally accepted environmental standards and consistent with the directives issued by the Namibian government in April 2012, DPM has entered into a lump sum turn-key contract ("LSTK" contract) with Outotec for the engineering, supply, construction and commissioning of a sulphuric acid plant, the cost of which is established at $204 million;
- In December 2012, in conjunction with Protea Chemicals (Pty) Limited, a leading industrial chemicals company with significant presence in Sub-Saharan Africa, NCS entered into a Memorandum of Understanding with Rio Tinto Rössing in connection with a long-term purchase arrangement for a significant portion of the acid to be produced by NCS;
- In December 2012, NCS entered into an agreement with Louis Dreyfus Commodities Metals Suisse SA ("LDC") on smelting terms for 200,000 tonnes of third party copper concentrate to be supplied by LDC from 2014 to 2016. The new terms provide substantially better pricing than the existing contractual arrangements. LDC has also agreed to allocate a portion of the increased pricing to the final 100,000 tonnes under the existing arrangements, which are expected to be processed during 2013 and the first half of 2014, to enable NCS to begin realizing a portion of the benefits from the increased pricing sooner;

Corporate and other

- Avala and Dunav exploration activities in Serbia continue to show potential to add significant value to the Company over time. Refer to the "Exploration" section of this MD&A for a more detailed discussion on Avala and Dunav exploration activities;
- The Krumovgrad Gold Project achieved a number of key milestones in 2012 and continues to advance toward a 2015 production date. Results of the final appeal hearing, held on January 24, 2013, are expected by the end of the first quarter of 2013;
- In November 2012, DPM announced that, during 2013, Jonathan Goodman, President and CEO, will assume the role of Executive Chairman of the board of DPM, where he will continue to play a strong leadership role with the development and execution of the Company's strategic plan. Rick Howes, currently the Executive Vice President and Chief Operating Officer, will in turn be appointed President and Chief Executive Officer; and
- On February 15, 2013, DPM entered into a long-term revolving credit facility ("RCF") of $150.0 million with a consortium of banks and refinanced $81.25 million of Chelopech Loans with the existing lenders on substantially the same terms with the notable exception that DPM is now the borrower with the same security as that pledged in support of the RCF.

KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS

The following tables summarize the Company's key operational and financial results for the periods indicated:

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2012**	2011	**2012**	2011
Operational Highlights				
Payable metals in concentrate sold:				
Gold (ounces)	**35,815**	31,434	**134,848**	110,026
Copper ('000s pounds)	**10,981**	11,324	**42,104**	36,838
Zinc ('000s pounds)	**3,082**	2,826	**14,204**	16,898
Silver (ounces)	**180,155**	117,254	**547,193**	595,914
Cash cost of sales per ounce of gold sold, net of by-product credits ($)(1),(2),(3)	**193**	(151)	**117**	(63)
Concentrate smelted at NCS (tonnes)	**45,823**	47,588	**159,356**	180,403
Cash cost/tonne of concentrate smelted at NCS ($)	**347**	248	**374**	293
Financial Results				
Revenue	**103,062**	88,476	**384,685**	338,480
Gross profit	**39,238**	39,104	**157,044**	131,777
Adjusted EBITDA(1)	**37,724**	37,009	**124,560**	117,531
Other (expense) income	**(4,192)**	(4,765)	**(22,349)**	16,200
Earnings before income taxes	**16,244**	16,603	**49,654**	88,605
Income tax (expense) recovery	**(6,912)**	569	**(19,823)**	(16,476)
Net earnings attributable to common shareholders	**14,632**	22,660	**54,376**	86,091
Basic earnings per share ($)	**0.12**	0.18	**0.43**	0.69
Adjusted net earnings(1)	**21,513**	31,891	**80,941**	80,055
Adjusted basic earnings per share ($)(1)	**0.17**	0.25	**0.65**	0.64
Cash provided from operating activities, before changes in non-cash working capital	**30,695**	41,831	**121,132**	123,599
Capital expenditures				
Growth(1)	**44,989**	22,902	**121,215**	85,255
Sustaining(1)	**5,998**	7,250	**27,789**	32,346
Total capital expenditures	**50,987**	30,152	**149,004**	117,601

As at,	**December 31, 2012**	December 31, 2011
Financial Position		
Cash and cash equivalents	**121,531**	172,804
Short-term investments	**1,826**	4,425
Investments at fair value	**75,611**	107,609
Total assets	**972,185**	927,941
Debt	**81,767**	83,316
Equity	**754,341**	729,079
Common shares outstanding ('000s)	**125,634**	125,239
Share price (Cdn$ per share)	**8.47**	8.22

1) *Cash cost of sales per ounce of gold sold net of by-product credits; adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"); adjusted net earnings; adjusted basic earnings per share; and growth and sustaining capital expenditures are not defined measures under generally accepted accounting principles ("GAAP"). Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS.*
2) *Cash cost of sales per ounce of gold sold, net of by-product credits, represents cost of sales less depreciation, amortization and other non-cash expenses plus treatment charges, penalties, transportation and other selling costs less by-product copper, zinc and silver revenues divided by the payable gold in concentrate sold.*
3) *Includes realized gains on copper derivative contracts, entered to hedge a portion of projected payable production, of $3.6 million (2011 - $8.6 million) and $14.2 million (2011 - $12.6 million) in the three and twelve months ended December 31, 2012, respectively.*

REVIEW OF CONSOLIDATED RESULTS

Market Trends

Commodity prices are one of the principal determinants of the Company's results of operations and financial condition. In addition, as an entity reporting in U.S. dollars with operations in several countries, fluctuations in foreign exchange rates between the U.S. dollar and the Bulgarian leva, which is pegged to the Euro, the Armenian dram ("AMD"), the Namibian dollar, which is tied to the South African rand ("ZAR") on a 1:1 basis, and the Canadian dollar ("Cdn$") can also impact the Company's results of operations and financial condition.

The following table summarizes the average trading price for gold, copper, zinc and silver based on the London Bullion Market Association ("LBMA") for gold and silver, the London Metal Exchange ("LME") for copper (Grade A) and the LME special high grade ("SHG") for zinc for the three and twelve months ended December 31, 2012 and 2011 and highlights the year over year strength (weakness) in commodity prices.

Metal Market Prices (Average)	**Three Months**			**Twelve Months**		
Ended December 31,	**2012**	2011	**Change**	**2012**	2011	**Change**
LBMA gold ($/ounce)	**1,719**	1,686	**2%**	**1,669**	1,569	**6%**
LME settlement copper ($/pound)	**3.59**	3.40	**6%**	**3.61**	4.00	**(10%)**
LME settlement SHG zinc ($/pound)	**0.88**	0.86	**2%**	**0.88**	0.99	**(11%)**
LBMA spot silver ($/ounce)	**32.64**	31.82	**3%**	**31.15**	35.12	**(11%)**

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

Average Foreign Exchange Rates	**Three Months**			**Twelve Months**		
Ended December 31,	**2012**	2011	**Change**	**2012**	2011	**Change**
US$/Cdn$	**0.9914**	1.0230	**(3%)**	**0.9994**	0.9893	**1%**
Euro/US$	**1.2968**	1.3490	**4%**	**1.2860**	1.3924	**8%**
US$/AMD	**406**	381	**7%**	**402**	372	**8%**
US$/ZAR	**8.6917**	8.1150	**7%**	**8.2166**	7.2707	**13%**

The following table sets out the applicable closing foreign exchange rates as at December 31, 2012 and 2011 and the extent to which the U.S. dollar has strengthened (weakened) relative to each of the currencies.

Closing Foreign Exchange Rates As at December 31,	**2012**	2011	**Change**
US$/Cdn$	**0.9949**	1.0170	**(2%)**
Euro/US$	**1.3215**	1.2949	**(2%)**
US$/AMD	**404**	386	**5%**
US$/ZAR	**8.4725**	8.1421	**4%**

Operational Highlights

Production

Concentrate production in the fourth quarter of 2012 of 32,428 tonnes was 25% lower than the corresponding period in 2011 due primarily to lower copper grades at Chelopech and lower volumes of ore processed at Deno Gold. Concentrate production in 2012 of 135,809 tonnes was 8% higher than the corresponding period in 2011 due primarily to higher volumes of ore mined and processed at Chelopech, partially offset by lower volumes of ore processed at Deno Gold and lower copper grades at Chelopech. To supplement mine production and to fully utilize the mill at Deno Gold, 19,967 tonnes and 60,083 tonnes of oxidized ore, stockpiled on surface from past mining operations, were processed in the fourth quarter and twelve months of 2011, respectively. There was no oxidized ore processed in 2012. In addition, production of zinc concentrate in the fourth quarter of 2012 was impacted by lower recoveries due to production disruptions encountered during the installation of the second stage of the lead circuit at Deno Gold.

Relative to the fourth quarter of 2011, gold contained in concentrate produced in the fourth quarter of 2012 decreased by 20% to 32,667 ounces, copper production decreased by 22% to 10.9 million pounds, silver production decreased by 19% to 143,501 ounces and zinc production decreased by 44% to 2.9 million pounds. These decreases were due primarily to lower grades for all metals and lower zinc recoveries. Relative to 2011, gold contained in concentrate produced in 2012 increased by 18% to 142,474 ounces, copper production increased by 14% to 45.2 million pounds, zinc production decreased by 21% to 15.4 million pounds and silver production of 665,857 ounces was comparable to 2011. The increases in gold and copper contained in concentrate produced were due primarily to higher volumes of ore processed at Chelopech partially offset by lower grades and lower volumes of ore processed at Deno Gold. The decrease in zinc contained in concentrate produced was due primarily to the decrease in ore processed at Deno Gold and lower recoveries.

Concentrate smelted at NCS in the fourth quarter of 2012 of 45,823 tonnes was comparable to the corresponding period in 2011. Concentrate smelted in 2012 of 159,356 tonnes was 12% lower than the corresponding period in 2011 due primarily to the impact of the Minister's directives to limit production to 50% and 75% of the smelter's operating capacity during the second quarter and the balance of 2012, respectively.

Deliveries of Concentrate

Deliveries of concentrate in the fourth quarter of 2012 of 35,261 tonnes were 4% lower than the corresponding period in 2011 due primarily to lower concentrate production at Chelopech. This was partially offset by an inventory drawdown of copper concentrate produced at Deno Gold as deliveries that had been delayed in the first nine months of 2012 as a result of the high lead content in copper concentrate were sold in the fourth quarter of 2012.

Deliveries of concentrate in 2012 of 136,948 tonnes were 11% higher than the corresponding period in 2011 due primarily to increased concentrate production at Chelopech partially offset by lower copper and zinc concentrate production at Deno Gold.

Relative to the fourth quarter of 2011, payable gold in concentrate sold in the fourth quarter of 2012 increased by 14% to 35,815 ounces, payable copper in concentrate sold decreased by 3% to 11.0 million pounds, payable silver in concentrate sold increased by 54% to 180,155 ounces and payable zinc in concentrate sold increased by 9% to 3.1 million pounds. Relative to 2011, payable gold in concentrate sold in 2012 increased by 23% to 134,848 ounces, payable copper in concentrate sold increased by 14% to 42.1 million pounds, payable zinc in concentrate sold decreased by 16% to 14.2 million pounds and payable silver in concentrate sold decreased by 8% to 547,193 ounces. The payable metals in concentrate sold in 2012 were impacted by the same factors affecting production, as discussed above.

Financial Highlights

Revenue

Revenue in the fourth quarter of 2012 of $103.1 million was $14.6 million higher than the corresponding period in 2011 due primarily to higher volumes of payable gold and silver in concentrate sold, higher gold and copper market prices and higher volumes of Chelopech concentrate smelted at NCS, which generates a higher tolling fee than third party concentrate.

Revenue in 2012 of $384.7 million was $46.2 million higher than the corresponding period in 2011 due primarily to higher volumes of payable gold and copper in concentrate sold and higher gold market prices, partially offset by lower copper market prices.

Cost of sales

Cost of sales in the fourth quarter of 2012 of $63.8 million increased by $14.4 million relative to the corresponding period in 2011. This increase was due primarily to a higher cost per tonne of concentrate produced at Deno Gold as a result of lower concentrate production, higher operating expenses and higher depreciation, partially offset by the favourable impact of a stronger U.S. dollar.

Cost of sales in 2012 of $227.6 million increased by $20.9 million over the corresponding period in 2011 due primarily to higher volumes of concentrate sold, higher operating expenses, higher depreciation and a higher cost per tonne of concentrate produced at Deno Gold as a result of lower concentrate production, partially offset by the favourable impact of a stronger U.S. dollar.

Gross profit

The following table shows the gross profit (loss) by operating segment:

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2012**	2011	**2012**	2011
Chelopech	**38,253**	39,514	**165,279**	110,627
Deno Gold	**1,956**	(517)	**3,442**	25,747
NCS	**(971)**	107	**(11,677)**	(4,597)
Total gross profit	**39,238**	39,104	**157,044**	131,777

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter of 2012 was $37.7 million compared to $37.0 million in the corresponding period in 2011. This increase was due primarily to higher volumes of payable gold and silver in concentrate sold, a stronger U.S. dollar, partially offset by higher operating expenses and higher administrative expenses driven mainly by higher employee related expenses to support the Company's growth activities and increased social responsibility funding.

Adjusted EBITDA in 2012 was $124.6 million compared to $117.5 million in the corresponding period in 2011. This increase was due primarily to higher volumes of payable gold and copper in concentrate sold, higher gold prices and a stronger U.S. dollar, partially offset by lower copper prices, lower volumes of concentrate smelted at NCS, higher operating and administrative expenses, higher social responsibility funding and higher exploration expenses related to increased activities in Serbia.

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

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2012**	2011	**2012**	2011
Chelopech	**49,586**	50,787	**196,012**	133,368
Deno Gold	**5,389**	1,298	**12,493**	32,493
NCS	**1,628**	2,079	**(2,593)**	3,194
Corporate & Other(1)	**(18,879)**	(17,155)	**(81,352)**	(51,524)
Total adjusted EBITDA	**37,724**	37,009	**124,560**	117,531

1) *Included in Corporate & Other are general, administrative, exploration and other expenses related to Avala and Dunav of $10.4 million (2011 - $11.0 million) and $48.6 million (2011 – $29.5 million) in the fourth quarter and twelve months of 2012, respectively.*

The corporate and other segment includes corporate administrative costs, exploration and development projects, and other income and cost items that do not pertain directly to an operating segment.

Refer to the "Review of Operating Results by Segment" section of this MD&A for a more detailed discussion of Chelopech, Deno Gold, NCS and Corporate & Other results.

Other income (expense)

Other income and expense is comprised of realized gains or losses from the sales of certain publicly traded securities, foreign exchange translation gains or losses, unrealized gains or losses on the Sabina special warrants and gains or losses on derivative commodity contracts. While effective from an economic perspective, the derivative commodity contracts are deemed not to be effective from an accounting perspective and, therefore, do not receive hedge accounting treatment. As a result, unrealized gains or losses on derivative commodity contracts are included in the consolidated statements of earnings.

Other expense for the fourth quarter of 2012 was $4.2 million compared to $4.8 million in the corresponding period in 2011. Other expense in 2012 was $22.3 million compared to other income of $16.2 million in the corresponding period in 2011.

In the fourth quarter and twelve months of 2012, the Company reported unrealized mark-to-market losses related to Sabina special warrants of $6.5 million and $9.8 million, respectively, compared to unrealized mark-to-market gains of $8.0 million and unrealized mark-to-market losses of $22.8 million in the corresponding periods in 2011.

In the fourth quarter and twelve months of 2012, the Company reported unrealized gains on derivative commodity contracts of $0.5 million (2011 - unrealized losses of $19.3 million) and unrealized losses of $21.5 million (2011 - unrealized gains of $23.2 million), respectively. The Company also reported realized gains on the settlement of certain derivatives contracts of $3.9 million (2011 - $8.7 million) and $13.5 million (2011 - $12.7 million) in the fourth quarter and twelve months of 2012, respectively.

Realized losses from the sales of certain publicly traded securities of $0.1 million were recognized in 2012 compared to realized gains of $6.3 million in 2011.

Income tax expense

For the three and twelve months ended December 31, 2012 and 2011, the Company's effective tax rate was primarily impacted by the Company's mix of foreign earnings, which are subject to lower tax rates in certain jurisdictions, unrecognized tax benefits relating to corporate operating costs, exploration and development projects, and the non-taxable portion of unrealized capital gains or losses on Sabina special warrants.

$ thousands	**Three months**		**Twelve months**	
December 31,	**2012**	2011	**2012**	2011
Earnings before income taxes	**16,244**	16,603	**49,654**	88,605
Combined Canadian federal and provincial statutory income tax rates	**26.5%**	28.0%	**26.5%**	28.3%
Expected income tax expense	**4,304**	4,633	**13,158**	25,031
Lower rates on foreign earnings	**(4,730)**	(6,916)	**(18,636)**	(26,087)
Unrecognized tax benefits relating to losses	**6,435**	3,275	**22,752**	9,114
Non-taxable portion of capital losses (gains)	**858**	(1,145)	**1,310**	2,327
Gain on sale of interest in Dundee Moly Company d.o.o.	**-**	(430)	**-**	4,320
Non-deductible share based compensation expense	**245**	346	**1,277**	1,305
Other, net	**(200)**	(332)	**(38)**	466
Income tax expense (recovery)	**6,912**	(569)	**19,823**	16,476
Effective income tax rate	**42.6%**	-3.4%	**39.9%**	18.6%

Net earnings attributable to common shareholders

In the fourth quarter of 2012, the Company reported net earnings attributable to common shareholders of $14.7 million compared to $22.7 million in the fourth quarter of 2011. This decrease was due primarily to higher taxes, depreciation, operating and administrative expenses, and a higher cost per tonne of concentrate produced at Deno Gold. These unfavourable variances were partially offset by higher volumes of payable gold and silver in concentrate sold and a stronger U.S. dollar. Also impacting net earnings attributable to common shareholders were unrealized losses on copper derivative contracts related to a portion of the projected payable copper production of $1.4 million (2011 – unrealized losses of $19.3 million) and unrealized losses on Sabina special warrants of $6.5 million (2011 – unrealized gains of $8.0 million).

The Company reported net earnings attributable to common shareholders of $54.4 million in 2012 compared to $86.1 million in 2011. This decrease was due primarily to lower copper prices, lower volumes of concentrate smelted at NCS, a higher cost per tonne of concentrate produced at Deno Gold, higher operating and administrative expenses, higher depreciation, higher taxes and higher exploration expenses related to increased activities in Serbia. These unfavourable variances were partially offset by higher volumes of payable gold and copper in concentrate sold, a stronger U.S. dollar and higher gold prices. Also impacting net earnings attributable to common shareholders were unrealized losses on copper derivative contracts related to a portion of projected payable production of $20.2 million (2011 – unrealized gains of $23.2 million) and unrealized losses on Sabina special warrants of $9.8 million (2011 – unrealized losses of $22.8 million).

Adjusted net earnings

Adjusted net earnings in the fourth quarter and twelve months of 2012 were $21.5 million and $80.9 million, respectively, compared to $31.9 million and $80.1 million in the corresponding periods in 2011. Adjusted net earnings were impacted by the same factors affecting net earnings attributable to common shareholders, except for unrealized losses and gains on copper derivative contracts related to a portion of projected payable production and unrealized gains or losses on Sabina special warrants which are excluded from adjusted net earnings.

The following table summarizes the significant key drivers affecting adjusted net earnings for the periods indicated:

($ millions)		
Ended December 31,	**Three Months**	**Twelve Months**
Adjusted net earnings - 2011	**31.9**	**80.1**
Higher volumes of payable metals in concentrate sold	7.3	42.7
Stronger U.S. dollar	2.3	17.6
Lower volumes of concentrate smelted at NCS (1)	(1.7)	(13.5)
Higher cost/tonne of concentrate produced and operating expenses (1)	(7.7)	(9.7)
Higher depreciation	(3.9)	(8.8)
Higher administrative expenses	(1.9)	(8.0)
Higher taxes	(6.3)	(7.3)
Lower (higher) exploration expenses	0.7	(7.3)
Lower realized metal prices	(1.8)	(4.8)
Other	2.6	(0.1)
Adjusted net earnings - 2012	**21.5**	**80.9**

1) *Excludes impact of foreign exchange.*

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

Cash provided from operating activities, before changes in non-cash working capital, in the fourth quarter of 2012 of $30.7 million was $11.1 million lower than the corresponding period in 2011 due primarily to the same factors affecting adjusted EBITDA and lower proceeds from settlement of derivative commodity contracts.

Cash provided from operating activities, before changes in non-cash working capital, in 2012 of $121.1 million was $2.5 million lower than 2011 due primarily to lower copper prices, higher tax payments, higher exploration expenses related to Avala's and Dunav's activities in Serbia, and higher administrative expenses, partially offset by higher volumes of payable gold and copper in concentrate sold and higher gold prices.

Capital expenditures

Capital expenditures in the fourth quarter and twelve months of 2012 totalled $51.0 million and $149.0 million, respectively, compared to $30.2 million and $117.6 million in the corresponding periods in 2011 due primarily to increased construction activities in connection with NCS' capital program to increase capacity and improve environmental performance and operational efficiency ("Project 2012"), partially offset by reduced construction activities at Chelopech with the completion of its mine and mill expansion.

Growth capital expenditures in the fourth quarter and twelve months of 2012 were $45.0 million and $121.2 million, respectively, compared to $22.9 million and $85.3 million in the corresponding periods in 2011. Sustaining capital expenditures in the fourth quarter and twelve months of 2012 were $6.0 million and $27.8 million, respectively, compared to $7.3 million and $32.3 million in the corresponding periods in 2011.

2013 OUTLOOK

The following table sets forth the Company's estimated production, unit cash costs, exploration and general and administrative expenses, and capital expenditures for 2013.

US $ millions, unless otherwise indicated	Chelopech	Deno Gold	NCS	Corp.& Other	Total/Average
Ore mined/milled ('000s tonnes)	1,900 - 2,050	550 - 600	-	-	2,450 - 2,650
Concentrate smelted ('000s tonnes)	-	-	195 - 215		195 - 215
Metals contained in concentrate produced					
Gold (ounces)	125,000 - 143,000	25,000 - 30,000	-	-	150,000 -173,000
Copper (million pounds)	43.0 - 46.0	2.5 - 3.0	-	-	45.5 - 49.0
Zinc (million pounds)	-	12.0 -14.5	-	-	12.0 -14.5
Silver (ounces)	182,000 - 195,000	438,000 - 528,000	-	-	620,000 - 723,000
Cash cost/tonne of ore processed ($)(1)	42 - 46	71 - 80	-	-	50 - 54
Cash cost/ounce of gold sold, net of by-product credits ($)(1),(2)	160 - 175	450 - 530	-	-	210 - 240
Cash cost/tonne of concentrate smelted ($)(1)	-	-	320 - 355		320 - 355
General & administrative expenses(3)				40 - 44	40 - 44
Exploration expenses(3)				3 - 4	3 - 4
Sustaining capital expenditures	14 - 17	8 - 12	13 - 16	-	35 - 45

(1) Based on current exchange rates
(2) Based on copper price of $3.70 per pound, silver price of $31 per ounce and zinc price of $0.99 per pound
(3) Excludes expenses of partially owned companies
(4) See "Cautionary Note Regarding Forward Looking Statements"

For 2013, the Company's approved growth capital expenditures are expected to range between $240 million and $300 million and relate primarily to the construction of an acid plant and electric furnace at NCS, stage 1 of the Pyrite Project at Chelopech, the development work and construction activities related to the Krumovgrad Gold Project, and exploration and/or development work being undertaken to enhance underground operations and advance the open pit project at Deno Gold.

The 2013 outlook provided above may not occur evenly through the year. The estimated metals contained in concentrate produced and volumes of concentrate smelted may vary from quarter to quarter depending on the areas being mined, the timing of concentrate deliveries and planned outages, which include Project 2012 tie-ins in the first quarter of 2013 and the annual maintenance shutdown of the Ausmelt furnace in the second quarter of 2013. The production outlook for NCS assumes that the existing temporary curtailment is lifted by no later than mid-year 2013. Also, the rate of capital expenditures may vary from quarter to quarter based on the schedule for and execution of each capital project and, where applicable, the receipt of necessary permits and approvals.

REVIEW OF OPERATING RESULTS BY SEGMENT

Chelopech – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2012**	2011	**2012**	2011
Operational Highlights				
Ore mined *(mt)*	**522,909**	394,151	**1,813,633**	1,309,924
Ore processed *(mt)*	**491,235**	453,202	**1,819,687**	1,353,733
Head grade *(ore milled)*				
Gold *(g/mt)*	**3.06**	4.17	**3.69**	3.85
Copper *(%)*	**1.13**	1.55	**1.29**	1.46
Silver (g/mt)	**6.86**	8.46	**9.26**	8.13
Concentrate produced *(mt)*(1)	**28,961**	37,129	**118,974**	102,702
Metals contained in concentrate produced				
Gold *(ounces)*	**27,503**	34,993	**120,631**	93,881
Copper *(pounds)*	**10,266,739**	13,185,889	**42,714,127**	36,801,944
Silver *(ounces)*	**44,406**	54,573	**216,765**	151,715
Cash cost per tonne of ore processed ($)(2),(4),(5)	**44.75**	51.35	**45.77**	54.81
Cash cost per ounce of gold in concentrate produced ($)(2),(3),(4)	**420**	350	**358**	373
Cash cost per pound of copper in concentrate produced ($)(2),(3),(4)	**0.87**	0.71	**0.78**	0.92
Copper concentrate delivered *(mt)*	**29,783**	32,508	**118,778**	100,326
Gold-bearing pyrite concentrate sold *(mt)*	**15,012**	-	**30,288**	-
Payable metals in concentrate sold				
Gold *(ounces)*(6)	**28,700**	27,114	**116,644**	83,796
Copper *(pounds)*(6)	**9,905,123**	10,726,853	**40,020,663**	33,604,806
Silver *(ounces)*(6)	**45,159**	36,397	**207,831**	129,477
Cash cost of sales per ounce of gold sold, net of by-product credits ($)(4),(7),(8)	**48**	(190)	**9**	(112)
Financial Highlights				
Net revenue(9),(10)	**63,394**	64,228	**263,577**	199,465
Gross profit	**38,253**	39,514	**165,279**	110,627
Adjusted EBITDA(4)	**49,586**	50,787	**196,012**	133,368
Earnings before income taxes	**41,148**	28,575	**155,645**	138,244
Capital expenditures				
Growth	**12,465**	14,325	**41,833**	59,019
Sustaining	**3,807**	3,464	**12,690**	13,053
Total capital expenditures	**16,272**	17,789	**54,523**	72,072

1) *Excludes pyrite concentrate of 660 tonnes, containing 11,737 pounds of copper, 120 ounces of gold and 323 ounces of silver, produced in December 2012.*
2) *Cash costs are reported in U.S. dollars, although the majority of costs incurred are denominated in non-U.S. dollars, and consist of all production related expenses including mining, processing, services, royalties and general and administrative.*
3) *Gold and copper are accounted for as co-products. Total cash costs are net of by-product silver sales revenue.*
4) *Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of these non-GAAP measures.*
5) *Cash cost per tonne of ore processed, excluding royalties, was $40.41 and $41.16 in the fourth quarter and twelve months of 2012, respectively, compared to $46.59 and $49.99 in the corresponding periods in 2011.*
6) *Represents payable metals in concentrate sold based on provisional invoices.*
7) *Cash cost of sales per ounce of gold sold, net of by-product credits, represents cost of sales, less depreciation, amortization and other non-cash expenses, plus treatment charges, penalties, transportation and other selling costs, less by-product copper and silver revenues divided by the payable gold in concentrate sold.*
8) *Includes realized gains on copper derivative contracts of $3.3 million and $13.0 million in the fourth quarter and twelve months of 2012, respectively, compared to realized gains of $7.8 million and $11.7 million in the corresponding periods in 2011.*
9) *Net revenue includes the value of payable metals sold, mark-to-market adjustments and final settlements on provisionally priced sales, and deductions for treatment charges, penalties, transportation and other selling costs. Net unfavourable mark-to-market adjustments and final settlements of $0.3 million (2011 – net favourable adjustments of $0.5 million) and net favourable mark-to-market adjustments and final settlements of $3.9 million (2011 - unfavourable adjustments of $5.5 million) were recognized in the fourth quarter and twelve months of 2012, respectively. Deductions in the fourth quarter and twelve months of 2012 were $22.6 million and $86.2 million, respectively, compared to $19.6 million and $65.1 million in the corresponding periods in 2011.*
10) *Excludes realized and unrealized gains and losses on derivative commodity contracts.*

Operational Highlights – Chelopech

Ore mined

Ore mined in the fourth quarter and twelve months of 2012 of 522,909 tonnes and 1,813,633 tonnes, respectively, was 33% and 38% higher than the corresponding periods in 2011 due to the ramp-up of mine production consistent with the schedule of the mine and mill expansion project, which was completed and commissioned in the fourth quarter of 2012.

Ore processed

Ore processed in the fourth quarter and twelve months of 2012 of 491,235 tonnes and 1,819,687 tonnes, respectively, was 8% and 34% higher than the corresponding periods in 2011 as a result of the increase in ore mined.

Concentrate and metal production

Concentrate production in the fourth quarter of 2012 of 28,961 tonnes was 22% lower than the corresponding period in 2011 due primarily to the sequencing under the mine plan wherein lower copper grades were mined during the fourth quarter of 2012 relative to the corresponding period in 2011, which was partially offset by the increase in ore processed. Concentrate production in 2012 of 118,974 tonnes was 16% higher than the corresponding period in 2011 due to the increased processing capability of the expanded mill and the increase in ore mined, partially offset by lower copper grades.

Relative to the fourth quarter of 2011, copper contained in concentrate produced in the fourth quarter of 2012 decreased by 22% to 10.3 million pounds, gold contained in concentrate produced decreased by 21% to 27,503 ounces, and silver contained in concentrate produced decreased by 19% to 44,406 ounces. These decreases were due primarily to lower grades for all metals due to the sequencing under the mine plan, partially offset by increased ore mined and processed. Relative to 2011, copper contained in concentrate produced in 2012 increased by 16% to 42.7 million pounds, gold contained in concentrate produced increased by 28% to 120,631 ounces, and silver contained in concentrate produced increased by 43% to 216,765 ounces. These increases were due primarily to increased ore mined and processed partially offset by lower copper and gold grades. Despite being lower than 2011, copper and gold grades in 2012 were in line with the 2012 grades in the life of mine reported in the NI 43-101 Technical Report for the Pyrite Recovery Project, filed on SEDAR on September 10, 2012. Grades will vary period from period depending on the area being mined.

Deliveries

Deliveries of copper concentrate in the fourth quarter of 2012 of 29,783 tonnes were 8% lower than the corresponding period in 2011 due primarily to the decrease in concentrate production. Deliveries of copper concentrate in 2012 of 118,778 tonnes were 18% higher than the corresponding period in 2011 consistent with the increase in concentrate production in 2012. The Company also entered into short-term arrangements to deliver a gold-bearing pyrite concentrate, from the operation's old stockpile, totalling 30,288 tonnes in 2012.

Payable gold in concentrate sold in the fourth quarter of 2012 increased by 6% to 28,700 ounces relative to the corresponding period in 2011, payable copper in concentrate sold decreased by 8% to 9.9 million pounds and payable silver in concentrate sold increased by 24% to 45,159 ounces. Payable gold in concentrate sold in 2012 increased by 39% to 116,644 ounces relative to the corresponding period in 2011, payable copper in concentrate sold increased by 19% to 40.0 million pounds and payable silver in concentrate sold increased by 61% to 207,831 ounces. Overall, the increases in 2012 were consistent with the increases in metals contained in concentrate produced in 2012 relative to 2011.

Inventories

Unprocessed ore stock piles at surface totalled 44,964 tonnes at December 31, 2012, down from 51,018 tonnes at December 31, 2011. Copper concentrate inventory totalled 9,822 tonnes at December 31, 2012, up slightly from 9,626 tonnes at December 31, 2011.

Financial Highlights – Chelopech

Net revenue

Net revenue in the fourth quarter of 2012 of $63.4 million was $0.8 million lower than the corresponding period in 2011 due primarily to higher treatment charges as a result of the temporary curtailment at NCS, and lower concentrate deliveries as a result of lower copper grades, partially offset by higher copper and gold market prices.

Net revenue in 2012 of $263.6 million was $64.1 million higher than the corresponding period in 2011 due primarily to higher concentrate deliveries, higher volumes of payable metals in concentrate sold and higher gold market prices partially offset by lower copper market prices and higher treatment charges.

Cash cost measures

Cash cost per tonne of ore processed(1) in the fourth quarter of 2012 of $44.75 was 13% lower than the corresponding cash cost in 2011 of $51.35 due primarily to higher volumes of material mined and processed and a weaker Euro relative to the U.S. dollar. These favourable variances were partially offset by higher employment expenses, increased maintenance activities and increased haulage costs.

Cash cost per tonne of ore processed in 2012 of $45.77 was 16% lower than the corresponding cash cost in 2011 of $54.81 due primarily to the same factors affecting fourth quarter cash cost per tonne, as discussed above, and increased royalties and prices for power and diesel.

Cash cost of sales per ounce of gold sold, net of by-product credits, in the fourth quarter of 2012 was $48 compared to negative $190 in the fourth quarter of 2011. The quarter over quarter increase was due primarily to lower realized copper prices and higher treatment charges partially offset by a lower cash cost per tonne of ore processed.

Cash cost of sales per ounce of gold sold, net of by-product credits, in 2012 was $9 compared to negative $112 in 2011. The period over period increase was due primarily to lower realized copper prices and higher treatment charges partially offset by higher volumes of payable metals in concentrate sold and a lower cash cost per tonne of ore processed.

Gross profit

Gross profit in the fourth quarter of 2012 of $38.2 million was $1.3 million lower than the corresponding period in 2011 due primarily to higher treatment charges, higher depreciation from the recently completed mine and mill expansion project, and lower concentrate deliveries, partially offset by higher market prices for copper and gold and a stronger U.S. dollar.

Gross profit in 2012 of $165.3 million was $54.7 million higher than 2011 due primarily to higher volumes of payable metals in concentrate sold, higher gold market prices, a stronger U.S. dollar and a lower cash cost per tonne of ore processed, partially offset by lower copper market prices, higher treatment charges and higher depreciation expense.

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter of 2012 was $49.6 million compared to $50.8 million in the corresponding period in 2011 due to the same factors affecting gross profit, except depreciation which is excluded from adjusted EBITDA, and lower fourth quarter 2012 realized gains on copper derivative contracts, entered to hedge a portion of projected payable production, of $3.3 million compared to $7.8 million in the corresponding period in 2011.

Adjusted EBITDA in 2012 was $196.0 million compared to $133.4 million in the corresponding period in 2011 due to the same factors affecting gross profit, except depreciation expense, and higher realized gains on copper

[1] A reconciliation of the Company's cash cost per tonne of ore processed to cost of sales under IFRS is shown in the section entitled "Non-GAAP Financial Measures."

derivative contracts, entered to hedge a portion of projected payable production, of $13.0 million compared to $11.7 million in 2011.

Earnings before income taxes

Earnings before income taxes in the fourth quarter of 2012 were $41.1 million compared to $28.6 million in the corresponding period in 2011. Earnings before income taxes were impacted by the same factors affecting gross profit and adjusted EBITDA, as discussed above. In addition, unrealized losses on copper derivative contracts, related to projected payable production, of $1.2 million recognized in the fourth quarter of 2012 were lower than the unrealized losses of $17.9 million recognized in the corresponding period in 2011.

Earnings before income taxes in 2012 were $155.6 million compared to $138.2 million in the corresponding period in 2011. This increase was due primarily to the same factors affecting gross profit and adjusted EBITDA, as discussed above. Partially offsetting these favourable variances were unrealized losses on copper derivative contracts, related to projected payable production, of $18.6 million recognized in 2012 compared to unrealized gains of $21.6 million in 2011.

Capital expenditures

Capital expenditures in the fourth quarter and twelve months of 2012 of $16.3 million and $54.5 million, respectively, were lower than the corresponding periods in 2011 due primarily to reduced construction activities related to the mine and mill expansion.

New commercial arrangements

XGC has agreed to purchase 3,000 tonnes per month of Chelopech copper concentrate, on market competitive terms, from March to June 2013 and then 2,000 tonnes per month until March 2014.

In December 2012, the Company entered into an agreement with XGC for the sale of 200,000 tonnes per year of pyrite concentrate to be produced by Chelopech during stage 1 of its Pyrite Project, with deliveries expected to commence in the first quarter of 2014. The total annual concentrate supply to XGC is expected to contain between 28,000 and 30,000 ounces of payable gold at a cash cost of approximately $1,200 per ounce. Chelopech will earn a payable amount based on the gross value of the concentrate.

Deno Gold – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2012**	2011	**2012**	2011
Operational Highlights				
Ore mined *(mt)*	**137,914**	137,683	**531,667**	525,622
Ore processed *(mt)*	**133,892**	154,933	**509,419**	581,852
Head grade *(ore milled)*				
Gold *(g/mt)*	**1.50**	1.57	**1.56**	1.75
Copper *(%)*	**0.24**	0.25	**0.25**	0.27
Zinc *(%)*	**1.50**	1.74	**1.67**	1.74
Silver (g/mt)	**28.42**	31.48	**32.20**	33.52
Concentrate produced *(mt)*				
Copper	**1,371**	1,780	**5,508**	6,963
Zinc	**2,096**	4,242	**11,327**	15,588
Metals contained in concentrate produced				
Gold *(ounces)*	**5,164**	6,051	**21,843**	26,876
Copper *(pounds)*	**616,812**	741,907	**2,456,555**	2,992,158
Zinc *(pounds)*	**2,880,095**	5,129,841	**15,425,329**	19,584,954
Silver *(ounces)*	**99,095**	123,297	**449,092**	519,104
Cash cost per tonne of ore processed ($)(1),(3),(4)	**84.22**	60.38	**76.45**	66.26
Cash cost per ounce of gold in concentrate produced ($)(1),(2),(3)	**1,004**	534	**707**	429
Cash cost per pound of copper in concentrate produced ($)(1),(2),(3)	**2.13**	1.08	**1.54**	1.14
Cash cost per pound of zinc in concentrate produced ($)(1),(2),(3)	**0.54**	0.27	**0.37**	0.28
Concentrate delivered *(mt)*				
Copper	**2,750**	1,653	**5,520**	8,072
Zinc	**2,728**	2,703	**12,650**	15,391
Payable metals in concentrate sold				
Gold *(ounces)*(5)	**7,115**	4,320	**18,204**	26,230
Copper *(pounds)*(5)	**1,076,107**	597,100	**2,083,624**	3,232,851
Zinc *(pounds)*(5)	**3,081,784**	2,825,821	**14,203,516**	16,897,968
Silver *(ounces)*(5)	**134,996**	80,857	**339,362**	466,437
Cash cost of sales per ounce of gold sold, net of by-product credits ($)(3),(6),(7)	**778**	92	**808**	93
Financial Highlights				
Net revenue(8),(9)	**19,789**	8,265	**53,989**	73,023
Gross profit (loss)	**1,956**	(517)	**3,442**	25,747
Adjusted EBITDA(3)	**5,389**	1,298	**12,493**	32,493
Earnings (loss) before income taxes	**2,516**	(2,313)	**1,202**	25,530
Capital expenditures				
Growth	**2,692**	1,303	**9,586**	4,663
Sustaining	**1,473**	2,813	**8,955**	9,284
Total capital expenditures	**4,165**	4,116	**18,541**	13,947

1) *Cash costs are reported in U.S. dollars, although the majority of costs incurred are denominated in non-U.S. dollars, and consist of all production related expenses including mining, processing, services, royalties and general and administrative.*
2) *Gold, copper and zinc are accounted for as co-products. Total cash costs are net of by-product silver sales revenue.*
3) *Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of these non-GAAP measures.*
4) *Cash cost per tonne of ore processed, excluding royalties, was $70.11 and $69.10 in the fourth quarter and twelve months of 2012, respectively, compared to $58.47 and $62.57 in the corresponding periods in 2011.*
5) *Represents payable metals in concentrate sold based on provisional invoices.*
6) *Cash cost of sales per ounce of gold sold, net of by-product credits, represents cost of sales, less depreciation, amortization and other non-cash expenses, plus treatment charges, penalties, transportation and other selling costs, less by-product zinc, copper and silver revenues divided by the payable gold in concentrate sold.*
7) *Includes realized gains on copper derivative contracts of $0.3 million and $1.3 million in the fourth quarter and twelve months of 2012, respectively, compared to realized gains of $0.8 million and $0.9 million in the corresponding periods in 2011.*
8) *Net revenue includes the value of payable metals sold, mark-to-market adjustments and final settlements on provisionally priced sales, and deductions for treatment charges, penalties, transportation and other selling costs. Net unfavourable adjustments and final settlements of $2.1 million (2011 - $4.3 million) and $1.4 million (2011 - $2.4 million) were recorded in the fourth quarter and twelve months of 2012, respectively. Deductions in the fourth quarter and twelve months of 2012 were $1.7 million and $6.2 million, respectively, compared to $2.0 million and $11.9 million in the corresponding periods in 2011.*
9) *Excludes realized and unrealized gains and losses on derivative commodity contracts.*

Operational Highlights – Deno Gold

Ore mined

Ore mined in the fourth quarter and twelve months of 2012 of 137,914 tonnes and 531,667 tonnes, respectively, was comparable to the corresponding periods in 2011. Ore mined in the first half of 2012 was impacted by reduced availability of loading and haulage equipment. A number of corrective actions were implemented in the second quarter of 2012 resulting in an improvement in the second half of 2012 with further improvements expected in 2013.

Ore processed

Ore processed in the fourth quarter and twelve months of 2012 of 133,892 tonnes and 509,419 tonnes, respectively, decreased by 14% and 12% relative to the corresponding periods in 2011. In order to supplement the mine production and to fully utilize the mill, 19,967 tonnes and 60,083 tonnes of oxidized ore, stockpiled on surface from past mining operations, were processed in the fourth quarter and twelve months of 2011, respectively. There was no oxidized ore processed in 2012.

Concentrate and metal production

The copper concentrate produced by Deno Gold contains lead, the content of which, in 2012, increased to levels in excess of most copper smelters' current contractual specifications. The first stage of the new lead separation circuit was installed and completed in the third quarter of 2012, followed by commissioning and testing during the fourth quarter of 2012. The second stage of the lead circuit was completed early in January 2013, and integration into normal operations will occur after commissioning and testing have been completed. Zinc recoveries in the fourth quarter of 2012 were lower than anticipated due to production disruptions encountered during the installation of the second stage of the new lead circuit.

Production of copper concentrate in the fourth quarter and twelve months of 2012 of 1,371 tonnes and 5,508 tonnes, respectively, decreased by 23% and 21% over the corresponding periods in 2011 due primarily to lower volumes of ore processed as no stockpiled oxidized ore from past mining operations was processed in 2012. Copper concentrate produced from oxidized ore in the fourth quarter and twelve months of 2011 was 155 tonnes and 488 tonnes, respectively.

Production of zinc concentrate in the fourth quarter and twelve months of 2012 of 2,096 tonnes and 11,327 tonnes, respectively, decreased by 51% and 27% over the corresponding periods in 2011 due to lower volumes of ore processed as no stockpiled oxidized ore from past mining operations was processed in 2012, and lower recoveries and grades. Zinc concentrate produced from oxidized ore in the fourth quarter and twelve months of 2011 was 334 tonnes and 965 tonnes, respectively.

Relative to the fourth quarter of 2011, copper contained in concentrate produced in the fourth quarter of 2012 decreased by 17% to 0.6 million pounds, gold contained in concentrate produced decreased by 15% to 5,164 ounces, silver contained in concentrate produced decreased by 20% to 99,095 ounces and zinc contained in concentrate produced decreased by 44% to 2.9 million pounds. Relative to 2011, copper contained in concentrate produced in 2012 decreased by 18% to 2.5 million pounds, gold contained in concentrate produced decreased by 19% to 21,843 ounces, zinc contained in concentrate produced decreased by 21% to 15.4 million pounds and silver contained in concentrate produced decreased by 13% to 449,092 ounces. These decreases were due primarily to lower volumes of ore processed, lower grades for all metals and lower zinc recoveries.

Deliveries

Deliveries of concentrates in the fourth quarter of 2012 of 5,478 tonnes were 26% higher than the corresponding period in 2011 due primarily to a drawdown of copper concentrate inventory as shipments that had been delayed in the first nine months of 2012, as a result of the high lead content, were sold in the fourth quarter of 2012.

Deliveries of concentrates in 2012 of 18,170 tonnes were 23% lower than the corresponding period in 2011 due primarily to lower concentrate production, as discussed above.

Relative to the fourth quarter of 2011, payable gold in concentrate sold in the fourth quarter of 2012 increased by 65% to 7,115 ounces, payable copper in concentrate sold increased by 80% to 1.1 million pounds, payable silver in concentrate sold increased by 67% to 134,996 ounces and payable zinc in concentrate sold increased by 9% to 3.1 million pounds. These increases were consistent with higher copper concentrate deliveries in the fourth quarter of 2012 relative to the corresponding prior year period. Relative to 2011, payable gold in concentrate sold in 2012 decreased by 31% to 18,204 ounces, payable copper in concentrate sold decreased by 36% to 2.1 million pounds, payable silver in concentrate sold decreased by 27% to 339,362 ounces and payable zinc in concentrate sold decreased by 16% to 14.2 million pounds. These decreases were due primarily to lower volumes of ore processed, lower grades and recoveries for all metals, as discussed above.

Inventory

Inventory of concentrates totalled 2,220 tonnes at December 31, 2012, down from 3,102 tonnes at December 31, 2011. The majority of the build-up of copper concentrate inventory at September 30, 2012 was sold in the fourth quarter of 2012.

Financial Highlights – Deno Gold

Net revenue

Net revenue in the fourth quarter of 2012 of $19.8 million was $11.5 million higher than the corresponding period in 2011 due primarily to higher deliveries of copper concentrate resulting from a drawdown of inventory built up in 2012 and higher metal market prices.

Net revenue in 2012 of $54.0 million was $19.0 million lower than the corresponding period in 2011 due primarily to lower concentrate production, as discussed above, and lower zinc, silver and copper market prices, partially offset by higher gold market prices.

Cash cost measures

Cash cost per tonne of ore processed in the fourth quarter and twelve months of 2012 of $84.22 and $76.45, respectively, was 39% and 15% higher than the corresponding prior year periods due primarily to lower volumes of ore processed, increased maintenance activities and increased royalties, partially offset by a stronger U.S. dollar. In order to supplement the mine production and to fully utilize the mill, 19,967 tonnes and 60,083 tonnes of oxidized ore, stockpiled on surface from past mining operations, were processed in the fourth quarter and twelve months of 2011, respectively. There was no oxidized ore processed in 2012.

Effective January 1, 2012, a new royalty formula was established replacing the old royalty and naturalization fees, which resulted in the royalties increasing to approximately 7% of revenue in 2012 (2011 – 5%).

Cash cost of sales per ounce of gold sold, net of by-product credits, in the fourth quarter and twelve months of 2012 was $778 and $808, respectively, compared to a cash cost of $92 and $93 in the corresponding periods in 2011. The quarter over quarter increase was due primarily to a higher cash cost per tonne of ore processed partially offset by higher volumes of payable metals in concentrate sold. The year over year increase was due primarily to a higher cash cost per tonne of ore processed, lower volumes of payable metals in concentrate sold and lower copper, zinc and silver prices.

Gross profit

Gross profit in the fourth quarter of 2012 was $2.0 million compared to a gross loss of $0.5 million in the corresponding period in 2011. This increase in gross profit was due primarily to higher concentrate deliveries, a stronger U.S. dollar and higher metal market prices, partially offset by a higher cost per tonne of concentrate produced as a result of lower concentrate production and higher royalties.

Gross profit in 2012 was $3.4 million compared to a gross profit of $25.7 million in the corresponding period in 2011. The decrease in gross profit was due primarily to lower concentrate production, a higher cost per tonne of concentrate produced, higher operating expenses and lower copper, zinc and silver market prices, partially offset by higher gold market prices and a stronger U.S. dollar.

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter of 2012 was $5.4 million compared to $1.3 million in the corresponding period in 2011. This increase was due primarily to the same factors affecting gross profit partially offset by lower realized gains on derivative commodity contracts. Realized gains on copper derivative contracts, entered to hedge a portion of projected payable production, of $0.3 million were recognized in the fourth quarter of 2012 compared to $0.8 million in the corresponding period in 2011.

Adjusted EBITDA in 2012 was $12.5 million compared to $32.5 million in the corresponding period in 2011. This decrease was due primarily to the same factors affecting gross profit. Realized gains on copper derivative contracts, entered to hedge a portion of projected payable production, of $1.2 million were recognized in 2012 compared to $0.9 million in the corresponding period in 2011.

Earnings (loss) before income taxes

Earnings before income taxes in the fourth quarter of 2012 were $2.5 million compared to a loss before income taxes of $2.3 million in the corresponding period in 2011. The quarter over quarter increase was due primarily to the same factors affecting gross profit and adjusted EBITDA as well as reduced unrealized losses on derivative commodity contracts. Unrealized losses on copper derivative contracts, related to a portion of projected payable production, of $0.3 million were recognized in 2012 compared to $1.4 million in the corresponding period in 2011.

Earnings before income taxes in 2012 were $1.2 million compared to $25.5 million in the corresponding period in 2011. The year over year decrease was primarily attributable to the same factors affecting gross profit and adjusted EBITDA as well as unrealized losses on copper derivative contracts, related to a portion of projected payable production, of $1.5 million (2011 – unrealized gains of $1.5 million).

Capital expenditures

Capital expenditures in the fourth quarter of 2012 were $4.2 million compared to $4.1 million in the corresponding period in 2011. Fourth quarter of 2012 capital expenditures included capitalized exploration of $2.7 million compared to $1.3 million in the corresponding period in 2011.

Capital expenditures in 2012 were $18.5 million compared to $13.9 million in the corresponding period in 2011. Included in 2012 capital expenditures was capitalized exploration of $9.4 million compared to $4.4 million in the corresponding period in 2011 related to a contemplated expanded underground and/or open pit operation. Refer to the "Exploration" section of this MD&A for a more detailed discussion of Deno Gold's exploration programs.

NCS – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	**Three Months**		**Twelve Months**	
Ended December 31,	**2012**	2011	**2012**	2011
Operational Highlights				
Concentrate smelted *(mt)*				
Chelopech	**31,846**	27,156	**112,251**	88,514
Third party	**13,977**	20,432	**47,105**	91,889
Total concentrate smelted	**45,823**	47,588	**159,356**	180,403
Cash cost/tonne of concentrate smelted ($)(1)	**347**	248	**374**	293
Financial Highlights				
Net revenue	**19,879**	15,983	**67,119**	65,992
Gross (loss) profit	**(971)**	107	**(11,677)**	(4,597)
Earnings (loss) before interest, taxes, depreciation and amortization(1)	**1,628**	2,079	**(2,593)**	3,194
Loss before income taxes	**(1,669)**	(531)	**(15,165)**	(7,265)
Capital expenditures				
Growth	**21,819**	5,943	**56,926**	17,051
Sustaining	**719**	918	**6,108**	8,820
Total capital expenditures	**22,538**	6,861	**63,034**	25,871

1) *Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of these non-GAAP measures.*

Operational Highlights – NCS

Production

Concentrate smelted in the fourth quarter of 2012 of 45,823 tonnes was comparable to the corresponding period in 2011, which was impacted by operational issues.

Concentrate smelted in 2012 of 159,356 tonnes was 12% lower than the corresponding period in 2011 due primarily to the impact of the Minister's directives to limit production to 50% and 75% of the smelter's operating capacity during the second quarter of 2012 and for the balance of 2012, respectively.

The fugitive emissions inside the aisle, which were identified as a significant issue during the environmental audit in December 2011, were addressed through temporary upgrades of the fume extraction systems made during the shutdown of the Ausmelt furnace in the second quarter of 2012. These upgrades were the key factors contributing to the Minister's decision to allow NCS to increase its production to 75% of the smelter's operating capacity in July 2012. Following discussions with the government's Technical Team in the fourth quarter of 2012, it was agreed that conducting tie-ins and hot commissioning during the December break, when suppliers and support industries will be closed, posed an unacceptable risk. It was therefore agreed to defer the mechanical completion of the new gas cleaning systems to January 2013 and to perform the tie-ins and hot commissioning during the first quarter of 2013. Thereafter, testing will be performed to ensure that the modifications are producing the expected decrease in emissions before approval is received to lift the existing curtailment.

Cash cost per tonne of concentrate smelted

Cash cost per tonne of concentrate smelted in the fourth quarter and twelve months of 2012 of $347 and $374 respectively, was 40% and 28% higher than the corresponding periods in 2011 due primarily to higher operating expenses and lower volumes of concentrate smelted, partially offset by a weaker ZAR. Increased maintenance activities, increased headcount and wages, higher prices for fuel and electricity, and higher spending on environmental, health and safety monitoring and development programs contributed to the increase in operating expenses period over period.

Financial Highlights - NCS

Net revenue

Net revenue of $19.9 million in the fourth quarter of 2012 was $3.9 million higher than the corresponding period in 2011 due primarily to higher tolling rates and higher volumes of Chelopech concentrate smelted, which generate a higher gross margin than third party concentrate. These favourable variances were partially offset by lower volumes of third party concentrate smelted.

Net revenue of $67.1 million in 2012 was $1.1 million higher than the corresponding period in 2011 due primarily to higher volumes of Chelopech concentrate processed and higher overall tolling rates, partially offset by lower volumes of third party concentrate processed and an increase in stockpile interest deductions resulting from the temporary production curtailment.

Gross (loss) profit

Gross loss in the fourth quarter of 2012 was $1.0 million compared to a gross profit of $0.1 million in the corresponding period in 2011. The gross loss was due primarily to higher operating expenses, lower volumes of third party concentrate smelted and higher depreciation from recently completed capital programs, partially offset by higher revenue and the favourable impact on production costs of a weaker ZAR relative to the U.S. dollar.

Gross loss in 2012 was $11.7 million compared to $4.6 million in 2011. The higher gross loss was due primarily to the same factors affecting the quarter.

EBITDA

EBITDA in the fourth quarter of 2012 was $1.6 million compared to $2.1 million in the corresponding period in 2011. The decrease was due primarily to the same factors affecting gross profit, except for depreciation which is excluded from EBITDA.

Loss before interest, taxes, depreciation and amortization in 2012 was $2.6 million compared to EBITDA of $3.2 million in the corresponding period in 2011. The loss was driven by the same factors affecting the gross loss, except for depreciation, which is excluded from the loss before interest, taxes, depreciation and amortization.

Loss before income taxes

Loss before income taxes in the fourth quarter of 2012 was $1.7 million compared to $0.5 million in the corresponding period in 2011. This increase was driven by the same factors affecting gross profit.

Loss before income taxes in 2012 was $15.2 million compared to $7.3 million in the corresponding period in 2011. The higher loss was driven by the same factors affecting the gross loss.

Capital expenditures

Capital expenditures in the fourth quarter and twelve months of 2012 were $22.5 million and $63.0 million, respectively, compared to $6.9 million and $25.9 million in the corresponding periods in 2011. The period over period increases were due primarily to increased activities related to Project 2012, a capital program to increase capacity and improve environmental performance and operational efficiency. Refer to the "Development and Other Major Projects" section of this MD&A for a more detailed discussion of Project 2012.

Off-take Arrangements

In December 2012, NCS entered into an agreement with LDC, the exclusive concentrate supplier and blister off-taker, on smelting terms for 200,000 tonnes of third party copper concentrate to be supplied by LDC from 2014 to 2016. LDC has also agreed to allocate a portion of the increased pricing on the final 100,000 tonnes under the existing arrangements, which are expected to be processed during 2013 and the first half of 2014, to enable NCS to begin realizing a portion of the benefits from the increased pricing sooner.

In December 2012, in conjunction with Protea Chemicals (Pty) Limited, a leading industrial chemicals company with significant presence in Sub-Saharan Africa, NCS entered into a Memorandum of Understanding with Rio Tinto Rössing in connection with a long-term purchase arrangement for the acid to be produced by NCS. Based on expected annual smelter production capacity, the plant will produce between 230,000 and 320,000 tonnes of sulphuric acid. Rössing currently imports sulphuric acid for processing at its Rössing uranium mine in Namibia. The acid is expected to be shipped by rail directly to Rössing from NCS. DPM and Rössing are currently negotiating the commercial details for a significant portion of the acid that will be produced and expect to finalize definitive documentation during the first quarter of 2013. Refer to the "Development and Other Major Projects" section of the MD&A for a more detailed discussion on the sulphuric acid plant.

REVIEW OF CORPORATE AND OTHER SEGMENT RESULTS

The corporate and other segment results include corporate administrative costs, exploration and development projects, and other income and cost items that do not pertain directly to an operating segment. The following table summarizes the Company's corporate and other segment results for the periods indicated:

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2012**	2011	**2012**	2011
Financial Highlights				
General and administrative expenses[(1)]	**(8,882)**	(6,379)	**(36,443)**	(27,994)
Exploration expenses[(2)]	**(7,931)**	(10,318)	**(42,489)**	(26,281)
Other (expense) income[(3)]	**(2,066)**	(458)	**(2,420)**	2,751
Adjusted loss before interest, taxes, depreciation and amortization	**(18,879)**	(17,155)	**(81,352)**	(51,524)

1) *Includes expenses related to Avala and Dunav of $0.8 million (2011 - $nil million) and $4.6 million (2011 - $3.7 million) in the fourth quarter and twelve months of 2012, respectively.*
2) *Includes expenses related to Avala and Dunav of $7.4 million (2011 - $10.4 million) and $41.6 million (2011 - $26.1 million) in the fourth quarter and twelve months of 2012, respectively.*
3) *Includes write-down of $2.3 million related to Avala's exploration licenses in the fourth quarter and twelve months of 2012.*

General and administrative expenses

General and administrative expenses, excluding depreciation, were $8.9 million and $36.4 million in the fourth quarter and twelve months of 2012, respectively, compared to $6.4 million and $28.0 million in the corresponding periods in 2011. These increases were driven by higher employee related expenses necessary to support the Company's growth activities, higher stock based compensation expenses and higher corporate social responsibility funding.

Exploration expenses

Exploration expenses relate primarily to the exploration work being conducted in Serbia by Avala and Dunav. Exploration expenses in 2012 were higher than 2011 due primarily to increased activities in Serbia. Refer to the "Exploration" section of this MD&A for a more detailed discussion of Avala and Dunav exploration activities.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2012, the Company had cash and cash equivalents, and short-term investments of $123.3 million, including Avala's and Dunav's cash and cash equivalents of $2.9 million and $1.0 million, respectively, and investments at fair value of $75.6 million.

The Company's cash and cash equivalents at December 31, 2012, together with the cash currently being generated from its operating facilities and the new $150 million undrawn long-term revolving credit facility, provide sufficient liquidity and cash resources to meet current operating and capital requirements, including its contractual commitments and mandatory debt repayments. Factors that could impact the Company's liquidity include, but are not limited to, gold, copper, zinc and silver market prices, production levels, capital expenditures, operating cash costs, interest rates and foreign exchange rates. These factors are monitored on a regular basis.

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

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2012**	2011	**2012**	2011
Cash provided from operating activities before changes in non-cash working capital	**30,695**	41,831	**121,132**	123,599
Changes in non-cash working capital	**(3,684)**	4,423	**(42,854)**	(1,575)
Cash provided from operating activities	**27,011**	46,254	**78,278**	122,024
Cash used in investing activities	**(34,809)**	(30,352)	**(127,019)**	(101,344)
Cash (used in) provided from financing activities	**(1,818)**	(2,381)	**(2,532)**	55,899
(Decrease) increase in cash and cash equivalents	**(9,616)**	13,521	**(51,273)**	76,579
Cash and cash equivalents at beginning of period	**131,147**	159,283	**172,804**	96,225
Cash and cash equivalents at end of period	**121,531**	172,804	**121,531**	172,804

Cash and cash equivalent balances as at December 31, 2012 of $121.5 million were $51.3 million lower than the corresponding period in 2011. The primary factors impacting these cash flow movements are summarized below.

Operating Activities

Cash provided from operating activities, before changes in non-cash working capital, in the fourth quarter of 2012 of $30.7 million was $11.1 million lower than the corresponding period in 2011 due primarily to lower proceeds from settlement of derivative commodity contracts and the same factors affecting adjusted EBITDA.

The increase in working capital in the fourth quarter of 2012 of $3.7 million was due to an increase in accounts receivable related primarily to lower provisional payments on Deno Gold deliveries and the election by LDC in 2012 for a longer quotational period, an increase in spare parts inventory at Chelopech to support the expanded operation and an increase in concentrate inventory cost at Chelopech reflecting the increase in depreciation following the completion of the mine and mill expansion project, partially offset by an increase in royalties payable and a decrease in copper concentrate inventory at Deno Gold.

Cash provided from operating activities, before changes in non-cash working capital, in 2012 of $121.1 million was $2.5 million lower than 2011. Lower copper prices, higher tax payments, higher exploration expenses related to Avala's and Dunav's activities in Serbia, and higher administrative expenses mostly offset higher volumes of payable gold and copper in concentrate sold and higher gold prices.

The increase in working capital in 2012 of $42.9 million was due to an increase in accounts receivable related primarily to lower provisional payments on Deno Gold deliveries and the election by LDC for a longer quotational period, an increase in spare parts inventory at Chelopech to support the expanded operation and an increase in concentrate inventory at Chelopech reflecting increased depreciation attributable to the expansion, partially offset by an increase in accrued wages and bonuses.

Investing Activities

Cash used in investing activities in the fourth quarter and twelve months of 2012 totaled $34.8 million and $127.0 million, respectively, up $4.4 million and $25.7 million compared to the corresponding periods in 2011 due to higher capital expenditures and lower proceeds from the sale of short-term investments and publicly traded securities, partially offset by a decrease in restricted cash.

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

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2012**	2011	**2012**	2011
Chelopech	**16,272**	17,789	**54,523**	72,072
Deno Gold	**4,165**	4,116	**18,541**	13,947
NCS	**22,538**	6,861	**63,034**	25,871
BMM	**7,899**	726	**11,588**	3,740
Other	**113**	660	**1,318**	1,971
Total capital expenditures	**50,987**	30,152	**149,004**	117,601

Capital expenditures at NCS in the fourth quarter and twelve months of 2012 were higher than the corresponding periods in 2011 due primarily to increased construction activities related to Project 2012. Capital expenditures at Chelopech in 2012 were lower than the corresponding period in 2011 due to the reduced level of construction activities as the mine and mill expansion was completed in the fourth quarter of 2012. Capital expenditures at BMM in 2012 were higher than 2011 due to development work undertaken to advance the Krumovgrad Gold Project.

Proceeds from the sale of short-term investments in 2012 totalled $2.6 million compared to $8.7 million in 2011. Short-term investments include banker's acceptances, guaranteed investment certificates and treasury bills with original maturities between three months and less than one year at the time the investment is made.

Proceeds from the sale of publicly traded securities in 2012 were $0.1 million compared to $8.4 million in the corresponding period in 2011.

Restricted cash decreased by $19.3 million in 2012 compared to an increase of $1.2 million in 2011 due primarily to replacing cash collateral with a bank guarantee in respect of Chelopech's mine closure and rehabilitation plan.

Financing Activities

Net cash used in financing activities in the fourth quarter and twelve months of 2012 was $1.8 million and $2.5 million, respectively, compared to net cash used in financing activities of $2.4 million and net cash provided from financing activities of $55.9 million in the corresponding prior year periods.

Repayments of finance lease obligations totalled $0.6 million and $2.6 million in the fourth quarter and twelve months of 2012, respectively, compared to $1.0 million and $4.0 million in the corresponding periods in 2011.

Interest paid totalled $1.2 million and $4.5 million in the fourth quarter and twelve months of 2012, respectively, compared to $1.0 million and $3.7 million in the corresponding periods in 2011.

Repayments of debt totalled $0.4 million and $1.6 million in the fourth quarter and twelve months of 2012, respectively, compared to $0.4 million and $1.2 million in the corresponding periods in 2011. Proceeds from issuance of debt totalled $36.2 million in 2011.

In 2012, Dunav issued 11,027,693 common shares to its non-controlling shareholders on the exercise of their warrants for cash proceeds of $4.7 million.

In 2011, Dunav exercised its option agreement with DPM for the sale of DPM's interest in Dundee Moly Company d.o.o. and the cash received from the sale of this interest was $11.6 million.

In 2011, Avala issued 30,139,750 common shares to its non-controlling shareholders on the exercise of outstanding warrants for cash proceeds of $15.7 million.

On January 17, 2013, Avala closed an equity financing for gross proceeds of $8.0 million. A total of 40,000,000 units, each comprised of one common share of Avala and one share purchase warrant, were issued at Cdn$0.20 per Unit. Each warrant is exercisable for a period of 24 months from closing, at an exercise price of Cdn$0.30, to acquire one common share of Avala. DPM subscribed for 25,000,000 units which increased its ownership interest in Avala from 51.4% as at December 31, 2012 to 53.1% as at January 17, 2013.

On February 12, 2013, Dunav entered into an agreement with a syndicate of investment dealers who have agreed to offer for sale 50,000,000 units at a price of Cdn$0.30 per unit for gross proceeds of up to Cdn$15,000,000. Each unit will consist of one common share of Dunav and one share purchase warrant. Each warrant will be exercisable for a period of 36 months from closing, at an exercise price of Cdn$0.50, to acquire one common share of Dunav. This equity financing is scheduled to close on or about March 6, 2013. DPM is expecting to subscribe for an amount under the current offering sufficient to maintain its ownership interest.

Financial Position

$ thousands **As at,**	**December 31, 2012**	December 31, 2011	**Increase/ (Decrease)**
Cash and cash equivalents	**121,531**	172,804	**(51,273)**
Short-term investments, inventories, accounts receivable and other current assets	**131,894**	97,839	**34,055**
Non-current assets	**718,760**	657,298	**61,462**
Total assets	**972,185**	927,941	**44,244**
Current liabilities	**81,710**	51,273	**30,437**
Non-current liabilities	**136,134**	147,589	**(11,455)**
Equity attributable to common shareholders	**747,333**	704,253	**43,080**
Non-controlling interests	**7,008**	24,826	**(17,818)**

Cash and cash equivalents decreased by $51.3 million to $121.5 million in 2012 due primarily to elevated capital expenditures related to growth initiatives at NCS, Chelopech and Deno Gold and an increase in working capital. Short-term investments, inventories, accounts receivable and other current assets increased by $34.1 million to $131.9 million due primarily to an increase in accounts receivable resulting from lower provisional payments on Deno Gold deliveries and an increase in the quotational period at Chelopech, and an increase in spare part inventories, partially offset by a decrease in restricted cash. Non-current assets increased by $61.5 million to $718.8 million due primarily to the growth capital expenditures being made at Chelopech, NCS and Deno Gold partially offset by the decrease in the fair value of the Company's Sabina holdings.

Current liabilities increased by $30.4 million to $81.7 million in 2012 due primarily to an increase in current portion of debt and an increase in accounts payable and accrued liabilities partially offset by a decrease in tax liabilities. Non-current liabilities decreased by $11.5 million to $136.1 million due primarily to the scheduled principal repayments related to Chelopech's term loans being due in 2013. Non-controlling interests decreased by $17.8 million to $7.0 million in 2012 due primarily to the non-controlling interests' shares in Avala's and Dunav's net losses resulting from their exploration activities partially offset by the issuance of shares to non-controlling interests on the exercise of their warrants.

Contractual Obligations

The Company has the following minimum contractual obligations as at December 31, 2012:

$ thousands	**up to 1 year**	**1 – 5 years**	**over 5 years**	**Total**
Debt	17,821	65,393	-	**83,214**
Finance lease obligations	4,507	11,636	18,956	**35,099**
Capital commitments	136,848	91,668	-	**228,516**
Purchase obligations	9,898	101	-	**9,999**
Operating lease obligations	1,364	3,429	2,103	**6,896**
Other obligations	165	211	13	**389**
Total contractual obligations	**170,603**	**172,438**	**21,072**	**364,113**

Capital commitments of $228.5 million relate primarily to the construction of an acid plant at NCS.

Debt

As at December 31, 2012, the Company's total debt was $83.2 million, of which $81.25 million related to Chelopech and $2.0 million related to NCS. As at December 31, 2012, the Company's total debt, as a percentage of total capital, was 10% (December 31, 2011 – 10%). As at December 31, 2012, the Company was in compliance with its debt covenants.

Chelopech Loans

The Chelopech loans are long-term, amortizing loans having an aggregate principal amount of $81.25 million (collectively, the "Loans") that were used to assist in the financing of its mine and mill expansion.

The Loans, which are guaranteed by DPM and secured by a first ranking charge over the shares of Chelopech, are repayable in 10 equal semi-annual instalments commencing June 2013 and bear interest at a rate equal to the three month U.S. Dollar LIBOR plus 3.25% until completion of the Chelopech mine and mill expansion and at a rate equal to the three month U.S. Dollar LIBOR plus 2.80% thereafter. A portion of the Loans are subject to a cash sweep, which obligates Chelopech to prepay up to an aggregate amount of 30% of Chelopech's surplus cash flow. This cash sweep is limited to the equivalent of two years of loan repayments applied in reverse order of maturity. The Loans contain terms that are considered normal and customary, including financial covenants that require Chelopech to maintain: (i) a minimum forecast debt service coverage ratio of greater than 1.25:1, (ii) a current ratio of greater than 1.2:1, and (iii) a net worth of at least $45 million. In addition, DPM must maintain: (i) a current ratio of greater than 1.5:1, and (ii) a net worth of at least $200 million. As at December 31, 2012, Chelopech and DPM were in compliance with their respective financial covenants. The Company was also required to establish metal price protection on 15% of Chelopech's then projected copper production, up to and including 2014. To meet this requirement, the Company entered into a number of cash settled derivative commodity contracts in January 2011.

On February 15, 2013, DPM refinanced the Chelopech Loans whereby these Loans were repaid with proceeds from new secured term loans (the "Term Loans") between DPM and the existing lenders. The maturity, interest rate and repayment schedule of the Term Loans are the same as the Chelopech Loans' terms with the exception that there is no longer any cash sweep. The Term Loans are supported by pledges of the Company's shares of BMM, Chelopech, Deno Gold and NCS and by guarantees from each of these subsidiaries.

NCS Loan

NCS has an unsecured loan of $4.7 million from LDC which bears interest at a rate equal to the three month U.S. Dollar LIBOR plus 4%. Based on a modified term loan agreement between NCS and LDC signed on May 17, 2010, this loan is repayable in 12 equal quarterly installments commencing June 1, 2011. As at December 31, 2012, this loan had an outstanding balance of $2.0 million.

Credit Agreements and Guarantees

Chelopech

On November 12, 2012, Chelopech concluded a $16.0 million multi-purpose credit facility that matures on December 31, 2013 to support, among other things, Chelopech's derivative commodity and foreign exchange hedging contracts, if any. This credit facility is guaranteed by DPM. Advances under the multi-purpose revolving credit facility bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 3.25%. As at December 31, 2012, $4.5 million (December 31, 2011 - $4.3 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee and $10.7 million (December 31, 2011 - $nil) had been utilized against the credit limit for hedging contracts.

On November 12, 2012, Chelopech also concluded a $27.8 million (Euro 21.0 million) (December 31, 2011 - $10.0 million) bank issued letter of guarantee to support Chelopech's mine closure and rehabilitation plan, which was posted with the Bulgarian Ministry of Economy, Energy and Tourism. This letter of guarantee matures on December 31, 2013 and is guaranteed by DPM. The $15.0 million of restricted cash previously held as collateral to support this mine closure and rehabilitation plan was released with the issuance of the letter of guarantee.

DPM

On February 15, 2013, concurrent with the refinancing of the Chelopech Loans, DPM established a new $150.0 million committed RCF with a consortium of six banks. The RCF shares in the same security package as the Term Loans and bears interest at a spread above LIBOR, which varies between 2.75% and 4.25% depending upon the Company's outstanding debt and adjusted EBITDA. The RCF has two tranches in the amounts of $125.0 million and $25.0 million that mature in February 2016 and 2018, respectively. The RCF contains terms considered normal and customary, including financial covenants that require the Company to maintain: (i) a debt leverage ratio (funded debt to adjusted EBITDA) below 3:1, (ii) a current ratio of greater than 1.5:1, and (iii) a minimum net worth of at least $500 million plus 50% of ongoing annual net earnings.

Outstanding Share Data

DPM's common shares and share purchase warrants are traded on the TSX under the symbols DPM and DPM.WT.A, respectively. As at February 15, 2013, 125,673,545 common shares were outstanding.

As at February 15, 2013, 20,439,500 warrants with an expiry date of November 20, 2015 were outstanding. Each whole warrant entitles the holder to purchase one common share at a price of Cdn$3.25.

DPM also had 6,420,832 stock options outstanding as of the date of this MD&A with exercise prices ranging from Cdn$1.37 to Cdn$10.33 per share (weighted average exercise price - Cdn$5.50 per share).

Other

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

FINANCIAL INSTRUMENTS

Investments at fair value

As at December 31, 2012, the Company's investments had a fair value of $75.6 million, the vast majority of which related to the value of its investment in Sabina.

The fair values of the Sabina Series A and B special warrants are detailed in note 6(a) to DPM's consolidated financial statements for the year ended December 31, 2012.

As at December 31, 2012, the Company held 10.7% (fair value Cdn$48.8 million) or 18,539,713 of the issued and outstanding common shares of Sabina, a Canadian precious metals exploration company with a portfolio of mineral exploration and pre-development properties in Nunavut, Canada. In addition, the Company held 5,000,000 Sabina Series A special warrants, which will be automatically exercised upon a decision by Sabina to proceed to a feasibility study or proceed to production on the Back River project or upon the occurrence of certain other events and 5,000,000 Sabina Series B special warrants, which will be automatically exercised upon a positive production decision by Sabina with respect to the project or upon the occurrence of certain other events. Each of the Sabina special warrants is exercisable for a period of 35 years, into one common share and one-half of one common share purchase warrant ("Warrant") of Sabina. Each whole Warrant, if issued, will be exercisable until June 9, 2014, being five years from the date of closing of the sale of the Back River project to Sabina, at the discretion of DPM, into one Sabina common share at a price of Cdn$1.07 per Sabina common share. The Company believes that the positive production decision with respect to the Back River project is not likely to occur prior to June 9, 2014, being the expiry date of the Warrants related to the Sabina Series B special warrants. As a result, the fair value of the Warrant portion of the Sabina Series B special warrants was valued at $nil as at December 31, 2012.

As at December 31, 2012, the estimated fair value of the 10,000,000 Sabina special warrants was $26.1 million. Refer to the "Risks and Uncertainties" section of this MD&A for a discussion on the risks related to the Company's investment portfolio.

Derivative commodity contracts

The Company enters into cash settled derivative contracts to swap future contracted monthly average metal prices for fixed metal prices from time to time to mitigate a portion of the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales. As at December 31, 2012, the Company had outstanding derivative contracts in respect of this exposure as summarized in the table below:

Commodity hedged	Volume hedged	Average fixed price
Payable copper	20,500,761 pounds	$3.54/pound
Payable zinc	1,047,195 pounds	$0.93/pound
Payable gold	4,270 ounces	$1,638/ounce
Payable silver	80,410 ounces	$29.65/ounce

The Company also enters into cash settled derivative contracts to swap future contracted monthly average metal prices for fixed metal prices from time to time to mitigate a portion of its by-product metals price exposure. During 2011, the Company entered into derivative contracts to provide price protection on a portion of its 2011, 2012, 2013 and 2014 projected payable copper production.

As at December 31, 2012, the Company had outstanding contracts in respect of this exposure as summarized in the table below:

Year of projected payable Copper production	Volume hedged (pounds)	Average fixed price ($/pound)
2013	6,693,226	3.94
2014	7,195,880	3.73
	13,889,106	**3.83**

As of December 31, 2012, the fair value gain on all outstanding derivative commodity contracts was $1.7 million (December 31, 2011 - $23.2 million), of which $0.9 million (December 31, 2011 - $17.7 million) was included in other current assets and $0.8 million (December 31, 2011 - $5.5 million) in other long-term assets in the consolidated statements of financial position.

Unrealized gains and losses on these contracts were calculated based on the corresponding LME forward copper and zinc prices and New York Commodity Exchange forward gold and silver prices. For the twelve months ended December 31, 2012, the Company reported unrealized losses on these contracts of $21.5 million (2011 - unrealized gains of $23.2 million). The Company also reported realized gains on the settlement of certain of these derivative contracts of $13.5 million (2011 - $12.7 million) in other expense (income) for the year ended December 31, 2012.

As at December 31, 2012, approximately 15% of the Company's expected copper production for 2013 has been hedged. The Company's reported earnings are exposed to unrealized mark-to-market gains and losses from future price movements during the term of the forward sales contracts.

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

EXPLORATION

Chelopech

During 2012, a total of 33,378 metres of underground exploration diamond drilling was completed at Chelopech. The focus was on replacing and increasing the Mineral Resources and Reserves, with drilling targeted at the northern and south eastern mineralized corridors, down plunge of Blocks 150 and 151, and along strike of Block 19. Blocks 19 and 144 were then further defined with grade control drilling in order to convert the new discoveries to Mineral Resources and Reserves.

Chelopech North drilling focused on defining the continuity of blocks, exploration targets and extensions to existing zones of mineralization (including Blocks 144, 19E and 19W, Block 147 and Targets 183 and 184). Through ongoing geological review in 2012, Chelopech North has been identified as having the highest potential for near-mine, high-grade, low-tonnage (+500Kt), 'Block 149-style' massive sulphide deposits. The currently defined Chelopech North mineralization is generally characterized by multiple, steeply south dipping shoots of stockwork mineralization along strike and between Blocks 19 and 149, generally hosted within brecciated and silicified andesite.

Drilling at Block 144, located 80 metres east of Block 149 and 60 metres to the north of current development, was focused on defining continuity of the stockwork mineralization hosted within the silica envelope. At year end, Block 144 remains open down plunge with a current strike length of 30 metres, width of 5 metres and vertical extent of 60 metres. Follow up drilling of several high-grade intersections reported from drilling in the first half of 2012 at Block 144 is planned to continue in the second quarter of 2013.

Block 147 is located 180 metres north of Block 149 and displays similar styles of stockwork mineralization hosted within the 'silica envelope'. The block currently remains open at depth, to the east and west in the lower levels. The block now extends 150 metres along strike, has an average width of five metres and down plunge extent of 220 metres. The limited drilling to date at Block 147 will be continued in 2013 to better define the boundaries of the block. Concurrently in 2012, the extent of Targets 183 and 184 were also tested. To date, Target 183, located 250 metres north-northwest of Block 149, displays a confirmed size of at least 15 metres by 30 metres by 50 metres, with the mineralization comprising high grade gold-bearing, massive to normal stockwork, hosted within a silica envelope. Target 184 still remains open at depth, but has been constrained by drilling to the east and west. The zone, located 60 metres north-northeast of Block 147, is at least eight metres by 70 metres by 70 metres of similar stockwork mineralization, hosted within a silica envelope.

Drilling will continue on the northern mineralized corridor in the second half of 2013 in order to define economic mineralization and to improve the ongoing development of the geological model in this area.

Exploration drilling to the northeast of Block 19E during 2012 defined extensions to the mining block as well as isolated zones of mineralization which warrant follow up, such as hole EXT19_260_06, which is highlighted in the table below. Further grade control drilling has also defined supplementary economic mineralization proximal to the current mining area. This drilling connected a silicified zone defined by surface drilling northeast of Block 19, which has the potential of defining new resources in 2013. An independent exploration drive has been designed and will be developed from the 350 mine level to improve access to this area in the second half of 2013.

Exploration conducted in the second half of 2012, both north and along strike from Block 150 below the 120 metre mining level, has redefined the silica alteration envelope and mineralized zone at depth. Recent drilling has expanded the reserve boundary by 10 metres to the north between the 120 to 100 metre mining levels (significant intercepts are shown below for holes EXT150_135_06 and EXT150_135_08). Follow up infill drilling is planned in this area for the second quarter of 2013.

The "Deeps Exploration Program" briefly continued testing below Block 151 with drilling defining an additional 40 metres of mineralization below the existing mine plan. The extension of mineralization to Block 151 covers an area of 30 metres by 30 metres and has been closed out at depth during 2012.

During the third quarter 2012 a down-hole electromagnetic ("DHEM") survey was completed in 11 exploration holes from the Chelopech West, Target 181 and Block 144 programs, in order to confirm the current understanding of the areas and help focus future drilling programs. Final 3D modelling of the data remains outstanding at the end of 2012; however preliminary interpretation suggests the presence of an in-hole conductor in hole 181_225_16 and an off-hole conductor below hole 151_225_03.

Significant intercepts (cut-off grade 3g/tAuEq) received during the fourth quarter of 2012:

Hole ID	Northing *(mRL)*	Easting *(mRL)*	Dip	Az	From *(m)*	To *(m)*	Interval *(m)*	Grades Cu *(%)*	Au *(g/t)*
EXT19_260_06	29786	6042	14.9	017.0	153.0	160.50	7.5	1.90	4.26
EXT19_260_08	29785	6041	-17.8	358.1	0.0	22.60	22.6	0.23	5.89
EXT19W_320_05	29777	5839	-11.0	298.3	30.0	63.0	33.0	0.76	2.47
EXT19W_320_12	29778	5844	-12.8	346.1	117.0	136.50	19.5	0.44	3.53
EXT150_135_06	29397	5674	-36.6	93.8	52.50	92.50	40.0	1.14	4.96
EXT150_135_08	29396	5674	-18.9	117.7	43.50	91.40	47.9	0.51	4.36
G103_225_01	29178	5706	-27.9	348	106.50	115.50	9.0	0.76	2.02

1) *Significant intercepts are located within the Chelopech Mine Concession and proximal to the mine workings.*
2) *Gold Equivalent calculation is based on the following formula: (Au g/t + 2.25xCu%).*
3) *Minimum downhole width reported is 1.5 metres with a maximum internal dilution of 4.5 metres.*
4) *True widths are approximately 90% of the intersection width.*
5) *Drill holes with prefix G indicate grade control drilling which is performed using BQ diamond drill core. All other holes are drilled with NQ diamond core.*
6) *Coordinates are in mine-grid.*
7) *No factors of material effect have hindered the accuracy and reliability of the data presented above.*
8) *No upper cuts applied.*
9) *For detailed information on drilling, sampling and analytical methodologies refer to the NI 43-101 "Preliminary Economic Assessment Report for the Chelopech Pyrite Recovery Project" (the "PEA Technical Report") filed on SEDAR at www.sedar.com on September 10, 2012.*

Sampling and Analysis

All drill cores are sampled in intervals up to a maximum of three metres, with 1.5 metre sample intervals being the common length within mineralized zones. The dimensions of the mineralized zones far exceed the standard sample length. Two sizes of core are drilled; NQ for exploration and BQ for development drilling. NQ core is cut by diamond saw, with half core samples submitted for assaying and the residual half core is retained in aluminium core trays. BQ core samples are submitted for analysis as a whole core. All drill cores are photographed prior to cutting and/or sampling. Following DPM exploration standard procedures, a full suite of field and laboratory duplicates and replicates along with internationally accredited standards are submitted with each batch of samples. Diamond drill core is prepared and assayed at the SGS managed laboratory at Chelopech in Bulgaria. Samples are routinely assayed for copper, gold, silver, sulphur and arsenic.

Sample tickets are entered into the bags with a numbering system, which reconciles sample and assayed results in the acQuire database. The average core recovery within the modeled resource constraints is 98.5% and 92% in waste. The weight of a core sample varies between 3kg and 7kg.

Deno Gold

A total of 70,720 metres of surface exploration diamond (61,979 metres) and reverse circulation ("RC") (8,741 metres) drilling was completed in 2012 at Kapan. Surface exploration activity focused predominantly on continued drilling to define the Shahumyan mineralization in the area of the existing Shahumyan underground mine.

The exploration drilling program within the Shahumyan area is designed to provide data for an updated Mineral Resource estimate to support an evaluation of the potential to establish an open pit operation. The program in 2012 focused on both 80 metre by 80 metre diamond drilling defining the five zones of north dipping vein sets across the Shahumyan mine footprint, and 40 metre by 40 metre infill RC drilling to support a proposed 2.4 million tonnes per annum open pit mine plan. By the end of 2012, the Shahumyan open pit drilling campaign was approximately 80% complete, with full completion expected by the end of the second quarter of 2013. Significant results from the fourth quarter of 2012 surface drilling program are listed below.

In August 2012, drill management and supervision for surface exploration at Kapan was handed over to contractor Archipelago International Limited. Although a small decrease in diamond drilling productivity was experienced in the fourth quarter of 2012, the quality of core produced has improved. In addition, the first RC rig has been fully commissioned and the initial infill drilling program was completed in 2012, after completing 2,560 metres during December 2012. The second RC rig is also ready for commissioning in early 2013.

Open pit resource estimation work has been conducted by consultants Coffey Mining, and in the second half of 2012 has included reviewing all data supplied by DPM; grade shell definition using multiple indicator kriging ("MIK") and ordinary kriging grade interpolation within the defined domains. The preliminary study (utilizing data to the end of September 2012) was completed at the end of January 2013. Additional data to the middle of January 2013 has now been included in the study parameters, and the updated estimation is expected by the end of February 2013.

Underground exploration drilling continued in 2012 on a nominal 80 metre by 80 metre pattern, focused on the Central and Southern areas for a total of 28,277 metres. In the Central Area, veins 33, 34 and 37 were drilled from the 748 mine level while veins 15, 17, 17A, 20, 20A, 26 and 28 were tested from the 712 mine level. In the Southern Zone, veins 1, 2, 5, 6 and 11 were tested from the 703 level, while veins 2, 5 and 11, were drilled from the 712 mine level. Significant assays for the last quarter of 2012 are summarized below.

Interpretation and modelling of the underground mineralized system continues in order to determine the economic viability of the down dip extensions of the vein systems approximately 300 metres below the current mining level. In the fourth quarter of 2012, a third underground diamond rig was commissioned as per the schedule requirements for 2013. In addition, a bobcat mounted LM30 was ordered for grade control requirements in 2012. The highly versatile bobcat rig is planned to be commissioned during the first quarter of 2013 with the aim of converting high-grade veins intercepted during exploration into Mineral Resources and Reserves, as well as supporting the current operations.

Additional interpretation of veins, mineralization 'halos', faults and weathering surfaces has been undertaken as part of the underground assessment to support work on a NI 43-101 compliant underground Mineral Resource and Mineral Reserve estimate. Geological interpretation is due to be completed in February 2013, at which point grade modelling will commence. The overall modelling exercise is scheduled for completion in the second quarter of 2013.

Near mine exploration commenced in December 2012 to test the Shahumyan North prospect. Two holes were completed, with one confirming that alteration and polymetallic vein mineralization continues approximately 800 metres north of current underground development. The drilling program, while confirming mineralization exists, has also confirmed extensive overburden depths that will prohibit an open-pit resource. This program has been halted until a full assessment of current drilling proposals has been completed. Reassessment of the Shahumyan East and Shahumyan West near mine proposals is also underway in order to consider whether to test these targets by surface or underground drilling.

Regional exploration during the second half of 2012 focused on reviewing and compiling historical Soviet data and reviewing the current geological mapping available in the vicinity of the Shahumyan project. This compilation work will continue into early 2013, as part of a project assessment and targeting exercise, in order to better assess currently proposed remote drilling programs on previously defined targets.

Surface significant intercepts (SHDDR and SHRCR holes, cut-off grade 0.5 g/t AuEq) and underground significant intercepts (E holes, cut-off grade 1.0g/t AuEq) received during the fourth quarter of 2012:

Hole ID	Northing *(mRL)*	Easting *(mRL)*	Dip	Az	From *(m)*	To *(m)*	Interval *(m)* & AuEQ	Grades Au *(g/t)*	Ag *(g/t)*	Cu *(%)*	Zn *(%)*
E712DE008	4343208	8623975	-22.9	9.6	449.0	451.0	2m @ 15.84	12.11	121.5	0.62	0.51
E712DE010	4343208	8623975	-42.9	17.3	169.0	172.0	3m @ 11.03	4.93	233.6	0.79	0.24
E712DE019	4343183	8623803	-22.1	26.9	62.0	68.0	6m @ 12.11	5.16	81.3	2.28	2.87
E712DW001	4343183	8623803	-20.0	15.9	59.0	61.0	2m @ 12.36	2.82	47.8	3.07	6.44
E712DW003	4343183	8623803	-40.1	16.4	54.6	58.0	3.4m @ 9.49	6.69	30.8	1.25	0.25
SHDDR0459	4344614	8623830	-61.0	180.4	73.0	81.0	8m @ 6.25	4.35	43.1	0.25	1.14
SHDDR0477	4344512	8623951	-60.6	1.3	103.0	116.0	13m @ 3.09	2.62	17.8	0.04	0.08
SHDDR0478	4344378	8623671	-66.8	184.4	87.0	100.0	13m @ 2.22	0.39	14.1	0.15	2.37
SHDDR0478	4344378	8623671	-66.8	184.4	226.0	234.0	8m @ 3.12	1.85	49.3	0.13	0.13
SHDDR0483	4344314	8623421	-59.9	179.7	229.0	235.0	6m @ 14.86	12.25	126.9	0.01	0.11
SHRCR0049	4343284	8623550	-59.7	0.3	80.0	86.0	6m @ 4.38	3.07	60.1	0.04	0.08
SHRCR0055	4343326	8623639	-59.1	359.8	34.0	48.0	14m @ 14.28	9.19	184.1	0.36	1.48
SHRCR0063	4343307	8623956	-60.2	0.7	55.0	64.0	9m @ 4.41	1.08	50.1	0.97	1.34
SHRCR0081	4344804	8623513	-59.4	2.5	18.0	27.0	9m @ 3.49	1.95	54.1	0.06	0.64

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

Sampling and Analysis

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

Sample tickets are entered into the bags with a numbering system, which reconciles sample and assayed results in the acQuire database. The average core recovery within the modeled resource constraints is 96%. The weight of a core sample varies between 3kg and 7kg.

Avala

In the fourth quarter and twelve months of 2012, Avala completed 23,824 metres of drilling (6,971 metres of diamond drilling and 16,853 metres of RC drilling) and 172,528 metres of drilling (63,133 meters of diamond drilling and 109,395 meters of RC drilling), respectively, compared to 36,658 metres and 95,866 metres of total drilling in the corresponding periods in 2011.

Timok Gold Project

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

Since 2006, detailed stream sediment sampling identified numerous gold-anomalous drainages over an area of 250 square kilometres and follow-up soil sampling has defined a greater than 50 kilometre-long belt of strongly anomalous Au-As-Sb-Hg-Tl geochemistry, largely associated with a carbonate-dominated stratigraphy. Detailed geological mapping and trench sampling has been completed over the entire 50 kilometre length of anomalous soil geochemistry. Initial exploration trenches were spaced approximately 800 metres along strike within the principal anomalous target areas of Korkan, Bigar, Kraku Pester and Umka. More recently, the trenching program has been extended northwards of the Korkan target area in order to follow-up new soil anomalies identified from additional soil sampling to the north of the previous coverage, namely the Vizur-Breza target area. Additional wide-spaced exploration trenching activity has also been completed in the south of the project area on the Malinik exploration license.

Resource definition drilling at Bigar Hill, which had begun in August 2011, was completed late in the fourth quarter of 2011. In early 2012, the drill-hole database was delivered to an independent consultant, AMC Consultants Limited (UK) ("AMC"), in order to complete an initial NI 43-101 compliant resource estimate. On July 6, 2012, Avala reported an initial inferred resource estimate for Bigar Hill, which was estimated at 26,400,000 tonnes grading an average of 1.6 g/t gold for 1,400,000 ounces of gold, using a 0.6 g/t gold cut-off.

In the third quarter of 2012, initial resource definition drilling programs were completed at Korkan and at Kraku Pester. Both drill-hole databases were delivered to the independent consultant, AMC, in order to complete the initial NI 43-101 compliant resource estimates. On November 5, 2012, Avala reported an initial inferred resource estimate for Korkan which has been estimated at 20,100,000 tonnes grading an average of 1.5 g/t gold for 1,000,000 ounces of gold, using a 0.6 g/t gold cut-off. On January 14, 2013, Avala reported an initial resource estimate for Kraku Pester which has been estimated at 6,320,000 tonnes grading an average of 1.3 g/t gold in the indicated resource category for 266,000 ounces of gold and 2,200,000 tonnes grading an average of 1.0 g/t gold in the inferred resource category for 68,000 ounces of gold, based on a 0.6 g/t gold cut-off.

The combined inferred resource for Korkan, Bigar Hill and Kraku Pester using a 0.6 g/t gold cut-off grade has thus been estimated at 48,700,000 tonnes at an average grade of 1.5 g/t gold for a total of 2,400,000 ounces of gold. Additionally, an indicated resource of 6,320,000 tonnes at an average grade of 1.31 g/t gold for a total of 270,000 ounces of gold have been defined at Kraku Pester using a 0.6 g/t gold cut-off grade. The gold price used for all estimates was $1,490 per ounce, representing the trailing annual average gold price for 2010, 2011 and 2012. Avala filed on SEDAR compliant technical reports in support of the above-described estimates.

Additional Phase 2 infill resource definition drilling (reverse circulation and diamond drilling) was completed during the latter part of 2012 on the Bigar Hill and Korkan target areas. The resource definition programs were focused on establishing continuity of mineralization, with a nominal 40 metre by 40 metre grid spacing within the mineralized footprints, which had been outlined by Avala during the earlier, wide-spaced, 160 metre by 160 metre, diamond drilling program initiated in August 2010 and further refined during the subsequent 80 metre by 80 metre infill drilling programs completed during late 2011 and the early part of 2012, respectively. The databases are expected to be completed during February 2013 with revised resource estimates planned for completion in the second quarter of 2013.

Limited exploration diamond drilling continued during the last half of 2012 on new targets within the Timok Gold Project. These targets have been generated using Avala's standard, systematic exploration approach and include, but are not limited to, geological mapping, soil sampling and exploration trenching. This generative exploration approach has been ongoing throughout 2012. The wide-spaced (nominal 160 metre by 160 metre) drilling program was designed to effectively outline the size of the gold mineralized system within these areas. Drilling during the period was focused on targets within the Vizur-Breza target area (located north of Korkan) and on the Malinik exploration license. Generative exploration trenching and soil sampling programs also continued and were completed during the period. Results from these programs are expected to be received, compiled and subjected to a rigorous interpretation and target ranking process during the first quarter of 2013 in support of the 2013 exploration program.

During 2012, metallurgical test work programs continued on representative drill core samples from Bigar Hill, Korkan and Kraku Pester. During 2013, Avala intends to continue to refine the potential process flow sheet for the Timok Gold Project based on the metallurgical test work results which were received during 2012.

Avala also expects to provide updated resource estimates for the Bigar Hill and Korkan deposits, which when combined with the current Kraku Pester resource estimate and the results from additional (and currently ongoing) metallurgical test work will lead to the production of a preliminary economic assessment for the Timok Gold Project during the latter half of 2013.

Additionally, Avala intends to focus its 2013 exploration efforts on generating additional gold resources within and proximal to the current seven kilometre 'development corridor' which contains the Bigar Hill, Korkan and Kraku Pester deposits, and within the greater area of the Timok Gold Project, which extends for approximately 50 kilometres (as currently defined by soil sampling) and has the potential to be up to 70 kilometers in length based on geological mapping.

The Timok Diorite Gold-Copper Porphyry Project

Avala also holds licenses related to the Timok Diorite Gold-Copper Porphyry cluster which is located within the Coka Kuruga Concession for Exploration and Exploitation. Avala did not conduct any significant work on this property in 2012.

The Coka Kuruga Concession Agreement allows for a five year exploration period and on submission of a Definitive Feasibility Study ("DFS") and an Environmental Impact Assessment ("EIA"), a "right to mine" is granted for a 25 year period.

The five year exploration period expired on September 1, 2011 and given Avala's current focus on the exploration licenses related to its Timok Gold Project, it has decided not to submit a DFS or EIA related to the Coka Kuruga Concession by the required date of September 1, 2013. Consequently, a write-down of exploration and evaluation assets in the amount of $2.3 million related to the Coka Kuruga Concession was charged to income in 2012.

Dunav

In the fourth quarter and twelve months of 2012, Dunav completed 692 metres and 43,809 metres of diamond drilling, respectively, compared to 8,880 metres and 15,605 metres in the corresponding periods in 2011.

During 2012, exploration activities were focused on the Tulare Copper-Gold Porphyry Project which comprises several porphyry copper-gold targets including Kiseljak, Yellow Creek, Calovica vis South and Trlica and also includes the Bakrenjaca carbonate-base metal epithermal vein system. All target areas are located within three kilometres of the Kiseljak deposit.

Resource definition drilling in 2012 has focused on establishing the potential of the Kiseljak South zone, which was identified by surface trenching programs conducted late in 2010, and also on the Kiseljak North area where historic Serbian State exploration had previously identified copper-gold porphyry-style mineralization.

On November 26, 2012 the Kiseljak mineral resource, prepared by AMC Consultants Limited (UK), was estimated at 300,500,000 tonnes grading an average of 0.27% copper and 0.26g/t gold in the inferred resource category for 1.8 billion pounds of copper and 2.5 million ounces of gold, using a 0.25% copper equivalent cut-off. A NI 43-101 compliant technical report was filed on SEDAR on January 11, 2013 in support of this estimate.

Exploration drilling in 2012 was focused on the Yellow Creek target area where 'footprint' exploration drilling on nominal 120 metre centres was conducted. Additional target areas identified through Dunav's systematic exploration efforts were also drill tested during 2012. In addition to Yellow Creek, such target areas included

Kiseljak Extension, Calovica Vis South and Trlica. Results from these programs are expected to be available in the first quarter of 2013.

Late in the 2012 field season, four very wide-spaced diamond drill holes were completed on the Bakrenjaca carbonate-base metal gold epithermal system located three kilometres south from the Kiseljak copper-gold porphyry deposit. All four drill holes intersected epithermal-style mineralization. The area of mapped alteration and epithermal mineralization covers an area of approximately 1.5 kilometre x 1.0 kilometre. Dunav reported the results from this initial, first-pass, exploration program on January, 9, 2013 and considers Bakrenjaca to be a highly prospective precious and base metal target within the larger Tulare Copper-Gold Porphyry Project.

Additionally, Dunav acquired the Degrmen exploration licence, which is located approximately 20 kilometres northwest from Tulare within the Lece Volcanic Complex, the second largest volcanic complex within Serbia after the Timok Magmatic Complex. Exploration during 2012 included geological mapping and prospecting, detailed soil sampling, trenching and a high resolution ground magnetic geophysical survey. Dunav believes that the Degrmen exploration licence has the potential to host copper-gold porphyry-style mineralization. Results from these programs are expected to be available in the first quarter of 2013.

During 2013, Dunav intends to complete additional diamond drilling on the Yellow Creek and Kiseljak Extension copper-gold target areas with the aim of generating an initial resource estimate. Additional preliminary metallurgical test work will be required on the Yellow Creek copper-gold porphyry target which once combined with the current Kiseljak copper-gold porphyry deposit information should lead to the production of a preliminary economic assessment for the Tulare Copper-Gold Porphyry Project during the latter half of 2013.

Additionally, Dunav plans to conduct further exploration drilling and preliminary diagnostic metallurgical test work on the recently defined Bakrenjaca carbonate-base metal gold epithermal system to determine the economic potential for mineralization within this portion of the Tulare Copper-Gold Porphyry Project.

On the Degrmen exploration licence, Dunav plans to complete an initial wide-spaced drilling program to establish the potential of the licence area to host copper-gold porphyry-style mineralization.

Additionally, Dunav is conducting grassroots exploration in support of developing its project pipeline. Regional exploration has involved field review of other exploration properties owned by the Company. Dunav is also assessing other areas within Serbia and may submit additional exploration license applications to the Ministry of Natural Resources, Mining and Spatial Planning in the coming quarters.

DEVELOPMENT AND OTHER MAJOR PROJECTS

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

The Project, which started in 2009, was completed in the fourth quarter of 2012 under budget and is now fully operational. The Project consisted of: (i) the expansion of mine production capacity to 2.0 million tonnes of ore per year, including the installation of an underground crushing and conveying system, upgrade of the mine ventilation system and construction of a paste fill plant, (ii) the installation of a new semi-autogenous grinding ("SAG") mill, and (iii) the modernization and upgrade of the existing concentrator. The total cost of the Project was $171.2 million, which is approximately $4 million lower than anticipated.

The installation of the new SAG mill was completed in the first quarter of 2011, and the modernization and upgrade of the existing concentrator was completed in the fourth quarter of 2011. The final tie-in of the new underground crushing and conveying project to the existing primary crusher conveyor and the ore commissioning of the system was completed in October 2012. The system reached its design throughput rate in December 2012. The old shaft system will be phased out in the first quarter of 2013 after which it will remain on care and maintenance mode pending being decommissioned.

Chelopech - Pyrite Project

A preliminary economic assessment ("PEA") for the Pyrite Project, completed in July 2012, has confirmed the potential of both recovering the pyrite as a secondary concentrate, and the on-site treatment of the pyrite. The current operation produces a copper concentrate with associated gold and silver, with copper, gold and silver recoveries averaging 85%, 55% and 42%, respectively. At the expanded annual mine production rate of two million tonnes, the PEA has confirmed the potential to recover approximately 400,000 tonnes of pyrite concentrate from the mill feed as a separate concentrate product in addition to the copper concentrate already produced. This pyrite concentrate could contain between 75,000 and 90,000 ounces of gold, 130,000 to 190,000 ounces of silver and 4.5 to 6.0 million pounds of copper, and would increase the site recoveries of each metal to approximately 90%. See the PEA Technical Report filed on SEDAR on September 10, 2012.

Results from laboratory and pilot scale test work have shown that a metal rich product could be produced using a pressure oxidation process ("POX"). The Pyrite Project is expected to be implemented in two stages. The first stage is a pyrite concentrate circuit, which includes a new flotation, thickening and filtration installation in the existing mill facility. The first stage requires minimal capital and permitting and, on completion, will generate a pyrite concentrate for sale. Approximately $23 million is expected to be spent in 2013 on the first stage of the Pyrite Project. The second stage would be the construction of the POX facility, which is expected to be implemented in two phases. The first phase would allow for the processing of approximately 200,000 tonnes, or half of the expected annual production of pyrite concentrate. Completion of a feasibility study and environmental permitting is expected to take up to two years from initial start in early 2013. The second phase would be capable of processing the remaining 200,000 tonnes of pyrite concentrate. Construction would commence after it has been confirmed that the first phase has been operating successfully. Preliminary capital cost estimates for the two phases of the second stage are as follows: i) $93 million for the first phase, and ii) $87 million for the second phase.

Testwork on pyrite flotation for future ore samples was finalized during the fourth quarter of 2012 and, based on the results of this testwork, the bulk/differential flotation was deemed to be the preferred flowsheet. Mass balance, process design criteria, preliminary equipment list and preliminary site layouts were also prepared in the fourth quarter in 2012.

In addition, a second POX pilot campaign was completed at SGS Lakefield, which again recovered a metal rich product, and incorporated continuous neutralization of the solutions produced and precipitation of products for disposal, together with the recovery of the solubilized copper.

Supplementary studies required for inclusion in the forthcoming development plan for the project, including a study of the disposal requirements associated with the disposal of the neutralized waste product into an appropriately designed tailings management facility, which were commenced in the second half of 2012, continued to progress on schedule.

Krumovgrad Gold Project

The proposed mine site is located at Ada Tepe, approximately three kilometres south of the town of Krumovgrad in southeastern Bulgaria. The project plan contemplates the construction of an open pit mining operation comprised of a process plant, which will employ conventional crushing, grinding and flotation processing for gold extraction, and the disposal of thickened tailings, together with mine rock waste, in an integrated mine waste facility. A new feasibility study, completed in November 2011, confirmed the commercial and economic viability of the project, which has a payback of approximately 3.3 years. Two ore treatment rates were considered as part of the feasibility study, namely 850,000 tonnes per year ("tpy") and 1,100,000 tpy. The treatment rate of 850,000 tpy is consistent with existing permitting applications and environmental submissions and, at this production rate, the project has a mine life of nine years.

Direct capital costs, excluding sunk costs and owner's costs, were estimated in the feasibility study at $127.4 million and sustaining capital, over the life of the mine, was estimated at $12.5 million. The average annual concentrate production was estimated at 11,500 tonnes containing, on average, 74,000 ounces of gold and 35,000 ounces of silver. Gold and silver prices of $1,250 per ounce and $25.00 per ounce, respectively, were also assumed in the feasibility study producing a cash cost per ounce of gold equivalent estimated at $404 and an average annual EBITDA estimated at $53 million. The "Krumovgrad Gold Project Definitive Feasibility Study NI 43-101 Technical Report" was filed on SEDAR at www.sedar.com on January 13, 2012.

Contract for the detailed engineering of the process plant was awarded to AMEC of Perth, Australia, and the contract for the integrated mine waste facility ("IMWF") was awarded to Golder UK. The detailed review of the IMWF design criteria and preliminary process and instrumentation diagrams were finalized in the fourth quarter of 2012 and basic design is progressing well. The tenders for the two main long lead items (SAG and VERTI mills) were received in the fourth quarter of 2012.

The Company is currently preparing a detailed development and implementation plan for the Krumovgrad Gold Project and site areas, which is a prerequisite for issuance of a construction permit. The Krumovgrad Gold Project is expected to be fully compliant with all European safety and environmental directives and industry Best Available Techniques requirements. Delays in the detailed engineering and construction permitting process have impacted the construction schedule, and moved the commissioning end date by several months into 2015.

On November 24, 2011, the Bulgarian Minister of Environment and Waters signed a resolution approving the environmental impact assessment ("EIA") with a provision for pre-emptive execution. The EIA resolution and the pre-emptive execution were both appealed. On January 13, 2012, the three-member panel of the Supreme Administrative Court ("SAC") made a ruling which rejected the appeals against the pre-emptive execution of the EIA resolution. The court ruling in favour of the pre-emptive execution was appealed by non-governmental organizations ("NGOs") and was considered by a five-member Court panel in a closed session on May 10, 2012. The five-member Court panel sustained the three-member panel's ruling which dismissed the appeals against the pre-emptive execution. This ruling is final and may not be appealed.

The EIA Resolution itself has also been appealed by NGOs. The SAC initiated a court case and the first hearing was held on April 23, 2012 at which the appellants requested expert assessments on various technical issues. The court requested clarification of the suggested topics for the assessments and scheduled a second hearing for May 14, 2012 to decide on the matter. On May 14, 2012, the three-member Court panel allowed a comprehensive expert assessment. Specialists, such as a mining engineer, a hydro-geologist and a chemist, gave their opinion and answered the questions posed in the appeals of the NGO's. At the third court hearing held on June 11, 2012, the SAC heard the appraisals prepared by the experts and on September 13, 2012, the SAC issued a ruling dismissing the appeals filed against the EIA resolution. This court ruling was appealed before a five member panel of the SAC and a hearing was held on January 24, 2013. The five member panel's decision is expected to be issued by the end of March 2013.

The Bulgarian Council of Ministers ("CoM") granted a 30 year concession to BMM to develop the Khan Krum deposit (the Krumovgrad Gold Project) in February 2011. The grant of the concession was appealed over the course of 2011 and the final appeal court (the five-member panel of the SAC) ruled in support of the grant of the concession to the Company. The concession is not subject to any further appeals. Based on the terms in the CoM resolution, BMM entered into a concession contract with the CoM, represented by the Minister of Economy, Energy and Tourism, on April 25, 2012. The concession contract confirms the rights of BMM to the project over a 30 year period. However, mining operations will not commence until all EIA appeals have been resolved.

The archaeological work required for clearing the project site for development was finalized in the fourth quarter of 2012. Following a visit to the site in November 2012, the archaeological commission signed a protocol recommending the release of the site to the Company. The Company is awaiting approval from the Ministry of Culture, which is expected to be received in the second half of 2013.

NCS - Capital Projects

Project 2012

Project 2012 is primarily a fugitive dust management improvement project aimed at improving off-gas capture and workplace conditions to better comply with national standards. Key components include:

- Completion of a landfill facility for the safe disposal of baghouse dust and other waste from the smelting process;
- Projects to reduce dust emissions from the reverberatory and convertor furnace section, which include increasing baghouse capacity, upgrading the taphole fume extraction systems, and improving ducting and fugitive fume collection;
- Projects to reduce emissions from the top submerged lance (Ausmelt) smelting furnace, which include installing new baghouse dust collection equipment including dust-removal, installing new ducting and other gas handling equipment; and

- Construction of a new dust transfer system, upgraded roasting and fume management facilities, enclosed storage area, bag-filling station and extraction system at the arsenic plant, all aimed at reducing the dispersal of dust.

The physical construction was completed in January 2013 and commissioning of the new gas handling systems is underway and expected to be completed during the first quarter of 2013. Certain non-environmental components of Project 2012, related to the new oxygen plant and materials handling, will be commissioned during the major shutdown scheduled in May 2013.

The refurbishment of the used oxygen plant, which was purchased in 2011, was completed in January 2013. It is expected that the erection of the oxygen plant will be completed in the first quarter of 2013 and that it will be commissioned during the second quarter of 2013. This second oxygen plant will increase the smelting capacity of the Ausmelt furnace to 240,000 tonnes per year from its current capacity ranging from 170,000 to 200,000 tonnes per year depending on the types of concentrates smelted.

As of December 31, 2012, the Company had invested $67.0 million in Project 2012 and the estimated cost to complete is $16.9 million.

Sulphuric Acid Plant

As part of its long term strategy to bring the smelter to internationally accepted environmental standards and consistent with the directives issued by the Namibian government in the second quarter of 2012, DPM has entered into a LSTK contract with Outotec for the engineering, supply, construction and commissioning of a sulphuric acid plant, which is expected to begin in early 2013 and be completed in the third quarter of 2014. The LSTK contract envisages the hand-over of an operating plant meeting all the specified requirements in the third quarter of 2014 for a fixed price. Outotec is a Finnish engineering firm and a global leader in sulphuric acid plant design and delivery. After careful evaluation, the acid plant was determined to be the best solution to capture and process the off-gases from the smelter and, in turn, reduce emissions and considerably improve working and living conditions around the smelter. Based on the LSTK contract, the capital cost is established at $204 million.

Based on expected annual smelter production capacity, the plant will produce approximately between 230,000 and 320,000 tonnes of sulphuric acid. In conjunction with Protea Chemicals (Pty) Limited, a leading industrial chemicals company with significant presence in Sub-Saharan Africa, NCS has entered into a memorandum of understanding with Rio Tinto Rössing ("Rössing") in connection with a long-term purchase arrangement for a significant portion of the acid to be produced by NCS. Rössing currently imports sulphuric acid for processing at its uranium mine in Namibia. The acid is expected to be shipped by rail directly to Rössing from NCS. DPM and Rössing are currently negotiating the commercial details and expect to finalize definitive documentation during the first quarter of 2013.

Electric Arc Furnace

In December 2012, DPM announced plans to proceed with the installation of an electric holding furnace to temporarily store and upgrade copper matte until it can be transferred to a converter furnace for final processing.

Based on the feasibility study recently completed by Hatch South Africa, the capital cost is estimated to be $66 million, which includes contingencies of $10 million. Engineering design is expected to commence in the second quarter of 2013. Construction is expected to commence in the third quarter of 2013, with a targeted completion date of late 2014 or early 2015.

This project is expected to generate an attractive return based on operating cost savings of approximately $5 million per year, capital expenditure savings of $10 to $15 million over two years, with ongoing sustaining capital savings, and improved metal recoveries of approximately 1% to 2%. Additional benefits include near-zero emissions and the eventual decommissioning of the current slag mill and reverberatory furnace, which further improves the long term sustainability of the smelter.

OFF BALANCE SHEET ARRANGEMENTS

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

MANAGEMENT CHANGES

In November 2012, DPM announced that, during 2013, Jonathan Goodman, President and CEO, will assume the role of Executive Chairman of the board of DPM, where he will continue to play a strong leadership role with the development and execution of the Company's strategic plan. Rick Howes, currently the Executive Vice President and Chief Operating Officer, will in turn be appointed President and Chief Executive Officer.

In November 2012, David Rae joined DPM as Senior Vice President, Operations. Mr. Rae is a seasoned executive with extensive international and mining experience in Africa, Europe and Canada. He has held increasingly senior operating and executive roles with international mining companies including Falconbridge, Xstrata and, most recently, Andean America. Mr. Rae reports directly to Mr. Howes.

In January 2013, Richard Gosse joined DPM as Vice President, Exploration. Mr. Gosse brings over 28 years of experience in minerals exploration working for such companies as BHP, Anglo American and Rio Tinto in a number of different commodities. He has most recently served as Vice President, Exploration with Turquoise Hill Resources (formerly Ivanhoe Mines) and SouthGobi Resources. He has led exploration work with great success in a variety of countries in Europe and Asia including Bulgaria, Mongolia, India, China and Indonesia. Mr. Gosse holds a B.Sc. Geology from Queen's University and an M.Sc. Mineral Exploration from the Royal School of Mines in London. Mr. Gosse reports directly to Mr. Howes.

SELECTED QUARTERLY AND ANNUAL INFORMATION

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

(Unaudited)

$ millions	**2012**				2011			
except per share amounts	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net revenue	**103.1**	99.3	82.3	100.0	88.5	112.5	69.1	68.4
Net earnings	**9.3**	15.1	2.3	3.1	17.2	36.1	6.4	12.4
Net earnings (loss) attributable to:								
- Non-controlling interest	**(5.4)**	(6.8)	(7.3)	(5.1)	(5.5)	(4.2)	(2.7)	(1.6)
- Common shareholders	**14.7**	21.9	9.6	8.2	22.7	40.3	9.1	14.0
Net earnings per share								
- Basic	**0.12**	0.18	0.08	0.07	0.18	0.32	0.07	0.11
- Diluted	**0.10**	0.16	0.07	0.06	0.16	0.29	0.06	0.10
Adjusted net earnings	**21.5**	18.7	9.4	31.3	31.9	32.4	6.0	9.8
Adjusted basic earnings per share	**0.17**	0.15	0.08	0.25	0.25	0.26	0.05	0.08

The variations in the Company's quarterly results were driven largely by fluctuations in gold, copper, silver and zinc prices, the increase in concentrate deliveries as a result of the mine and mill expansion at Chelopech, lower volumes of ore processed, grades and recoveries at Deno Gold in 2012, short-term production curtailments at NCS in 2012 and unrealized mark-to-market gains and/or losses related to Sabina special warrants and derivative commodity contracts related to hedging the Company's metal price exposures.

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

	2012				2011			
Average	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
LBMA gold ($/ounce)	**1,719**	1,654	1,610	1,691	1,686	1,702	1,505	1,386
LME settlement copper ($/pound)	**3.59**	3.50	3.57	3.77	3.40	4.08	4.15	4.38
LME settlement SHG zinc ($/pound)	**0.88**	0.86	0.87	0.92	0.86	1.01	1.02	1.09
LBMA spot silver ($/ounce)	**32.64**	29.91	29.42	32.62	31.82	38.79	38.17	31.71

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

$ thousands, except per share amounts **At December 31,**	**2012**	2011	2010
Net revenue	**384,685**	338,480	201,994
Gross profit	**157,044**	131,777	51,214
Net earnings attributable to common shareholders	**54,376**	86,091	22,932
Net earnings	**29,831**	72,129	19,959
Adjusted net earnings	**80,941**	80,055	22,631
Basic net earnings per share	**0.43**	0.69	0.20
Diluted net earnings per share	**0.39**	0.61	0.19
Adjusted net earnings per share	**0.65**	0.64	0.19
Total assets	**972,185**	927,941	817,231
Long-term debt, including current portion	**81,767**	83,316	47,532

Key events impacting the Company's financial results over the period 2010 to 2012 include:

- (i) continued strong gold, copper, zinc and silver market prices;
- (ii) increased production and deliveries of concentrate resulting from the mine and mill expansion at Chelopech;
- (iii) lower ore processed, grades and recoveries at Deno Gold in 2012;
- (iv) short-term production curtailment at NCS in 2012;
- (v) unrealized mark-to-market losses related to Company's holdings in Sabina in 2012 and 2011, and unrealized mark-to-market gains in 2010;
- (vi) realized mark-to-market gains related to commodity derivative contracts in 2012 and 2011;
- (vii) unrealized mark-to-market losses related to commodity derivative contracts in 2012 compared to unrealized mark-to-market gains in 2011;
- (viii) increased level of capital expenditures related to NCS' Project 2012, the mine and mill expansion at Chelopech and, the exploration and development work undertaken to enhance underground operations and advance the open pit project at Deno Gold;
- (ix) Dunav exercised its option agreement with DPM for the sale of DPM's interest in Molyco in the third quarter of 2011;
- (x) additional debt to support in the financing of the Chelopech mine and mill expansion;
- (xi) DPM's equity offering in the first quarter of 2010;
- (xii) DPM's acquisition of NCS from Weatherly International plc in the first quarter of 2010;
- (xiii) a net write-down of $50.6 million in the carrying value of Chelopech's metals processing facility ("MPF") following the Bulgarian court's decision to revoke the MPF EIA in the first quarter of 2010; and
- (xiv) the sale of DPM's Serbian subsidiary, Metali, to Avala in the third quarter of 2010 in return for a controlling interest in Avala.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The Company's accounting policies are described in note 2.2 to DPM's consolidated financial statements for the years ended December 31, 2012 and 2011. The following is a list of the most critical accounting estimates made by the Company:

(i) Mineral exploration and evaluation expenditures

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

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

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

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

(ii) Mine Properties

Mine Properties - Mines under Construction

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

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

Mine Properties - Producing Mines

All assets reclassified from "Mines under construction" to "Producing mines" are stated at cost less accumulated depletion and accumulated impairment losses. Costs incurred for the acquisition of land are stated at cost.

The initial cost of a producing mine comprises its purchase price or construction cost, any costs directly attributable to bringing it to a working condition for its intended use, the initial estimate of the rehabilitation costs, and for qualifying assets, applicable borrowing costs during construction. The purchase price or construction cost is the aggregate amount of cash consideration paid and the fair value of any other consideration given to acquire the asset.

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

Depletion

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

Mineral Resources/Mineral Reserves estimates

The estimation of Mineral Resources/Mineral Reserves, as defined under NI 43-101, is a complex process and requires significant assumptions and estimates. The Company prepares its Mineral Resources and Mineral Reserves estimates based on information related to the geological data on the size, depth and shape of the ore body which is compiled by appropriately qualified persons. The estimation of recoverable reserves is based upon factors such as estimates of future metal prices, capital requirements, production costs, foreign exchange rates and geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, depletion and depreciation charges, rehabilitation provisions and deferred income tax assets.

(iii) Property, plant and equipment

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

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

Depreciation

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

Depreciation rates for non-mine property, plant and equipment are as follows:

Asset Category	Depreciation rate (%)
Buildings	4 - 10
Machinery and Equipment	5 - 100
Vehicles	20
Computer Hardware	20 - 100
Office Equipment	15 - 20

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

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

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

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

Exploration and evaluation assets, mine properties, property, plant and equipment and intangible assets balances could be materially impacted if other assumptions and estimates had been used. In addition, future operating results could be impacted if different assumptions and estimates are applied in future periods.

(iv) Intangible assets

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

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

Asset Category	Amortization rate (%)
Computer Software	10 - 50
Exploration and Software Licenses	10 - 20
Long-term Customer Contract	9

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

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

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

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

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

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

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

(vi) Rehabilitation Provisions

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

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

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

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

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

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

At December 31, 2012, the undiscounted future cost for the rehabilitation obligations before inflation was estimated to be $45.4 million. The carrying value of the rehabilitation liability was $43.2 million at December 31, 2012 and $36.4 million at December 31, 2011.

(vii) Income Taxes

Current income tax

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

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

Deferred income tax

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

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

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

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

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

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

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

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

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

(viii) Inventories

Inventories of gold, copper, zinc and silver concentrates are measured and valued at the lower of average production cost and net realizable value. Net realizable value is the estimated selling price of the concentrates in the ordinary course of business based on the prevailing metal prices at the reporting date, less estimated costs to complete production and to bring the concentrates to sale. Production costs that are inventoried include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour, other direct costs (including external services and depreciation, depletion and amortization), production related overheads and royalties.

A significant decrease in the selling prices of the metals produced and sold by the Company may result in a non-cash write-down of inventory if the net realizable value of the concentrate inventories is lower than the average production cost at the end of an accounting period.

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

(ix) Revenue recognition

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

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

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. A decrease in the selling prices of the metals produced and sold by the Company may result in unfavourable mark-to-market adjustments and a reduction in net revenue. Conversely, an increase in the selling prices of the metals produced and sold by the Company may result in favourable mark-to-market adjustments and an increase in net revenue.

Revenue from the smelter is recognized when concentrate has been processed. Under the tolling agreement between NCS and LDC, NCS incurs a carrying charge in respect of the concentrate it processes until blister copper is delivered. This charge is recorded as a reduction of revenue. Revenue is also adjusted for any over or under recoveries of metals delivered to LDC relative to the contracted rates.

(x) Financial assets

Initial recognition and measurement

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

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

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if management intends to sell the financial assets in the near term. This category includes any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship under IAS 39. Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in other expense (income) in the consolidated statements of earnings. The Company's investment in Sabina special warrants and the derivative commodity contracts entered into by the Company to economically hedge a portion of its production are classified as financial assets at fair value through profit or loss. Quoted prices are not available for the fair value of the Sabina special warrants and the fair value is determined using valuation models that require the use of assumptions, including future stock price volatility and probability of exercise. Changes in the underlying assumptions could materially impact on the Company's investments at fair value. The fair value of the derivative commodity contracts is based on market prices quoted from major commodity exchanges.

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

Subsequent measurement – Loans and receivables

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

Subsequent measurement – Available-for-sale financial assets

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

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

Derecognition

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

Impairment of financial assets

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

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

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

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

(xi) Financial liabilities

Initial recognition and measurement

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

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

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

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

Subsequent measurement – other financial liabilities

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

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gains or losses reported in other expense (income) in the consolidated statements of earnings.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards and issued amendments to standards and interpretations are not yet effective for the year ended December 31, 2012, and have not been applied when preparing these consolidated financial statements. The Company's assessment of the impact of these new standards and interpretations is set out below.

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

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

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

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

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

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

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

Each of the above five standards has an effective date for annual periods beginning on or after January 1, 2013. The adoption of these standards is not expected to have a significant impact on the Company's consolidated financial statements but will require certain additional disclosures.

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

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

Amendments to IFRS 10, IFRS 11 and IFRS 12
In June 2012, the IASB issued *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities:* Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12). The amendments clarify the transition guidance in IFRS 10. The amendments also provide additional transition relief in IFRS 10, IFRS 11 and IFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The effective date of the amendments is annual periods beginning on or after January 1, 2013, which is aligned with the effective date of IFRS 10, 11 and 12.

NON-GAAP FINANCIAL MEASURES

Certain financial measures referred to in this MD&A are not measures recognized under IFRS. These measures have no standardized meanings under IFRS and may not be comparable to similar measures presented by other companies. These measures are used by management and investors to assist with assessing the Company's performance, including its ability to generate sufficient cash flow to meet its return objectives and support its investing activities and debt service obligations. These measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Non-GAAP financial measures, together with other financial measures calculated in accordance with IFRS, are considered to be important factors that assist investors in assessing the Company's performance.

Non-GAAP Cash Cost Measures

Cash cost per tonne of ore processed, cash cost per pound of copper in concentrate produced, cash cost per ounce of gold in concentrate produced, cash cost per pound of zinc in concentrate produced, cash cost of sales per ounce of gold sold, net of by-product credits, and cash cost per tonne of concentrate smelted capture the important components of the Company's production and related costs. Management utilizes these metrics as an important tool to monitor cost performance at the Company's operations.

The following table provides, for the periods indicated, a reconciliation of the Company's cash cost per tonne of ore processed and cash cost per tonne of concentrate smelted to its cost of sales:

$ thousands, unless otherwise indicated **For the quarter ended December 31, 2012**	**Chelopech**	**Deno Gold**	**NCS**	**Total**
Ore processed *(mt)*	**491,235**	**133,892**		
Metals contained in concentrate produced:				
Gold *(ounces)*	**27,503**	**5,164**		
Copper *(pounds)*	**10,266,739**	**616,812**		
Zinc *(pounds)*	**-**	**2,880,095**		
Concentrate smelted *(mt)*			**45,823**	
Cost of sales	**25,141**	**17,833**	**20,850**	**63,824**
Add/(deduct):				
Depreciation, amortization & other non-cash costs	**(6,020)**	**(3,418)**	**(2,628)**	
Transportation and related costs	**-**	**-**	**(2,313)**	
Change in concentrate inventory	**2,862**	**(3,139)**	**-**	
Total cash cost of production before by-product credits	**21,983**	**11,276**	**15,909**	
Silver by-product credits	**(1,450)**	**(3,235)**	**-**	
Total cash cost of production after by-product credits	**20,533**	**8,041**	**15,909**	
Cash cost per tonne ore processed *($)*	**44.75**	**84.22**	**-**	
Cash cost per pound copper produced *($)*[(1)]	**0.87**	**2.13**	**-**	
Cash cost per ounce gold produced *($)*[(1)]	**420**	**1,004**	**-**	
Cash cost per pound zinc produced *($)*[(1)]	**-**	**0.54**	**-**	
Cash cost per tonne of concentrate smelted *($)*	**-**	**-**	**347**	

$ thousands, unless otherwise indicated **For the quarter ended December 31, 2011**	**Chelopech**	**Deno Gold**	**NCS**	**Total**
Ore processed *(mt)*	453,202	154,933		
Metals contained in concentrate produced:				
Gold *(ounces)*	34,993	6,051		
Copper *(pounds)*	13,185,889	741,907		
Zinc *(pounds)*	-	5,129,841		
Concentrate smelted *(mt)*	-	-	47,588	
Cost of sales	24,714	8,782	15,876	49,372
Add/(deduct):				
Depreciation, amortization & other non-cash costs	(4,043)	(2,404)	(1,897)	
Transportation and related costs	-	-	(2,178)	
Change in concentrate inventory	2,601	2,978	-	
Total cash cost of production before by-product credits	23,272	9,356	11,801	
Silver by-product credits	(1,729)	(3,920)	-	
Total cash cost of production after by-product credits	21,543	5,436	11,801	
Cash cost per tonne ore processed *($)*	51.35	60.38	-	
Cash cost per pound copper produced *($)*[(1)]	0.71	1.08	-	
Cash cost per ounce gold produced *($)*[(1)]	350	534	-	
Cash cost per pound zinc produced *($)*[(1)]	-	0.27	-	
Cash cost per tonne of concentrate smelted *($)*	-	-	248	

$ thousands, unless otherwise indicated **For the twelve months ended December 31, 2012**	**Chelopech**	**Deno Gold**	**NCS**	**Total**
Ore processed *(mt)*	**1,819,687**	**509,419**		
Metals contained in concentrate produced:				
Gold *(ounces)*	**120,631**	**21,843**		
Copper *(pounds)*	**42,714,127**	**2,456,555**		
Zinc *(pounds)*	**-**	**15,425,329**		
Concentrate smelted *(mt)*	**-**	**-**	**159,356**	
Cost of sales	**98,298**	**50,547**	**78,796**	**227,641**
Add/(deduct):				
Depreciation, amortization & other non-cash costs	**(19,542)**	**(10,883)**	**(9,745)**	
Transportation and related costs	**-**	**-**	**(9,513)**	
Change in concentrate inventory	**4,535**	**(718)**	**-**	
Total cash cost of production before by-product credits	**83,291**	**38,946**	**59,538**	
Silver by-product credits	**(6,728)**	**(14,072)**	**-**	
Total cash cost of production after by-product credits	**76,563**	**24,874**	**59,538**	
Cash cost per tonne ore processed *($)*	**45.77**	**76.45**	**-**	
Cash cost per pound copper produced *($)*(1)	**0.78**	**1.54**	**-**	
Cash cost per ounce gold produced *($)*(1)	**358**	**707**	**-**	
Cash cost per pound zinc produced *($)*(1)	**-**	**0.37**	**-**	
Cash cost per tonne of concentrate smelted *($)*	**-**	**-**	**374**	

$ thousands, unless otherwise indicated **For the twelve months ended December 31, 2011**	**Chelopech**	**Deno Gold**	**NCS**	**Total**
Ore processed *(mt)*	1,353,733	581,852		
Metals contained in concentrate produced:				
Gold *(ounces)*	93,881	26,876		
Copper *(pounds)*	36,801,944	2,992,158		
Zinc *(pounds)*	-	19,584,954		
Concentrate smelted *(mt)*	-	-	180,403	
Cost of sales	88,838	47,276	70,589	206,703
Add/(deduct):				
Depreciation, amortization & other non-cash costs	(15,499)	(9,140)	(7,407)	
Transportation and related costs	-	-	(10,349)	
Change in concentrate inventory	862	416	-	
Total cash cost of production before by-product credits	74,201	38,552	52,833	
Silver by-product credits	(5,346)	(18,166)	-	
Total cash cost of production after by-product credits	68,855	20,386	52,833	
Cash cost per tonne ore processed *($)*	54.81	66.26	-	
Cash cost per pound copper produced *($)*(1)	0.92	1.14	-	
Cash cost per ounce gold produced *($)*(1)	373	429	-	
Cash cost per pound zinc produced *($)*(1)	-	0.28	-	
Cash cost per tonne of concentrate smelted *($)*	-	-	293	

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

The following table provides, for the periods indicated, a reconciliation of Chelopech cash cost of sales per ounce of gold sold, net of by-product credits, to its cost of sales:

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2012**	2011	**2012**	2011
Cost of sales	**25,141**	24,714	**98,298**	88,838
Add/(deduct):				
Depreciation, amortization & other	**(6,020)**	(4,043)	**(19,542)**	(15,499)
Other charges, including freight	**22,597**	19,610	**86,228**	65,125
By-product credits(1)	**(40,335)**	(45,422)	**(163,940)**	(147,812)
Cash cost of sales, net of by-product credits	**1,383**	(5,141)	**1,044**	(9,348)
Payable gold in concentrate sold (ounces)	**28,700**	27,114	**116,644**	83,796
Cash cost of sales per ounce of gold sold, net of by-product credits *($)*	**48**	(190)	**9**	(112)

The following table provides, for the periods indicated, a reconciliation of Deno Gold cash cost of sales per ounce of gold sold, net of by-product credits, to its cost of sales:

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2012**	2011	**2012**	2011
Cost of sales	**17,833**	8,782	**50,547**	47,276
Add/(deduct):				
Depreciation, amortization & other	**(2,524)**	(2,404)	**(9,989)**	(9,140)
Other charges, including freight	**1,687**	2,047	**6,218**	11,893
By-product credits(2)	**(11,460)**	(8,027)	**(32,075)**	(47,588)
Cash cost of sales, net of by-product credits	**5,536**	398	**14,701**	2,441
Payable gold in concentrate sold (ounces)	**7,115**	4,320	**18,204**	26,230
Cash cost of sales per ounce of gold sold, net of by-product credits *($)*	**778**	92	**808**	93

1) Includes realized gains on copper derivative contracts of $3.3 million and $13.0 million in the fourth quarter and twelve months of 2012, compared to $7.8 million and $11.7 million in the corresponding prior year periods.

2) Includes realized gains on copper derivative contracts of $0.3 million and $1.2 million in the fourth quarter and twelve months of 2012, respectively, compared to realized gains of $0.8 million and $0.9 million in the corresponding prior year periods.

Adjusted net earnings and adjusted basic earnings per share

Adjusted net earnings and adjusted basic earnings per share are used by management and investors to measure the underlying operating performance of the Company. Presenting this measure from period to period helps management and investors evaluate earnings trends more readily in comparison with results from prior periods. Adjusted net earnings are defined as net earnings attributable to common shareholders, adjusted to exclude specific items that are significant, but not reflective of the underlying operations of the Company, including:

1) impairment provisions or reversals thereof,
2) unrealized gains or losses on copper derivative contracts related to projected payable copper production,
3) unrealized and realized gains or losses related to investments carried at fair value,
4) significant tax adjustments not related to current period earnings, and
5) non-recurring or unusual income or expenses that are either not related to the Company's operating segments or unlikely to occur on a regular basis.

This measure has no standardized meaning under IFRS and may not be comparable to similar measures presented by other companies. The specific adjustments made are subjective, however, judgment and informed decision-making is used when identifying items to be included or excluded in calculating adjusted net earnings.

The following table provides, for the periods indicated, a reconciliation of adjusted net earnings to net earnings attributable to common shareholders:

$ thousands, except per share amounts	Three Months		Twelve Months	
Ended December 31,	**2012**	2011	**2012**	2011
Net earnings attributable to common shareholders	**14,632**	22,660	**54,376**	86,091
Add/(deduct) after-tax adjustments:				
Unrealized losses (gains) on derivative commodity contracts	**1,264**	15,724	**17,988**	(20,705)
Unrealized losses (gains) related to Sabina special warrants	**5,617**	(6,493)	**8,504**	19,926
Realized losses (gains) on the sales of publicly traded securities	**-**	-	**73**	(5,367)
Impairment provisions	**-**	-	**-**	110
Adjusted net earnings	**21,513**	31,891	**80,941**	80,055
Basic earnings per share	**0.12**	0.18	**0.43**	0.69
Adjusted basic earnings per share	**0.17**	0.25	**0.65**	0.64

Adjusted EBITDA

Adjusted EBITDA is used by management and investors to measure the underlying operating performance of the Company's operating segments. Adjusted EBITDA excludes the following from earnings before income tax:

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

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

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

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2012**	2011	**2012**	2011
Earnings before income taxes	**16,244**	16,603	**49,654**	88,605
Add/(deduct):				
Depreciation and amortization	**12,077**	8,206	**40,208**	31,438
Finance costs	**1,644**	1,314	**5,703**	5,451
Interest income	**(149)**	(385)	**(1,048)**	(1,411)
Unrealized losses (gains) on Sabina special warrants	**6,476**	(8,038)	**9,803**	22,771
Unrealized losses (gains) on derivative commodity contracts	**1,432**	19,309	**20,155**	(23,174)
Realized losses (gains) on sales of publicly traded securities	**-**	-	**85**	(6,259)
Impairment provisions	**-**	-	**-**	110
Adjusted EBITDA	**37,724**	37,009	**124,560**	117,531

Growth Capital Expenditures

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

Sustaining Capital Expenditures

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

RISKS AND UNCERTAINTIES

The operating results and financial condition of the Company are subject to a number of inherent risks and uncertainties associated with its business activities, which include the acquisition, financing, exploration, development, construction and operation of its mine, mill and concentrate processing facilities. The operating results and financial condition are also subject to numerous external factors, which include geo-political, regulatory, legal, tax and market risks impacting, among other things, commodity prices, foreign exchange rates, inflation and the availability and cost of capital to fund the capital requirements of the business. Each of these risks could have a material adverse effect on the Company's future business, results of operations and financial condition, and could cause actual results to differ materially from those described in any forward looking statements contained in this MD&A. The Company endeavors to manage these risks and uncertainties in a balanced manner with a view to mitigate risk while maximizing total shareholder returns. It is the responsibility of senior management, and the functional head of each business, to identify and to effectively manage the risks of each business. This includes developing appropriate risk management strategies, policies, processes and systems. There can be no assurance that the Company has been or will be successful in identifying all risks or that any risk-mitigating strategies adopted to reduce or eliminate risk will be successful. A description of the more significant business risks and uncertainties affecting the Company are set out below. These risks should be considered when evaluating the Company and its outlook.

Global Financial Condition

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

Financing

The Company's ability to operate in the normal course and grow its business is dependent upon its ability to achieve and sustain profitable operations and on the availability of debt and equity from the capital markets. Conditions within these markets could change dramatically, affecting both the availability and cost of this capital, which could directly and adversely affect the Company's earnings and cash flows and, in turn, could affect total shareholder returns. There can be no assurance that the Company's operations will remain profitable or that capital will be available in future to fund its capital needs. Failure to obtain sufficient financing may result in a delay or the indefinite postponement of development or construction on any or all of the Company's properties or even a loss of property interest.

Metal Prices

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

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

In accordance with established risk management policies, from time to time, the Company enters into derivative contracts to hedge a portion of its metals price exposure associated with the time lag between the provisional and final determination of concentrate sales as well as its by-product metals price exposure on future sales. As at December 31, 2012, approximately 15% of the Company's expected copper production for 2013 and 2014 had been hedged. These hedges introduce earnings volatility as a result of potential unrealized mark-to-market gains or losses as they are deemed not to be hedges for accounting purposes, notwithstanding that they are effective from an economic perspective.

Foreign Exchange

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

Counterparty Risk

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

The Company's trade credit exposure was limited to six counterparties in 2012. Under the terms of the Company's existing concentrate sales contracts, the risk to these counterparties is mitigated, in part, through required provisional payments that range between 50% to 90% of the provisional value of each lot at the time title of the concentrate transfers, with a further advance payment of 5% following presentation of sales documents to the purchaser or 30 days after arrival at the discharge port. A final adjusting payment, reflecting the actual metal prices for the specified quotational period, is made when final weights and assays are established. All contractual commitments are subject to force majeure clauses which, if implemented, could have a significant impact on revenue. Approximately 87% of the Company's aggregate projected sales of concentrate in 2013 are to one customer.

While there can be no assurance that the Company will not experience a material loss for non-performance by any counterparty with whom it has a commercial relationship, the Company has established policies to manage its credit exposure, that include assessing financial strength, limiting aggregate exposure to new and existing counterparties, and using contractual arrangements, including provisional payments and the use of International Swaps and Derivatives Association ("ISDA") master netting agreements that permit netting of exposures associated with a single counterparty. Should any such losses arise, they could adversely affect the Company's business, financial condition and results of operations.

Environmental, Health and Safety

The Company's operations are subject to extensive environmental, health and safety regulations in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards, land rehabilitation, and safety and work environment standards. They also set forth limitations on the generation, transportation, storage and disposal of various wastes. Environmental, health and safety legislation continues to evolve and, while the Company takes active steps to monitor this legislation, it could result in stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The Company has active environmental management systems at its operational sites that are based primarily on ISO 14000 and subject to ongoing monitoring and development. Health and safety is also a key focus and, in 2012, the Company commenced the development of OSHAS 18000 safety systems across all operations. However, there can be no assurance that future changes in environmental, health and safety regulations, if any, will not adversely affect the Company's operations and business. Environmental hazards may exist on the properties in which the Company holds interests which are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

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

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

On April 30, 2012, the Minister issued a letter to the Company relating to the operation of its Tsumeb smelter owned by NCS. The letter contained several directives emanating from the government's report on the environmental, health and safety audit (the "Report") commissioned by the Minister, including: (i) that effective May 1, 2012, NCS reduce the feed to the smelter by approximately half until the projects designed to capture fugitive emissions have been completed; and (ii) NCS advance the installation of the sulphuric acid plant from 2014 to 2013. The fugitive emissions inside the aisle, which were identified as a significant issue during the environmental audit in December 2011, were addressed through temporary upgrades on the fume extraction systems made during the shutdown of the Ausmelt furnace in the second quarter of 2012. These upgrades contributed to the Minister's decision to allow NCS to increase its production to 75% of the smelter's operating capacity in July 2012. The construction of the new gas cleaning systems was completed in January 2013 and commissioning is currently underway. The Company expects the government will lift the existing curtailment once testing has been completed that confirms the new systems are effectively capturing fugitive emissions. The construction and installation of a sulphuric acid plant is expected to begin in early 2013 and be completed in the third quarter of 2014. Failure of the new systems to reduce the smelter's fugitive emissions and to complete the sulphuric acid plant in a manner consistent with the Minister's timelines and directives could impact future production and adversely affect the Company's business, financial condition and results of operations.

The Company recognizes a liability for its asset retirement obligations ("ARO") when a legal and/or constructive obligation is identified. The liability is measured at the present value of estimated costs required to rehabilitate the operating locations based on the risk free nominal discount rates applicable to the countries in which the operations are located. The carrying value of the ARO liability was $43.2 million and $36.4 million at December 31, 2012 and 2011, respectively. Changes in the underlying assumptions used to estimate the AROs as well as changes to environmental laws and regulations could cause material changes in the expected cost and the fair value of the AROs and these changes could have a material adverse impact on the Company's results of operations and financial condition.

Operations

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

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

Production, Operating and Shipping Costs

Many unforeseen factors can impact the Company's future production and total cash costs of production, such as the raw cost of inputs; cost of fuel; energy, supplies; labour and equipment; availability of concentrates to be processed at NCS' smelter; regulatory factors; royalties and taxes; foreign exchange rates; adverse climatic conditions and natural phenomena; and industrial accidents can impact the accuracy of these projections. As such, there can be no assurance that production and production cost estimates will be achieved. Failure to achieve production or total cash cost estimates could have an adverse impact on the Company's business, financial condition and results of operations.

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 terms and conditions of shipping contracts could have a material adverse impact on the Company's business, financial condition and results of operations.

Mineral Resources and Mineral Reserves

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

Fluctuations in gold, copper, zinc and silver prices, results of drilling, change in cut-off grades, metallurgical testing, production and the evaluation of mine plans subsequent to the date of any estimates may require revision of such estimates. The volume and grade of Mineral Reserves mined and processed, and the recovery rates achieved may not be the same as currently anticipated. Any material reduction in the estimated Mineral Resources and Mineral Reserves could have a material adverse effect on the Company's business, financial condition and results of operations. A significant decrease in the reserve and resource estimates could adversely impact the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, depletion and depreciation charges and rehabilitation provisions and could result in an impairment of the carrying value.

Inferred Mineral Resources

Inferred Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Due to the uncertainty which may attach to Inferred Mineral Resources, there can be no assurance that Inferred Mineral Resources will be upgraded to Proven and Probable Mineral Reserves as a result of continued exploration.

Need for Mineral Reserves

As mines have limited lives based on Proven and Probable Mineral Reserves, the Company must continually develop, replace and expand its Mineral Reserves as its mines produce gold, silver, zinc and copper concentrates. The Company's ability to maintain or increase its annual production of gold, silver, zinc and copper concentrates and its aggregate Mineral Reserves will be significantly dependent on its ability to expand Mineral Reserves both at its existing mines and new mines it intends to bring into production in the future.

Exploration

Exploration is speculative and involves many risks that even a combination of careful evaluation, experience and knowledge utilized by the Company 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 permit and 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.

Foreign Country and Political

The majority of the Company's operations and business are outside of Canada, primarily in Eastern Europe, Eurasia and southern Africa, and as such, the Company's operations are exposed to various political and other 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 foreign 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 rule of law, regulatory and judiciary processes; illegal mining; changes in taxation or royalty policies; restrictions on foreign exchange and movements of capital; changing political conditions; 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 the countries in which the Company conducts its business and operations may adversely affect the Company's business, results of operations and financial condition.

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

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

Development Projects

As part of the Company's growth strategy, it expects to invest in the development, design, construction and operation of existing and new facilities to enhance operations and increase future production. In developing these new projects, the Company may be required to incur significant preliminary engineering, environmental, permitting and legal-related expenditures prior to determining whether a project is feasible and economically viable. The commercial viability of development projects is based on many factors, including: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical; government regulations; capital and operating costs of such projects; and foreign currency exchange rates. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental permits, subsequent appeals of such permits, including favourable EIA decisions, and the acquisition of satisfactory surface or other land rights.

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

Despite the achievements and progress made in 2012, there is still risk and uncertainty around obtaining all the required approvals and permits necessary to advance the Krumovgrad Gold Project. If the required permits are not obtained and legal avenues are exhausted, an impairment of the project carrying value may be required. Management continues to take steps to advance its permits and remains committed to the future development of the project. As of December 31, 2012, the net book value of the Krumovgrad Gold Project was $69.5 million.

Insurance and Uninsured Risks

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

In order to eliminate or reduce certain risks, the Company purchases and maintains insurance coverage, subject to limits and deductibles that are considered reasonable and prudent. This insurance coverage does not cover all potential risks because of customary exclusions and/or limited availability, and in some instances, the Company's view that the cost of certain insurance coverage is excessive in relation to the risk or risks being covered. Further, there can be no assurance that insurance coverage will continue to be available on commercially reasonable terms, that such coverage will ultimately be sufficient, or that insurers will be able to fulfill their obligations should a claim be made. Losses arising from any such events that are not fully insured may cause the Company to incur significant costs that could have a material adverse effect on its business, financial condition and results of operations.

Value of Investment Portfolio

The value of the Company's investment portfolio of securities will vary based on the underlying value of the securities acquired by the Company. 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, have limited access to capital, and 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. In some cases, the value of securities owned by the Company may also be affected by such factors as investor demand, specified rights or restrictions associated with the security, general market trends or regulatory restrictions. Fluctuations in the market values of such securities may occur for a number of reasons beyond the control of the Company, and there can be no assurance that an adequate liquid market will exist for securities or that quoted market prices at any given time will properly reflect the value at which the Company could monetize these securities.

As at December 31, 2012, the Company held 5,000,000 Sabina Series A special warrants, which will be automatically exercised upon a decision to proceed to a feasibility study or proceed to production on the Back River project or upon the occurrence of certain other events and 5,000,000 Sabina Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the project or upon the occurrence of certain other events. Each of the Sabina special warrants is exercisable for a period of 35 years into one common share and one-half of one warrant of Sabina. Each whole warrant, if issued, will be exercisable until June 9, 2014, being five years from the date of closing of the sale of the Back River project to Sabina, at the discretion of DPM, for one Sabina common share at a price of Cdn$1.07 each.

As detailed in note 6 to DPM's consolidated financial statements for the year ended December 31, 2012, the estimated fair value of the 10,000,000 Sabina special warrants as at December 31, 2012 was $26.1 million (shares - $22.3 million and Sabina Series A warrants - $3.8 million). The Company believes that the positive production decision with respect to the Back River project is not likely to occur prior to June 9, 2014, the expiry date of the warrants related to the Sabina Series B special warrants. As a result, the fair value of the warrant portion of the Sabina Series B special warrants was value at $nil at December 31, 2012.

Government Laws and Regulations

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

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

Labour Relations

While the Company has good relations with both its unionized and non-unionized employees, there can be no assurance that it will be able to maintain positive relationships with its employees or that new collective agreements will be entered into without work interruptions. In addition, relations between the Company and its employees may be impacted by regulatory or governmental changes introduced by the relevant authorities in whose jurisdictions the Company carries on business. Adverse changes in such legislations or in the relationship between the Company and its employees could 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, 2011 to June 30, 2013. In November 2012, NCS agreed with the union on adjustments to the prevailing wage structure to ensure that wage levels kept pace with industry benchmarks. The parties are in the process of negotiating a new three year agreement that is expected to be effective from March 1, 2013. There are no unions or formal collective agreements in place at Deno Gold.

Income Tax

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

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

Future Plans

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

Land Title

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

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

Competition

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

Market Price of Common Shares

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

As a result of any of these factors, the market price of the common shares at any given point in time may not accurately reflect the Company's long-term value, which in turn could impact the ability of the Company to raise equity or raise equity on terms considered to be acceptable. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources and have an adverse effect on the Company's business, financial condition and results of operations.

Dilution to Common Shares

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

Interest Rate

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash and cash equivalents, short-term investments, loans receivable, floating rate denominated long-term debt, revolver line of credit and finance lease obligations, the majority of which have associated cash flows based on floating interest rates.

Foreign Subsidiaries

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

Key Executives and Senior Personnel

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

Conflicts of Interest

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, ("NI 52-109"). Management, under the supervision of the CEO and CFO, conducted an assessment of the effectiveness of DC&P and ICFR in place as of December 31, 2012 and concluded that such procedures and controls are adequate and effective to ensure accurate and complete disclosures in annual filings. The board of directors also assesses the integrity of the public financial disclosures through the oversight of the Audit Committee.

INTERNAL CONTROL CHANGES

The Company's management, under the supervision of the CEO and CFO, has designed ICFR using the control framework developed by COSO (Committee of Sponsoring Organizations of the Treadway Commission). During 2012, management continued with the assessment and detailed evaluation of the ICFR procedures and controls established in all significant locations and continued to develop the internal control framework. This exercise resulted in improvements being made to strengthen effectiveness and reliability of internal controls aiming to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO during the reporting period. Additional improvements were made in 2012 and will continue to be implemented in the foreseeable future with the aim that the information required to be disclosed by the Company in its interim and annual filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS.

INTERNAL CONTROL EVALUATION

Management evaluated the design and operating effectiveness of the DC&P and ICFR as defined by NI 52-109 as of December 31, 2012. This evaluation was performed under the supervision of, and with the participation of, the CEO and CFO. Based on the evaluation of the design and operating effectiveness of the Company's ICFR and DC&P, management, the CEO and CFO concluded that the Company's DC&P and ICFR were effective as of December 31, 2012.

NI 52-109 also requires Canadian public companies to disclose in their MD&A any change in ICFR that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to the internal controls in the year ended December 31, 2012.

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

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

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

(Signed) "Jonathan Goodman"	(Signed) "Hume Kyle"
Jonathan Goodman President and Chief Executive Officer	Hume Kyle Executive Vice President and Chief Financial Officer

February 15, 2013

February 15, 2013

Independent Auditor's Report

To the Shareholders of
Dundee Precious Metals Inc.

We have audited the accompanying consolidated financial statements of Dundee Precious Metals Inc., which comprise the consolidated statement of financial position as at December 31, 2012 and 2011 and the consolidated statements of earnings, comprehensive income (loss), cash flows and changes in shareholders' equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dundee Precious Metals Inc. as at December 31, 2012 and 2011 and its financial performance and its cash flows for the years ended December 31, 2012 and 2011 in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants, Licensed Public Accountants

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2012 and 2011 *(in thousands of U.S. dollars)*

	Notes	2012	2011
ASSETS			
Current Assets			
Cash and cash equivalents		**121,531**	172,804
Short-term investments		**1,826**	4,425
Inventories	4	**55,112**	43,778
Accounts receivable	5	**69,590**	31,251
Other current assets		**5,366**	18,385
		253,425	270,643
Non-Current Assets			
Investments at fair value	6(a),6(b)	**75,611**	107,609
Exploration and evaluation assets	7	**126,326**	102,814
Mine properties	8	**132,154**	118,171
Property, plant & equipment	9	**350,729**	263,533
Intangible assets	10	**28,690**	34,224
Deferred income tax assets	20	**2,389**	437
Other long-term assets	11	**2,861**	30,510
		718,760	657,298
TOTAL ASSETS		**972,185**	927,941
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	12	**54,218**	38,306
Income tax liabilities		**6,638**	8,616
Current portion of long-term debt	13	**17,821**	1,571
Current portion of long-term liabilities	15	**3,033**	2,780
		81,710	51,273
Non-Current Liabilities			
Long-term debt	13	**63,946**	81,745
Rehabilitation provisions	14	**43,242**	36,431
Share based compensation plans	16	**5,678**	4,686
Deferred income tax liabilities	20	**5,595**	5,416
Other long-term liabilities	15	**17,673**	19,311
		136,134	147,589
TOTAL LIABILITIES		**217,844**	198,862
EQUITY			
Share Capital		**374,810**	372,643
Warrants		**9,618**	14,115
Contributed surplus		**37,865**	27,378
Retained earnings		**302,102**	247,726
Accumulated other comprehensive income		**22,938**	42,391
Equity attributable to common shareholders of the Company		**747,333**	704,253
Non-controlling interests		**7,008**	24,826
TOTAL EQUITY		**754,341**	729,079
TOTAL LIABILITIES AND EQUITY		**972,185**	927,941

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

Approved by the Board of Directors

(Signed) "Jonathan Goodman"
Jonathan Goodman, Director

(Signed) "Ronald Singer"
Ronald Singer, Director

CONSOLIDATED STATEMENTS OF EARNINGS

For the years ended December 31, 2012 and 2011 *(in thousands of U.S. dollars, except per share amounts)*

	Notes	**2012**	2011
Revenue		**384,685**	338,480
Cost of sales	*17*	**227,641**	206,703
Gross profit		**157,044**	131,777
General and administrative expenses	*17*	**37,897**	28,941
Exploration expenses	*17*	**42,489**	26,281
Finance cost	*18*	**5,703**	5,451
Impairment loss on assets held for sale		**-**	110
Interest income		**(1,048)**	(1,411)
Other expense (income)	*19*	**22,349**	(16,200)
Earnings before income taxes		**49,654**	88,605
Current income tax expense	*20*	**19,621**	13,829
Deferred income tax expense	*20*	**202**	2,647
Net earnings		**29,831**	72,129
Net earnings (loss) attributable to:			
Common shareholders of the Company		**54,376**	86,091
Non-controlling interests		**(24,545)**	(13,962)
Net earnings		**29,831**	72,129
Earnings per share attributable to common shareholders of the Company			
- Basic	*21*	**0.43**	0.69
- Diluted	*21*	**0.39**	0.61

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2012 and 2011 *(in thousands of U.S. dollars)*

	2012	2011
Net earnings	**29,831**	72,129
Other comprehensive (loss) income		
Unrealized losses on publicly traded securities, net of income tax recovery of $2,716 (2011 - $3,851)	**(19,405)**	(31,219)
Realized losses (gains) on sale of publicly traded securities transferred to net earnings, net of income tax (recovery) expense of $(14) (2011 - $862)	**85**	(5,998)
Currency translation adjustments	**(279)**	(1,701)
	(19,599)	(38,918)
Comprehensive income, net of income taxes	**10,232**	33,211
Comprehensive income (loss) attributable to:		
Common shareholders of the Company	**34,923**	47,924
Non-controlling interests	**(24,691)**	(14,713)
Comprehensive income, net of income taxes	**10,232**	33,211

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2012 and 2011 *(in thousands of U.S. dollars)*

	Notes	**2012**	2011
OPERATING ACTIVITIES			
Earnings before income taxes		**49,654**	88,605
Items not affecting cash and other adjustments	*23(a)*	**76,310**	30,312
Changes in non-cash working capital	*23(b)*	**(42,854)**	(1,575)
Proceeds from settlement of derivative commodity contracts		**15,062**	10,683
Income taxes paid		**(19,894)**	(6,001)
Cash provided from operating activities		**78,278**	122,024
INVESTING ACTIVITIES			
Proceeds from sale of short-term investments		**2,599**	8,730
Proceeds from sale of publicly traded securities	*6(b)*	**88**	8,409
Proceeds from disposal of property, plant and equipment		**20**	326
Expenditures on exploration and evaluation assets		**(19,760)**	(7,609)
Expenditures on mine properties		**(26,859)**	(37,325)
Expenditures on property, plant and equipment		**(101,323)**	(72,416)
Expenditures on intangible assets		**(1,062)**	(251)
Decrease (increase) in restricted cash		**19,278**	(1,208)
Cash used in investing activities		**(127,019)**	(101,344)
FINANCING ACTIVITIES			
Proceeds from shares issued		**1,476**	1,335
Proceeds from subsidiary shares issued	*3*	**4,685**	15,686
Cash received from sale of interest in Dundee Moly Company d.o.o.	*3*	**-**	11,613
Proceeds from issuance of debt		**-**	36,176
Repayments of debt		**(1,571)**	(1,179)
Repayments of finance lease obligation		**(2,606)**	(4,009)
Interest paid		**(4,516)**	(3,723)
Cash (used in) provided from financing activities		**(2,532)**	55,899
(Decrease) increase in cash and cash equivalents		**(51,273)**	76,579
Cash and cash equivalents, beginning of year		**172,804**	96,225
Cash and cash equivalents, end of year		**121,531**	172,804

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2012 and 2011 *(in thousands of U.S. dollars, except for number of shares and warrants)*

	December 31, 2012		December 31, 2011	
	Number	**Amount**	Number	Amount
Share Capital				
Authorized				
Unlimited common and preference shares with no par value				
Issued				
Fully paid common shares with one vote per share				
Balance at beginning of year	**125,238,883**	**372,643**	124,913,151	371,461
Shares issued on exercise of warrants	**-**	**-**	2,500	8
Shares issued on exercise of stock options *(note 16)*	**394,662**	**1,476**	554,343	1,336
Share cancellation	**-**	**-**	(231,111)	(731)
Transferred from warrants on exercise of warrants	**-**	**-**	-	1
Transferred from contributed surplus on exercise of stock options	**-**	**691**	-	568
Balance at end of year	**125,633,545**	**374,810**	125,238,883	372,643
Warrants *(note 24(a))*				
Balance at beginning of year	**23,199,500**	**14,115**	23,202,000	14,116
Transferred to contributed surplus on expiry of warrants	**(2,760,000)**	**(4,497)**	-	-
Transferred to share capital on exercise of warrants	**-**	**-**	(2,500)	(1)
Balance at end of year	**20,439,500**	**9,618**	23,199,500	14,115
Contributed surplus				
Balance at beginning of year		**27,378**		16,348
Share based compensation expense		**9,488**		8,644
Gain on sale of interest in Dundee Moly Company d.o.o. *(note 3)*		**-**		6,344
Transferred from warrants on expiry of warrants, net of income taxes of $619 (2011 - $nil)		**3,878**		-
Transferred to share capital on exercise of stock options		**(691)**		(568)
Other changes in contributed surplus		**(2,188)**		(3,390)
Balance at end of year		**37,865**		27,378
Retained earnings				
Balance at beginning of year		**247,726**		161,635
Net earnings attributable to common shareholders of the Company		**54,376**		86,091
Balance at end of year		**302,102**		247,726
Accumulated other comprehensive income *(note (24(b))*				
Balance at beginning of year		**42,391**		80,558
Other comprehensive loss		**(19,453)**		(38,167)
Balance at end of year		**22,938**		42,391
Total equity attributable to common shareholders of the Company		**747,333**		704,253
Non-controlling interests				
Balance at beginning of year		**24,826**		12,400
Net loss attributable to non-controlling interests		**(24,545)**		(13,962)
Other comprehensive loss attributable to non-controlling interests		**(146)**		(751)
Shares issued by subsidiaries *(note 3)*		**4,685**		15,686
Non-controlling interests at date of transaction *(note 3)*		**-**		7,602
Other changes in non-controlling interests		**2,188**		3,851
Balance at end of year		**7,008**		24,826
Total equity at end of year		**754,341**		729,079

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

1. CORPORATE INFORMATION

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

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

- 100% of Chelopech Mining EAD ("Chelopech"), which owns and operates a gold, copper and silver mine located east of Sofia, Bulgaria;
- 100% of Deno Gold Mining Company CJSC ("Deno Gold"), which owns and operates a gold, copper, zinc and silver mine located south east of the capital city of Yerevan in southern Armenia;
- 100% of Balkan Mineral and Mining EAD ("BMM"), focused on the development of a gold property ("Krumovgrad Gold Project") located in south eastern Bulgaria, near the town of Krumovgrad;
- 100% of Namibia Custom Smelters (Pty) Limited ("NCS"), which owns and operates a concentrate processing facility located in Tsumeb, Namibia;
- 51.4% (53.1% as at January 17, 2013 – see *note 28, "Subsequent events"* for details) of Avala Resources Ltd. ("Avala"), a TSX Venture Exchange ("TSXV") listed company (TSXV: AVZ) focused on the exploration and development of the Timok and Potoj Cuka copper and gold projects in Serbia; and
- 47.3% of Dunav Resources Ltd. ("Dunav"), a TSXV listed company (TSXV: DNV) focused on the exploration and development of the Tulare copper and gold project, the Surdulica molybdenum project, and other early stage projects in Serbia *(note 3)*.

2.1 BASIS OF PREPARATION

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as outlined in Part I of the Handbook of the Canadian Institute of Chartered Accountants. These consolidated financial statements were approved by the Board of Directors as of February 15, 2013.

These consolidated financial statements have been prepared on a historical cost basis except for held for trading and available-for-sale financial instruments *(note 6)* that are measured at fair values.

The Company's significant accounting policies are set out below.

2.2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

The excess, if any, of the consideration and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. In the case of a bargain purchase, where the total consideration and the non-controlling interest recognized are less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of earnings.

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

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

Significant judgments are required by management to determine whether the Company controls an entity when it holds less than one half of the entity's voting rights. As at December 31, 2012, DPM had a 47.3% (December 31, 2011 – 47.7%) ownership interest in Dunav. The remaining equity and voting rights are held by numerous other shareholders, none individually holding a significant percentage of the voting rights. Given the level of shareholder participation and the size and dispersion of shareholdings, DPM concluded that its ownership interest in Dunav is sufficient to control Dunav as DPM has the power to govern the financial and operating policies of Dunav.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) Critical accounting estimates and judgments

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

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

- basis of consolidation *(note 2.2(a))*;
- inventories *(note 2.2(g))*;
- fair value of financial instruments *(note 2.2(j))*;
- mineral exploration and evaluation expenditures *(note 2.2(k))*;
- mine properties *(note 2.2(l))*;
- property, plant and equipment *(note 2.2(m))*;
- intangible assets *(note 2.2(n))*;
- impairment of assets *(note 2.2(h) and 2.2(p))*;
- rehabilitation provisions *(note 2.2(q))*;
- contingencies *(note 2.2(q))*;
- share based compensation transactions *(note 2.2(u))*; and
- deferred income tax assets and liabilities *(note 2.2(v))*.

(c) Presentation and functional currency

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

(d) Foreign currency

Foreign currency transactions

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign operations

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

(e) Cash and cash equivalents

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

(f) Short-term investments

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

(g) Inventories

Inventories of gold, copper, zinc and silver concentrates are measured and valued at the lower of average production cost and net realizable value. Net realizable value is the estimated selling price of the concentrates in the ordinary course of business based on the prevailing metal prices at the reporting date, less estimated costs to complete production and to bring the concentrates to sale. Production costs that are inventoried include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour, other direct costs (including external services and depreciation, depletion and amortization), production related overheads and royalties. Other materials and supplies inventories are valued at the lower of average cost and net realizable value. Obsolete, redundant and slow moving inventories are identified periodically and written down to their net realizable values.

(h) Financial assets and liabilities

Financial assets

Initial recognition and measurement

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

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

Subsequent measurement - Loans and receivables

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

Subsequent measurement - Available-for-sale financial assets

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

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

Derecognition

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Impairment of financial assets

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

Subsequent measurement - Other financial liabilities

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

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gains or losses reported in other expense (income) in the consolidated statements of earnings.

(i) Offsetting of financial instruments

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

(j) Fair value of financial instruments

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

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Mineral exploration and evaluation expenditures

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

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

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

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

(l) Mine properties

Mine Properties - Mines under construction

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Mine Properties – Producing mines

All assets reclassified from "Mines under construction" to "Producing mines" are stated at cost less accumulated depletion and accumulated impairment losses. Costs incurred for the acquisition of land are stated at cost.

The initial cost of a producing mine comprises its purchase price or construction cost, any costs directly attributable to bringing it to a working condition for its intended use, the initial estimate of the rehabilitation costs, and for qualifying assets, applicable borrowing costs during construction. The purchase price or construction cost is the aggregate amount of cash consideration paid and the fair value of any other consideration given to acquire the asset.

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

Depletion

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

Mineral Resources/Mineral Reserves estimates

The estimation of Mineral Resources/Mineral Reserves, as defined under National Instrument 43-101, *Standards of Disclosure for Mine Projects* ("NI 43-101"), is a complex process and requires significant assumptions and estimates. The Company prepares its Mineral Resources and Mineral Reserves estimates based on information related to the geological data on the size, depth and shape of the ore body which is compiled by appropriately qualified persons. The estimation of recoverable reserves is based upon factors such as estimates of future metal prices, capital requirements, production costs, foreign exchange rates and geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation assets *(note 2.2(k))*, mine properties, property, plant and equipment *(note 2.2(m)),* depletion and depreciation charges *(note 2.2(m)),* rehabilitation provisions *(note 2.2(q)),* and deferred income tax assets *(note 2.2(v)).*

(m) Property, plant and equipment

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Depreciation

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

Depreciation rates for non-mine property, plant and equipment are as follows:

Asset Category	Depreciation rate (%)
Buildings	4 - 10
Machinery and Equipment	5 - 100
Vehicles	20
Computer Hardware	20 - 100
Office Equipment	15 - 20

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

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

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

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

Major maintenance and repairs

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Intangible assets

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

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

Asset Category	Amortization rate (%)
Computer Software	10 - 50
Exploration and Software Licenses	10 - 20
Long-term Customer Contract	9

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

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

(o) Assets held for sale

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

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

(p) Impairment of non-financial assets

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

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

(q) Provisions

General

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

Rehabilitation provisions

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

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

Contingencies

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

(r) Leases

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

Finance leases

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

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

Operating leases

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

(s) Revenue recognition

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

Revenue from the smelter is recognized when concentrate has been processed. Under the tolling agreement between NCS and Louis Dreyfus Commodities Metals Suisse SA (“LDC”), NCS incurs a carrying charge in respect of the concentrate it processes until blister copper is delivered. This charge is recorded as a reduction of revenue. Revenue is also adjusted for any over or under recoveries of metals delivered to LDC relative to the contracted rates.

(t) Borrowing costs

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

(u) Share-based compensation transactions

Equity-settled transactions

Stock options are granted to directors and selected employees to buy common shares of the Company. Options vest equally over a three-year period and expire five years from the date of grant. Grants of stock options are based on the closing price of the common shares on the TSX the day before the effective grant date and reflect the Company’s estimate of the number of awards that will ultimately vest. The stock options are measured at the date of grant by reference to the fair value determined using a Black-Scholes valuation model, further details of which are given in *note 16*. The value is recognized as a general and administrative expense in the consolidated statements of earnings and an increase to contributed surplus in the consolidated statements of changes in shareholders’ equity over the period in which the performance and/or service conditions are fulfilled.

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Cash-settled transactions

A Deferred Share Unit ("DSU") Plan was established for directors and certain employees in lieu of cash compensation. The DSUs are phantom shares which mirror the value of the Company's publicly traded common shares and can only be settled in cash. The cost of the DSUs is measured initially at fair value based on the closing price of DPM's common shares preceding the day the DSUs are granted. The cost of the DSUs is recognized as a liability under share based compensation plans in the consolidated statements of financial position and as a general and administrative expense in the consolidated statements of earnings. The liability is remeasured to fair value based on the five-day volume weighted average price ("Market Price") of DPM's common shares at each reporting date up to and including the settlement date, with changes in fair value recognized in general and administrative expenses in the consolidated statements of earnings.

In 2012, DPM established a Restricted Share Unit ("RSU") Plan for directors, certain employees and eligible contractors of DPM and its wholly-owned subsidiaries in consideration of past services to the Company. The RSUs vest equally over a three year period and are paid in cash based on the Market Price of DPM's publicly traded common shares on the entitlement date or dates. The cost of the RSUs is measured initially at fair value on the authorization date based on the Market Price of DPM's common shares preceding the day the RSUs are authorized by the Board of Directors. The cost of RSUs is recognized as a liability under share based compensation plans, with the current portion recognized in accounts payable and accrued liabilities, in the consolidated statements of financial position and as a general and administrative expense in the consolidated statements of earnings over the vesting period. The liability is remeasured to fair value based on the Market Price of DPM's common shares at each reporting date up to and including the settlement date, with changes in fair value recognized in general and administrative expenses.

(v) Income taxes

Current income tax

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

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

Deferred income tax

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

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

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

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

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

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

(w) Earnings per share

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

Diluted earnings per share reflects the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. The number of additional shares for inclusion in diluted earnings per share is determined using the treasury stock method, whereby stock options and warrants, whose exercise price is less than the average market price of the Company’s common shares, are assumed to be exercised at the beginning of the period with proceeds based on the average market price for the period. The incremental number of common shares issued under stock options and warrants is included in the calculation of diluted earnings per share.

2.3 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards and issued amendments to standards and interpretations are not yet effective for the year ended December 31, 2012, and have not been applied when preparing these consolidated financial statements. The Company's assessment of the impact of these new standards and interpretations is set out below.

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

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

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

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

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

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

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

Each of the above five standards has an effective date for annual periods beginning on or after January 1, 2013. The adoption of these standards is not expected to have a significant impact on the Company's consolidated financial statements, but will require certain additional disclosures.

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

3. SIGNIFICANT TRANSACTIONS

Dunav

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

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

During the year ended December 31, 2012, Dunav issued 9,197,500 common shares to DPM and 11,027,693 common shares to non-controlling interests on the exercise of their warrants. Dunav's cash proceeds from the shares issued to DPM were eliminated upon consolidation. The cash proceeds from the shares issued to non-controlling interests of $4.7 million for the year ended December 31, 2012 was reported in cash (used in) provided from financing activities in the consolidated statements of cash flows.

As at December 31, 2012, DPM had a 47.3% ownership interest in Dunav. The non-controlling interests' share of Dunav's net loss resulting from its exploration activities for the year ended December 31, 2012 was $8.1 million (2011 - $2.8 million). The non-controlling interests' share of Dunav's net assets as at December 31, 2012 was $2.4 million (December 31, 2011 - $5.1 million).

Avala

As at December 31, 2012, DPM had a 51.4% ownership interest in Avala, which increased to 53.1% as at January 17, 2013 (see *note 28, "Subsequent events"* for details). The non-controlling interests' share of Avala's net loss resulting from its exploration activities for the year ended December 31, 2012 was $16.5 million (2011 - $11.2 million). The non-controlling interests' share of Avala's net assets as at December 31, 2012 was $4.6 million (December 31, 2011 - $19.7 million).

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

4. INVENTORIES

	December 31, 2012	December 31, 2011
Gold/Copper/Zinc/Silver ore and concentrates	**18,893**	14,341
Spare parts and supplies	**36,219**	29,437
	55,112	43,778

For the year ended December 31, 2012, the cost of inventories recognized as an expense and included in cost of sales was $153.2 million (2011 - $137.8 million).

5. ACCOUNTS RECEIVABLE

	December 31, 2012	December 31, 2011
Accounts receivable	**46,746**	11,307
Value added tax recoverable	**13,533**	11,684
Supplier advances and other prepaids	**9,311**	8,260
	69,590	31,251

6. FINANCIAL INSTRUMENTS

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

		Carrying Amount	
	Financial instrument classification	**December 31, 2012**	December 31, 2011
Financial assets			
Cash and cash equivalents	Loans and receivables	**121,531**	172,804
Short-term investments	Loans and receivables	**1,826**	4,425
Accounts receivable *(note 5)*	Loans and receivables	**69,590**	31,251
Restricted cash *(note 11(a))*	Loans and receivables	**5,306**	24,584
Sabina special warrants *(a)*	Held for trading	**26,121**	35,924
Publicly traded securities *(b)*	Available for sale	**49,490**	71,685
Derivative commodity contracts *(c)*	Held for trading	**1,695**	23,175
Financial liabilities			
Accounts payable and accrued liabilities *(note 12)*	Other financial liabilities	**54,218**	38,306
Debt *(note 13)*	Other financial liabilities	**81,767**	83,316

The carrying values of all the financial assets and liabilities approximate their fair values as at December 31, 2012 and 2011.

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

(a) Sabina special warrants

DPM held: (i) 18,539,713 common shares of Sabina, (ii) 5,000,000 Series A special warrants, which will be automatically exercised upon a decision by Sabina to proceed to a feasibility study or proceed to production on the Back River project or upon the occurrence of certain other events; and (iii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the project or upon the occurrence of certain other events. Each of the special warrants is exercisable for a period of 35 years into one common share and one-half of one common share purchase warrant ("Warrant") of Sabina. Each whole Warrant, if issued, will be exercisable until June 9, 2014, being five years from the date of closing of the sale of the Back River project to Sabina, at the discretion of DPM, into one Sabina common share at a price of $1.08 (Cdn$1.07) per Sabina common share.

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

	December 31, 2012	December 31, 2011
Sabina Series A Warrants		
Risk free interest rate	**1.14%**	0.97%
Expected exercise period in years	**0.8**	1.5
Expected volatility	**59.53%**	77.06%
Dividends per share	**-**	-
Discount rate	**3.50%**	3.50%
Sabina Series B Warrants *(i)*		
Risk free interest rate	**-**	0.97%
Expected exercise period in years	**-**	0.3 -1.5
Expected volatility	**-**	6.41% - 77.06%
Dividends per share	**-**	-
Discount rate	**-**	3.50%

(i) As at December 31, 2012, the Company no longer assumed that a positive production decision is likely to occur prior to June 9, 2014, being the expiry date of Sabina Series B Warrants. As a result, the fair value of the Warrant portion of the Sabina Series B special warrants was valued at $nil as at December 31, 2012.

The fair value of the Sabina special warrants was included in investments at fair value in the consolidated statements of financial position.

For the year ended December 31, 2012, the Company recorded unrealized losses on the Sabina special warrants of $9.8 million (2011 – $22.8 million) in other expense (income) *(note 19)* in the consolidated statements of earnings.

(b) Publicly traded securities

Publicly traded securities include a portfolio of equity investments in publicly traded mining and exploration companies, comprised primarily of Sabina common shares. During the year ended December 31, 2012, the Company sold a small holding in its investment portfolio for total cash proceeds of $0.1 million (2011 - $8.4 million) and recorded a realized loss of $0.1 million (2011 – realized gains of $6.3 million) in other expense (income) *(note 19)* in the consolidated statements of earnings.

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

(c) Derivative commodity contracts

The Company enters into cash settled derivative contracts to swap future contracted monthly average metal prices for fixed metal prices from time to time to mitigate a portion of the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales. As at December 31, 2012, the Company had outstanding derivative contracts in respect of this exposure as summarized in the table below:

Commodity hedged	Volume hedged	Average fixed price
Payable copper	20,500,761 pounds	$3.54/pound
Payable zinc	1,047,195 pounds	$0.93/pound
Payable gold	4,270 ounces	$1,638.25/ounce
Payable silver	80,410 ounces	$29.65/ounce

The Company also enters into cash settled derivative contracts to swap future contracted monthly average metal prices for fixed metal prices from time to time to mitigate a portion of its by-product metals price exposure. During 2011, the Company entered into derivative contracts to provide price protection on a portion of its 2011, 2012, 2013 and 2014 projected payable copper production. As at December 31, 2012, the Company had outstanding derivative contracts in respect of this exposure as summarized in the table below:

Year of projected payable copper production	Volume hedged (pounds)	Average fixed price ($/pound)
2013	6,693,226	3.94
2014	7,195,880	3.73
	13,889,106	**3.83**

As at December 31, 2012, the fair value gain on all outstanding derivative commodity contracts was $1.7 million (December 31, 2011 - $23.2 million), of which $0.9 million (December 31, 2011 - $17.7 million) was included in other current assets and $0.8 million (December 31, 2011 - $5.5 million) in other long-term assets *(note 11)* in the consolidated statements of financial position.

Unrealized gains and losses on these contracts were calculated based on the corresponding London Metal Exchange forward copper and zinc prices and New York Commodity Exchange forward gold and silver prices. For the year ended December 31, 2012, the Company reported unrealized losses on these contracts of $21.5 million (2011 – unrealized gains of $23.2 million). The Company also reported realized gains on the settlement of certain of these derivative commodity contracts of $13.5 million (2011 – $12.7 million) in other expense (income) *(note 19)* for the year ended December 31, 2012.

Fair value hierarchy

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

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

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2012 and 2011:

			As at December 31, 2012	
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Sabina special warrants	**-**	**-**	**26,121**	**26,121**
Publicly traded securities	**49,490**	**-**	**-**	**49,490**
Derivative commodity contracts	**-**	**1,695**	**-**	**1,695**

			As at December 31, 2011	
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Sabina special warrants	-	-	35,924	35,924
Publicly traded securities	71,685	-	-	71,685
Derivative commodity contracts	-	23,175	-	23,175

During the years ended December 31, 2012 and 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The following table reconciles level 3 fair value measurements from January 1, 2011 to December 31, 2012:

	December 31, 2012	December 31, 2011
Balance at beginning of year	**35,924**	58,695
Unrealized losses included in net earnings *(note 19)*	**(9,803)**	(22,771)
Balance at end of year	**26,121**	35,924

7. EXPLORATION AND EVALUATION ASSETS

	December 31, 2012	December 31, 2011
Balance at beginning of year	**102,814**	93,896
Additions	**22,518**	8,517
Capitalized depreciation	**994**	496
Disposals	**-**	(95)
Balance at end of year	**126,326**	102,814

Exploration and evaluation expenditures directly expensed to net earnings amounted to $42.5 million (2011 - $ 26.3 million) for the year ended December 31, 2012.

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

8. MINE PROPERTIES

	December 31, 2012	December 31, 2011
Cost:		
Balance at beginning of year	**141,121**	96,691
Additions *(a)*	**29,373**	42,250
Capitalized depreciation	**840**	2,154
Change in rehabilitation provisions	**1,209**	26
Transfers	**(8,349)**	-
Balance at end of year	**164,194**	141,121
Accumulated depletion:		
Balance at beginning of year	**22,950**	16,849
Depletion *(b)*	**9,090**	6,101
Balance at end of year	**32,040**	22,950
Net book value:		
At beginning of year	**118,171**	79,842
At end of year	**132,154**	118,171

(a) Included in additions were capitalized borrowing costs relating to mine properties amounting to $3.6 million (2011 - $3.7 million) for the year ended December 31, 2012, at a weighted average interest rate of 5.36% (2011 - 5.28%).

(b) All mine properties are related to producing mines. The depletion expense for mine properties has been fully charged to cost of sales in the consolidated statements of earnings for the years ended December 31, 2012 and 2011.

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Construction Work-in-Progress	Total
Cost:				
Balance as at January 1, 2011	32,898	167,176	59,434	259,508
Additions	442	15,064	54,707	70,213
Disposals	(46)	(7,247)	-	(7,293)
Impairment charge	(8)	(2,151)	-	(2,159)
Transfer from assets held for sale	-	25,096	-	25,096
Change in rehabilitation provisions	(241)	(849)	-	(1,090)
Transfers	1,229	22,128	(23,357)	-
Balance as at December 31, 2011	34,274	219,217	90,784	344,275
Additions	**780**	**14,827**	**91,821**	**107,428**
Currency translation adjustment	**(149)**	**(350)**	**-**	**(499)**
Disposals	**(9)**	**(3,979)**	**-**	**(3,988)**
Impairment charge	**-**	**(4,261)**	**-**	**(4,261)**
Change in rehabilitation provisions	**647**	**2,593**	**-**	**3,240**
Transfers	**1,216**	**73,931**	**(66,798)**	**8,349**
Balance as at December 31, 2012	**36,759**	**301,978**	**115,807**	**454,544**
Accumulated depreciation and impairment:				
Balance as at January 1, 2011	6,752	57,396	-	64,148
Depreciation expense	1,813	19,900	-	21,713
Capitalized depreciation	32	2,551	-	2,583
Currency translation adjustment	99	20	-	119
Depreciation relating to disposals	(14)	(6,199)	-	(6,213)
Impairment charge	(2)	(1,606)	-	(1,608)
Balance as at December 31, 2011	8,680	72,062	-	80,742
Depreciation expense	**3,313**	**24,081**	**-**	**27,394**
Capitalized depreciation	**26**	**1,751**	**-**	**1,777**
Currency translation adjustment	**(102)**	**(335)**	**-**	**(437)**
Depreciation relating to disposals	**(1)**	**(3,617)**	**-**	**(3,618)**
Impairment charge	**-**	**(2,043)**	**-**	**(2,043)**
Balance as at December 31, 2012	**11,916**	**91,899**	**-**	**103,815**
Net book value:				
As at December 31, 2011	25,594	147,155	90,784	263,533
As at December 31, 2012	**24,843**	**210,079**	**115,807**	**350,729**

Of the total depreciation expense for the year ended December 31, 2012, $26.3 million (2011 - $21.0 million) was charged to cost of sales and $1.1 million (2011 - $0.7 million) was charged to general and administrative expenses in the consolidated statements of earnings.

The carrying value of equipment held under finance leases as at December 31, 2012 was $18.4 million (December 31, 2011 - $22.0 million). Leased assets are pledged as security for the related finance lease obligations.

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

10. INTANGIBLE ASSETS

	December 31, 2012	December 31, 2011
Cost:		
Balance at beginning of year	**43,690**	43,443
Additions	**1,264**	780
Currency translation adjustment	**(931)**	12
Disposals and impairment charge	**(3,826)**	(545)
Balance at end of year	**40,197**	43,690
Accumulated amortization and impairment:		
Balance at beginning of year	**9,466**	5,493
Amortization	**3,724**	3,624
Capitalized amortization	**57**	67
Currency translation adjustment	**(323)**	331
Amortization relating to disposals and impairment charge	**(1,417)**	(49)
Balance at end of year	**11,507**	9,466
Net book value:		
At beginning of year	**34,224**	37,950
At end of year	**28,690**	34,224

As at December 31, 2012, intangible assets included $26.3 million (December 31, 2011 - $29.5 million) related to a toll processing contract with LDC acquired as part of the Company's 2010 acquisition of NCS. For the year ended December 31, 2012, the Company recorded a $3.2 million (2011 - $3.2 million) amortization expense on this intangible asset. The remaining useful life of this intangible asset is expected to be eight years from the reporting date.

Of the total intangible asset amortization expense for the year ended December 31, 2012, $3.5 million (2011 - $3.4 million) was charged to cost of sales and $0.2 million (2011 - $0.2 million) was charged to general and administrative expenses in the consolidated statements of earnings.

11. OTHER LONG-TERM ASSETS

	December 31, 2012	December 31, 2011
Restricted cash *(a)*	**930**	23,982
Escrow deposit for environmental commitment	**-**	602
Derivative commodity contracts *(6(c))*	**768**	5,456
Value added tax recoverable	**450**	470
Other	**713**	-
	2,861	30,510

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

(a) Restricted cash consists of $4.2 million (December 31, 2011 - $8.5 million) held as collateral against derivative commodity contracts *(note 6(c))* with the current portion of $3.8 million recorded in other current assets; $0.5 million (December 31, 2011 - $0.5 million) held as collateral against bank guarantees provided to Namibia Power Corporation (Pty) Ltd; and $nil (December 31, 2011 - $15.0 million) held as collateral in support of Chelopech's mine closure and rehabilitation performance bond obligations with the Bulgarian Government. The $15.0 million of restricted cash related to Chelopech's mine closure and rehabilitation plan was replaced with a bank issued letter of guarantee in 2012 *(note 13(b))*.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2012	December 31, 2011
Accounts payable	**24,779**	18,209
Accrued liabilities	**27,515**	18,361
Other payables	**1,924**	1,736
	54,218	38,306

13. DEBT

	December 31, 2012	December 31, 2011
Current portion of debt		
Chelopech loans	**16,250**	-
NCS loan	**1,571**	1,571
	17,821	1,571
Long-term portion of debt		
Chelopech loans	**63,553**	79,780
NCS loan	**393**	1,965
	63,946	81,745
Total debt	**81,767**	83,316

(a) Loans

Chelopech Loans

The Chelopech loans are long-term, amortizing loans having an aggregate principal amount of $81.25 million (collectively, the "Loans") that were used to assist in the financing of its mine and mill expansion.

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

The Loans, which are guaranteed by DPM and secured by a first ranking charge over the shares of Chelopech, are repayable in 10 equal semi-annual instalments commencing June 2013 and bear interest at a rate equal to the three month U.S. Dollar LIBOR plus 3.25% until completion of the Chelopech mine and mill expansion and at a rate equal to the three month U.S. Dollar LIBOR plus 2.80% thereafter. A portion of the Loans are subject to a cash sweep, which obligates Chelopech to prepay up to an aggregate amount of 30% of Chelopech's surplus cash flow. This cash sweep is limited to the equivalent of two years of loan repayments applied in reverse order of maturity. The Loans contain terms considered normal and customary, including financial covenants that require Chelopech to maintain: (i) a minimum forecast debt service coverage ratio of greater than 1.25:1, (ii) a current ratio of greater than 1.2:1, and (iii) a net worth of at least $45 million. In addition, DPM must maintain: (i) a current ratio of greater than 1.5:1, and (ii) a net worth of at least $200 million. As at December 31, 2012, Chelopech and DPM were in compliance with their respective financial covenants. The Company was also required to establish metal price protection on 15% of Chelopech's then projected copper production, up to and including 2014. To meet this requirement, the Company entered into a number of cash settled derivative commodity contracts in January 2011 (note 6(c)).

On February 15, 2013, DPM refinanced the Chelopech Loans whereby these Loans were repaid with proceeds from new secured term loans (the "Term Loans") between DPM and the existing lenders (see *note 28, "Subsequent events"*). The maturity, interest rate and repayment schedule of the Term Loans are the same as the Chelopech Loans' terms with the exception that there is no longer any cash sweep. The Term Loans are supported by pledges of the Company's shares of BMM, Chelopech, Deno Gold and NCS and by guarantees from each of these subsidiaries.

NCS Loan

NCS has an unsecured loan of $4.7 million from LDC which bears interest at a rate equal to the three month U.S. Dollar LIBOR plus 4%. Based on a modified term loan agreement between NCS and LDC signed on May 17, 2010, this loan is repayable in 12 equal quarterly instalments commencing June 1, 2011. As at December 31, 2012, this loan had an outstanding balance of $2.0 million.

Scheduled debt repayments under these loan arrangements are presented in the table below:

	Payments Due by Period		
	up to 1 year	**1 - 5 years**	**Total**
Chelopech loans	16,250	65,000	**81,250**
NCS loan	1,571	393	**1,964**
	17,821	**65,393**	**83,214**
Unamortized deferred financing costs			**(1,447)**
Total long-term debt			**81,767**

(b) Credit Agreements and Guarantees

Chelopech

On November 12, 2012, Chelopech concluded a $16.0 million multi-purpose credit facility that matures on December 31, 2013 to support, among other things, Chelopech's derivative commodity and foreign exchange hedging contracts, if any. This credit facility is guaranteed by DPM. Advances under the multi-purpose revolving credit facility bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 3.25%. As at December 31, 2012, $4.5 million (December 31, 2011 - $4.3 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee and $10.7 million (December 31, 2011 - $nil) had been utilized against the credit limit for hedging contracts.

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

On November 12, 2012, Chelopech also concluded a $27.8 million (Euro 21.0 million) (December 31, 2011 - $10.0 million) bank issued letter of guarantee to support Chelopech's mine closure and rehabilitation plan, which was posted with the Bulgarian Ministry of Economy, Energy and Tourism. This letter of guarantee matures on December 31, 2013 and is guaranteed by DPM. The $15.0 million of restricted cash previously held as collateral to support this mine closure and rehabilitation plan was released with the issuance of the letter of guarantee *(note 11(a))*.

DPM

On February 15, 2013, concurrent with the refinancing of the Chelopech Loans, DPM established a new $150.0 million committed revolving credit facility ("RCF") with a consortium of six banks (see *note 28, "Subsequent events"*). The RCF shares in the same security package as the Term Loans and bears interest at a spread above LIBOR, which varies between 2.75% and 4.25% depending upon the Company's outstanding debt and adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA"). The RCF has two tranches in the amounts of $125.0 million and $25.0 million that mature in February 2016 and 2018, respectively. The RCF contains terms considered normal and customary, including financial covenants that require the Company to maintain: (i) a debt leverage ratio (funded debt to adjusted EBITDA) below 3:1, (ii) a current ratio of greater than 1.5:1, and (iii) a minimum net worth of at least $500 million plus 50% of ongoing annual net earnings.

14. REHABILITATION PROVISIONS

The rehabilitation provisions represent the present value of rehabilitation costs relating to the Chelopech, Deno Gold and NCS sites, which are expected to be incurred between 2015 and 2026.

Key assumptions used in determining the rehabilitation provisions were as follows:

	December 31, 2012	December 31, 2011
Discount period		
Chelopech	**2023 - 2026**	2020 - 2023
Deno Gold	**2015 - 2018**	2012 - 2018
NCS	**2023**	2020
Discount rate		
Chelopech	**3.44%**	5.23%
Deno Gold	**16.00%**	15.95%
NCS	**6.80%**	8.70%
Inflation rate		
Chelopech	**3%**	3%
Deno Gold	**4%**	4%
NCS	**5%**	6%

Changes to rehabilitation provisions were as follows:

	Chelopech	**Deno Gold**	**NCS**	**Total**
Balance as at January 1, 2011	20,789	4,658	9,294	34,741
Remeasurement of provisions *(b)*	558	(524)	(1,098)	(1,064)
Accretion expense *(note 18)*	1,229	747	778	2,754
Balance as at December 31, 2011	22,576	4,881	8,974	36,431
Change in cost estimate *(a)*	**(1,045)**	**(234)**	**(614)**	**(1,893)**
Remeasurement of provisions *(b)*	**5,820**	**(78)**	**366**	**6,108**
Accretion expense *(note 18)*	**1,101**	**794**	**701**	**2,596**
Balance as at December 31, 2012	**28,452**	**5,363**	**9,427**	**43,242**

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

(a) During the year ended December 31, 2012, the estimated economic life of the Chelopech mine and the NCS smelter was extended by three years from 2020 to 2023 and correspondingly, the estimated timing of the rehabilitation costs to be incurred is now expected to be between 2023 and 2026 compared to the previous expectation of between 2020 and 2023. As a result, the present value of the rehabilitation provisions due to this change in the timing of the cost estimate decreased by $1.4 million for Chelopech and $0.6 million for NCS as at December 31, 2012.

(b) Remeasurement of provisions resulted from the changes in discount rates, inflation rates and foreign exchange rates at each site.

15. OTHER LONG-TERM LIABILITIES

	December 31, 2012	December 31, 2011
Finance leases *(a)*	**19,764**	21,189
Environmental commitment	**602**	602
Other liabilities	**340**	300
	20,706	22,091
Less: Current portion	**(3,033)**	(2,780)
	17,673	19,311

(a) NCS has a long-term lease agreement with Air Liquide Namibia (Pty) Ltd. for the supply of oxygen. The initial term of the lease is 15 years extending to 2025, payable on a monthly basis. The lease payments were discounted at a rate of 12.5%.

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

	Payments Due by Period			
	up to 1 year	**1 - 5 years**	**over 5 years**	**Total**
Minimum lease payments	4,507	11,636	18,956	**35,099**
Finance charges	(2,077)	(6,789)	(6,469)	**(15,335)**
Present value of minimum lease payments	**2,430**	**4,847**	**12,487**	**19,764**

16. SHARE BASED COMPENSATION PLANS

RSU Plan

In 2012, DPM established an RSU Plan for directors, certain employees and eligible contractors of DPM and its wholly-owned subsidiaries in consideration of past services to the Company. The Board of Directors administers the RSU plan and determines the grants. The RSUs vest equally over a three year period and are paid in cash based on the market value of DPM's publicly traded common shares on the entitlement date or dates, which should not be later than December 31 of the year that is three years after the year of service for which the RSUs are granted, as determined by the Board of Directors in its sole discretion.

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

The following is a summary of the RSUs granted for the year indicated:

	Number of RSUs	Amount
Balance as at January 1, 2012	-	-
RSUs granted	**463,700**	**1,809**
RSUs forfeited	**(13,575)**	**(46)**
Mark-to-market adjustments		**(153)**
Foreign exchange		**3**
Balance as at December 31, 2012	**450,125**	**1,613**

As at December 31, 2012, there was $2.0 million (December 31, 2011 – $nil) of RSU expenses remaining to be charged to net earnings in future periods relating to the RSU plan.

DSU plan

DPM has a DSU Plan for directors and certain employees.

Under the employee DSU Plan, grants to employees of the Company are determined by the Board of Directors, or the compensation committee, in lieu of a cash bonus. The DSUs are redeemable in cash based on the market value of DPM's publicly traded common shares on the date the employee ceases to be employed by DPM or a subsidiary thereof.

Under the director DSU Plan, effective January 1, 2005 and as amended on March 24, 2010, directors may receive a portion of their annual compensation in the form of DSUs. The DSUs are redeemable in cash based on the market value of DPM's publicly traded common shares on the date the director ceases to be a director of DPM or a subsidiary thereof.

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

	Number of DSUs	Amount
Balance as at January 1, 2011	548,162	5,170
DSUs granted	31,632	260
Mark-to-market adjustments		(613)
Foreign exchange		(131)
Balance as at December 31, 2011	579,794	4,686
DSUs granted	**59,266**	**476**
DSUs redeemed	**(33,906)**	**(284)**
Mark-to-market adjustments		**(15)**
Foreign exchange		**81**
Balance as at December 31, 2012	**605,154**	**4,944**

Stock option plans

DPM stock option plan

The Company has established an incentive stock option plan for the directors, selected employees and consultants. Pursuant to the plan, the exercise price of the option cannot be less than the market price of DPM's common shares on the trading date preceding the day the option is granted. The aggregate number of shares that can be issued from treasury under this plan is 12,500,000. Options granted vest equally over a three year period and expire five years from the date of grant.

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

During the year ended December 31, 2012, the Company granted 1,033,000 (2011 – 1,982,000) stock options with a fair value of $4.4 million (2011 – $7.6 million). The estimated value of the options granted will be recognized as an expense in the consolidated statements of earnings and an addition to contributed surplus in the consolidated statements of changes in shareholders' equity over the vesting period. The Company recorded stock option expenses of $4.8 million (2011 – $4.6 million) for the year ended December 31, 2012 under the DPM stock option plan.

As at December 31, 2012, there was $3.5 million (December 31, 2011 – $4.6 million) of share based compensation cost remaining to be charged to net earnings in future periods relating to stock option grants. The fair value of options granted was estimated using the Black-Scholes option pricing model. The expected volatility is estimated based on the historic average share price volatility. The inputs used in the measurement of the fair values at the time the options were granted were as follows:

	2012	2011
Five year risk free interest rate	**1.1% - 1.6%**	1.5% - 2.6%
Expected life in years	**4.75**	4.75
Expected volatility	**54.9% - 57.2%**	49.0% - 54.0%
Dividends per share	**-**	-

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

	Number of options	**Weighted average exercise price per share (Cdn$)**
Balance as at January 1, 2011	5,405,109	3.38
Options granted	1,982,000	8.85
Options exercised	(554,343)	2.37
Options forfeited	(651,197)	5.49
Options expired	(210,000)	10.66
Balance as at December 31, 2011	5,971,569	4.80
Options granted	**1,033,000**	**9.06**
Options exercised	**(394,662)**	**3.74**
Options forfeited	**(105,236)**	**7.45**
Options expired	**(78,839)**	**9.25**
Balance as at December 31, 2012	**6,425,832**	**5.46**

The following lists the options outstanding and exercisable as at December 31, 2012:

	Options outstanding			**Options exercisable**	
Range of exercise prices per share (Cdn$)	**Number of options outstanding**	**Weighted average remaining years**	**Weighted average exercise price per share (Cdn$)**	**Number of options exercisable**	**Weighted average exercise price per share (Cdn$)**
1.37 - 4.27	3,459,432	1.70	2.53	2,906,159	2.25
6.00 - 7.71	116,400	2.94	7.27	62,232	7.23
8.09 - 10.33	2,850,000	3.60	8.93	622,643	8.85
1.37 - 10.33	**6,425,832**	**2.57**	**5.46**	**3,591,034**	**3.48**

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

Avala stock option plan

Avala has established an incentive stock option plan for directors, officers, employees and consultants. The stock option expense in respect of this plan was $3.2 million (2011 - $3.2 million) for the year ended December 31, 2012.

As at December 31, 2012, an additional $1.1 million (December 31, 2011 - $2.8 million) is expected to be charged to earnings in future periods relating to these stock option grants. The fair value of options granted was estimated using the Black-Scholes option pricing model. The expected volatility is estimated based on the historic average share price volatility. The inputs used in the measurement of the fair values at the time the options were granted were as follows:

	2012	2011
Five year risk free interest rate	**1.2% - 1.5%**	1.3% - 2.8%
Expected life in years	**5.0**	5.0
Expected volatility	**84.1% - 139.8%**	120.5% - 135.3%
Dividends per share	**-**	-

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

	Number of options	**Weighted average exercise price per share (Cdn$)**
Balance as at January 1, 2011	7,158,334	0.36
Options granted	5,460,000	1.20
Options forfeited	(83,334)	(0.35)
Balance as at December 31, 2011	12,535,000	0.72
Options granted	**2,755,000**	**0.71**
Balance as at December 31, 2012	**15,290,000**	**0.72**

The following lists the options outstanding and exercisable as at December 31, 2012:

	Options outstanding			**Options exercisable**	
Range of exercise prices per share (Cdn$)	**Number of options outstanding**	**Weighted average remaining years**	**Weighted average exercise price per share (Cdn$)**	**Number of options exercisable**	**Weighted average exercise price per share (Cdn$)**
0.35 - 0.50	6,975,000	2.60	0.35	6,975,000	0.35
0.51 - 1.00	2,675,000	4.48	0.68	1,091,667	0.68
1.01 - 1.25	5,640,000	3.70	1.20	3,733,333	1.20
	15,290,000	**3.33**	**0.72**	**11,800,000**	**0.65**

Dunav stock option plan

Dunav has established an incentive stock option plan for directors, officers, employees and consultants. The stock option expense in respect of this plan was $1.5 million (2011 - $0.8 million) for the year ended December 31, 2012.

As at December 31, 2012, an additional $0.4 million (December 31, 2011 - $1.5 million) is expected to be charged to earnings in future periods relating to these stock option grants.

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

17. EXPENSES BY NATURE

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

	2012	2011
Raw materials, consumables and spare parts	**100,779**	91,860
Staff costs	**63,619**	59,037
Service costs	**35,085**	24,081
Exploration	**32,573**	18,514
Royalties	**12,141**	10,333
Share based compensation expense	**11,560**	8,293
Insurance	**4,393**	4,535
Depletion of mine properties *(note 8)*	**9,090**	6,101
Depreciation of property, plant and equipment *(note 9)*	**27,394**	21,713
Amortization of intangible assets *(note 10)*	**3,724**	3,624
Other costs	**7,669**	13,834
Total operating costs	**308,027**	261,925

18. FINANCE COST

	2012	2011
Interest on borrowings *(a)*	**935**	452
Finance charges under finance leases	**2,172**	2,245
Accretion expense related to rehabilitation provisions *(note 14)*	**2,596**	2,754
	5,703	5,451

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

19. OTHER (EXPENSE) INCOME

	2012	2011
Unrealized losses on Sabina special warrants *(note 6(a))*	**(9,803)**	(22,771)
Realized (losses) gains on publicly traded securities *(note 6(b))*	**(85)**	6,259
Net (losses) gains on derivative commodity contracts *(note 6(c))*	**(7,952)**	35,871
Impairment loss on property, plant & equipment	**(2,218)**	(551)
Impairment loss on intangible assets	**(2,409)**	(496)
Net foreign exchange losses	**(565)**	(2,187)
Other	**683**	75
	(22,349)	16,200

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

20. INCOME TAXES

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

	2012	2011
Current income tax expense on earnings	**19,621**	13,829
Deferred income tax expense related to origination and reversal of temporary differences	**202**	2,647
Income tax expense	**19,823**	16,476

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

	2012	2011
Combined Canadian federal and provincial statutory income tax rates ***(a)***	**26.50%**	**28.25%**
Earnings before income taxes	**49,654**	88,605
Income tax expense at Canadian statutory rates	**13,158**	25,031
Adjusted for the effect of:		
Lower rates on foreign earnings	**(18,636)**	(26,087)
Unrecognized tax benefit relating to foreign and Canadian losses	**22,752**	9,114
Non-deductible portion of capital losses	**1,310**	2,327
Gain on sale of interest in Dundee Moly Company d.o.o.	**-**	4,320
Non-deductible share based compensation expense	**1,277**	1,305
Other, net	**(38)**	466
Income tax expense	**19,823**	16,476

(a) The Canadian government's previously enacted change in the 2012 federal income tax rate from 16.5% to 15.0% became effective on January 1, 2012, resulting in the change in the annualized combined federal and provincial statutory income tax rates from 28.25% to 26.5% for 2012.

The income tax credited to other comprehensive income for the year ended December 31, 2012 was $2.7 million (2011 – $4.7 million) relating to the deferred income tax on losses on publicly traded securities.

The income tax charged directly to equity for the year ended December 31, 2012 was $0.6 million (2011 - $nil) relating to the current income tax on taxable gains on expiry of DPM's warrants *(note 24(a))*.

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

The significant components of the Company's deferred income taxes as at December 31, 2012, and 2011 were as follows:

	December 31, 2012	December 31, 2011
Deferred income tax assets		
Non-capital losses	**24,011**	15,262
Cumulative Canadian exploration expenses	**1,700**	3,759
Rehabilitation provisions	**3,269**	2,668
Depreciable property, plant and equipment	**1,825**	1,620
Share based compensation expense	**1,505**	1,172
Financing costs	**579**	1,055
Other	**2,022**	2,853
Gross deferred income tax assets	**34,911**	28,389
Unrecognized tax benefit relating to tax losses	**(25,139)**	(10,714)
Total deferred income tax assets	**9,772**	17,675
Deferred income tax liabilities		
Investments	**(5,034)**	(14,224)
Deferred exploration	**(4,683)**	(4,447)
Depreciable property, plant and equipment	**(2,410)**	(2,706)
Other	**(851)**	(1,277)
Total deferred income tax liabilities	**(12,978)**	(22,654)
Net deferred income tax liabilities	**(3,206)**	(4,979)

As at December 31, 2012, the Company had $2.4 million (December 31, 2011 - $0.4 million) deferred income tax assets and $5.6 million (December 31, 2011 - $5.4 million) deferred income tax liabilities in its consolidated statements of financial position after offsetting deferred income tax assets and liabilities incurred by the same legal entities in the same jurisdictions.

As at December 31, 2012, the Company had Canadian non-capital losses of $41.2 million (December 31, 2011 - $7.5 million) expiring between 2027 and 2032, Serbian non-capital losses of $81.4 million (December 31, 2011 - $66.5 million) expiring between 2014 and 2021, and Bulgarian non-capital losses of $2.7 million (December 31, 2011 - $2.1 million) expiring between 2013 and 2017, for which no deferred income tax assets had been recognized.

Of the total deferred income tax assets recognized in 2012, $9.3 million (2011 – $15.3 million) is expected to be recovered after more than 12 months. Of the total deferred income tax liabilities recognized in 2012, $12.8 million (2011 – $19.8 million) is expected to be recovered after more than 12 months.

The Company is subject to assessments by various taxation authorities which may interpret tax legislation and tax filing positions differently than the Company. Such differences are provided for when it is probable that the Company's filing position will not be upheld and the amount of the tax exposure can be reasonably estimated. As at December 31, 2012 and 2011, no provisions have been made in the consolidated financial statements for potential tax liabilities relating to such assessments and interpretations.

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

21. EARNINGS PER SHARE

	2012	2011
Net earnings attributable to common shareholders	**54,376**	86,091
Basic weighted average number of common shares outstanding	**125,401,846**	125,116,438
Effect of warrants	**12,513,391**	12,578,414
Effect of stock options	**2,435,901**	2,678,399
Diluted weighted average number of common shares	**140,351,138**	140,373,251
Basic earnings per share	**0.43**	0.69
Diluted earnings per share	**0.39**	0.61

22. KEY MANAGEMENT REMUNERATION

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

The remuneration of the key management of the Company, as defined above, for the years ended December 31, 2012 and 2011 was as follows:

	2012	2011
Salaries, management bonuses and director fees	**5,510**	4,899
Other benefits	**68**	758
Share based compensation *(a)*	**3,706**	3,680
Total remuneration	**9,284**	9,337

(a) Share based compensation is based on the total fair value of the stock options, DSUs and RSUs at the date authorized to be granted or granted for the years ended December 31, 2012 and 2011. The stock options and RSUs vest equally over a three year period *(note 16)*.

23. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Items not affecting cash and other adjustments:

	2012	2011
Depreciation and amortization	**40,208**	31,438
Net interest expense	**2,059**	1,286
Accretion expense related to rehabilitation provisions	**2,596**	2,754
Impairment loss on assets held for sale	**-**	110
Impairment loss on property, plant & equipment	**2,218**	551
Impairment loss on intangible assets	**2,409**	496
Share based compensation expense	**11,560**	8,293
Unrealized losses on Sabina special warrants	**9,803**	22,771
Realized losses (gains) on sale of publicly traded securities	**85**	(6,259)
Net losses (gains) on derivative commodity contracts	**7,952**	(35,871)
Other, net	**(2,580)**	4,743
Items not affecting cash and other adjustments	**76,310**	30,312

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

(b) Changes in non-cash working capital:

	2012	2011
(Increase) decrease in accounts receivable and other assets	**(39,569)**	3,922
Increase in inventories	**(11,334)**	(4,293)
Increase in accounts payable and accrued liabilities	**7,645**	1,852
Decrease in income tax liabilities	**(926)**	(921)
Increase (decrease) in other liabilities	**1,330**	(2,135)
Changes in non-cash working capital	**(42,854)**	(1,575)

24. SUPPLEMENTARY SHAREHOLDERS' EQUITY INFORMATION

(a) Warrant issuances

On June 29, 2012, 2,760,000 warrants, issued at a fair value of $4.5 million (Cdn$4.8 million) with an exercise price of $14.73 (Cdn$15.00) per common share, expired. The originally assigned fair value of the expired warrants was transferred from warrants to contributed surplus in the consolidated statements of changes in shareholders' equity for the year ended December 31, 2012.

As at December 31, 2012, 20,439,500 warrants, issued at a fair value of $9.6 million (Cdn$11.9 million) with an expiry date of November 20, 2015, were outstanding. Each whole warrant entitles the holder to purchase one common share at a price of $3.27 (Cdn$3.25).

(b) Changes in accumulated other comprehensive income

	2012	2011
Unrealized gains on publicly traded securities		
Balance at beginning of year	**42,834**	80,051
Unrealized losses on publicly traded securities, net of income taxes	**(19,405)**	(31,219)
Realized losses (gains) on sale of publicly traded securities transferred to earnings, net of income taxes	**85**	(5,998)
Balance at end of year	**23,514**	42,834
Accumulated currency translation adjustments		
Balance at beginning of year	**(443)**	507
Currency translation adjustments	**(133)**	(950)
Balance at end of year	**(576)**	(443)
Accumulated other comprehensive income	**22,938**	42,391

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

25. COMMITMENTS AND OTHER CONTINGENCIES

(a) Contractual obligations

The Company had the following minimum future contractual obligations as at December 31, 2012:

	up to 1 year	1 - 5 years	over 5 years	Total
Debt *(note 13)*	17,821	65,393	-	**83,214**
Finance lease obligations *(note 15)*	4,507	11,636	18,956	**35,099**
Capital commitments	136,848	91,668	-	**228,516**
Purchase obligations	9,898	101	-	**9,999**
Operating lease obligations	1,364	3,429	2,103	**6,896**
Other obligations	165	211	13	**389**
Total contractual obligations	**170,603**	**172,438**	**21,072**	**364,113**

(b) Other

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

26. FINANCIAL RISK MANAGEMENT

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

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

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

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

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

Market risk

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

Commodity price risk

The Company is subject to price risk associated with fluctuations in the market prices for metals. The Company sells its products at prices that are effectively determined by reference to the traded prices on the London Metal Exchange and London Bullion Market. The prices of gold, copper, zinc and silver are major factors influencing the Company's business, results of operations and financial condition. The Company enters into derivative contracts from time to time to reduce the price exposure associated with the time lag between the provisional and final determination of its concentrate sales and projected payable copper production.

The following table demonstrates the effect on 2012 and 2011 earnings before income taxes of a 5% change in commodity prices, excluding the impact of any hedges and with all other variables held constant. The impact on equity is the same as the impact on net earnings.

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

	2012	2011
Gold	**10,967**	8,729
Copper	**7,598**	7,239
Zinc	**633**	855
Silver	**841**	1,044
Total increase on earnings before income taxes	**20,039**	17,867

The total effect of a 5% decrease in metal prices would be a decrease of $20.0 million (2011 – $17.9 million) on the Company's 2012 earnings before income taxes.

Interest rate risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in the market interest rates relates primarily to the Company's cash and cash equivalents, short-term investments, loan receivable, floating rate denominated long-term debt and finance lease obligations, the majority of which have associated cash flows based on floating interest rates. For the year ended December 31, 2012, a 100 basis point increase or decrease in interest rates across the yield curve, with all other variables held constant, would increase or decrease earnings by $1.4 million (2011 - $1.7 million), excluding a $0.7 million (2011 - $0.8 million) increase or decrease related to capitalized interest. The impact on equity is the same as the impact on net earnings.

Foreign currency risk

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

The following table demonstrates the effect on 2012 and 2011 earnings before income taxes of a 5% change in the key foreign exchange rates impacting the Company's outstanding financial assets and liabilities denominated in foreign currencies, with all other variables held constant. The impact on equity is the same as the impact on net earnings.

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

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

	2012	2011
Canadian Dollar	**(454)**	(1,784)
Euro	**1,597**	1,348
Armenian Dram	**(325)**	(47)
Namibian Dollar	**1,343**	918
Total increase on earnings before income taxes	**2,161**	435

The total effect of a 5% depreciation of the U.S. dollar would be a decrease of $2.2 million (2011 – $0.4 million) on the Company's 2012 earnings before income taxes.

Credit risk

The exposure to credit risk arises through the potential failure of a customer or another third party to meet its contractual obligations to the Company. During 2012, the Company had contracts with six customers for the sale of its concentrate production. Approximately 90% (2011 - 81%) of the total concentrate sales for the year ended December 31, 2012 were to one customer.

Under the terms of the Company's concentrate sales contracts, the purchaser makes an initial advance payment equal to 50% to 90% of the provisional value of each lot at the time title transfers. This serves to mitigate a portion of the Company's credit risk.

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

Liquidity risk

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

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

				As at December 31, 2012
	up to 1 year	**1 - 5 years**	**over 5 years**	**Total**
Accounts payable and accrued liabilities	**54,218**	**-**	**-**	**54,218**
Long term debt	**17,821**	**65,393**	**-**	**83,214**
Finance lease obligations	**4,507**	**11,636**	**18,956**	**35,099**
Other obligations	**165**	**211**	**13**	**389**
	76,711	**77,240**	**18,969**	**172,920**

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

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

Capital management

The Company's objective for capital management is to: (i) maintain sufficient levels of liquidity to fund and support its exploration, development and operating activities; (ii) maintain a strong financial position to ensure it has ready access to debt and equity markets to supplement free cash flow being invested in its growth projects; and (iii) comply with all financial covenants set out in its debt agreements and guarantees. See *note 13* for discussion on the Company's compliance with these requirements. The Company monitors its financial position and the potential impact of adverse market conditions on an ongoing basis. The Company manages its capital structure and makes adjustments to it based on prevailing market conditions and according to its business plan. The Company's primary long-term funding strategy has been to raise Canadian public equity to supplement the free cash flow generated from its businesses. As a result, the portion of debt making up the Company's capital base is relatively low. Given the long term nature of the assets being funded and the U.S. dollar denominated revenue stream generated therefrom, the Company's general strategy around any debt financing is to raise long-term U.S. dollar denominated debt to supplement these equity financings.

Overall financial leverage is monitored based upon a number of non-financial and financial factors, including a number of credit related ratios contained in DPM's loan agreements and total debt as a percentage of total capital. As of December 31, 2012, the Company was in compliance with all loan covenants and its total debt as a percentage of total capital was 10% (December 31, 2011 – 10%).

27. OPERATING SEGMENT INFORMATION

Operating segments are components of an entity whose operating results are regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance and for which separate financial information is available.

The Company has three operating segments – Chelopech in Bulgaria, Deno Gold in Armenia and NCS in Namibia. The nature of their operations and products and services are described in *note 1*, *Corporate Information*. These segments are organized predominantly by the products and services provided to customers and geography of the businesses. The Corporate and Other segment includes corporate, exploration and development projects, and other income and cost items that do not pertain directly to an operating segment.

The accounting policies of the segments are the same as those described in *note 2.2, Significant Accounting Policies*. There are no significant inter-segment transactions that have not been eliminated on consolidation. Segment performance is evaluated based on several operating and financial measures, including net earnings, which is measured consistently with net earnings in the consolidated financial statements.

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

The following table summarizes the net earnings (loss) and other relevant information by segment for the years ended December 31, 2012 and 2011:

				Year ended December 31, 2012	
	Chelopech	**Deno Gold**	**NCS**	**Corporate & Other**	**Total**
Revenue *(a)*	**263,577**	**53,989**	**67,119**	**-**	**384,685**
Cost of sales	**98,298**	**50,547**	**78,796**	**-**	**227,641**
Gross profit (loss)	**165,279**	**3,442**	**(11,677)**	**-**	**157,044**
General and administrative expenses	**-**	**-**	**-**	**37,897**	**37,897**
Exploration expenses	**-**	**-**	**-**	**42,489**	**42,489**
Finance cost	**1,942**	**798**	**2,926**	**37**	**5,703**
Interest income	**(151)**	**(6)**	**(188)**	**(703)**	**(1,048)**
Other expense	**7,843**	**1,448**	**750**	**12,308**	**22,349**
Earnings (loss) before income taxes	**155,645**	**1,202**	**(15,165)**	**(92,028)**	**49,654**
Income tax expense	**15,423**	**830**	**-**	**3,570**	**19,823**
Net earnings (loss)	**140,222**	**372**	**(15,165)**	**(95,598)**	**29,831**
Other disclosures					
Depreciation and amortization	**19,950**	**8,970**	**9,834**	**1,454**	**40,208**
Capital expenditures *(b)*	**54,523**	**18,541**	**63,034**	**12,906**	**149,004**

				Year ended December 31, 2011	
	Chelopech	Deno Gold	NCS	Corporate & Other	Total
Revenue *(a)*	199,465	73,023	65,992	-	338,480
Cost of sales	88,838	47,276	70,589	-	206,703
Gross profit (loss)	110,627	25,747	(4,597)	-	131,777
General and administrative expenses	-	-	-	28,941	28,941
Exploration expenses	-	-	-	26,281	26,281
Finance cost	1,564	756	3,096	35	5,451
Impairment loss on assets held for sale	110	-	-	-	110
Interest income	(178)	(8)	(112)	(1,113)	(1,411)
Other (income) expense	(29,113)	(531)	(316)	13,760	(16,200)
Earnings (loss) before income taxes	138,244	25,530	(7,265)	(67,904)	88,605
Income tax expense (recovery)	12,232	4,901	-	(657)	16,476
Net earnings (loss)	126,012	20,629	(7,265)	(67,247)	72,129
Other disclosures					
Depreciation and amortization	15,273	7,744	7,475	946	31,438
Capital expenditures *(b)*	72,072	13,947	25,871	5,711	117,601

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

(a) Chelopech's and Deno's revenues were generated from the sale of concentrate and NCS's revenue was generated from metals processing and smelting. For the year ended December 31, 2012, revenue from the sale of concentrate of $284.8 million (2011 - $199.9 million) was derived from a single external customer and all revenue from metals processing and smelting was derived from the same customer.

(b) Capital expenditures represent cash additions to exploration and evaluation assets *(note 7)*, mine properties *(note 8)*, property, plant and equipment *(note 9)* and intangible assets *(note 10)*. See relevant sections of these notes for total additions, including non-cash additions.

The following table summarizes the total assets and total liabilities by segment as at December 31, 2012 and 2011:

				As at December 31, 2012	
	Chelopech	**Deno Gold**	**NCS**	**Corporate & Other**	**Total**
Total current assets	**71,561**	**54,835**	**11,853**	**115,176**	**253,425**
Total non-current assets	**298,236**	**112,624**	**157,871**	**150,029**	**718,760**
Total assets	**369,797**	**167,459**	**169,724**	**265,205**	**972,185**
Total liabilities	**142,458**	**8,691**	**43,430**	**23,265**	**217,844**

				As at December 31, 2011	
	Chelopech	Deno Gold	NCS	Corporate & Other	Total
Total current assets	72,388	36,130	10,810	151,315	270,643
Total non-current assets	255,940	100,207	105,868	195,283	657,298
Total assets	328,328	136,337	116,678	346,598	927,941
Total liabilities	133,228	10,613	37,090	17,931	198,862

DPM is domiciled in Canada. Revenues by geographic location are based on the location in which the revenues originate. Revenues by geographic location for the years ended December 31, 2012 and 2011 are summarized below:

				Year ended December 31, 2012	
	Canada	**Europe**	**Armenia**	**Namibia**	**Total**
Revenue	**-**	**263,577**	**53,989**	**67,119**	**384,685**

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

For the years ended December 31, 2012 and 2011 (in thousands of U.S. dollars, unless otherwise indicated)

Assets by geographic location as at December 31, 2012 and 2011 are summarized below:

					As at December 31, 2012
	Canada	**Europe**	**Armenia**	**Namibia**	**Total**
Total current assets	**103,533**	**83,204**	**54,835**	**11,853**	**253,425**
Financial assets	**76,076**	**768**	**-**	**465**	**77,309**
Deferred income tax assets	**-**	**1,202**	**1,187**	**-**	**2,389**
Other non-current assets	**1,715**	**368,504**	**111,437**	**157,406**	**639,062**
Total assets	**181,324**	**453,678**	**167,459**	**169,724**	**972,185**

					As at December 31, 2011
	Canada	Europe	Armenia	Namibia	Total
Total current assets	108,853	114,850	36,130	10,810	270,643
Financial assets	116,103	21,058	-	488	137,649
Deferred income tax assets	-	-	437	-	437
Other non-current assets	1,879	312,183	99,770	105,380	519,212
Total assets	226,835	448,091	136,337	116,678	927,941

28. SUBSEQUENT EVENTS

Avala

On January 17, 2013, Avala closed an equity financing for gross proceeds of $8.0 million. A total of 40,000,000 units, each comprised of one common share of Avala and one share purchase warrant, were issued at Cdn$0.20 per unit. Each warrant is exercisable for a period of 24 months from closing, at an exercise price of Cdn$0.30, to acquire one common share of Avala. DPM subscribed for 25,000,000 units which increased its ownership interest in Avala from 51.4% as at December 31, 2012 to 53.1% as at January 17, 2013.

Dunav

On February 12, 2013, Dunav entered into an agreement with a syndicate of investment dealers who have agreed to offer for sale 50,000,000 units at a price of Cdn$0.30 per unit for gross proceeds of up to Cdn$15,000,000. Each unit will consist of one common share of Dunav and one share purchase warrant. Each warrant will be exercisable for a period of 36 months from closing, at an exercise price of Cdn$0.50, to acquire one common share of Dunav. This equity financing is scheduled to close on or about March 6, 2013.

DPM Term Loans and RCF

On February 15, 2013, DPM refinanced the $81.25 million Chelopech Loans with the Term Loans wherein DPM became the borrower and established a new $150.0 million RCF with a consortium of six banks (see *note 13, "Debt",* for details).

CORPORATE INFORMATION

DIRECTORS

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1 Audit Committee
2 Compensation Committee
3 Corporate Governance and Nominating Committee
4 Health, Safety and Environment Committee
5 Lead Director

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RICHARD HOWES
President and Chief Executive Officer

ADRIAN GOLDSTONE
Executive Vice President,
Sustainable Business Development

HUME KYLE
Executive Vice President and
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Investor and Regulatory Affairs,
and Corporate Secretary

MICHAEL DORFMAN
Senior Vice President,
Corporate Development

RICHARD GOSSE
Senior Vice President, Exploration

PAUL PROULX
Senior Vice President, Corporate Services

DAVID RAE
Senior Vice President, Operations

JEREMY COOPER
Vice President, Commercial Affairs

MICHAEL FRILEGH
Vice President and Treasurer

ILIYA GARKOV
Vice President and General Manager,
Deno Gold Mining Company CJSC

NIKOLAY HRISTOV
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SIMON MEIK
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REUBEN MILLS
Vice President, Safety and
Asset Risk Management

HANS NOLTE
Vice President and General Manager,
Namibia Custom Smelters (PTY) Limited

ROBERT TAYLOR
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STOCK LISTING AND SYMBOLS

The Toronto Stock Exchange
DPM – Common Shares
DPM.WT.A – 2015 Warrants

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

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(North America)
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Email: service@computershare.com

Design: Craib Design & Communications www.craib.com

TRANSFORMING OUR BRAND IDENTITY

Building off our earlier work of defining our vision and core values, in 2012 we set out to define Dundee Precious Metals' brand promise — "we succeed because we care". This important initiative will guide our communications with employees, key stakeholders and all those we work with going forward. The brand strategy has also led to a new corporate identity being rolled out across all operations during 2013. With one global name and visual identity, we expect to leverage and strengthen our brand presence and leadership around the globe.