DPM CONTRACTS FOR SALE OF CHELOPECH PYRITE CONCENTRATE TO XIANGGUANG COPPER CO.

Toronto, December 5, 2012 – Dundee Precious Metals Inc. (DPM, DPM.WT.A – TSX) (“DPM” or “the Company”) has entered into an agreement with Xiangguang Copper Co. (“XGC”) for the sale of up to 200,000 tonnes per year of pyrite concentrate to be produced at DPM’s Chelopech mine in Bulgaria (the “Agreement”) during Stage 1 of its gold in pyrite recovery project (the “Project”). 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 US$1,200 per ounce. DPM will earn a payable amount based on the gross value of the concentrate at spot prices, net of certain transportation and processing costs.

“We are extremely pleased with this arrangement with XGC which secures a sales outlet for our clean Chelopech pyrite concentrate”, stated Jonathan Goodman, President and CEO. “This not only generates cash flow on previously unrecovered gold ounces for relatively low capital while we continue the evaluation and execution of Stage 2 of our project, it also establishes that there is an expanding market for our pyrite products.” Mr. Liu, Chairman of XGC stated “XGC is also very happy to provide solutions to DPM with its unique technologies and skills. The cooperation between the two companies will be mutually beneficial and complementary.”

The reconfiguration of the Chelopech mill during 2013 will bring annual production capacity of pyrite concentrate to 400,000 tonnes. The Agreement provides for the purchase by XGC of up to 200,000 tonnes per year of pyrite concentrate from Chelopech Mining EAD, a wholly-owned subsidiary of DPM and owner of the Chelopech mine, from 2014 to 2016. There is also the possibility of a further sale of up to 50,000 tonnes of pyrite concentrate during 2013, subject to confirming the capability of the existing mill process equipment to produce moderate amounts of pyrite concentrates in batch runs. Sales in 2016 are conditional upon various global factors such as the gold price, shipping rates and acid prices in China remaining satisfactory. The Agreement is subject to requisite permitting, government approvals and completion of the mill reconfiguration.

In addition, XGC has agreed to purchase 2,000 tonnes per month of Chelopech copper concentrates, on market competitive terms, starting April 2013 for a minimum of 12 months. Purchases will continue from March 2014, subject to three months’ cancellation notice by either Chelopech or XGC.

Background

Chelopech is an underground gold, copper and silver mine, which currently produces a copper concentrate with metal recoveries averaging 55%, 85% and 42%, respectively. The preliminary economic assessment, reported in the National Instrument 43-101 Technical Report for the Chelopech Project, Bulgaria filed on SEDAR on September 10, 2012, confirmed that through this Project there is potential to recover most of the unrecovered gold, silver and copper. The bulk of these unrecovered metals are mainly associated with the mineral pyrite, which is currently rejected in the flotation process to ensure a saleable copper concentrate. Once Bulgarian regulatory approval is received, reconfiguration of the Chelopech mill will consist of the installation of a new flotation, thickening and filtration system, creating a pyrite concentrate circuit. Consequently, at the full mine production rate of 2 million tonnes per annum, approximately 400,000 tonnes of pyrite concentrate, free of deleterious matter, will be generated from the mill feed as a separate concentrate product in addition to the copper concentrate already produced. The reconfiguration of the mill is expected to take approximately twelve months and be completed by the end of 2013 at an estimated capital cost of US$23 million. The sale of the pyrite concentrate to XGC will generate initial cash flow while the remaining phases of Stage 2 of the Project are being designed, permitted and constructed.
XGC is one of the largest modern copper smelting companies in China and in the world. Its smelter plant, located in Yanggu, County of Shandong Province, China, employs the advanced double flash smelting technology and is operated with high cost efficiency and superior environmental standards. The smelter has designed capacities of 450,000mt blister, 500,000mt cathodes, 1,400,000mt sulphuric acid and 650,000 ounces of gold every year.

DPM is a Canadian based, international gold mining company engaged in the acquisition, exploration, development, mining and processing of precious metals. The Company’s principal operating assets include the Chelopech operation, which produces a gold, copper and silver concentrate, located east of Sofia, Bulgaria; the Deno Gold operation, which produces a gold, copper, zinc and silver concentrate, located in southern Armenia; and the Tsumeb smelter, a concentrate processing facility located in Namibia. DPM also holds interests in a number of developing gold properties located in Bulgaria, Serbia, and northern Canada, including interests held through its 51.4% owned subsidiary, Avala Resources Ltd., its 47.3% interest in Dunav Resources Ltd. and its 10.7% interest in Sabina Gold & Silver Corp.

Forward-Looking Statements

This news release 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 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 timelines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made, and they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any other future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: the actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold, 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 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.

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