



## DPM TO ACQUIRE 80% INTEREST IN DENO GOLD ARMENIAN PROJECT ADDS 300,000 TONNES TO ANNUAL PRODUCTION

Toronto, August 10, 2006 – Dundee Precious Metals Inc. (DPM – TSX) (“Dundee Precious”, “DPM” or “the Company”) is pleased to announce that it has signed a Share Purchase Agreement to acquire 80% of Vatrín Investment Limited (“Vatrín”), a private entity. Vatrín holds 100% of Deno Gold Mining Company (“Deno Gold”), with its principal asset, the Kapan Mining Project, located in Southern Armenia. The transaction, amounting to US\$22 million (representing US\$14 million for Vatrín shares and approximately US\$8 million of debt), plus an additional US\$10 million investment commitment for mine expansion, is expected to close by the end of this month.

The Kapan Mine has annual production of 300,000 tonnes of ore from its current underground operations, where precious metals contribute to approximately 50% of its revenues, based on long term prices. DPM intends to expand the underground operations and introduce open pit mining to maximize the present mine milling capacity of over 1 million tonnes/year. The concentrate produced at Kapan is readily saleable due to the lack of impurities or deleterious elements.

“We are excited to add this Project to our production pipeline,” said Jonathan Goodman, President and CEO of Dundee Precious. “It is our intention to invest the necessary resources and engage our operations and exploration teams to apply their expertise and bring this Project to its full production potential,” he added.

As part of Deno Gold’s plan for the development of the Kapan Mining Project, a loan was sought and approved by the European Bank for Reconstruction and Development for US\$4.5 million after undertaking standard due diligence. The proceeds have been used for capital equipment and environmental improvements.

The mining operation is based on two deposits, a copper, minor gold-silver underground mine, known as Central, and a polymetallic deposit of copper, gold, silver, zinc and minor lead, known as Shahumyan, which remains open at depth, to the North and possibly to the South. It is located approximately 1.5km from the town of Kapan and some 320km south of the Armenian capital of Yerevan. Concentrates from the project are transported by road to the town of Ararat (60km south of Yerevan) where they are offloaded onto the rail system for transport to the Black Sea via Georgia.

### Resources

As part of standard Soviet era practice, extensive diamond drilling and underground development was undertaken at both the Shahumyan and Central deposits. For example, databases compiled by Deno Gold based on Soviet era records, indicate that over 290,000m of surface and underground diamond drilling and 32,000m of underground channel sampling was completed to assess the Shahumyan deposit. No drill core remains from the Soviet era exploration programs. Based on information compiled by Deno Gold, Soviet era reports prepared for, and reportedly approved by, the Armenian government listed the following combined C1 and C2 resources for the Shahumyan and Central deposits.

Deposit	Date of Report	Tonnes (million)	Cu%	Au g/t	Zn%	Ag g/t	Pb%
Shahumyan	1989	12.4	0.56	2.5	2.5	50	0.2
Central	1979	2.9	0.99	-	-	-	-

It is understood that the resources were compiled using a sectional, polygonal estimation method, however, the exact estimation parameters are not known. As part of its due diligence process, DPM staff independently collected over 700kg of samples throughout the accessible sections of the Shahumyan deposit for assay, mineralogical studies and metallurgical testwork. Assaying of the DPM samples confirmed the overall tenor of the mineralization. In addition, mining and processing of the deposit since Deno Gold's acquisition of the project in 2003 has confirmed the tenor of the deposit. DPM has also independently sampled the mill feed and tails from the processing plant, including reference samples from previous years of production.

DPM plans to undertake an extensive drilling programme as part of its proposed activities in order to confirm the scale of the deposit and to enable a NI 43-101 compliant resource to be estimated and to be used as the source for mine scheduling as part of a definitive feasibility study.

All resource estimates quoted herein are based on prior data and reports obtained and prepared by previous operators and information provided by the State. The Company has not completed the work necessary to verify the classification of the mineral resource estimates. The Company is not treating the mineral resource estimates as NI 43-101 defined resources verified by a qualified person. The historical estimates should not be relied upon. These properties will require considerable further evaluation which DPM's management and consultants intend to carry out in due course.

### **Geology and Mineralization**

The prolific Tethyan Mineralized Belt passes through Southern Armenia. The belt is host to world class porphyry copper-gold, polymetallic vein array and epithermal gold-silver deposits. The same belt is the host to DPM's Chelopech deposit and the deposits of the Bor area in Serbia.

At Shahumyan, mineralization is hosted in strongly altered dacite, andesite and basaltic host rocks. The vein arrays at Shahumyan cover an area of over 2.5km by 1.5km and are known to extend for at least 400m vertical depth. The main ore minerals are chalcopyrite, sphalerite, pyrite and minor galena. The Central deposit is a quartz-carbonate-sulphide (chalcopyrite and pyrite) vein array with strong similarity to porphyry related mineralization.

None of the deposits contain material quantities of deleterious elements which would act as penalties in a concentrate.

### **Processing**

A crushing and flotation plant has been developed at Shahumyan using typical Soviet era construction and layouts. After primary and secondary crushing, material is transported to a storage area by conveyor to supply the concentrator. The current Shahumyan and Central ore (crusher product size of 30-50mm) passes through a rod-mill, followed by a ball mill and a small re-grind mill. The primary cyclone overflow feeds the flotation circuit comprising conventional Russian Denver style flotation cells to differentially float a gold rich copper concentrate and a zinc concentrate. There are three main thickeners, each 24m diameter, one for each type of concentrate produced (Central mine copper, Shahumyan copper-gold and Shahumyan zinc) and one small 8m diameter thickener serving the un-commissioned lead concentrate circuit. Thickened concentrates are then dried using vacuum filters producing a copper (high gold and high silver) concentrate and a separate high zinc (gold – silver) concentrate. DPM's assessment of the plant suggests that it is capable of 1 million to 1.25 million tonnes per year throughput, and capital has been budgeted to improve current metal recoveries.

Dundee Precious Metals Inc. is a Canadian based, international mining company engaged in the acquisition, exploration, development and mining of precious metals. It currently owns the Chelopech Mine, a producing gold/copper mine, and the Krumovgrad Gold Project, a mining development project, both located in Bulgaria, and is engaged in mineral exploration activities in Serbia. In addition, Dundee owns a 100% interest in the Back River gold exploration project in Nunavut, Canada and has agreed to acquire an 80% interest in the Kapan Mining Project in Armenia. The Company also holds a significant and strategic portfolio of investments in the precious metals and mineral related sector.

## FORWARD- LOOKING STATEMENTS

This news release may contain certain information that constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include the inherent risks involved in the exploration and development of mineral properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating metal prices and other factors described above and in the Company's most recent annual information form under the heading "*Risk Factors*" which has been filed electronically by means of the Canadian Securities Administrators' website located at [www.sedar.com](http://www.sedar.com). The Company disclaims any obligation to update or revise any forward-looking statements if circumstances or management's estimates or opinions should change. The reader is cautioned not to place undue reliance on forward-looking statements.

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