Dundee
PRECIOUS METALS INC.

2017 FIRST QUARTER REPORT
DUNDEE PRECIOUS METALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations

for the Three Months ended March 31, 2017

(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 months ended March 31, 2017. This MD&A should be read in conjunction with DPM's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2017 prepared in accordance with International Financial Reporting Standards ("IFRS") and the MD&A for the year ended December 31, 2016. Additional Company information, including the Company's most recent annual information form ("AIF") and other continuous disclosure documents, 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. To the extent applicable, updated information contained in this MD&A supersedes older information contained in previously filed continuous disclosure documents. Capitalized terms used in this MD&A that have not been defined have the same meanings attributed to them in DPM's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2017. 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") of the Canadian Securities Administrators and the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards for Mineral Resources and Mineral Reserves, and has been reviewed and approved by Richard Gosse, M.Sc. (Mineral Exploration), Senior Vice President, Exploration of DPM and Ross Overall, B.Sc. (Applied Geology), Corporate Senior Resource Geologist of DPM, who are Qualified Persons as defined under NI 43-101 ("QP"), and not independent of the Company.

This MD&A has been prepared as at May 3, 2017.

Our Business

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

The Company's vision is to be a progressive gold mining company that unlocks superior value through innovation and strong partnerships with stakeholders. Through operational excellence and innovation capability, DPM is focused on optimizing the performance of each of its operating assets to deliver strong margins and safe and reliable production results. The Company is also focused on building a pipeline of future growth opportunities that leverages that same expertise to unlock value and generate a superior return on capital employed. DPM's demonstrated ability to engage and work closely with key stakeholders, and conduct its business in a responsible and sustainable manner, allows the Company to be successful in each of the countries in which it operates.

Continuing operations:

DPM's principal subsidiaries include:

- 100% of Dundee Precious Metals Chelopech EAD ("Chelopech"), which owns and operates a gold, copper and silver mine located east of Sofia, Bulgaria;
- 100% of Dundee Precious Metals Krumovgrad EAD ("Krumovgrad"), which is currently constructing a gold mine located in south eastern Bulgaria, near the town of Krumovgrad, that is expected to commence production in the fourth quarter of 2018; and
- 100% of Dundee Precious Metals Tsumeb (Proprietary) Limited ("Tsumeb"), which owns and operates a custom smelter located in Tsumeb, Namibia.

DPM also owns 100% of Avala Resources Ltd. ("Avala"), which is incorporated in British Columbia, Canada, and focused on the exploration and development of the Lenovac project, the Timok gold project, the Tulare copper and gold project and other early stage projects in Serbia.

Discontinued operations:

On April 28, 2016, DPM sold 100% of Dundee Precious Metals Kapan CJSC ("Kapan"), which owns and operates a gold, copper, zinc and silver mine in the town of Kapan, located south east of the capital city of Yerevan in southern Armenia.

KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS

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

$ thousands, unless otherwise indicated	Three Months	
Ended March 31,	**2017**	2016
Financial Results		
Revenue(1)	**74,668**	70,168
Cost of sales(1)	**62,933**	57,016
Depreciation and amortization(1)	**15,895**	18,949
Other expense(1)	**(12,561)**	(7,114)
Loss before income taxes(1)	**(11,514)**	(3,665)
Income tax expense(1)	**(1,058)**	(447)
Net loss from continuing operations attributable to common shareholders	**(12,518)**	(3,757)
Net loss attributable to common shareholders	**(12,518)**	(6,054)
Basic loss per share from continuing operations	**(0.07)**	(0.03)
Basic loss per share attributable to common shareholders	**(0.07)**	(0.04)
Adjusted EBITDA(1),(2)	**13,515**	21,510
Adjusted loss before income taxes(1),(2)	**(4,378)**	(776)
Adjusted net loss(1),(2)	**(6,164)**	(1,284)
Adjusted basic loss per share(1),(2)	**(0.04)**	(0.01)
Cash provided from operating activities(1)	**34,566**	5,523
Cash provided from operating activities, before changes in non-cash working capital(1),(2)	**16,980**	30,690
Free cash flow(1),(2)	**11,253**	21,345
Capital expenditures incurred(1):		
Growth(2)	**16,305**	7,112
Sustaining(2)	**5,679**	4,311
Total capital expenditures	**21,984**	11,423
Operational Highlights		
Payable metals in concentrate sold(1)		
Gold *(ounces)*(3)	**43,478**	31,747
Copper *('000s pounds)*	**8,316**	8,523
Silver *(ounces)*	**42,429**	32,104
Cash cost per tonne of ore processed *($)*(2),(4)	**33.29**	34.04
Cash cost per ounce of gold sold, net of by-product credits *($)*(2),(5),(6),(7)	**582**	572
All-in sustaining cost per ounce of gold *($)*(2),(5),(7),(8)	**710**	726
Complex concentrate smelted at Tsumeb *(tonnes)*	**41,635**	57,422
Cash cost per tonne of complex concentrate smelted at Tsumeb, net of by-products credits *($)*(2),(9)	**552**	337
As at,	**March 31, 2017**	December 31, 2016
Financial Position		
Cash	**35,548**	11,757
Investments at fair value	**30,543**	19,216
Total assets	**752,424**	733,952
Debt(10)	**16,157**	41,110
Equity	**585,595**	552,027
Common shares outstanding *('000s)*	**178,441**	160,588
Share price *(Cdn$ per share)*	**2.82**	2.25

1) *Information relates to continuing operations.*
2) *Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"); adjusted loss before income taxes; adjusted net loss; adjusted basic loss per share; cash provided from operating activities, before changes in non-cash working capital; free cash flow; growth and sustaining capital expenditures; cash cost per tonne of ore processed; cash cost per ounce of gold sold, net of by-product credits; all-in sustaining cost per ounce of gold; and cash cost per tonne of complex concentrate smelted, net of by-product credits, are not defined measures under GAAP. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS.*
3) *Includes payable gold in pyrite concentrate sold in the first quarter of 2017 of 9,740 ounces compared to 9,713 ounces for the corresponding period in 2016.*

4) *Cash cost per tonne of ore processed represents Chelopech related production expenses, including mining, processing, services, royalties and general and administrative, divided by tonnes of ore processed.*
5) *Includes payable gold in pyrite concentrate sold, and the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate of $6.6 million in the first quarter of 2017 compared to $7.7 million in the corresponding period in 2016. Cash cost per ounce of gold sold, net of by-product credits, excluding payable gold in pyrite concentrate sold and related costs, in the first quarter of 2017 was $554 compared to $472 for the corresponding period in 2016. All-in sustaining cost per ounce of gold, excluding payable gold in pyrite concentrate sold and related costs, in the first quarter of 2017 was $720 compared to $695 for the corresponding period in 2016.*
6) *Cash cost per ounce of gold sold, net of by-product credits, represents cost of sales at Chelopech less depreciation, amortization and other non-cash expenses plus treatment charges, penalties, transportation and other selling costs less by-product copper and silver revenues, including realized losses and gains on copper swap contracts, divided by the payable gold in copper and pyrite concentrate sold.*
7) *Includes realized losses on copper swap contracts, entered to hedge a portion of projected payable production, of $2.0 million during the first quarter of 2017 compared to realized gains of $1.1 million for the corresponding period in 2016.*
8) *All-in sustaining cost per ounce of gold represents cost of sales at Chelopech less depreciation, amortization and other non-cash items plus treatment charges, penalties, transportation and other selling costs, sustaining capital expenditures, rehabilitation related accretion expenses and an allocated portion of the Company's general and administrative expenses and corporate social responsibility expenses, less by-product revenues in respect of copper and silver, including realized losses and gains on copper swap contracts, divided by the payable gold in copper and pyrite concentrate sold.*
9) *Cash cost per tonne of complex concentrate smelted, net of by-product credits at Tsumeb represents cost of sales less depreciation and amortization, net of revenue related to the sale of acid and arsenic divided by the volumes of complex concentrate smelted.*
10) *Long-term debt, including current portion.*

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 lev, which is pegged to the Euro, the Namibian dollar, which is pegged 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 and silver based on the London Bullion Market Association ("LBMA") for gold and silver, and the London Metal Exchange ("LME") for copper (Grade A) for the three months ended March 31, 2017 and 2016 and highlights the overall year over year strength in commodity prices.

Metal Market Prices (Average)	**Three Months**		
Ended March 31,	**2017**	2016	**Change**
LBMA gold *($/ounce)*	**1,219**	1,180	**3%**
LME settlement copper *($/pound)*	**2.65**	2.12	**25%**
LBMA spot silver *($/ounce)*	**17.42**	14.83	**17%**

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

Average Foreign Exchange Rates	**Three Months**		
Ended March 31,	**2017**	2016	**Change**
US$/Cdn$	**1.3229**	1.3741	**(4%)**
Euro/US$	**1.0653**	1.1031	**3%**
US$/ZAR	**13.2104**	15.8041	**(16%)**

The following table sets out the applicable closing foreign exchange rates as at March 31, 2017 and 2016 and the extent to which the U.S. dollar has strengthened (weakened) relative to each of the currencies.

Closing Foreign Exchange Rates			
As at March 31,	**2017**	2016	**Change**
US$/Cdn$	**1.3299**	1.2987	**2%**
Euro/US$	**1.0682**	1.1355	**6%**
US$/ZAR	**13.4037**	14.8208	**(10%)**

Operational Highlights

Deliveries from continuing operations

In the first quarter of 2017, payable gold in concentrate sold increased by 37% to 43,478 ounces, payable copper decreased by 2% to 8.3 million pounds and payable silver increased by 32% to 42,429 ounces, in each case, relative to the corresponding period in 2016. The increase in payable gold was due primarily to the timing of shipments in 2016, which resulted in a lower gold bearing copper concentrate being sold in the first quarter of 2016.

Complex concentrate smelted

Complex concentrate smelted during the first quarter of 2017 of 41,635 tonnes was 27% or 15,787 tonnes lower than the corresponding period in 2016 due primarily to the timing of the Ausmelt furnace maintenance shutdown that took place in February, compared to June in 2016, and resulted in 24 days of downtime in the period.

Financial Highlights

Revenue from continuing operations

Revenue during the first quarter of 2017 of $74.6 million was $4.5 million higher than the corresponding period in 2016 due primarily to higher volumes of payable gold in concentrate sold, higher market prices for all metals and higher toll rates at Tsumeb, partially offset by lower volumes of complex concentrate smelted, increased deductions related to slag mill concentrate returns, stockpile interest and metals exposure, and higher deductions for treatment charges and transportation costs at Chelopech due to a greater proportion of concentrate delivered to Tsumeb. Revenue in the first quarter of 2017 excluded realized losses of $2.0 million (2016 – realized gains of $1.5 million) on copper and gold swap contracts related to payable copper and gold sold in the period, which were recorded in other expense in the condensed interim consolidated statements of loss.

The average realized gold price, including realized hedging gains, for the first quarter of 2017 was $1,230 per ounce, up 2% compared to the corresponding period in 2016. The average realized copper price, including realized hedging losses, for the first quarter of 2017 was $2.41 per pound, up 7% compared to the corresponding period in 2016. Average realized gold and copper prices are not defined measures under GAAP. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS.

Cost of sales from continuing operations

Cost of sales in the first quarter of 2017 of $62.9 million was $5.9 million higher than the corresponding period in 2016 due primarily to the timing of shipments, higher cost per tonne copper concentrate sold in the quarter as a result of lower copper grades, and higher operating expenses related to contractors, consumables and labour at Tsumeb, partially offset by lower depreciation at Tsumeb as a result of changes in the estimated useful lives for certain assets and the impairment charge taken in the fourth quarter of 2016.

All-in sustaining cost per ounce of gold

All-in sustaining cost per ounce of gold in the first quarter of 2017 of $710 was $16 lower than the corresponding period in 2016. This decrease was due primarily to higher volumes of payable gold in concentrate sold, higher by-product prices and lower cash outlays for sustaining expenditures, partially offset by higher cost per tonne copper concentrate sold, higher treatment charges and transportation costs, and higher allocated general and administrative expenses.

Cash cost per tonne of complex concentrate smelted, net of by-product credits

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the first quarter of 2017 of $552 was 64% higher than the corresponding period in 2016 due primarily to lower volumes of complex concentrate smelted as a result of the timing of the Ausmelt furnace maintenance shutdown and higher operating expenses related to contractors, consumables and labour.

Other expense from continuing operations

Other expense is comprised of any realized gains or losses from the sales of certain publicly traded securities, foreign exchange translation gains or losses, unrealized gains or losses on Sabina Gold and Silver Corp. (“Sabina”) special warrants, gains or losses on commodity swap and option contracts, gains or losses on the forward point component of the forward foreign exchange contracts and impairment charges on financial assets. The commodity swap and option contracts and the forward point component of the forward foreign exchange contracts, which are effective hedges from an economic perspective, 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 these contracts are included in other expense.

The following table summarizes the items making up other expense:

$ thousands	**Three Months**	
Ended March 31,	**2017**	2016
Net gains on Sabina special warrants	**1,177**	455
Net losses on commodity swap and option contracts	**(13,008)**	(6,822)
Net gains on forward foreign exchange contracts	**880**	1,396
Net foreign exchange losses	**(1,886)**	(1,476)
Interest income	**65**	48
Other income (expense), net	**211**	(715)
Total other expense	**(12,561)**	(7,114)

During the first quarter of 2017, the Company reported unrealized losses on commodity swap and option contracts of $9.9 million (2016 – $7.1 million). The Company also reported realized losses on the settlement of certain commodity swap and option contracts of $3.1 million (2016 – realized gains of $0.3 million) during the first quarter of 2017.

Income tax expense

The effective tax rate of the Company can vary significantly from one period to the next based on a number of factors. For the three months ended March 31, 2017 and 2016, the Company’s effective tax rate was impacted primarily by the Company’s mix of foreign earnings and losses, which are subject to lower tax rates in certain jurisdictions, and unrecognized tax benefits relating to the corporate operating, exploration and development costs.

$ thousands	**Three Months**	
Ended March 31,	**2017**	2016
Loss before income taxes from continuing operations	**(11,514)**	(3,665)
Combined Canadian federal and provincial statutory income tax rates	**26.5%**	26.5%
Expected income tax recovery	**(3,051)**	(971)
Lower rates on foreign losses (earnings)	**2,147**	(911)
Unrecognized tax benefits relating to losses	**1,722**	2,189
Non-taxable portion of capital gains	**(294)**	(434)
Non-deductible share based compensation expense	**107**	147
Other, net	**427**	427
Income tax expense	**1,058**	447
Effective income tax rates	**(9.2%)**	(12.2%)

Net loss attributable to common shareholders from continuing operations

In the first quarter of 2017, the Company reported a net loss attributable to common shareholders from continuing operations of $12.5 million compared to $3.8 million in the corresponding period in 2016. The higher loss was due primarily to lower volumes of complex concentrate smelted as a result of the timing of the Ausmelt furnace maintenance shutdown, higher treatment charges and transportation costs at

Chelopech due to a greater proportion of concentrate delivered to Tsumeb, and higher cost per tonne copper concentrate sold as a result of lower copper grades. These unfavourable variances were partially offset by higher volumes of payable gold in concentrate sold as a result of the timing of shipments in 2016, which resulted in a lower gold bearing copper concentrate being sold in the first quarter of 2016, as well as higher realized metal prices.

Net loss attributable to common shareholders from continuing operations for the first quarter of 2017 was impacted by net after-tax losses of $6.3 million (2016 – $2.5 million) related to several items not reflective of the Company's underlying operating performance, including unrealized losses on commodity swap and option contracts entered to hedge a portion of future production, unrealized losses and gains on the forward point component of the forward foreign exchange contracts entered to hedge a portion of foreign denominated operating costs and capital expenditures, and net gains on Sabina special warrants, each of which are excluded from adjusted net loss.

Adjusted net loss

Adjusted net loss in the first quarter of 2017 was $6.2 million compared to $1.3 million in the first quarter of 2016. Adjusted net loss was impacted by the same factors affecting net loss attributable to common shareholders from continuing operations, except for gains on Sabina special warrants, unrealized losses and gains on the forward point component of the forward foreign exchange contracts entered to hedge a portion of foreign denominated operating costs and capital expenditures, and unrealized losses on commodity swap and option contracts entered to hedge a portion of future production, each of which are excluded from adjusted net loss as these items are not reflective of the Company's underlying operating performance.

The following table summarizes the key drivers affecting the change in adjusted net loss:

($ millions) **Ended March 31,**	**Three Months**
Adjusted net loss - 2016	**(1.3)**
Lower smelter volumes	(10.5)
Higher treatment charges and transportation costs for Chelopech(1)	(8.3)
Higher cost/tonne copper concentrate sold(2)	(5.2)
Higher deductions for slag mill concentrate returns, stockpile interest and metals exposure	(3.7)
Higher general and administrative, and exploration expenses	(2.3)
Higher smelter operating expenses(2)	(1.2)
Other	0.6
Lower depreciation	3.1
Higher metal prices(3)	3.5
Higher toll rates at Tsumeb	3.7
Higher volumes of metals sold	15.4
Adjusted net loss - 2017	**(6.2)**

1) Reflects higher copper concentrate deliveries to Tsumeb and lower deliveries to Xiangguang Copper Co. ("XGC") in the first quarter of 2017 relative to the corresponding period in 2016, resulting in higher overall treatment charges at Chelopech.
2) Excludes impact of depreciation and foreign exchange.
3) Includes gains and losses on commodity swap contracts, except unrealized losses on commodity swap and option contracts related to projected payable production, and metal price adjustments related to provisionally priced sales.

Adjusted EBITDA

Adjusted EBITDA in the first quarter of 2017 was $13.5 million compared to $21.5 million in the corresponding period in 2016. This decrease was due to the same factors affecting adjusted net loss, except for depreciation, interest and income taxes, which are excluded from adjusted EBITDA.

The following table shows the adjusted EBITDA by segment:

$ thousands	Three Months	
Ended March 31,	**2017**	2016
Chelopech	**26,567**	20,601
Tsumeb	**(5,014)**	7,249
Corporate & Other	**(8,038)**	(6,340)
Total adjusted EBITDA	**13,515**	21,510

The Corporate and Other Segment includes corporate general and administrative costs, corporate social responsibility expenses, 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 from Continuing Operations" section of this MD&A for a more detailed discussion of Chelopech, Tsumeb and Corporate & Other results.

Cash provided from operating activities of continuing operations

Cash provided from operating activities in the first quarter of 2017 was $34.6 million compared to $5.5 million in the corresponding period in 2016. This increase was due primarily to favourable changes in non-cash working capital, which more than offset lower overall operating results.

The favourable change in non-cash working capital in the first quarter of 2017 of $17.6 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers and a decrease in inventories as a result of the timing of shipments. The unfavourable change in non-cash working capital in the first quarter of 2016 of $25.2 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers, a decrease in accounts payable and accrued liabilities as a result of the timing associated with supplier payments and an increase in inventories as a result of the timing of shipments.

Cash provided from operating activities, before changes in non-cash working capital, during the first quarter of 2017 was $17.0 million compared to $30.7 million in the corresponding period in 2016.

Free cash flow

Free cash flow in the first quarter of 2017 was $11.3 million compared to $21.3 million in the corresponding period in 2016. This decrease was due primarily to lower volumes of complex concentrate smelted, higher operating expenses at Tsumeb and lower proceeds from the settlements of derivative contracts, partially offset by higher volumes of payable gold in concentrate sold and lower cash outlays for sustaining capital expenditures as a result of the timing of payments.

Capital expenditures from continuing operations

Capital expenditures during the first quarter of 2017 totaled $22.0 million compared to $11.4 million in the corresponding period in 2016.

Growth capital expenditures during the first quarter of 2017 were $16.3 million compared to $7.1 million in the corresponding period in 2016 due primarily to the construction of the Krumovgrad gold project, which started in the fourth quarter of 2016, partially offset by the completion of the new copper converters at Tsumeb in the first quarter of 2016. Sustaining capital expenditures during the first quarter of 2017 were $5.7 million compared to $4.3 million in the corresponding period in 2016 and were in line with 2017 guidance.

2017 GUIDANCE

The information contained in this section of the 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 Company's guidance for 2017 is set out in the following table:

$ millions, unless otherwise indicated	**Chelopech**	**Tsumeb**	**Consolidated Guidance**
Ore mined/milled *('000s tonnes)*	2,040 – 2,200	-	2,040 – 2,200
Complex concentrate smelted *('000s tonnes)*	-	210 – 240	210 – 240
Metals contained in concentrate produced(1),(2)			
Gold *('000s ounces)*	157 – 174	-	157 – 174
Copper *(million pounds)*	33.7 – 37.0	-	33.7 – 37.0
Payable metals in concentrate sold(1)			
Gold *('000s)*	135 – 150	-	135 – 150
Copper *(million pounds)*	32.0 – 35.0	-	32.0 – 35.0
Cash cost per tonne of ore processed *($)*(3),(4)	32 – 36	-	32 – 36
Cash cost per ounce of gold sold, net of by-product credits *($)*(3),(4),(5)	670 – 810	-	670 – 810
All-in sustaining cost per ounce of gold *($)*(3),(4),(5)	-	-	840 – 965
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*(3),(4)	-	400 – 485	400 – 485
General & administrative expenses(3),(6)	-	-	18 – 22
Exploration expenses(3)	-	-	7 – 9
Sustaining capital expenditures(3),(4)	13 – 15	12 – 17	25 – 32

1) Gold produced includes gold in pyrite concentrate produced of 42,000 to 47,000 ounces and payable gold sold includes payable gold in pyrite concentrate sold of 27,000 to 30,000 ounces.
2) Metals contained in concentrate produced are prior to deductions associated with smelter terms.
3) Based on foreign exchange rates and, where applicable, metal prices that approximate current rates and prices. The assumed copper price reflects the impact of 92% of 2017 payable copper production being hedged at $2.40 per pound. The assumed Euro and ZAR exchange rates reflect the impact of the forward foreign exchange contracts.
4) Cash cost per tonne of ore processed, cash cost per ounce of gold sold, net of by-product credits, all-in sustaining cost per ounce of gold and cash cost per tonne of complex concentrate smelted, net of by-product credits, and sustaining capital expenditures have no standardized meaning under GAAP. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS.
5) Includes the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, and payable gold in pyrite concentrate sold. Cash cost per ounce of gold sold, net of by-product credits, excluding payable gold in pyrite concentrate sold and related costs, is expected to range between $640 and $790 in 2017. All-in sustaining cost per ounce of gold, excluding payable gold in pyrite concentrate sold and related costs, is expected to range between $850 and $985 in 2017.
6) Excludes mark-to-market adjustments on share-based compensation.

For 2017, the majority of the Company's growth capital expenditures are primarily focused on the construction of the Krumovgrad gold project and are expected to range between $116 million and $140 million.

The 2017 guidance provided above is not expected to occur evenly throughout the year. The estimated metals contained in concentrate produced, payable metals in concentrate sold and volumes of complex concentrate smelted are expected to vary from quarter to quarter depending on the areas being mined, the timing of concentrate deliveries and planned outages. The rate of capital expenditures is also expected to vary from quarter to quarter based on the schedule for, and execution of, each capital project.

Gold and copper production in the first quarter of 2017 was in line with the 2017 mine plan. Over the balance of 2017, quarterly gold production is expected to be similar to the first quarter and copper production is expected to be higher as a result of mining higher grade zones in the planned mining sequence for 2017. Based on the current forecast, Chelopech production and cash costs are expected to achieve the upper and lower ends, respectively, of its 2017 guidance.

At Tsumeb, the first quarter throughput was impacted by the advancement of the Ausmelt furnace maintenance shutdown into February from the original May/June timing to address accelerated refractory wear. Aligning the Ausmelt furnace maintenance shutdown with the first converter relines, scheduled for February, allowed the smelter to advance the installation of a matte holding furnace, which is expected to improve operational stability and performance. Good progress was made on converter and Ausmelt furnace optimization through the quarter. For 2017, Tsumeb throughput is expected to increase by approximately 5% to 20% over 2016 as a result of increased availability of the Ausmelt furnace, ongoing converter and Ausmelt furnace improvement initiatives and the introduction of a matte holding furnace in the second quarter of 2017. Tsumeb remains on track to meet 2017 guidance.

REVIEW OF OPERATING RESULTS BY SEGMENT FROM CONTINUING OPERATIONS

Chelopech – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	**Three Months**	
Ended March 31,	**2017**	2016
Operational Highlights		
Ore mined *(mt)*	**562,387**	555,597
Ore processed *(mt)*	**540,594**	544,591
Head grade / Recoveries in copper concentrate *(ore milled)*		
Gold *(g/mt) / %*	**3.77 / 49.8**	3.82 / 49.9
Copper *(%) / %*	**0.87 / 78.8**	1.09 / 81.1
Silver *(g/mt) / %*	**8.43 / 35.3**	10.94 / 36.1
Copper concentrate produced *(mt)*	**23,510**	29,311
Metals contained in copper concentrate produced:		
Gold *(ounces)*	**32,673**	33,387
Copper *(pounds)*	**8,179,156**	10,578,031
Silver *(ounces)*	**51,635**	69,210
Cash cost per tonne of ore processed *($)*(2),(4),(5)	**33.29**	34.04
Cash cost per ounce of gold in copper concentrate produced *($)*(2),(3),(4)	**339**	330
Cash cost per pound of copper in copper concentrate produced *($)*(2),(3),(4)	**0.74**	0.61
Copper concentrate delivered *(mt)*	**25,516**	25,241
Payable metals in copper concentrate sold:		
Gold *(ounces)*(6)	**33,738**	22,034
Copper *(pounds)*(6)	**8,315,625**	8,522,709
Silver *(ounces)*(6)	**42,429**	32,104
Cash cost per ounce of gold sold, net of by-product credits *($)*(1),(4),(7),(8)	**582**	572
Cost per tonne of copper concentrate sold *($)*(11)	**1,133**	936
Pyrite concentrate produced *(mt)*	**56,757**	59,052
Gold contained in pyrite concentrate produced *(ounces)*	**13,698**	13,431
Pyrite concentrate delivered *(mt)*	**66,129**	65,709
Payable gold in pyrite concentrate sold *(ounces)*	**9,740**	9,713
Financial Highlights		
Net revenue(9),(10)	**52,038**	38,578
Cost of sales	**28,918**	23,623
Earnings before income taxes	**9,528**	7,148
Adjusted EBITDA(4)	**26,567**	20,601
Adjusted earnings before income taxes(4)	**17,343**	11,306
Depreciation	**9,092**	9,155
Capital expenditures incurred:		
Growth(4)	**760**	943
Sustaining(4)	**1,592**	2,071
Total capital expenditures	**2,352**	3,014

1) *Includes payable gold in pyrite concentrate sold, and the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate of $6.6 million in the first quarter of 2017 compared to $7.7 million in the corresponding period in 2016. Cash cost per ounce of gold sold, net of by-product credits, excluding payable gold in pyrite concentrate sold and related costs, in the first quarter of 2017 was $554 compared to $472 in the corresponding period in 2016.*
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 $30.12 in the first quarter of 2017 compared to $31.19 in the corresponding period in 2016.*
6) *Represents payable metals in copper concentrate sold based on provisional invoices.*
7) *Cash cost 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, including realized losses and gains on copper swap contracts, divided by the payable gold in copper and pyrite concentrate sold.*
8) *Includes realized losses on copper swap contracts, entered to hedge a portion of projected payable production, of $2.0 million during the first quarter of 2017 compared to realized gains of $1.1 million in the corresponding period in 2016.*
9) *Net revenue includes the value of payable metals sold, deductions for treatment charges, penalties, transportation and other selling costs, and mark-to-market adjustments and final settlements to reflect any physical and cost adjustments on provisionally priced sales. Net favourable mark-to-market adjustments and final settlements of $2.1 million were recognized during the first quarter of 2017 compared to $5.5 million in the corresponding period in 2016. Deductions during the first quarter of 2017 were $26.3 million compared to $23.6 million in the corresponding period in 2016.*
10) *Net revenue excludes realized and unrealized gains and losses on commodity swap and option contracts entered to hedge the mark-to-market impacts associated with provisionally priced sales and future production. Under IFRS, these gains and losses are reported in other expense.*
11) *Represents cost of sales divided by volumes of copper concentrate delivered.*

Operational Highlights – Chelopech

Ore mined

Ore mined in the first quarter of 2017 of 562,387 tonnes was comparable to the corresponding period in 2016.

Ore processed

Ore processed during the first quarter of 2017 of 540,594 tonnes was comparable to the corresponding period in 2016.

Concentrate and metal production

Copper concentrate produced during the first quarter of 2017 of 23,510 tonnes was 20% lower than the corresponding period in 2016 due primarily to lower copper grades and recoveries. Pyrite concentrate produced during the first quarter of 2017 of 56,757 tonnes was 4% lower than the corresponding period in 2016. These results were in line with the mine plan.

Relative to the first quarter of 2016, gold contained in copper concentrate produced in the first quarter of 2017 decreased by 2% to 32,673 ounces, copper production decreased by 23% to 8.2 million pounds and silver production decreased by 25% to 51,635 ounces. The decrease in gold production was due primarily to a marginally lower gold grade, in accordance with the mine plan. The decreases in copper and silver production were due primarily to lower grades and recoveries.

Gold contained in pyrite concentrate produced during the first quarter of 2017 was 13,698 ounces compared to 13,431 ounces in the corresponding period in 2016.

Grades can and do vary period over period depending on the areas being mined. Gold and copper production in the first quarter of 2017 was in line with the 2017 mine plan. Over the balance of 2017, quarterly gold production is expected to be similar to first quarter and copper production is expected to be higher as a result of mining higher grade zones in the planned mining sequence for 2017. Based on the current forecast, Chelopech production and cash costs are expected to achieve the upper and lower ends, respectively, of its 2017 guidance.

Deliveries

Deliveries of copper concentrate during the first quarter of 2017 of 25,516 tonnes were comparable to the corresponding period in 2016. Deliveries of pyrite concentrate in the first quarter of 2017 of 66,129 tonnes were also comparable to the corresponding period in 2016.

In the first quarter of 2017, payable gold in copper concentrate sold increased by 53% to 33,738 ounces, payable copper decreased by 2% to 8.3 million pounds and payable silver increased by 32% to 42,429 ounces, in each case, relative to the corresponding period in 2016. The increase in payable gold was due primarily to the timing of shipments in 2016, which resulted in a lower gold bearing copper concentrate being sold in the first quarter of 2016. Payable gold in pyrite concentrate sold in the first quarter of 2017 of 9,740 ounces was comparable to the corresponding period in 2016.

Inventory

Copper concentrate inventory totaled 5,779 tonnes at March 31, 2017, down from 7,785 tonnes at December 31, 2016, reflecting the timing of shipments.

Financial Highlights – Chelopech

Net revenue

Net revenue in the first quarter of 2017 of $52.0 million was $13.5 million higher than the corresponding period in 2016 due primarily to higher volumes of payable gold in concentrate sold and higher market metal prices, partially offset by higher treatment charges and transportation costs as a result of a greater proportion of concentrate delivered to Tsumeb.

Net revenue in the first quarter of 2017 excluded realized losses on copper and gold swap contracts related to payable metals sold in the period of $2.0 million (2016 – realized gains of $1.5 million), which were recorded in other expense in the condensed interim consolidated statements of loss.

Cost of sales

Cost of sales in the first quarter of 2017 of $28.9 million was $5.3 million higher than the corresponding period in 2016 due primarily to the timing of shipments and higher cost per tonne copper concentrate sold as a result of lower copper grades.

Cash cost measures

Cash cost per tonne of ore processed in the first quarter of 2017 of $33.29 was 2% lower than the corresponding period in 2016 due primarily to lower electricity rates and input costs for certain materials, partially offset by higher royalties as a result of higher copper and gold prices, and higher employment expenses.

Cash cost per ounce of gold sold, net of by-product credits, during the first quarter of 2017 of $582 was $10 higher than the corresponding period in 2016. This slight increase was due primarily to higher cost per tonne copper concentrate sold and higher treatment charges and transportation costs, partially offset by higher volumes of payable gold in concentrate sold and higher by-product prices.

Earnings before income taxes

Earnings before income taxes in the first quarter of 2017 of $9.5 million were $2.4 million higher than the corresponding period in 2016 due primarily to higher volumes of payable gold in concentrate sold and higher realized gold and copper prices, partially offset by higher treatment charges and transportation costs, higher cost per tonne copper concentrate sold and increased unrealized losses on copper and gold swap contracts related to projected payable production.

Unrealized losses on these contracts amounted to $7.8 million (2016 – $4.1 million) in the first quarter of 2017.

Adjusted EBITDA

Adjusted EBITDA in the first quarter of 2017 was $26.6 million compared to $20.6 million in the corresponding period in 2016. This increase was due to the same factors affecting earnings before income taxes, except for unrealized losses on copper and gold swap contracts related to projected payable production, as these items are not reflective of Chelopech's underlying operating performance, and depreciation, which were excluded from adjusted EBITDA.

Adjusted earnings before income taxes

Adjusted earnings before income taxes in the first quarter of 2017 were $17.3 million compared to $11.3 million in the corresponding period in 2016.

Unrealized losses of $7.8 million (2016 – $4.1 million) in the first quarter of 2017 on copper and gold swap contracts related to projected payable production, which were included in earnings before income taxes, were excluded from adjusted earnings before income taxes.

The following table summarizes the key drivers affecting the change in adjusted earnings before income taxes:

($ millions) **Ended March 31,**	**Three Months**
Adjusted earnings before income taxes - 2016	**11.3**
Higher volumes of metals sold	15.4
Higher metal prices[1]	3.5
Other	0.6
Higher transportation costs	(1.6)
Higher cost/tonne copper concentrate sold[2]	(5.2)
Higher treatment charges[3]	(6.7)
Adjusted earnings before income taxes - 2017	**17.3**

1) *Includes gains and losses on commodity swap contracts, except unrealized losses on commodity swap and option contracts related to projected payable production, and metal price adjustments on provisionally priced sales.*
2) *Excludes impact of depreciation and foreign exchange.*
3) *Reflects higher copper concentrate deliveries to Tsumeb and lower deliveries to XGC in the first quarter of 2017 relative to the corresponding period in 2016 resulting in higher overall treatment charges.*

Capital expenditures

Capital expenditures during the first quarter of 2017 of $2.4 million were $0.6 million lower than the corresponding period in 2016 and are in line with 2017 guidance.

Tsumeb – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated **Ended March 31,**	**Three Months**	
	2017	2016
Operational Highlights		
Complex concentrate smelted *(mt)*:		
Chelopech	**14,606**	21,240
Third party	**27,029**	36,182
Total complex concentrate smelted	**41,635**	57,422
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*(1),(2)	**552**	337
Acid production (*mt*)	**38,798**	48,909
Acid deliveries (*mt*)	**26,599**	45,233
Financial Highlights		
Toll revenue	**19,777**	27,891
Acid revenue	**2,658**	3,287
Arsenic trioxide revenue	**195**	412
Total revenue	**22,630**	31,590
Cost of sales	**34,015**	33,393
Loss before income taxes	**(12,739)**	(2,306)
Adjusted (loss) earnings before interest, taxes, depreciation and amortization(2)	**(5,014)**	7,249
Adjusted loss before income taxes(2)	**(12,248)**	(3,119)
Depreciation	**6,527**	9,592
Capital expenditures incurred:		
Growth(2)	**731**	2,157
Sustaining(2)	**3,732**	2,068
Total capital expenditures	**4,463**	4,225

1) *Cash cost per tonne of complex concentrate smelted, net of by-product credit, represents cost of sales less depreciation and amortization, net of revenue related to the sale of acid and arsenic divided by the volume of complex concentrate smelted.*
2) *Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of these non-GAAP measures.*

Operational Highlights – Tsumeb

Production

Complex concentrate smelted during the first quarter of 2017 of 41,635 tonnes was 27% or 15,787 tonnes lower than the corresponding period in 2016 due primarily to the timing of the Ausmelt furnace maintenance shutdown that took place in February, compared to June in 2016, and resulted in 24 days of downtime in the period.

Throughput for 2017 is expected to range between 210,000 and 240,000 tonnes. Production in excess of this level will be limited due to the accumulation of above normal volumes of secondary materials that occurred during the construction and commissioning of the acid plant and copper converters, which, until reduced, will be a constraint on throughput as it is currently consuming approximately 10% to 20% of Tsumeb's existing smelting capacity. To expedite the handling of this excess secondary materials, reduce future stockpile interest costs and free up furnace capacity, Tsumeb commenced returning metals in the form of slag mill concentrate in addition to blister.

Financial Highlights - Tsumeb

Net revenue

Net revenue in the first quarter of 2017 of $22.6 million was $9.0 million lower than the corresponding period in 2016 due primarily to lower volumes of complex concentrate smelted as a result of the timing of the Ausmelt furnace maintenance shutdown and increased deductions related to slag mill concentrate returns, stockpile interest and metals exposure, partially offset by higher toll rates.

Cost of sales

Cost of sales in the first quarter of 2017 of $34.0 million was comparable to the corresponding period in 2016. Lower depreciation due to changes in the estimated useful lives for certain assets and the impairment charge taken in the fourth quarter of 2016 has been offset by higher operating expenses related to contractors, consumables and labour.

Cash cost per tonne of complex concentrate smelted, net of by-product credits

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the first quarter of 2017 of $552 was 64% higher than the corresponding period in 2016 due primarily to lower volumes of complex concentrate smelted as a result of the timing of the Ausmelt furnace maintenance shutdown and higher operating expenses related to contractors, consumables and labour.

Loss before income taxes

Loss before income taxes in the first quarter of 2017 was $12.7 million compared to $2.3 million in the corresponding period in 2016. The higher loss was due primarily to lower volumes of complex concentrate smelted as a result of the timing of the Ausmelt furnace maintenance shutdown, higher deductions related to slag mill concentrate returns, stockpile interest and metals exposure, and higher operating expenses, partially offset by higher toll rates and lower depreciation.

Loss before income taxes during the first quarter of 2017 was also impacted by unrealized losses of $0.5 million (2016 – unrealized gains of $0.8 million) on the forward point component of the forward foreign exchange contracts that were entered to hedge a portion of Tsumeb's operating expenses.

Adjusted (loss) earnings before interest, taxes, depreciation and amortization

Adjusted loss before interest, taxes, depreciation and amortization in the first quarter of 2017 was $5.0 million compared to adjusted EBITDA of $7.2 million in the corresponding period in 2016. This loss was due primarily to the same factors affecting loss before income taxes, except for depreciation, and unrealized losses and gains on the forward point component of the forward foreign exchange contracts that are not reflective of Tsumeb's underlying operating performance, each of which were excluded from adjusted loss before interest, taxes, depreciation and amortization.

Adjusted loss before income taxes

Adjusted loss before income taxes during the first quarter of 2017 was $12.2 million compared to $3.1 million in the corresponding period in 2016. Unrealized losses of $0.5 million (2016 – unrealized gains of $0.8 million) on the forward point component of the forward foreign exchange contracts, which were included in loss before income taxes in the first quarter of 2017, were excluded from adjusted loss before income taxes.

The following table summarizes the key drivers affecting the change in adjusted loss before income taxes:

($ millions) **Ended March 31,**	**Three Months**
Adjusted loss before income taxes - 2016	**(3.1)**
Lower volumes	(10.5)
Higher deductions for slag mill concentrate returns, stockpile interest and metals exposure	(3.7)
Higher operating expenses[1]	(1.2)
Other	(0.4)
Lower depreciation	3.0
Higher toll rates	3.7
Adjusted loss before income taxes - 2017	**(12.2)**

1) *Excludes impact of depreciation and foreign exchange.*

Capital expenditures

Capital expenditures during the first quarter of 2017 of $4.4 million were comparable to the corresponding period in 2016 and are in line with 2017 guidance.

REVIEW OF CORPORATE AND OTHER SEGMENT RESULTS

The corporate and other segment results include corporate administrative costs, corporate social responsibility expenses, 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:

$ thousands	**Three Months**	
Ended March 31,	**2017**	2016
Financial Highlights		
General and administrative expenses, excluding depreciation	**(6,495)**	(4,987)
Corporate social responsibility expenses	**(335)**	(210)
Exploration expenses	**(1,421)**	(806)
Other income (expense)(1)	**213**	(337)
Adjusted loss before interest, taxes, depreciation and amortization	**(8,038)**	(6,340)

1) *Excludes impairment charges, net gains on Sabina special warrants, unrealized losses on commodity swap and option contracts entered to hedge a portion of future production and unrealized losses and gains on forward foreign exchange contracts.*

General and administrative expenses

General and administrative expenses, excluding depreciation, of $6.5 million in the first quarter of 2017 were $1.5 million higher than the corresponding period in 2016 due primarily to higher employee compensation, the majority of which related to share based mark-to-market adjustments.

Exploration expenses

Exploration expenses during the first quarter of 2017 of $1.4 million were $0.6 million higher than the corresponding period in 2016. Refer to the "Exploration" section of this MD&A for a more detailed discussion of the Company's exploration activities.

REVIEW OF OPERATING RESULTS FROM DISCONTINUED OPERATIONS

On April 28, 2016, the Company sold its interest in Kapan to Polymetal International Plc through the disposition of all of the issued and outstanding shares of Kapan resulting in a gain of $3.4 million that was included in the results from discontinued operations in the twelve months ended December 31, 2016.

The following table summarizes the operating results of Kapan which have been aggregated and presented as discontinued operations for the three months ended March 31, 2016:

Kapan – Key Financial Highlights

$ thousands, unless otherwise indicated	**Three Months**	
Ended March 31,	**2017**	2016
Financial Highlights		
Net revenue(1),(2)	**-**	5,357
Cost of sales	**-**	5,785
Loss before income taxes	**-**	(2,087)
Net loss from discontinued operations	**-**	(2,297)

1) *Net revenue includes the value of payable metals sold, deductions for treatment charges, penalties, transportation and other selling costs, and mark-to-market adjustments and final settlements to reflect any physical and cost adjustments on provisionally priced sales. Net favourable mark-to-market adjustments and final settlements of $0.6 million were recorded during the first quarter of 2016. Deductions during the first quarter of 2016 were $0.9 million.*
2) *Net revenue excludes realized and unrealized gains and losses on commodity swap contracts entered to hedge the mark-to-market impacts associated with provisionally priced sales and future production.*

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2017, the Company had cash of $35.6 million, investments at fair value of $30.5 million, and an undrawn $275 million committed revolving credit facility ("RCF").

The Company's liquidity is impacted by several factors which include, but are not limited to, gold, copper and silver market prices, production levels, capital expenditures, operating cash costs, interest rates and foreign exchange rates. These factors are monitored by the Company on a regular basis. At March 31, 2017, the Company's cash resources and available lines of credit under its RCF continue to provide sufficient liquidity and cash resources to meet its current operating and capital expenditure requirements, as well as all contractual commitments and mandatory principal repayments. The Company may, from time to time, raise additional capital to ensure it maintains its financial strength and has sufficient liquidity to support its discretionary growth capital projects and the overall needs of the business.

On January 24, 2017, the Company completed a non-brokered private placement with the European Bank for Reconstruction and Development ("EBRD"), pursuant to which the Company issued 17,843,120 common shares of the Company at a price of Cdn$2.45 per share for gross proceeds of $33.2 million (Cdn$43.7 million). Proceeds will be used for the construction of the Krumovgrad gold project and will serve to further strengthen the Company's financial position and flexibility during the construction phase of this project.

The following table summarizes the Company's cash flow activities of continuing operations:

$ thousands	**Three Months**	
Ended March 31,	**2017**	2016
Cash provided from operating activities of continuing operations, before changes in non-cash working capital	**16,980**	30,690
Changes in non-cash working capital	**17,586**	(25,167)
Cash provided from operating activities of continuing operations	**34,566**	5,523
Cash used in investing activities of continuing operations	**(16,460)**	(12,463)
Cash provided from financing activities of continuing operations	**5,685**	7,803
Increase in cash of continuing operations	**23,791**	863
Cash of continuing operations, beginning of period	**11,757**	23,395
Cash of continuing operations, end of period	**35,548**	24,258

Cash at March 31, 2017 of $35.6 million was $11.3 million higher than the corresponding period in 2016. The primary factors impacting these cash flow movements are summarized below.

Operating Activities of Continuing Operations

Cash provided from operating activities in the first quarter of 2017 was $34.6 million compared to $5.5 million in the corresponding period in 2016. This increase was due primarily to favourable changes in non-cash working capital, which more than offset lower overall operating results.

The favourable change in non-cash working capital in the first quarter of 2017 of $17.6 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers and a decrease in inventories as a result of the timing of shipments. The unfavourable change in non-cash working capital in the first quarter of 2016 of $25.2 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers, a decrease in accounts payable and accrued liabilities, as a result of the timing associated with supplier payments, and an increase in inventories as a result of the timing of shipments.

Investing Activities of Continuing Operations

Cash used in investing activities in the first quarter of 2017 was $16.5 million compared to $12.5 million in the corresponding period in 2016.

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

$ thousands	**Three Months**	
Ended March 31,	**2017**	2016
Chelopech	**2,037**	3,148
Tsumeb	**3,245**	5,749
Krumovgrad	**10,796**	3,308
Other	**402**	276
Total cash capital expenditures	**16,480**	12,481

Cash outlays for capital expenditures in the first quarter of 2017 were higher than the corresponding period in 2016 due primarily to the construction of the Krumovgrad gold project, which started in the fourth quarter of 2016, partially offset by the completion of the new copper converters at Tsumeb in the first quarter of 2016 and lower sustaining capital expenditures.

Financing Activities of Continuing Operations

Net cash provided from financing activities in the first quarter of 2017 was $5.7 million compared to $7.8 million in the corresponding period in 2016.

On January 24, 2017, the Company completed a non-brokered private placement with the EBRD, pursuant to which the Company issued 17,843,120 common shares of the Company at a price of Cdn$2.45 per share for gross proceeds of $33.2 million (Cdn$43.7 million).

Repayments under the RCF in the first quarter of 2017 were $25.0 million compared to drawdowns of $10.0 million in the corresponding period in 2016.

Interest paid during the first quarter of 2017 was $1.4 million compared to $1.8 million in the corresponding period in 2016 as a result of lower debt levels in 2017.

Financial Position

$ thousands **As at,**	**March 31, 2017**	December 31, 2016	**Increase/ (Decrease)**
Cash	**35,548**	11,757	**23,791**
Accounts receivable, inventories and other current assets	**56,933**	79,849	**(22,916)**
Investments at fair value	**30,543**	19,216	**11,327**
Non-current assets, excluding investments at fair value	**629,400**	623,130	**6,270**
Total assets	**752,424**	733,952	**18,472**
Current liabilities	**66,053**	58,804	**7,249**
Non-current liabilities	**100,776**	123,121	**(22,345)**
Equity attributable to common shareholders	**585,392**	551,804	**33,588**
Non-controlling interests	**203**	223	**(20)**

Cash increased by $23.8 million to $35.6 million in the first quarter of 2017 due primarily to increased cash flow from operating activities, and a portion of the proceeds from the private placement with the EBRD that has not yet been deployed. Accounts receivable, inventories and other current assets decreased by $22.9 million to $56.9 million due primarily to a decrease in accounts receivable reflecting the timing of payments from customers. Non-current assets, excluding investments at fair value, increased by $6.3 million to $629.4 million due primarily to capital expenditures at Krumovgrad, Tsumeb and Chelopech, partially offset by depreciation expense.

Current liabilities increased by $7.2 million to $66.0 million in the first quarter of 2017 due primarily to an increase in accounts payable and accrued liabilities as a result of increased capital expenditures at Krumovgrad following the start of construction in the fourth quarter of 2016 and an increase in income tax liabilities. Non-current liabilities decreased by $22.3 million to $100.8 million in the first quarter of 2017 due primarily to the drawdown repayment of $25.0 million under the RCF. Equity attributable to common shareholders increased by $33.6 million to $585.4 million due primarily to proceeds from the private placement with the EBRD.

Contractual Obligations and Commitments

The Company has the following minimum contractual obligations and commitments as at March 31, 2017:

$ thousands	**up to 1 year**	**1 – 5 years**	**over 5 years**	**Total**
Debt	16,250	-	-	**16,250**
Finance lease obligations	3,046	11,032	8,162	**22,240**
Capital commitments	66,849	-	-	**66,849**
Purchase commitments	17,146	-	-	**17,146**
Operating lease payments	3,758	14,095	1,030	**18,883**
Other obligations	1,455	291	375	**2,121**
Total contractual obligations and commitments	**108,504**	**25,418**	**9,567**	**143,489**

As at March 31, 2017, Tsumeb had approximately $136 million (December 31, 2016 - $130 million) of third party in-process secondary materials, which it is obligated to process and return, generally in the form of blister.

Debt

As at March 31, 2017, the Company's total debt was $16.3 million, of which $16.3 million related to the Company's secured term loans ("Term Loans") and $nil to the Company's RCF. As at March 31, 2017, the Company's total debt, as a percentage of total capital, was 3% (December 31, 2016 – 7%) and the Company's total debt, net of cash, as a percentage of total capital, was negative 3% (December 31, 2016 – 5%). As at March 31, 2017, the Company was in compliance with all of its debt covenants.

Term Loans

The original aggregate principal amount of DPM's Term Loans was $81.25 million. The Term Loans are repayable in 10 equal semi-annual installments, which commenced in June 2013, and bear interest at a rate equal to the three month U.S. Dollar LIBOR plus 2.80%. The Term Loans are secured by pledges of the Company's investments in Krumovgrad, Chelopech and Tsumeb and by guarantees from each of these subsidiaries.

The Term Loans contain financial covenants (the "Financial Covenants") that require DPM to maintain: (i) a debt leverage ratio (funded net debt to adjusted EBITDA, as defined in the Term Loans agreement) below 4.0:1 during the construction of the Krumovgrad gold project (below 3.5:1 thereafter), (ii) a current ratio (including the unutilized credit within the $150.0 million tranche of the committed RCF in current assets) of greater than 1.5:1, and (iii) a minimum net worth of $500.0 million plus (minus) 50% of ongoing annual net earnings (losses).

As at March 31, 2017, the Term Loans had an outstanding balance of $16.3 million.

Credit Agreements and Guarantees

Chelopech and Krumovgrad

Chelopech and Krumovgrad have a $16.3 million multi-purpose credit facility that matures on November 29, 2017. 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 March 31, 2017, $4.1 million (December 31, 2016 – $4.2 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech and Krumovgrad also have a Euro 21.0 million ($22.4 million) credit facility to support their mine closure and rehabilitation plans. This credit facility matures on December 31, 2017 and is guaranteed by DPM. As at March 31, 2017, $14.6 million (December 31, 2016 - $14.6 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

DPM

DPM has a committed RCF with a consortium of banks. In March 2017, the RCF was amended to extend the terms of tranche A and tranche B by an additional year. In August 2016, the RCF was amended to extend the term of tranche C by an additional two years in anticipation of moving forward with the Krumovgrad gold project. As at March 31, 2017, the RCF is comprised of a $45.0 million tranche A maturing in February 2022, a $150.0 million tranche B maturing in February 2020, and an $80.0 million tranche C maturing in September 2021 that has quarterly availability reductions of $4.0 million beginning in the third quarter of 2018.

The RCF bears interest at a spread above LIBOR, which varies between 2.75% and 5.50% depending upon the tranche being drawn and the Company's debt leverage ratio (funded net debt to adjusted EBITDA), as defined in the RCF agreement. The RCF contains the same Financial Covenants and shares in the same security package as the Term Loans. As at March 31, 2017, DPM was in compliance with all financial covenants and there were no drawdowns under the RCF.

Outstanding Share Data

DPM's common shares are traded on the TSX under the symbol DPM. As at May 3, 2017, 178,440,698 common shares were issued and outstanding.

DPM also has 5,853,368 stock options outstanding as of the date of this MD&A with exercise prices ranging from Cdn$2.05 to Cdn$9.10 per share (weighted average exercise price – Cdn$3.69 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 March 31, 2017, the Company's investments at fair value were $30.5 million, the vast majority of which related to the value of its investment in Sabina common shares and special warrants.

The fair value of the Sabina Series B special warrants, including significant assumptions, is detailed in note 5(a) to DPM's condensed interim consolidated financial statements for the three months ended March 31, 2017.

As at March 31 2017, DPM held: (i) 23,539,713 common shares of Sabina or 10.5% of the outstanding common shares (fair value of Cdn$36.3 million) and (ii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the Back River project or upon the occurrence of certain other events. Each of the special warrants is exercisable into one common share until 2044.

For the three months ended March 31, 2017, the estimated fair value of the special warrants increased by $1.2 million to $3.2 million (December 31, 2016 - $2.0 million). As a result, the Company recognized an unrealized gain of $1.2 million (2016 – $0.5 million) in other expense in the condensed interim consolidated statements of loss.

Commodity swap and option contracts

The Company enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to eliminate or substantially reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales ("QP Hedges"). As at March 31, 2017, the Company had outstanding commodity swap contracts in respect of this exposure as summarized in the table below:

Commodity hedged	Volume hedged	Average fixed price of QP Hedges
Payable gold	23,805 ounces	$1,210.12/ounce
Payable copper	5,754,058 pounds	$2.59/pound
Payable silver	18,505 ounces	$17.17/ounce

The Company also enters into cash settled commodity swap and option contracts from time to time to reduce its future metal price exposures ("Production Hedges"). The commodity swap contracts were entered to swap future contracted monthly average copper prices for fixed prices. The commodity option contracts were entered to provide price protection below a specified "floor" price and price participation up to a specified "ceiling" price. These option contracts are comprised of a series of call options and put options (which when combined create a price "collar") that were structured so as to provide for a zero upfront cash cost.

As at March 31, 2017, the Company had outstanding commodity swap contracts as summarized in the table below:

Year of projected production	Volume of copper hedged (pounds)	Average fixed price ($/pound)
2017	24,406,790	2.40
2018	19,166,966	2.62
	43,573,756	**2.50**

As at March 31, 2017, the Company had outstanding commodity option contracts as summarized in the table below:

Year of projected production	Volume of gold hedged (ounces)	Call options sold Average ceiling price ($/ounce)	Put options purchased Floor price ($/ounce)
2017	33,750	1,497	1,200

The fair value gain or loss on commodity swap contracts was calculated based on the corresponding LME forward copper prices and New York Commodity Exchange forward gold and silver prices, as applicable. The fair value gain or loss on commodity option contracts was calculated based on the option prices quoted on the Commodity Exchange (a part of the Chicago Mercantile Exchange). As at March 31, 2017, the net fair value loss on all outstanding commodity swap and option contracts was $7.7 million (December 31, 2016 – a net fair value gain of $2.3 million), of which $0.1 million (December 31, 2016 – $4.8 million) was included in other current assets, $7.2 million (December 31, 2016 – $4.7 million) in accounts payable and accrued liabilities, $nil (December 31, 2016 – $2.2 million) in other long-term assets, and $0.6 million (December 31, 2016 - $nil) in other liabilities.

For the three months ended March 31, 2017, the Company reported unrealized losses on commodity swap and option contracts related to continuing operations of $9.9 million (2016 – $7.1 million) in other expense. The Company also reported realized losses on the settlement of certain commodity swap and option contracts related to continuing operations of $3.1 million (2016 – realized gains of $0.3 million) in other expense for the three months ended March 31, 2017.

Approximately 92% and 56% of the Company's expected payable copper production for the balance of 2017 and full year 2018, respectively, has been hedged. Approximately 31% of the expected payable gold production for the balance of 2017 has been hedged. The Company's reported (loss) earnings are exposed to unrealized mark-to-market gains and losses from future price movements during the term of the forward sales contracts.

Forward foreign exchange contracts

The Company enters into forward foreign exchange contracts from time to time to reduce the foreign exchange exposure associated with projected operating expenses and capital expenditures denominated in foreign currencies.

As at March 31, 2017, the Company had outstanding forward foreign exchange contracts in respect of projected foreign denominated operating expenses and capital expenditures as summarized in the table below:

Year of projected operating expenses	Foreign currency hedged	Amount hedged in foreign currency	Average exchange rate Foreign currency/US$
2017	Euro	8,100,000	1.1312
	ZAR	540,000,000	13.9853

Year of projected capital expenditures	Foreign currency hedged	Amount hedged in foreign currency	Average exchange rate Foreign currency/US$
2017	Euro	18,475,000	1.0687
2018	Euro	8,582,000	1.0893
	Euro	**27,057,000**	**1.0752**

Euro operating expense hedges represent approximately 21% of projected Euro operating expenses for the balance of 2017. ZAR operating expense hedges represent approximately 53% of projected Namibian dollar operating expenses for the balance of 2017. Euro capital expenditure hedges represent approximately 12% of projected Euro capital expenditures related to the Krumovgrad gold project.

The fair value gain or loss on these outstanding contracts was calculated based on the forward foreign exchange rates quoted in the market. As at March 31, 2017, the net fair value gain on all outstanding forward foreign exchange contracts was $0.5 million (December 31, 2016 – a net fair value loss of $2.0 million), of which $0.9 million (December 31, 2016 - $nil) was included in other current assets, $0.4 million (December 31, 2016 - $2.0 million) in accounts payable and other accrued liabilities, and $0.02 million (December 31, 2016 - $nil) in other long-term assets.

For the three months ended March 31, 2017, the Company recognized unrealized gains of $2.9 million (2016 – $8.2 million) in other comprehensive income on the spot component of the outstanding forward foreign exchange contracts. The Company also recognized realized losses of $1.2 million (2016 – $3.5 million) for the three months ended March 31, 2017 in cost of sales on the spot component of settled contracts.

For the three months ended March 31, 2017, the Company recognized unrealized losses of $0.5 million (2016 – unrealized gains of $0.8 million) in other expense on the forward point component of the outstanding forward foreign exchange contracts. The Company also recognized realized gains of $1.4 million (2016 – $0.6 million) for the three months ended March 31, 2017 in other expense on the forward point component of settled contracts.

The Company is also exposed to credit and liquidity risks in the event of non-performance by counterparties in connection with its commodity swap and option contracts, and forward foreign exchange contracts. These risks, which are monitored on a regular basis, are mitigated, in part, by entering into transactions with financially sound counterparties, and, where possible, ensuring contracts are governed by legally enforceable master agreements.

EXPLORATION

Chelopech Overview

In the first quarter of 2017, an intensive underground resource development diamond drilling program of 10,238 metres was completed, comprising 2,930 metres of grade control drilling and 7,308 metres of extensional drilling, designed to replace and increase Mineral Resources and Mineral Reserves.

The focus of drilling has been on the mineralized Zone 153, a new high-grade zone discovered as part of ongoing resource development drilling in ‘Upper Levels’ in the fourth quarter of 2016. Elsewhere, resource development drilling concentrated on the north-west part of the deposit, in particular Target 148, which was highlighted as a high potential area for adding Mineral Resources. A detailed review of this drilling program is discussed below.

Central Area

The main focus of underground resource development drilling in the Central area of the mine was to extend known economic mineralization in Blocks 17 and 19.

Grade control drilling in Block 19 was designed to check the continuity of mineralization in a north-northwesterly direction. As a result of four holes drilled from level 290, Block 19W was extended in a northwest direction between 310 mRL and 260 mRL. Significant results are presented in the table below within holes “G19W_290_09”, “G19W_290_10” and “G19W_290_12”.

Due to the initial success of the drilling program in Block 17, additional holes were planned in the first quarter of 2017 and subsequently drilled to explore the eastern margins of Block 17. Four holes were completed from location 19E-350-RA on level 350. They extended the silica envelope and expanded the high grade zone between 340 mRL and 260 mRL. Currently, the boundary of economic mineralization to the east and down plunge remains open and requires further drill testing. Significant results from this drilling program are presented in the table below within holes “G17_350_01”, “G17_350_02” and “G17_350_04”.

Western Area

Grade control drilling in Block 103 was conducted from 103-270-P17 on the 270 level, in preparation for up-coming mining activities in this area. Drilling aimed to verify the eastern contact of the block and increase the ore body extents (four holes with a combined total length of 650 metres). As a result, economic mineralization boundaries were re-defined and geologic confidence was improved.

From Block 150 area, seven drill holes were completed from two positions: 150-225-P27VH and 150-165-P13. Grade control drilling in Block 150 on the 165 level was designed to test the mineralization along strike in a north-easterly direction. As a result, the silica envelope and the Mineral Resource contours of Block 150 were extended between 160 mRL and 140 mRL (significant intercepts are shown from hole G150_165_01).

From the 225 level, two exploratory drill holes were completed to test the north-eastern flank of Block 150 and were designed to check for a continuation of the mineralized contours (significant intercepts are shown from hole EXT150_225_05).

Target 148

Extensional drilling in the north-west section of deposit, in particular for Target 148, is ongoing. Target 148 is located south of Block 149 South and is interpreted as being oriented sub-parallel to it. This area has been tested using only a wide-spaced drill pattern to date.

In the first quarter of 2017, seven holes with a combined total length of 2,600 metres were completed from level 225. Drilling for Target 148 redefined the silica alteration envelope and defined a new small high grade zone in the Target 148 outline. Testing of this high potential area will continue in the second quarter of 2017 (significant intercepts are shown from holes EXT148_225_14, 16).

Zone 153

A significant new mineralized zone, named Zone 153, was intersected during drilling on the 440 level during the fourth quarter of 2016. Zone 153 is located approximately 150 metres east of Block 150, 170 metres north of Block 103 and 250 metres above Block 152. The zone is open above and for approximately 100 metres below the 440 level. It is hosted within a broad silica-envelope alteration zone, defined between the 230 - 560 levels which is considered to have high potential for hosting further mineralization.

Zone 153 represents a Cu-Au±Ag high sulphidation type of epithermal mineralization, comprising semi-massive to massive stockwork vein and hydrothermal breccia zones of chalcopyrite, Cu-As-Sb sulfosalts (enargite, tennantite and tetrahedrite) and gold-rich pyrite that is typical of mineralization in the upper levels at Chelopech.

Approximately 3,240 metres of extensional drilling was completed for the Zone 153 program, from the 440 level. Drilling was designed to test continuity of the advanced argillic alteration zone which encloses mineralization of economic interest to the east. As a result of this drilling, the eastern silica alteration boundary was re-defined between 480mRL and 410mRL and the mineralization contours defined.

Drill holes EXT150_440_09 and EXT150_440_10, which were designed to explore the easterly extension of Zone 153, returned high gold grades within stockwork and disseminated styles of mineralization. These intercepts extend known economic mineralization approximately 45 metres to the east from the initial discovery drill hole EXT150_440_06. Significant intercepts are reported in the table below from drill holes EXT150_440_07, 09 and 10. Drilling will continue in the second quarter of 2017.

Outlook

The medium term resource development strategy for Chelopech has been planned, focusing on drilling the south-east and north-west sections of the deposit. A high priority has been placed on drill holes within the Zone 153 program and drilling operations will be expedited during the first half of 2017. Drilling will continue from the current location during the second quarter of 2017 and, subsequently, will test higher elevations of Zone 153 using a second drill rig located on the 505 level during the third quarter of 2017. In total, 6,000 metres of drilling has been budgeted to achieve this goal.

Additionally, there are plans to test the following targets:

- Extensional drilling in a southerly direction between Blocks 17 and 18, based on the positive results of holes drilled during the period and recent re-interpretation of both mineralized zones;
- Grade control drilling in a north-westerly direction from level 405 (405-P421-VOZDOL) targeting the upper levels of Block 150 to expand the known ore body extents and convert Mineral Resources into Mineral Reserves;
- Grade control drilling to develop Target 148 from location 150-225-P2; and
- Extensional drilling in the areas close to Blocks 8 and 10 targeting the discovery of new and expansion of known ore bodies. Historic drilling results, in combination with structural and geology models, indicate untested mineralization may be present in this area.

Significant intercepts (gold equivalent (“AuEq”) cut-off grade of 3g/t) received during the first quarter of 2017:

HOLE ID	EAST	NORTH	RL	AZ	DIP	FROM	TO	True Width (m)	AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)
EXT148_225_14	5644	29471	228	298.2	-20.1	231.0	238.5	7.0	5.11	3.97	5.22	0.55
EXT148_225_16	5644	29472	228	296.4	-17.3	255.0	267.0	11.0	3.82	3.10	3.84	0.35
EXT150_225_05	5650	29470	228	55.3	-7.4	27.0	43.5	16.5	5.34	4.32	6.66	0.49
EXT150_440_07	5988	29697	399	294	-1	148.5	169.5	21.0	4.35	3.40	6.17	0.46
EXT150_440_07	5988	29697	399	294	-1	189.0	199.5	10.5	3.10	1.45	2.56	0.80
EXT150_440_09	5764	29212	442	23	-2.4	141.0	162.0	21.0	5.36	3.97	3.72	0.67
EXT150_440_09	5764	29212	442	23	-2.4	297.0	310.5	13.5	3.79	1.66	3.94	1.04
EXT150_440_10	5763	29212	442	14.1	-0.5	146.6	184.5	37.5	12.49	9.61	6.25	1.40
G150_165_01	5696	29370	164	82	-30	0.0	40.0	34.0	28.47	27.34	4.72	0.55
G17_350_01	5961	29778	350	182.8	-13.9	84.0	106.5	22.0	4.14	2.57	3.77	0.76
G17_350_02	5961	29778	349	182.3	-33.5	99.0	117.0	16.0	3.05	2.22	1.98	0.41
G17_350_04	5961	29778	350	170.7	-26.7	84.0	117.0	30.0	5.39	3.27	4.48	1.03
G19W_290_09	5805	29901	293	263.2	11.3	1.5	24.0	22.5	4.66	5.31	10.45	0.69
G19W_290_10	5804	29902	292	282.4	-16.3	0.0	39.0	38.0	4.91	4.07	5.61	0.41
G19W_290_12	5805	29901	292	238.9	-13.6	78.0	93.0	14.5	4.07	2.00	6.22	1.00

1) *Significant intercepts are located within the Chelopech Mine Concession and proximal to the mine workings.*
2) *AuEq calculation is based on the following formula: Au g/t + 2.06xCu%.*
3) *Minimum downhole width reported is 1.5 metres with a maximum internal dilution of 4.5 metres.*
4) *Drill holes with prefix G indicate grade control drilling which is performed using BQ diamond drill core. All other holes are drilled with NQ diamond core.*
5) *Coordinates are in mine-grid.*
6) *No factors of material effect have hindered the accuracy and reliability of the data presented above.*
7) *No upper cuts applied.*
8) *For detailed information on drilling, sampling and analytical methodologies refer to the NI 43-101 Technical Report entitled "Mineral Reserve Update, Chelopech Project, Chelopech, Bulgaria" (the "Chelopech Technical Report") filed on SEDAR at www.sedar.com on March 28, 2016.*

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 extensional and BQ for grade control drilling. NQ core is cut by diamond saw, where one half of the core sample is submitted for assaying and the remaining half is retained in steel 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 and internationally accredited standards, a full suite of CRM's (certified reference materials), blanks and field duplicates are submitted to the laboratory with each batch of samples. The overall quality control sample rate is approximately 5% for reference materials, 2% for blanks, and 5% for field duplicates.

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 99.6% and the various phases of drill data show no issues with regards to recoveries.

No relationship was evident between core recoveries and the copper assay data, or the gold assay data. The weight of a core sample varies between three and seven kilograms.

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.

Chelopech Brownfield Exploration

During the first quarter of 2017, brownfield exploration activities were focused on the continuation of the underground drill program at the South-East Breccia Pipe Zone ("SEBPZ") as well as developing plans for follow-up drilling at the Sharlo Dere prospect, 500 metres north-east of the Central Area of the Chelopech mine.

Three underground diamond drill holes with a total of 1,830 metres were completed in the SEBPZ on both the Chelopech mining concession and the Brevene exploration licence in the first quarter. Results from this drilling demonstrate that phreatomagmatic breccias hosting zones of high sulphidation alteration and mineralization continue east and south-east beneath the Chelopech thrust fault. The drill hole at the eastern end of the SEBPZ, hole EX_SEBP_555_03, intersected 30.9 metres of breccia with advanced argillic alteration and associated sulfides averaging 0.64 g/t gold and 0.18% copper (1.0 g/t AuEq) including eight metres that average 1.59 g/t gold and 0.46% copper (2.54 g/t AuEq). Three more holes are planned to test the SEBPZ in the second quarter of 2017.

At Sharlo Dere, additional drilling is being planned to follow-up on encouraging results from two holes that were drilled in 2016. In addition, surface exploration on the Brevene exploration licence, including gravity and magnetotelluric geophysical surveys, geological mapping and soil sampling is in progress or is planned to start in the second quarter of 2017.

Krumovgrad, Bulgaria

In January 2017, a total of 592 metres of diamond drilling was completed in the last four holes of the 3,950 metre drilling program to test drill targets defined during the geochemical, stratigraphic and structural review of the Kupel North prospect. The results confirm the presence of a zoned, shallow level hydrothermal system over a 1-2 km^2 area that is characterized by structurally and stratigraphically-controlled colloformbanded silica–carbonate–sulphide–adularia vein zones with abundant boiling related lattice bladed textures at deeper levels.

Also during the first quarter of 2017, additional geological mapping and structural interpretation were completed and a study on vein textures as a vectoring tool was initiated. Exploration plans for the second quarter of 2017 include a five hole drill program of approximately 2,000 metres to test new targets identified near Kupel North.

The Company's application for a Geological Discovery at Kupel North was approved by the Ministry of Energy in April 2017.

Timok Gold Project, Serbia

Exploration activities in the first quarter of 2017 included limited follow-up drilling around diamond drill hole KWDD016, located one kilometre northwest of Bigar Hill, which was drilled as part of a near resource drilling program in the fourth quarter of 2016. In January 2017, a total of 446 metres was drilled in four short diamond drill holes around hole KWDD016 to better understand the geometry and true width of the mineralization and any structural or stratigraphic controls. Two scissor holes (KWDD017 and 18) were drilled from a single location 60 metres to the south-west of KWDD016, at dips of -45 and -70 degrees northwest. The other two holes were drilled to the south-west on parallel sections, hole KWDD019, 50 metres to the south-east, and hole KWDD020, 60 metres to the north-west. In contrast to the mineralization at the nearby resources of Bigar Hill and Korkan, almost all the mineralized intervals noted below are completely oxidized. Due to fracturing and oxidation, none of the mineralized core could be oriented and true widths remain unknown. Results are shown in the following table.

Recent significant drill intersections at Timok Gold project. Note that true widths are not known.

Hole ID	**Final Depth**	**From (m)**	**Interval (m)**	**Au (g/t)**
KWDD016	168.5 m	0	105	1.21
Including:		17	51	2.00
KWDD017	236.3 m	0	63	0.99
Including:		12	35	1.29
KWDD018	153.0 m	0	35	0.89
Including:		8	23	1.29
KWDD019	117.7 m	0	93	1.16
Including:		25	14	1.51
Including:		69	1	11.09
KWDD020	218.8 m	0	8	0.32

The near-resource drilling program to find additional gold resources to add to the Timok resource will resume in April 2017. In addition, greenfield programs to explore for sedimentary-rock hosted and carbonate hosted gold mineralization within the Timok licences, including infill soil sampling, geological mapping, trenching and scout drilling, are planned for the 2017 field season.

Other

DPM carries out greenfield gold exploration in Bulgaria, Serbia and Armenia. These programs involve geological mapping, systematic soil, rock-chip and channel sampling, geophysical surveys, trenching and scout drilling. In addition, DPM continues to conduct reviews of projects and prospective belts in other parts of the world.

Sampling and Analysis of Exploration Drill Core

Most of the exploration diamond drill holes are collared with PQ size, continued with HQ, and are sometimes finished with NQ. Triple tube core barrels are used, whenever possible, to improve recovery.

All drill core is cut lengthwise into two halves using a diamond saw; one half is sampled for assaying and the other half is retained in core trays. All drill core is sampled in intervals ranging up to three metres, however, the common length for sample intervals within mineralized zones is one metre. Weights of drill core samples range from three to eight kilograms, depending on the size of core, rock type, and recovery. A numbered tag is placed into each sample bag, and the samples are grouped into batches for laboratory submissions.

Quality control samples, comprising certified reference materials, blanks, and field duplicates are inserted into each batch of samples, and locations for crushed duplicates are specified. All drill core and quality control samples are tabulated on sample submission forms that specify sample preparation procedures and codes for analytical methods. For internal quality control, the laboratory includes its own quality control samples comprising certified reference materials, blanks, and pulp duplicates. Chain of custody records are maintained from sample shipment to the laboratory until analyses are completed and remaining sample materials are returned to the Company.

Drill core samples submitted to the laboratory are dried at 105˚C for a minimum of 12 hours and then jaw crushed to about 80% passing 4 mm. Sample preparation duplicates are created by riffle splitting crushed samples on a 1 in 20 basis. Larger samples are riffle split prior to pulverizing, whereas, smaller samples are pulverized entirely. Pulverizing specifications are approximately 90% passing 70 microns. Gold analyses are done using a conventional 50 gram fire assay and AAS finish. Multi-element analyses comprising 49 elements, including Cu, Mo, As, Bi, Pb, Sb, and Zn, are done using a four-acid digestion, and an ICP finish. Samples returning over 10,000 ppm for base metals are re-analyzed using high grade methods.

DEVELOPMENT AND OTHER MAJOR PROJECTS

Krumovgrad

The 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 ("IMWF"). The plant is designed to treat up to 840,000 tonnes of ore per year over an eight year mine life, including processing stockpiled low grade ore at the end of the project, which is consistent with existing permitting applications and environmental submissions. Following completion of a feasibility study in 2011, the "NI 43-101 Technical Report, Ada Tepe Deposit, Krumovgrad Project, Bulgaria" was filed on SEDAR at www.sedar.com on March 28, 2014 (the "Krumovgrad Technical Report").

The table below is a summary of the estimated capital costs required to construct and commission the project, together with the additional sustaining capital expenditures and closure costs expected to be incurred over the life of the project.

CAPITAL COST ESTIMATE SUMMARY[1]	
Item	**Total ($M)**
Direct costs	117.1
Indirect costs	48.7
Contingency $_{P50}$ (7.5% of direct + indirect costs)	12.4
Total Initial Construction Capital	**178.2**
Sustaining capital	6.2
Closure and rehabilitation costs	6.0

1) *Costs expressed as Q4 2015 US$ based on a US$ / Euro exchange rate of 1.14 and exclude escalation, financing and sunk costs.*

Operating costs are based on processing an average of 775,000 tonnes per year, producing an annual average of 85,700 ounces of gold and 38,700 ounces of silver for an estimated eight years.

SUMMARY OF ESTIMATED OPERATING COSTS(1)	
Item	**$/t ore processed(2)**
Mining costs	15.03
Processing costs	19.39
Tailings treatment & IMWF costs	1.88
General & administration	5.33
Royalty	3.78
Total Annual Operating Costs	**45.41**

1) Expressed as Q4 2015 US$.
2) Average cash cost over eight years.

Based on the Mineral Reserves and Mineral Resources contained in the Krumovgrad Technical Report, as well as the estimated capital and operating costs, the project economics and other key metrics are shown in the table below:

Key Project Operating and Financial Metrics	Life of Mine Average
Annual tonnes processed	775,000 tpy
Gold grade	4.04 g/t
Silver grade	2.22 g/t
Strip ratio	2.6:1 waste:ore (t:t)
Gold recovery	85%
Silver recovery	70%
Annual gold production	85,700 oz
Annual silver production	38,700 oz
Total cash cost per oz AuEq(1)	$404
Annual EBITDA	$66 million
Total gold production	685,549 oz
Total silver production	309,915 oz
NPV at a discount rate of 5.0%, after-tax(2)(3)	$187.6 million
Internal rate of return, after-tax ("IRR")(2)(3)	24.8%
Payback period, after-tax (from start of production)	2.4 years
Mine life	8 years

1) Based on long term metals prices of $1,250/oz Au and $15.00/oz Ag.
2) US$ / Euro exchange rate = 1.14.
3) Includes an allowance for smelter terms and community investment.

The project underwent a national environmental impact assessment ("EIA") in 2010 and an environmental permit was issued and entered into force in March 2013. Following an independent review of the EIA reports, the EBRD required a number of supplementary environmental and social studies and documents to meet the EBRD Performance Requirements ("PRs") and international good practices. In addition to the EBRD PRs, certain lenders participating in the consortium refer to the Equator Principles and therefore the project also references the International Finance Corporation ("IFC") Performance Standards (2012). The final package of supplementary environmental and social documents was approved by EBRD's Board in April 2015, following completion of the public disclosure and shareholder consultation process.

The archaeological field survey within the main Detailed Development Plan ("DDP") boundaries was finalized in December 2015, with receipt of the final archaeological protocol occurring in December 2015. Work on processing and storage of artifacts is expected to continue in 2017.

Following the final approval of the DDP, and final re-designation of the land from forestry land to industrial land in March 2016, formal transfer of land ownership to DPM was completed in May 2016. The approved main construction permit was subsequently received in August 2016, and earthworks on the project site commenced in the fourth quarter of 2016.

The main activity during the first quarter of 2017 was the ongoing execution of the earthworks scope, which is proceeding in accordance with the project plan. Site activities remain on-track for the first concrete pour in the second quarter of 2017.

At the end of the first quarter of 2017, construction of the project was approximately 16% complete, based on installed quantities. Project completion remains on track for first concentrate production in the fourth quarter of 2018, at a final estimated cost of $178 million, of which $21.7 million has been incurred to date.

Progress against the project baseline schedule is set out below:

Milestone	**Actual/Expected Completion**
Municipal approval of main DDP	Q4 2015 (complete)
Detailed project execution plan	Q1 2016 (complete)
Updated capital cost estimate and baseline project schedule	Q1 2016 (complete)
Land re-designation	Q1 2016 (complete)
Detailed engineering	Q1 2016 (complete)
Land purchase	Q2 2016 (complete)
Approval of technical packages	Q2 2016 (received)
Construction permit	Q3 2016 (received)
Mobilize earthworks contractor to site	Q4 2016 (complete)
Commence construction on site	Q4 2016 (commenced)
Pour first concrete on the site	Q2 2017
Commence main civil/mechanical/electrical construction	Q3 2017
Complete bulk earthworks	Q4 2017
Start cold commissioning	Q2 2018
Start hot Commissioning	Q3 2018
First concentrate production	Q4 2018

The Company continues to engage in an active dialogue with the municipality, government and other stakeholders, and will do so throughout the construction phase, which includes receipt of the remaining final permanent access road and discharge pipeline approvals, and the subsequent operating approvals to support the Krumovgrad gold project advancing to operation in the fourth quarter of 2018, as planned.

Tsumeb – Capital Projects

Sulphuric Acid Plant and Copper Converters

The sulphuric acid plant entered into commercial operations in the fourth quarter of 2015 and is fully operational.

Pursuant to a definitive supply agreement with Rössing Uranium Limited (“Rössing”), 225,000 tonnes of sulphuric acid is expected to be sold to Rössing on an annual basis. Tsumeb also has an agreement with Weatherly International (“WTI”) for the supply of acid to WTI’s Tschudi copper project. These agreements provide for the sale of all acid production until September 30, 2019 and August 31, 2020, respectively.

The copper converters, which were commissioned in the first quarter of 2016, entered into commercial production in the second quarter of 2016, resulting in significant reductions in SO_2 emissions being recorded in the smelter and surrounding areas.

The final capital cost for the construction of the acid plant and new copper converters was $243 million.

Rotary Holding Furnace

The Company continues to assess opportunities to further optimize the smelter operation, including the installation of a rotary holding furnace, which is expected to provide surge capacity between the Ausmelt furnace and the converters, and increase smelter recoveries. This is a potentially high return project that is expected to debottleneck and increase the throughput of complex concentrate by over 50% to up to 370,000 tonnes and, in turn, generate significant incremental margins, given the fixed cost nature of the facility.

A pre-feasibility study was completed in 2015, which evaluated a number of options to increase throughput and identified a preferred option. A subsequent feasibility study, based upon the preferred option, was completed in the fourth quarter of 2016 and confirmed the robust project economics, with an estimated implementation capital cost of approximately $52 million. The scope of the project includes the rotary holding furnace, additional cooling and other upgrades to the Ausmelt furnace, as well as upgrades to the slag mill area.

Incremental fixed operating costs associated with the operation of the holding furnace are estimated to be approximately $6.0 million per year, excluding the variable costs associated with the processing of any additional tonnage. Work to secure the necessary permits to support this planned increase in production is ongoing. An Environmental and Social Impact Assessment is underway for the project, and is expected to be submitted to the Namibian authorities for review and approval during the third quarter of 2017.

DPM anticipates moving forward with this project, subject to receipt of all major permits and adequate commercial arrangements and funding being in place.

OFF BALANCE SHEET ARRANGEMENTS

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

SELECTED QUARTERLY INFORMATION

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

$ millions	**2017**	2016[(1)]				2015[(1)]		
except per share amounts	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue[(2)]	**74.6**	82.1	54.8	72.5	70.1	53.7	52.8	58.6
Net (loss) earnings	**(12.6)**	(110.1)	(30.4)	(5.3)	(6.4)	(48.6)	2.5	1.5
Net (loss) earnings attributable to:								
• Non-controlling interest	**(0.1)**	(0.1)	(0.5)	0.3	(0.3)	(0.1)	(0.2)	(0.4)
• Discontinued operations	**-**	(2.5)	(0.1)	3.3	(2.3)	(47.6)	(0.7)	0.0
• Continuing operations	**(12.5)**	(107.5)	(29.8)	(8.9)	(3.8)	(0.9)	3.4	1.9
Net (loss) earnings per share:								
• Discontinued operations	**-**	(0.02)	(0.00)	0.02	(0.01)	(0.34)	(0.01)	0.00
• Continuing operations	**(0.07)**	(0.67)	(0.19)	(0.06)	(0.03)	(0.01)	0.03	0.01
Net (loss) earnings diluted per share:								
• Discontinued operations	**-**	(0.02)	(0.00)	0.02	(0.01)	(0.34)	(0.01)	0.00
• Continuing operations	**(0.07)**	(0.67)	(0.19)	(0.06)	(0.03)	(0.01)	0.03	0.01
Adjusted net (loss) earnings[(2)]	**(6.2)**	5.7	(19.4)	(7.4)	(1.3)	(0.8)	4.5	1.4
Adjusted basic (loss) earnings per share[(2)]	**(0.04)**	0.04	(0.12)	(0.05)	(0.01)	(0.01)	0.03	0.01

(1) 2015 and 2016 results reflect Kapan as a discontinued operation as a result of the Kapan Disposition, which closed on April 28, 2016.
(2) Information relates to continuing operations.

The variations in the Company’s quarterly results were driven largely by fluctuations in gold, copper and silver prices, and smelter toll rates, as well as foreign exchange rates, fluctuations in ore mined, grades, recoveries, volumes of complex concentrate smelted, smelter metals exposure and stockpile interest deductions, realized and unrealized gains and losses on the Company’s equity settled warrants, net gains and losses related to Sabina special warrants, unrealized and realized gains and losses on commodity swap and option contracts related to hedging the Company’s metal price exposures, unrealized gains or losses on forward foreign exchange contracts, impairment charges and common share issuances.

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

	2017	2016				2015		
Average	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
London Bullion gold ($/oz)	**1,219**	1,219	1,335	1,259	1,180	1,105	1,124	1,193
LME settlement copper ($/lb)	**2.65**	2.40	2.17	2.15	2.12	2.22	2.38	2.75
LBMA spot silver ($/oz)	**17.42**	17.18	19.62	16.78	14.83	14.76	14.91	16.41

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 on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The significant areas of estimation and uncertainty considered by management in preparing the unaudited condensed interim consolidated financial statements for the three months ended March 31, 2017 are the same as those described in the Company's MD&A for the year ended December 31, 2016.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards are not yet effective for the year ending December 31, 2017, and have not been applied when preparing the Company's unaudited condensed interim consolidated financial statements for the three months ended March 31, 2017. The Company's assessment of the impact of these new standards is set out below.

IFRS 9, *Financial Instruments*
IFRS 9, published in July 2014, replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new model for the impairment of financial assets and requires an economic relationship between the hedged item and hedging instrument.

While the Company has not finalized its detailed assessment of the classification and measurement of financial assets, equity investments currently classified as available-for-sale financial assets are expected to satisfy the conditions for classification as an asset that is fair valued through other comprehensive income or loss. Gains and losses in respect of these investments are recognized in other comprehensive income or loss, are not transferred to profit or loss upon disposition and are not subject to impairment assessments. Equity instruments currently measured at fair value with any resulting gains or losses recognized through profit or loss would likely continue to be measured on the same basis under IFRS 9. Accordingly, the Company does not expect the new standard to have a significant impact on the classification and measurement of its financial assets.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Company's risk management practices. As a general rule, more hedge relationships are expected to be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Company's preliminary assessment indicates that its existing commodity swap and option contracts, which currently do not qualify for hedge accounting under IAS 39, and its current forward foreign exchange contracts, which partially qualify for hedge accounting, would both qualify for hedge accounting under IFRS 9.

Upon adoption of IFRS 9, the effective portion of changes in fair value of commodity contracts relating to Production Hedges, which are currently recognized in other income or expense, would be recognized in other comprehensive income or loss and would be reclassified to profit or loss in the same periods as the underlying projected sales occur. In the case of forward foreign exchange contracts, the Company would continue to be able to designate the change in fair value of the spot element of the forward foreign exchange contract as the hedging instrument in the cash flow hedging relationship such that any unrealized change would be initially recognized in other comprehensive income or loss and subsequently reclassified to profit or loss in the same periods as the underlying projected expenditures occur. The Company may also elect that the forward points in the forward foreign exchange contract be separately accounted for as a cost of hedging, which would result in any change in the fair value of the forward element of the forward foreign exchange contracts being recognized in other comprehensive income or loss and accumulated as a cost of hedging reserve as a component within equity with any accumulated gains and losses being recognized in profit or loss when the contracts settle. The Company has not made a decision on this election.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39 and applies to financial assets classified at amortized cost. While the Company has not finalized its assessment of the impairment methodologies that it will apply under IFRS 9, the Company does not expect the new impairment model to have a significant impact. The new standard also introduces expanded disclosure requirements and changes in presentation with respect to financial instruments, which are expected to change the nature and extent of the Company's disclosures in the year the new standard is adopted.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is planning to adopt this standard effective January 1, 2018. Changes in accounting policies resulting from the adoption of IFRS 9, other than hedge accounting, would generally be applied retrospectively. IFRS 9 contains certain exemptions with respect to full retrospective application whereby the restatement of comparative information in prior periods would not be required but instead would be reflected in retained earnings and reserves as at January 1, 2018. The Company has not yet determined the transition approach it intends to apply.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15, issued in May 2014, establishes the principles that an entity shall apply to report the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 replaces IAS 11, *Construction contracts*, IAS 18, *Revenue*, International Financial Reporting Interpretation Committee ("IFRIC") 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standard Interpretations Committee interpretation 31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 will also result in enhanced revenue disclosures, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. IFRS 15 is based on the general principle that revenue is recognized when control of a good or service transfers to a customer rather than when the significant risks and rewards of ownership are transferred as is the case under IAS 18.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is planning to adopt this standard effective January 1, 2018. IFRS 15 provides the choice for either full retrospective application or modified retrospective application whereby the cumulative effect of retrospectively applying IFRS 15 would apply only to those contracts that are not settled as at the date of adoption. While the Company has not finalized its impact assessment, the Company does not expect the new standard to have a significant impact on the measurement or timing of revenue recognition.

IFRS 16, *Leases*

IFRS 16, issued in January 2016, replaces IAS 17, *Leases*. IFRS 16 results in most leases being reported on the balance sheet for lessees, eliminating the distinction between a finance lease and an operating lease. The standard is expected to impact the accounting for the Company's operating leases, which are currently reflected in the consolidated statements of loss and in the Company's disclosure in respect of future commitments. Under IFRS 16, all operating leases, except for short term and low value leases, are expected to be accounted for as finance leases. As a result, the leased assets and the associated obligations are recognized in the consolidated statements of financial position. The leased assets will be depreciated over the shorter of the estimated useful life of the asset and the lease term. The lease payments are apportioned between finance charges and a reduction of the lease liability. The current operating lease expense will be replaced with a depreciation charge on the leased assets and a finance charge on the lease liability, which are in aggregate expected to result in a higher total periodic expense in the earlier periods of the lease.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for companies that also adopt IFRS 15. The Company does not intend to adopt IFRS 16 before its mandatory date. As a lessee, the Company can either apply the standard using a retrospective approach or a modified retrospective approach. The Company has not yet determined the transition approach it intends to apply. The Company is currently assessing the impact of this standard.

NON-GAAP FINANCIAL MEASURES

Certain financial measures referred to in this MD&A are not measures recognized under IFRS and are referred to as Non-GAAP measures. These measures have no standardized meanings under IFRS and may not be comparable to similar measures presented by other companies. The definitions established and calculations performed by DPM are based on management's reasonable judgment and are consistently applied. 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 and All-in Sustaining 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 ounce of gold sold, net of by-product credits, all-in sustaining cost per ounce of gold and cash cost per tonne of complex concentrate smelted, net of by-product credits, 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 tables provide a reconciliation of the Company's cash cost per tonne of ore processed and cash cost per tonne of complex concentrate smelted, net of by-product credits to its cost of sales:

$ thousands, unless otherwise indicated **For the three months ended March 31, 2017**	**Chelopech**	**Tsumeb**	**Total**
Ore processed *(mt)*	**540,594**	**-**	
Metals contained in copper concentrate produced:			
Gold *(ounces)*	**32,673**	**-**	
Copper *(pounds)*	**8,179,156**	**-**	
Complex concentrate smelted *(mt)*	**-**	**41,635**	
Cost of sales	**28,918**	**34,015**	**62,933**
Add/(deduct):			
Depreciation, amortization & other	**(9,205)**	**(6,527)**	
Realized losses (gains) on forward foreign exchange contracts	**64**	**(1,429)**	
Change in concentrate inventory	**(1,779)**	**-**	
Total cash cost before by-product credits	**17,998**	**26,059**	
By-product credits	**(899)**	**(3,082)**	
Total cash cost after by-product credits	**17,099**	**22,977**	
Cash cost per tonne ore processed *($)*	**33.29**	**-**	
Cash cost per pound copper produced *($)*[(1)]	**0.74**	**-**	
Cash cost per ounce gold produced *($)*[(1)]	**339**	**-**	
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	**-**	**552**	

$ thousands, unless otherwise indicated **For the three months ended March 31, 2016**	**Chelopech**	**Tsumeb**	**Total**
Ore processed *(mt)*	544,591	-	
Metals contained in copper concentrate produced:			
Gold *(ounces)*	33,387	-	
Copper *(pounds)*	10,578,031	-	
Complex concentrate smelted *(mt)*	-	57,422	
Cost of sales	23,623	33,393	57,016
Add/(deduct):			
Depreciation, amortization & other	(9,223)	(9,592)	
Realized losses (gains) on forward foreign exchange contracts	26	(647)	
Change in concentrate inventory	4,110	-	
Total cash cost before by-product credits	18,536	23,154	
By-product credits	(1,036)	(3,791)	
Total cash cost after by-product credits	17,500	19,363	
Cash cost per tonne ore processed *($)*	34.04	-	
Cash cost per pound copper produced *($)*[(1)]	0.61	-	
Cash cost per ounce gold produced *($)*[(1)]	330	-	
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	-	337	

1) Gold and copper 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 per ounce of gold sold, net of by-product credits, including payable gold in pyrite concentrate sold and related costs, to its cost of sales:

$ thousands, unless otherwise indicated	Three Months	
Ended March 31,	**2017**	2016
Cost of sales[1]	**28,982**	23,649
Add/(deduct):		
Depreciation, amortization & other	**(9,205)**	(9,223)
Other charges, including freight[2]	**26,322**	23,593
By-product credits[3]	**(20,816)**	(19,863)
Cash cost of sales, net of by-product credits	**25,283**	18,156
Payable gold in copper and pyrite concentrate sold *(ounces)*[4]	**43,478**	31,747
Cash cost per ounce of gold sold, net of by-product credits *($)*	**582**	572

1) Includes realized losses on the forward point component of the forward foreign exchange contracts in the three months ended March 31, 2017 and 2016.
2) Includes treatment charges, transportation and other selling costs related to the sale of pyrite concentrate in the first quarter of 2017 of $6.6 million compared to $7.7 million in the corresponding period in 2016.
3) Includes realized losses on copper swap contracts, entered to hedge a portion of projected payable production of $2.0 million during the first quarter of 2017 compared to realized gains of $1.1 million in the corresponding period in 2016.
4) Includes payable gold in pyrite concentrate sold in the first quarter of 2017 of 9,740 ounces compared to 9,713 ounces in the corresponding period in 2016.

The following table provides, for the periods indicated, a reconciliation of Chelopech cash cost per ounce of gold sold, net of by-product credits, excluding payable gold in pyrite concentrate sold and related costs, to its cost of sales:

$ thousands, unless otherwise indicated	Three Months	
Ended March 31,	**2017**	2016
Cost of sales[1]	**28,982**	23,649
Add/(deduct):		
Depreciation, amortization & other	**(9,205)**	(9,223)
Other charges, including freight	**19,722**	15,845
By-product credits[2]	**(20,816)**	(19,863)
Cash cost of sales, net of by-product credits	**18,683**	10,408
Payable gold in copper concentrate sold *(ounces)*	**33,738**	22,034
Cash cost per ounce of gold sold, net of by-product credits *($)*	**554**	472

1) Includes realized losses on the forward point component of the forward foreign exchange contracts in the three months ended March 31, 2017 and 2016.
2) Includes realized losses on copper swap contracts, entered to hedge a portion of projected payable production of $2.0 million during the first quarter of 2017 compared to realized gains of $1.1 million in the corresponding period in 2016.

DPM's all-in sustaining cost per ounce of gold, including payable gold in pyrite concentrate sold and related costs, calculation is set out in the following table:

$ thousands, unless otherwise indicated	Three Months	
Ended March 31,	**2017**	2016
Cash cost of sales, net of by-product credits[1]	**25,283**	18,156
Accretion expenses[1]	**70**	90
General and administrative expenses[2]	**4,238**	2,894
Cash outlays for sustaining capital[1]	**1,299**	1,915
All-in sustaining costs	**30,890**	23,055
Payable gold in copper and pyrite concentrate sold *(ounces)*	**43,478**	31,747
All-in sustaining cost per ounce of gold *($)*	**710**	726

1) Represents the cash cost of sales, net of by-product credits, accretion expenses and cash sustaining capital expenditures that are specific to Chelopech.
2) Represents an allocated portion of DPM's general and administrative expenses, including share-based remuneration, and excluding depreciation and expenses related to Avala and Krumovgrad, based on Chelopech proportion of total revenue.

DPM's all-in sustaining cost per ounce of gold, excluding payable gold in pyrite concentrate sold and related costs, calculation is set out in the following table:

$ thousands, unless otherwise indicated **Ended March 31,**	**Three Months** **2017**	2016
Cash cost of sales, net of by-product credits[1]	**18,683**	10,408
Accretion expenses[1]	**70**	90
General and administrative expenses[2]	**4,238**	2,894
Cash outlays for sustaining capital[1]	**1,299**	1,915
All-in sustaining costs	**24,290**	15,307
Payable gold in copper concentrate sold *(ounces)*	**33,738**	22,034
All-in sustaining cost per ounce of gold *($)*	**720**	695

1) Represents the cash cost of sales, net of by-product credits, accretion expenses and cash sustaining capital expenditures that are specific to Chelopech.

2) Represents an allocated portion of DPM's general and administrative expenses, including share-based remuneration, and excluding depreciation and expenses related to Avala and Krumovgrad, based on Chelopech proportion of total revenue.

Adjusted loss before income taxes, adjusted net loss and adjusted basic loss per share

Adjusted loss before income taxes, adjusted net loss and adjusted basic loss per share are used by management and investors to measure the underlying operating performance of the Company. Presenting these measures from period to period helps management and investors evaluate earnings trends more readily in comparison with results from prior periods.

Adjusted net loss is defined as net loss from continuing operations attributable to common shareholders, adjusted to exclude specific items that are significant, but not reflective of the underlying operations of the Company, including:

- impairment charges or reversals thereof;
- unrealized gains or losses on commodity swap and option contracts related to projected payable production;
- unrealized gains or losses on the forward point component of the forward foreign exchange contracts;
- unrealized and realized gains or losses related to investments carried at fair value;
- significant tax adjustments not related to current period loss; and
- 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.

The following table provides a reconciliation of adjusted net loss to net loss from continuing operations attributable to common shareholders:

$ thousands, except per share amounts **Ended March 31,**	**Three Months** **2017**	2016
Net loss from continuing operations attributable to common shareholders	**(12,518)**	(3,757)
Add/(deduct) after-tax adjustments:		
Unrealized losses on commodity swap and option contracts, net of income tax recovery of $783 (2016 – $412)	**7,048**	3,706
Unrealized losses (gains) on the forward point component of forward foreign exchange contracts net of income tax expense of $1 (2016 – income tax recovery of $4)	**483**	(778)
Net gains related to Sabina special warrants, net of income tax expense of $nil for all periods	**(1,177)**	(455)
Adjusted net loss	**(6,164)**	(1,284)
Basic loss per share from continuing operations	**(0.07)**	(0.03)
Adjusted basic loss per share	**(0.04)**	(0.01)

Adjusted loss before income taxes is defined as loss before income taxes from continuing operations adjusted to exclude specific items that are significant, but not reflective of the underlying operations of the Company, including:

- impairment charges or reversals thereof;

- unrealized gains or losses on commodity swap and option contracts related to projected payable production;
- unrealized gains or losses on the forward point component of the forward foreign exchange contracts;
- unrealized and realized gains or losses related to investments carried at fair value; and
- 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.

The following table provides a reconciliation of adjusted loss before income taxes to loss before income taxes from continuing operations:

$ thousands	Three Months	
Ended March 31,	**2017**	2016
Loss before income taxes from continuing operations	**(11,514)**	(3,665)
Add/(deduct) adjustments:		
Unrealized losses on commodity swap and option contracts	**7,831**	4,118
Unrealized losses (gains) on the forward point component of forward foreign exchange contracts	**482**	(774)
Net gains related to Sabina special warrants	**(1,177)**	(455)
Adjusted loss before income taxes	**(4,378)**	(776)

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 loss before income taxes from continuing operations:

- depreciation and amortization;
- interest income;
- finance cost;
- impairment charges or reversals thereof;
- unrealized gains or losses on commodity swap and option contracts related to projected payable production;
- unrealized gains or losses on the forward point component of the forward foreign exchange contracts;
- unrealized and realized gains or losses related to investments carried at fair value; and
- 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.

The following table provides a reconciliation of adjusted EBITDA to loss before income taxes from continuing operations:

$ thousands	Three Months	
Ended March 31,	**2017**	2016
Loss before income taxes from continuing operations	**(11,514)**	(3,665)
Add/(deduct):		
Depreciation and amortization	**15,895**	18,949
Finance cost	**2,063**	3,385
Interest income	**(65)**	(48)
Net gains related to Sabina special warrants	**(1,177)**	(455)
Unrealized losses on commodity swap and option contracts	**7,831**	4,118
Unrealized losses (gains) on the forward point component of forward foreign exchange contracts	**482**	(774)
Adjusted EBITDA	**13,515**	21,510

Free cash flow

Free cash flow is defined as cash provided from operating activities of continuing operations, before changes in non-cash working capital, less cash outlays for sustaining capital of continuing operations, mandatory principal repayments and interest payments related to debt and finance leases. This measure is used by the Company and investors to measure the cash flow available to fund the Company's growth capital expenditures.

The following table provides a reconciliation of free cash flow:

$ thousands	Three Months	
Ended March 31,	**2017**	2016
Cash provided from operating activities of continuing operations	**34,566**	5,523
(Deduct) add changes in non-cash working capital	**(17,586)**	25,167
Cash provided from operating activities of continuing operations, excluding changes in non-cash working capital	**16,980**	30,690
Cash outlays for sustaining capital	**(3,935)**	(7,148)
Principal repayments related to finance leases	**(376)**	(354)
Interest payments	**(1,416)**	(1,843)
Free cash flow	**11,253**	21,345

Average realized price reconciliation

The following table provides a reconciliation of the Company's average realized gold and copper prices to its revenue:

$ thousands, unless otherwise indicated	Three Months	
Ended March 31,	**2017**	2016
Total Revenue	**74,668**	70,168
(Deduct) add :		
Tsumeb revenue	**(22,630)**	(31,590)
Treatment charges and other deductions	**26,322**	23,593
Realized hedging (losses) gains on Production Hedges	**(1,962)**	1,549
Favourable mark-to-market adjustments and final settlements	**(2,086)**	(5,534)
Silver revenue	**(745)**	(577)
Revenue from gold and copper	**73,567**	57,609
Revenue from gold	**53,496**	38,324
Payable gold in concentrate sold *(ounces)*	**43,478**	31,747
Average realized gold price per ounce *($/oz)*	**1,230**	1,207
Revenue from copper	**20,071**	19,285
Payable copper in concentrate sold *('000s pounds)*	**8,316**	8,523
Average realized copper price per pound *($/lb)*	**2.41**	2.26

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

Cash provided from operating activities of continuing operations, before changes in non-cash working capital, is defined as cash provided from operating activities of continuing operations excluding changes in non-cash working capital as set out in the Company's condensed interim consolidated statements of cash flows. This measure is used by the Company and investors to measure the cash flow generated by the Company's operating segments prior to any changes in non-cash working capital, which at times can distort performance.

Growth Capital Expenditures

Growth capital expenditures are generally defined as capital expenditures from continuing operations that expand existing capacity, increase life of assets 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 from continuing operations 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 economic, geo-political, regulatory, legal, tax and market risks impacting, among other things, supply and demand for supplies and product, commodity prices, toll rates, 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. These risks should be considered when evaluating the Company and its guidance.

A comprehensive discussion of the risks faced by the Company can be found in the Company's 2016 Annual MD&A and AIF.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management, under the supervision of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), has designed disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109") based on the Internal Control – Integrated Framework (2013) developed by COSO (Committee of Sponsoring Organizations of the Treadway Commission).

DC&P are designed to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO during the reporting period and the information required to be disclosed by the Company in its reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. ICFR is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS. Due to the inherent limitations associated with any such controls and procedures, management recognizes that, no matter how well designed and operated, they may not prevent or detect misstatements on a timely basis.

The Company's management, under the supervision of the CEO and the CFO, has evaluated its DC&P and ICFR and concluded that, as of March 31, 2017, they have been designed effectively to provide reasonable assurance regarding required disclosures and the reliability of financial reporting and the preparation of financial statements for external purposes.

NI 52-109 also requires Canadian public companies to disclose any change in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to the internal controls in the first three months of 2017.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements and other information included in this MD&A and our other disclosure documents constitute "forward looking information" or "forward looking statements" within the meaning of applicable securities legislation, which we refer to collectively hereinafter as “forward looking statements”. Our forward looking statements include, but are not limited to, statements with respect to the estimated capital costs, operating costs and project economics with respect to Krumovgrad; timing of development, permitting, construction, commissioning activities and commencement of production in respect of Krumovgrad; timing of further optimization work at Tsumeb and potential benefits of the rotary furnace installation; price of gold, copper, silver and acid; toll rates; metals exposure and stockpile interest deductions; the estimation of Mineral Reserves and Mineral Resources and the realization of such mineral estimates; timing and amount of estimated future production and output, life of mine, costs of production, cash costs and other cost measures, capital expenditures and timing of the development of new deposits; results of economic studies; success of exploration activities; permitting time lines; currency fluctuations; requirements for additional capital; government regulation of mining and smelting operations; success of permitting activities; environmental risks; reclamation expenses; potential or anticipated outcome of title disputes or claims; and timing and possible outcome of pending litigation. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the use of forward looking terminology such as “plans”, “expects”, or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “outlook”, “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.

Without limitation to the foregoing, the following section outlines certain specific forward looking statements contained in the “2017 Guidance” of this MD&A, unless otherwise noted, and provides certain material assumptions used to develop such forward looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements (which are provided without limitation to the additional general risk factors discussed herein):

Ore mined/milled: assumes Chelopech mines perform at planned levels. Subject to a number of risks, the more significant of which is: failure of plant, equipment or processes to operate as anticipated.

Metals contained in copper and pyrite concentrate produced: assumes grades and recoveries are consistent with current estimates of Mineral Resources and Mineral Reserves and DPM’s current expectations; and ore mined/milled is consistent with guidance. Subject to a number of risks, the more significant of which are: lower than anticipated ore grades, recovery rates and ore mined/milled.

Cash cost per tonne of ore processed: assumes Chelopech ore mined/milled in line with the guidance provided; foreign exchange rates remain at or around current levels; and operating expenses at Chelopech are at planned levels. Subject to a number of risks, the more significant of which are: lower than anticipated ore mined/milled; a weaker U.S. dollar relative to the Euro; and unexpected increases in labour and other operating costs.

Cash cost per ounce of gold sold, net of by-product credits: assumes metals contained in concentrate produced and cash cost per tonne of ore processed at Chelopech are each in line with the guidance provided; copper and silver prices remain at or around current levels; and concentrate deliveries are consistent with DPM’s current expectations. Subject to a number of risks, the more significant of which are: lower than anticipated metals contained in concentrate produced, concentrate deliveries and metal prices; and higher than anticipated cash cost per tonne of ore processed.

All-in sustaining costs: assumes that metals contained in concentrate produced, cash cost per ounce of gold sold, net of by-product credits, general and administrative expenses and sustaining capital expenditures are consistent with the guidance provided. Subject to a number of risks, the more significant of which are: lower than anticipated metals contained in concentrate produced, concentrate deliveries and metal prices; a higher than anticipated cash cost per tonne of ore processed; and higher than anticipated sustaining capital expenditures and general and administrative expenses.

Complex concentrate smelted at Tsumeb: assumes no significant disruption in equipment availability or concentrate supply. Subject to a number of risks, the more significant of which are: unanticipated operational issues; lower than anticipated equipment availability; and disruptions to or changes in the supply of complex concentrate.

Cash cost per tonne of complex concentrate smelted, net of by-product credits: assumes complex concentrate smelted is consistent with the guidance provided; acid prices are at or around current levels;

acid production and operating expenses are at planned levels; and foreign exchange rates remain at or around current levels. Subject to a number of risks, the more significant of which are: complex concentrate smelted and acid production are lower than anticipated; acid prices are lower than anticipated; strengthening of the ZAR relative to the U.S. dollar; and higher than anticipated operating and transportation costs due to a variety of factors, including higher than anticipated inflation, labour and other operating costs.

Sustaining and growth capital expenditures: assumes foreign exchange rates remain at or around current levels, and all capital projects proceed as planned and at a cost that is consistent with the budget established for each project. Subject to a number of risks, the more significant of which are: technical challenges, delays related to securing necessary approvals, equipment deliveries, equipment performance, and the speed with which work is performed; availability of qualified labour; and changes in project parameters and estimated costs, including foreign exchange impacts.

Liquidity (see comments contained in "Liquidity and Capital Resources" section): assumes the operating and cost performance at Chelopech and Tsumeb are consistent with current expectations; metal and acid prices, and foreign exchange rates remain at or around current levels; concentrate and acid sales agreements, and smelter toll terms are consistent with current terms and/or forecast levels; progress of capital projects is consistent with current expectations; and DPM's RCF remains in place. Subject to a number of risks, the more significant of which are: lower than anticipated metals production at Chelopech, complex concentrate throughput and acid production at Tsumeb, deliveries of concentrate and metal prices; weaker U.S. dollar relative to local operating currencies; changes in contractual sales and/or toll terms and acid prices; changes to project parameters, schedule and/or costs; and the inability to draw down on DPM's RCF due to a breach or potential breach of one of its covenants.

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. In addition to factors already discussed in this document, such factors include, among others: the uncertainties with respect to actual results of current exploration activities, actual results of current reclamation activities, conclusions of economic evaluations and economic studies; changes in project parameters as plans continue to be refined; 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; uncertainties inherent with conducting business in foreign jurisdictions where corruption, civil unrest, political instability and uncertainties with the rule of law may impact the Company's activities; fluctuations in metal and acid prices, toll rates and foreign exchange rates; unanticipated title disputes; claims or litigation; limitation on insurance coverage; cyber attacks; as well as those risk factors discussed or referred to in any other documents (including without limitation the Company's most recent AIF) filed from time to time with the securities regulatory authorities in all provinces and territories of Canada and available on SEDAR 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 opinion 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.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at March 31, 2017 and December 31, 2016

(unaudited, in thousands of U.S. dollars)

	March 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash	**35,548**	11,757
Accounts receivable	**27,682**	45,131
Inventories	**26,650**	28,335
Other current assets *(note 5(c) & 5(d))*	**2,601**	6,383
	92,481	91,606
Non-Current Assets		
Investments at fair value *(note 5(a) &5(b))*	**30,543**	19,216
Mine properties	**217,320**	203,547
Property, plant & equipment	**378,211**	384,920
Intangible assets	**22,498**	22,754
Deferred income tax assets	**6,551**	5,255
Other long-term assets	**4,820**	6,654
	659,943	642,346
TOTAL ASSETS	**752,424**	733,952
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**45,418**	40,545
Income tax liabilities	**2,309**	119
Current portion of long-term debt *(note 6)*	**16,157**	16,110
Current portion of long-term liabilities	**2,169**	2,030
	66,053	58,804
Non-Current Liabilities		
Long-term debt *(note 6)*	**-**	25,000
Deferred revenue *(note 7)*	**50,000**	50,000
Rehabilitation provisions *(note 8)*	**31,425**	30,296
Share based compensation plans *(note 9)*	**4,647**	3,654
Other long-term liabilities	**14,704**	14,171
	100,776	123,121
TOTAL LIABILITIES	**166,829**	181,925
EQUITY		
Share capital	**515,357**	482,656
Contributed surplus	**11,247**	10,890
Retained earnings	**44,380**	56,898
Accumulated other comprehensive income	**14,408**	1,360
Equity attributable to common shareholders of the Company	**585,392**	551,804
Non-controlling interests	**203**	223
TOTAL EQUITY	**585,595**	552,027
TOTAL LIABILITIES AND EQUITY	**752,424**	733,952

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS

For the three months ended March 31, 2017 and 2016

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

	Three months ended March 31, 2017	Three months ended March 31, 2016
Continuing Operations		
Revenue	**74,668**	70,168
Costs and expenses		
Cost of sales	**62,933**	57,016
General and administrative expenses	**6,650**	5,160
Corporate social responsibility expenses	**335**	210
Exploration expenses	**1,640**	948
Finance cost	**2,063**	3,385
Other expense *(note 10)*	**12,561**	7,114
Loss before income taxes	**(11,514)**	(3,665)
Current income tax expense	**2,305**	1,379
Deferred income tax recovery	**(1,247)**	(932)
Net loss from continuing operations	**(12,572)**	(4,112)
Discontinued Operations *(note 3)*		
Net loss from discontinued operations	**-**	(2,297)
Net loss	**(12,572)**	(6,409)
Net loss attributable to:		
Common shareholders of the Company		
From continuing operations	**(12,518)**	(3,757)
From discontinued operations	**-**	(2,297)
Non-controlling interests	**(54)**	(355)
Net loss	**(12,572)**	(6,409)
Basic and diluted loss per share attributable to common shareholders of the Company *(note 11)*		
From continuing operations	**(0.07)**	(0.03)
From discontinued operations	**-**	(0.01)
Basic and diluted loss per share	**(0.07)**	(0.04)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three months ended March 31, 2017 and 2016

(unaudited, in thousands of U.S. dollars)

	Three months ended March 31,	
	2017	2016
Net loss	**(12,572)**	(6,409)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Unrealized gains on forward foreign exchange contracts designated as cash flow hedges, net of income tax expense of $15 (2016 - $107)	**1,720**	4,541
Realized losses on forward foreign exchange contracts transferred to net loss, net of income tax (recovery) expense of $(8) (2016 - $3)	**1,179**	3,510
Unrealized gains on publicly traded securities, net of income tax expense of $nil (2016 - $nil)	**10,149**	3,887
Currency translation adjustments	**-**	17
	13,048	11,955
Comprehensive income, net of income taxes	**476**	5,546
Comprehensive income (loss) attributable to:		
Common shareholders of the Company		
From continuing operations	**530**	8,190
From discontinued operations	**-**	(2,297)
Non-controlling interests	**(54)**	(347)
Comprehensive income, net of income taxes	**476**	5,546

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2017 and 2016

(unaudited, in thousands of U.S. dollars)

	Three months ended March 31, 2017	2016
OPERATING ACTIVITIES		
Loss before income taxes from continuing operations	**(11,514)**	(3,665)
Items not affecting cash and other adjustments *(note 13(a))*	**30,384**	30,682
Changes in non-cash working capital *(note 13(b))*	**17,586**	(25,167)
(Payments for) proceeds from settlement of derivative contracts	**(1,759)**	5,515
Income taxes paid	**(131)**	(1,842)
Cash provided from operating activities of continuing operations	**34,566**	5,523
Cash provided from operating activities of discontinued operations	**-**	392
INVESTING ACTIVITIES		
Proceeds from disposal of mine properties and property, plant and equipment	**20**	18
Expenditures on exploration and evaluation assets	**-**	(986)
Expenditures on mine properties	**(12,201)**	(3,454)
Expenditures on property, plant and equipment	**(3,940)**	(7,871)
Expenditures on intangible assets	**(339)**	(170)
Cash used in investing activities of continuing operations	**(16,460)**	(12,463)
Cash used in investing activities of discontinued operations	**-**	(1,914)
FINANCING ACTIVITIES		
Proceeds from share issuance *(note 14(a))*	**33,196**	-
Share issuance costs	**(329)**	-
(Repayments) drawdowns, net under revolving credit facility *(note 6(b))*	**(25,000)**	10,000
Financing fees on debt	**(390)**	-
Finance lease obligation	**(376)**	(354)
Interest paid	**(1,416)**	(1,843)
Cash provided from financing activities of continuing operations	**5,685**	7,803
Increase in cash of continuing operations	**23,791**	863
Decrease in cash of discontinued operations	**-**	(1,522)
Cash of continuing operations, beginning of period	**11,757**	23,395
Cash of discontinued operations, beginning of period	**-**	3,175
Cash of continuing operations, end of period	**35,548**	24,258
Cash of discontinued operations, end of period	**-**	1,653

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the three months ended March 31, 2017 and 2016

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

	March 31, 2017		March 31, 2016	
	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 period	**160,588,112**	**482,656**	140,575,783	439,736
Shares issued on financing *(note 14(a))*	**17,843,120**	**33,176**	-	-
Share issuance costs *(note 14(a))*	**-**	**(506)**	-	-
Shares issued on exercise of stock options *(note 9)*	**9,466**	**20**	-	-
Transferred from contributed surplus on exercise of stock options	**-**	**11**	-	-
Balance at end of period	**178,440,698**	**515,357**	140,575,783	439,736
Contributed surplus				
Balance at beginning of period		**10,890**		9,695
Share based compensation expense		**402**		557
Transferred to share capital on exercise of stock options		**(11)**		-
Other changes in contributed surplus		**(34)**		(249)
Balance at end of period		**11,247**		10,003
Retained earnings				
Balance at beginning of period		**56,898**		208,450
Net loss attributable to common shareholders of the Company		**(12,518)**		(6,054)
Balance at end of period		**44,380**		202,396
Accumulated other comprehensive income (loss) *(note 14(b))*				
Balance at beginning of period		**1,360**		(20,424)
Other comprehensive income		**13,048**		11,947
Balance at end of period		**14,408**		(8,477)
Total equity attributable to common shareholders of the Company		**585,392**		643,658
Non-controlling interests				
Balance at beginning of period		**223**		656
Net loss attributable to non-controlling interests		**(54)**		(355)
Other comprehensive income attributable to non-controlling interests		**-**		8
Other changes in non-controlling interests		**34**		249
Balance at end of period		**203**		558
Total equity at end of period		**585,595**		644,216

The accompanying notes are an integral part of the condensed interim 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 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.

As at March 31, 2017, DPM's condensed interim consolidated financial statements include DPM and its subsidiary companies (collectively, the "Company").

Continuing operations:

DPM's principal subsidiaries include:

- 100% of Dundee Precious Metals Chelopech EAD ("Chelopech"), which owns and operates a gold, copper and silver mine located east of Sofia, Bulgaria;
- 100% of Dundee Precious Metals Krumovgrad EAD ("Krumovgrad"), which is currently constructing a gold mine located in south eastern Bulgaria, near the town of Krumovgrad; and
- 100% of Dundee Precious Metals Tsumeb (Proprietary) Limited ("Tsumeb"), which owns and operates a custom smelter located in Tsumeb, Namibia.

DPM also owns 100% of Avala Resources Ltd. ("Avala"), which is incorporated in British Columbia, Canada and focused on the exploration and development of the Lenovac project, the Timok gold project, the Tulare copper and gold project and other early stage projects in Serbia *(note 4)*.

Discontinued operations *(note 3)*:

On April 28, 2016, DPM sold 100% of Dundee Precious Metals Kapan CJSC ("Kapan") which owns and operates a gold, copper, zinc and silver mine in the town of Kapan, located south east of the capital city of Yerevan in southern Armenia.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Chartered Professional Accountants of Canada Handbook – Accounting applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for full financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS.

The accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2016.

These condensed interim consolidated financial statements were approved by the Board of Directors on May 3, 2017.

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

3. KAPAN DISPOSITION AND DISCONTINUED OPERATIONS

On March 1, 2016, the Company entered into a definitive agreement with Polymetal International Plc for the sale of its interest in the Kapan mine through the disposition of all of the issued and outstanding shares of Kapan ("Kapan Disposition"). The Kapan Disposition was completed on April 28, 2016.

The following table summarizes the operating results of Kapan which have been aggregated and presented as discontinued operations for the three months ended March 31, 2016:

	Three months ended March 31, 2016
Revenue	5,357
Costs and expenses	
Cost of sales	5,785
Exploration expenses	84
Finance cost	210
Other expense	1,365
Loss before income taxes	(2,087)
Current income tax expense	210
Net loss from discontinued operations	(2,297)

4. SIGNIFICANT TRANSACTIONS

Avala

On April 8, 2016, the Company acquired all of the issued and outstanding shares of Avala not already owned by DPM for consideration of 0.044 of a DPM common share for each Avala share outstanding. As a result, DPM issued 956,329 common shares valued at $1.6 million. As this transaction did not result in a change of control, the acquired assets and liabilities remained at their carrying values with a corresponding reduction in contributed surplus of $1.1 million representing the excess of the fair value of the consideration paid over the carrying value of the assets and liabilities acquired. As at March 31, 2017, DPM held a 100% ownership interest in Avala.

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

5. 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 condensed interim consolidated statements of financial position:

	Financial instrument classification	Carrying Amount March 31, 2017	December 31, 2016
Financial assets			
Cash	Loans and receivables	**35,548**	11,757
Accounts receivable	Loans and receivables	**27,682**	45,131
Restricted cash	Loans and receivables	**2,240**	2,216
Sabina special warrants *(a)*	Held for trading	**3,185**	2,008
Publicly traded securities *(b)*	Available for sale	**27,358**	17,208
Commodity swap and option contracts *(c)*	Derivatives held for trading	**135**	6,941
Forward foreign exchange contracts *(d)*	Derivatives for cash flow hedges	**935**	-
Financial liabilities			
Accounts payable and accrued liabilities	Other financial liabilities	**37,716**	33,905
Debt *(note 6)*	Other financial liabilities	**16,157**	41,110
Commodity swap and option contracts *(c)*	Derivatives held for trading	**7,804**	4,685
Forward foreign exchange contracts *(d)*	Derivatives for cash flow hedges	**450**	1,955

The carrying values of all the financial assets and liabilities approximate their fair values as at March 31, 2017 and December 31, 2016.

(a) Sabina Gold & Silver Corp. ("Sabina") special warrants

As at March 31, 2017, DPM held: (i) 23,539,713 common shares of Sabina; and (ii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the Back River project or upon the occurrence of certain other events. Each of the special warrants is exercisable into one common share until 2044.

The fair value of the special warrants was based on the fair value of the Sabina common shares, which was determined based on the closing bid prices as at March 31, 2017 and December 31, 2016.

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

For the three months ended March 31, 2017, the Company recorded unrealized gains on the Sabina special warrants of $1.2 million (2016 – $0.5 million) in other expense *(note 10)* in the condensed interim consolidated statements of loss.

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

(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. These investments are measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the condensed interim consolidated statements of comprehensive income. When these investments are sold or considered to be impaired due to a significant or prolonged decline in fair value, the cumulative gain or loss is removed from accumulated other comprehensive income or loss and recognized in other expense or income in the condensed interim consolidated statements of loss. Any future unrealized loss below the carrying value of these investments, immediately after recognizing any such impairment charge, is recognized as an impairment charge in other expense while any future unrealized gain is recognized in other comprehensive income.

For the three months ended March 31, 2017, the Company recognized unrealized gains on these publicly traded securities of $10.1 million (2016 – $3.9 million) in other comprehensive income.

(c) Commodity swap and option contracts

The Company enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to eliminate or substantially reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales (“QP Hedges”). As at March 31, 2017 the Company had outstanding commodity swap contracts in respect of this exposure as summarized in the table below:

Commodity hedged	Volume hedged	Average fixed price of QP hedges
Payable gold	23,805 ounces	$1,210.12/ounce
Payable copper	5,754,058 pounds	$2.59/pound
Payable silver	18,505 ounces	$17.17/ounce

The Company also enters into cash settled commodity swap and option contracts from time to time to reduce its future metal price exposures (“Production Hedges”). The commodity swap contracts were entered to swap future contracted monthly average copper prices for fixed prices. The commodity option contracts were entered to provide price protection below a specified “floor” price and price participation up to a specified “ceiling” price. These option contracts are comprised of a series of call options and put options (which when combined create a price “collar”) that were structured so as to provide for a zero upfront cash cost. As at March 31, 2017 the Company had outstanding commodity swap contracts as summarized in the table below:

Year of projected production	Volume of copper hedged (pounds)	Average fixed price ($/pound)
2017	24,406,790	2.40
2018	19,166,966	2.62
	43,573,756	**2.50**

As at March 31, 2017 the Company had outstanding commodity option contracts as summarized in the table below:

Year of projected production	Volume of gold hedged (ounces)	Call options sold Average ceiling price ($/ounce)	Put options purchased Floor price ($/ounce)
2017	33,750	1,497	1,200

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

The fair value gain or loss on commodity swap contracts was calculated based on the corresponding London Metal Exchange forward copper prices and New York Commodity Exchange forward gold and silver prices, as applicable. The fair value gain or loss on commodity option contracts was calculated based on the option prices quoted on the Commodity Exchange (a part of the Chicago Mercantile Exchange). As at March 31, 2017, the net fair value loss on all outstanding commodity swap and option contracts was $7.7 million (December 31, 2016 – a net fair value gain of $2.3 million), of which $0.1 million (December 31, 2016 – $4.8 million) was included in other current assets, $7.2 million (December 31, 2016 – $4.7 million) in accounts payable and accrued liabilities, $nil (December 31, 2016 – $2.2 million) in other long-term assets, and $0.6 million (December 31, 2016 – $nil) in other long-term liabilities.

For the three months ended March 31, 2017, the Company reported unrealized losses of $9.9 million (2016 – $7.1 million) on commodity swap and option contracts related to continuing operations in other expense *(note 10)*. The Company also reported realized losses on the settlement of certain commodity swap and option contracts related to continuing operations of $3.1 million (2016 – realized gains of $0.3 million) in other expense *(note 10)* for the three months ended March 31, 2017.

For the three months ended March 31, 2016, the Company reported unrealized losses of $1.0 million on commodity swap contracts related to discontinued operations in net loss from discontinued operations. The Company also reported realized losses on the settlement of certain commodity swap contracts related to discontinued operations of $0.1 million in net loss from discontinued operations for the three months ended March 31, 2016.

(d) Forward foreign exchange contracts

The Company enters into forward foreign exchange contracts from time to time to reduce the foreign exchange exposure associated with projected operating expenses and capital expenditures denominated in foreign currencies. All forward foreign exchange contracts the Company has entered into are related to continuing operations.

As at March 31, 2017, the Company had outstanding forward foreign exchange contracts in respect of projected foreign denominated operating expenses and capital expenditures as summarized in the table below:

Year of projected operating expenses	Foreign currency hedged *(i)*	Amount hedged in foreign currency	Average exchange rate Foreign currency/US$
2017	Euro	8,100,000	1.1312
	South African rand	540,000,000	13.9853

Year of projected capital expenditures	Foreign currency hedged *(i)*	Amount hedged in foreign currency	Average exchange rate Foreign currency/US$
2017	Euro	18,475,000	1.0687
2018	Euro	8,582,000	1.0893
	Euro	**27,057,000**	**1.0752**

(i) The Bulgarian leva is pegged to the Euro and the Namibian dollar is pegged to the South African rand on a 1:1 basis.

The fair value gain or loss on these outstanding contracts was calculated based on the forward foreign exchange rates quoted in the market. As at March 31, 2017, the net fair value gain on all outstanding forward foreign exchange contracts was $0.5 million (December 31, 2016 – a net fair value loss of $2.0 million), of which $0.9 million (December 31, 2016 – $nil) was included in other current assets, $0.4 million (December 31, 2016 – $2.0 million) in accounts payable and accrued liabilities, and $0.02 million (December 31, 2016 – $nil) in other long-term assets.

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

For the three months ended March 31, 2017, the Company recognized unrealized gains of $2.9 million (2016 – $8.2 million) in other comprehensive income on the spot component of the outstanding forward foreign exchange contracts. The Company also recognized realized losses of $1.2 million (2016 – $3.5 million) for the three months ended March 31, 2017 in cost of sales on the spot component of the settled contracts.

For the three months ended March 31, 2017, the Company recognized unrealized losses of $0.5 million (2016 – unrealized gains of $0.8 million) in other expense *(note 10)* on the forward point component of the outstanding forward foreign exchange contracts. The Company also recognized realized gains of $1.4 million (2016 – $0.6 million) for the three months ended March 31, 2017 in other expense *(note 10)* on the forward point component of the settled contracts.

Fair value hierarchy

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

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at March 31, 2017 and December 31, 2016:

			As at March 31, 2017	
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Sabina special warrants	**-**	**-**	**3,185**	**3,185**
Publicly traded securities	**27,358**	**-**	**-**	**27,358**
Commodity swap and option contracts	**-**	**135**	**-**	**135**
Forward foreign exchange contracts	**-**	**935**	**-**	**935**
Financial liabilities				
Commodity swap and option contracts	**-**	**7,804**	**-**	**7,804**
Forward foreign exchange contracts	**-**	**450**	**-**	**450**

			As at December 31, 2016	
	Level 1	Level 2	Level 3	Total
Financial assets				
Sabina special warrants	-	-	2,008	2,008
Publicly traded securities	17,208	-	-	17,208
Commodity swap and option contracts	-	6,941	-	6,941
Financial liabilities				
Commodity swap and option contracts	-	4,685	-	4,685
Forward foreign exchange contracts	-	1,955	-	1,955

During the three months ended March 31, 2017 and the year ended December 31, 2016, 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.

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

The following table reconciles level 3 fair value measurements from January 1, 2016 to March 31, 2017:

Balance as at January 1, 2016	1,451
Unrealized gains included in net loss	557
Balance as at December 31, 2016	2,008
Unrealized gains included in net loss *(note 10)*	**1,177**
Balance as at March 31, 2017	**3,185**

6. DEBT

	March 31, 2017	December 31, 2016
Current portion of debt		
Term loans *(a)*	**16,157**	16,110
Long-term portion of debt		
Revolving credit facility *(b)*	**-**	25,000
Total debt	**16,157**	41,110

(a) Term Loans

The original aggregate principal amount of DPM's secured term loans ("Term Loans") was $81.25 million. The Term Loans are repayable in 10 equal semi-annual instalments, which commenced in June 2013, and bear interest at a rate equal to the three month U.S. Dollar LIBOR plus 2.80%. The Term Loans are secured by pledges of the Company's investments in Krumovgrad, Chelopech and Tsumeb and by guarantees from each of these subsidiaries.

The Term Loans contain financial covenants that require DPM to maintain: (i) a debt leverage ratio (funded net debt to adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA"), as defined in the Term Loans agreement) below 4.0:1 during the construction of the Krumovgrad gold project (below 3.5:1 thereafter), (ii) a current ratio (including the unutilized credit within the $150.0 million tranche of the committed revolving credit facility ("RCF") in current assets) of greater than 1.5:1, and (iii) a minimum net worth of $500.0 million plus (minus) 50% of ongoing annual net earnings (losses).

As at March 31, 2017, the Term Loans had an outstanding balance of $16.3 million and DPM was in compliance with all financial covenants.

(b) Credit agreements and guarantees

Chelopech and Krumovgrad

Chelopech and Krumovgrad have a $16.3 million multi-purpose credit facility that matures on November 29, 2017. 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 March 31, 2017, $4.1 million (December 31, 2016 – $4.2 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech and Krumovgrad also have a Euro 21.0 million ($22.4 million) credit facility to support their mine closure and rehabilitation plans. This credit facility matures on December 31, 2017 and is guaranteed by DPM. As at March 31, 2017, $14.6 million (December 31, 2016 – $14.6 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

DPM

DPM has a committed RCF with a consortium of banks. In March 2017, the RCF was amended to extend the terms of tranche A and tranche B by an additional year. In August 2016, the RCF was amended to extend the term of tranche C by an additional two years in anticipation of moving forward with the Krumovgrad gold project. As at March 31, 2017, the RCF is comprised of a $45.0 million tranche A maturing in February 2022, a $150.0 million tranche B maturing in February 2020, and an $80.0 million tranche C maturing in September 2021 that has quarterly availability reductions of $4.0 million beginning in the third quarter of 2018.

The RCF bears interest at a spread above LIBOR, which varies between 2.75% and 5.50% depending upon the tranche being drawn and the Company's debt leverage ratio (funded net debt to adjusted EBITDA), as defined in the RCF agreement. The RCF contains the same financial covenants and shares in the same security package as the Term Loans. As at March 31, 2017, DPM was in compliance with all financial covenants and no amounts were drawn under the RCF.

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

	Payments Due by Period	
	up to 1 year	**Total**
Term loans	16,250	**16,250**
	16,250	**16,250**
Unamortized deferred financing costs		**(93)**
Total debt		**16,157**

7. DEFERRED REVENUE

In September 2016, the Company entered into a prepaid forward gold sales arrangement with several of DPM's existing lenders whereby the Company will deliver 45,986 ounces of gold on specified dates over a 21-month period commencing in May 2019 in exchange for an upfront cash prepayment of $50.0 million. Deliveries of gold will be in the form of unallocated gold credits sourced from any of the Company's own mines in 21 monthly instalments during 2019 and 2020. The cash prepayment of $50.0 million was recorded as deferred revenue in the condensed interim consolidated statements of financial position, and will be recognized as revenue when deliveries are made under the prepaid forward gold sales arrangement.

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

8. REHABILITATION PROVISIONS

The rehabilitation provisions represent the present value of rehabilitation costs relating to the Chelopech, Tsumeb and Krumovgrad sites, which are expected to be incurred between 2017 and 2039.

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

	March 31, 2017	December 31, 2016
Discount period		
Chelopech	**2017 - 2029**	2017 - 2029
Tsumeb	**2017 - 2039**	2017 - 2039
Krumovgrad	**2019 - 2041**	2019 - 2041
Local discount rate		
Chelopech/Krumovgrad	**1.7%**	1.8%
Tsumeb	**10.1%**	10.0%
Local inflation rate		
Chelopech/Krumovgrad	**2.0%**	2.0%
Tsumeb	**5.0%**	5.0%

Changes to rehabilitation provisions were as follows:

	Chelopech	**Tsumeb**	**Krumovgrad**	**Kapan**	**Total**
Balance as at January 1, 2016	14,582	15,524	-	5,021	35,127
Change in cost estimate *(a)*	-	(4,753)	306	-	(4,447)
Remeasurement of provisions *(b)*	341	2,167	-	813	3,321
Accretion expense	358	1,771	-	287	2,416
Kapan Disposition *(note 3)*	-	-	-	(6,121)	(6,121)
Balance as at December 31, 2016	15,281	14,709	306	-	30,296
Change in cost estimate	**-**	**-**	**487**	**-**	**487**
Remeasurement of provisions *(b)*	**317**	**3**	**(105)**	**-**	**215**
Accretion expense	**70**	**356**	**1**	**-**	**427**
Balance as at March 31, 2017	**15,668**	**15,068**	**689**	**-**	**31,425**

(a) During the year ended December 31, 2016, Tsumeb decreased its estimated rehabilitation costs based on its current activities, updated closure plan and existing closure obligations.

During the year ended December 31, 2016, Krumovgrad commenced construction of its gold mine and as a result, a mine closure plan has been developed and a rehabilitation provision was recognized to reflect its rehabilitation obligations related to this work.

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

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

9. SHARE BASED COMPENSATION PLANS

Restricted Share Unit ("RSU") plan

DPM has 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.

(a) Non-performance based RSUs

These 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.

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

	Number of RSUs	Amount
Balance as at January 1, 2016	1,939,129	965
RSUs granted	1,824,700	3,138
RSUs redeemed	(920,012)	(1,560)
RSUs forfeited	(83,837)	(55)
Mark-to-market adjustments		(2)
Balance as at December 31, 2016	2,759,980	2,486
RSUs granted	**1,622,350**	**855**
RSUs forfeited	**(109,768)**	**(169)**
Mark-to-market adjustments		**729**
Balance as at March 31, 2017	**4,272,562**	**3,901**

As at March 31, 2017, there was $4.5 million (December 31, 2016 – $2.0 million) of RSU expenses remaining to be charged to net earnings in future periods relating to the RSU plan.

(b) Performance share units ("PSUs")

Under the RSU plan, the Board of Directors may, at its sole discretion, (i) grant RSUs with a performance-based component, referred to as PSUs, subject to performance conditions to be achieved by the Company and (ii) determine the entitlement date or dates of such PSUs. These PSUs vest after three years and are paid in cash based on the market value of DPM's publicly traded common shares, subject to established performance criteria, on the entitlement date or dates, which shall not be later than December 31 of the year that is three years after the year of service for which the PSUs were granted, as determined by the Board of Directors in its sole discretion.

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

The following is a summary of the PSUs granted for the years indicated:

	Number of PSUs	Amount
Balance as at January 1, 2016	369,800	79
PSUs granted	854,500	592
PSUs forfeited	(62,500)	(25)
Mark-to-market adjustments		(6)
Balance as at December 31, 2016	1,161,800	640
PSUs granted	**632,300**	**182**
Mark-to-market adjustments		**209**
Balance as at March 31, 2017	**1,794,100**	**1,031**

As at March 31, 2017, there was $2.3 million (December 31, 2016 – $1.2 million) of expenses remaining to be charged to net earnings in future periods relating to these PSUs.

Deferred Share Unit ("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, 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 at any time before the end of the year following the year in which the director ceases to be a director of DPM or a subsidiary thereof.

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

	Number of DSUs	Amount
Balance as at January 1, 2016	1,122,020	1,049
DSUs granted	254,750	500
DSUs redeemed	(121,383)	(225)
Mark-to-market adjustments		755
Balance as at December 31, 2016	1,255,387	2,079
DSUs granted	**66,361**	**141**
Mark-to-market adjustments		**554**
Balance as at March 31, 2017	**1,321,748**	**2,774**

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 effective date of the option grant. 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.

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

During the three months ended March 31, 2017, the Company granted 894,513 (2016 – 1,231,364) stock options with a fair value of $1.1 million (2016 – $1.1 million). The estimated value of the options granted will be recognized as an expense in the condensed interim consolidated statements of loss and an addition to contributed surplus in the condensed interim consolidated statements of changes in shareholders' equity over the vesting period. The Company recorded a stock option expense of $0.4 million (2016 – $0.6 million) for the three months ended March 31, 2017 under this stock option plan.

As at March 31, 2017, there was $1.6 million (December 31, 2016 – $0.9 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:

	March 31, 2017	March 31, 2016
Five year risk free interest rate	**1.0%**	0.5%
Expected life in years	**4.75**	4.75
Expected volatility	**68.5%**	64.8%
Dividends per share	**-**	-

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

	Number of options	**Weighted average exercise price per share (Cdn$)**
Balance as at January 1, 2016	6,126,937	6.03
Options granted	1,262,584	2.21
Options forfeited	(103,735)	2.64
Options expired	(1,638,133)	8.81
Balance as at December 31, 2016	5,647,653	4.44
Options granted	**894,513**	**2.85**
Options exercised	**(9,466)**	**2.97**
Options expired	**(679,332)**	**8.75**
Balance as at March 31, 2017	**5,853,368**	**3.69**

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

The following lists the options outstanding and exercisable as at March 31, 2017:

	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$)**
2.05 - 3.96	5,035,518	3.31	3.01	2,360,819	3.19
6.56 - 7.84	717,850	0.93	7.82	717,850	7.82
8.34 - 9.10	100,000	0.63	8.49	100,000	8.49
2.05 - 9.10	**5,853,368**	**2.97**	**3.69**	**3,178,669**	**4.40**

10. OTHER EXPENSE

	Three months ended March 31,	
	2017	2016
Net gains on Sabina special warrants *(note 5(a))*	**1,177**	455
Net losses on commodity swap and option contracts *(note 5(c))*	**(13,008)**	(6,822)
Net gains on forward foreign exchange contracts *(note 5(d))*	**880**	1,396
Net foreign exchange losses	**(1,886)**	(1,476)
Interest income	**65**	48
Other income (expense), net	**211**	(715)
	(12,561)	(7,114)

11. LOSS PER SHARE

	Three months ended March 31,	
	2017	2016
Net loss attributable to common shareholders		
From continuing operations	**(12,518)**	(3,757)
From discontinued operations	**-**	(2,297)
Net loss	**(12,518)**	(6,054)
Basic and diluted weighted average number of common shares	**173,681,481**	140,575,783
Basic and diluted loss per share attributable to common shareholders of the Company		
From continuing operations	**(0.07)**	(0.03)
From discontinued operations	**-**	(0.01)
Basic and diluted loss per share	**(0.07)**	(0.04)

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

12. 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 recognized in the condensed interim consolidated statements of loss for the three months ended March 31, 2017 and 2016 was as follows:

	Three months ended March 31,	
	2017	2016
Salaries, management bonuses and director fees	**1,174**	1,072
Other benefits	**99**	89
Share based compensation	**1,821**	1,693
Total remuneration	**3,094**	2,854

13. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Items not affecting cash and other adjustments

	Three months ended March 31,	
	2017	2016
Depreciation and amortization	**15,895**	18,949
Net interest expense	**1,571**	2,846
Accretion expense related to rehabilitation provisions	**427**	491
Share based compensation expense	**402**	557
Net gains on Sabina special warrants	**(1,177)**	(455)
Net losses on commodity swap and option contracts	**13,008**	6,822
Net losses on forward foreign exchange contracts	**306**	2,112
Other, net	**(48)**	(640)
	30,384	30,682

(b) Changes in non-cash working capital

	Three months ended March 31,	
	2017	2016
Decrease (increase) in accounts receivable and other assets	**15,620**	(12,546)
Decrease (increase) in inventories	**1,685**	(4,942)
Decrease in accounts payable and accrued liabilities	**(1,182)**	(9,132)
Increase in other liabilities	**1,463**	1,453
	17,586	(25,167)

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

14. SUPPLEMENTARY SHAREHOLDERS' EQUITY INFORMATION

(a) Equity financing

On July 11, 2016, the Company completed a bought deal financing with a syndicate of underwriters, pursuant to which the Company issued 18,216,000 common shares of the Company at a price of Cdn$3.00 per share, for aggregate gross proceeds of $41.9 million (Cdn$54.6 million) (the "Offering"). Concurrent with the Offering, the Company also completed a non-brokered private placement of 840,000 common shares of the Company at a price of Cdn$3.00 per share, for additional gross proceeds of $1.9 million (Cdn$2.5 million).

On January 24, 2017, the Company completed a non-brokered private placement with the European Bank for Reconstruction and Development, pursuant to which the Company issued 17,843,120 common shares of the Company at a price of Cdn$2.45 per share for gross proceeds of $33.2 million (Cdn$43.7 million) and total share issuance costs of $0.5 million.

(b) Changes in accumulated other comprehensive income (loss)

	Three months ended March 31,	
	2017	2016
Unrealized losses on forward foreign exchange contracts designated as cash flow hedges		
Balance at beginning of year	**(6,924)**	(25,405)
Unrealized gains on forward foreign exchange contracts designated as cash flow hedges, net of income taxes	**1,720**	4,541
Realized losses on forward foreign exchange contracts transferred to net loss, net of income taxes	**1,179**	3,510
Balance at end of period	**(4,025)**	(17,354)
Unrealized gains on publicly traded securities		
Balance at beginning of period	**10,867**	6,095
Unrealized gains on publicly traded securities, net of income taxes	**10,149**	3,887
Balance at end of period	**21,016**	9,982
Accumulated currency translation adjustments		
Balance at beginning of period	**(2,583)**	(1,114)
Currency translation adjustments	**-**	9
Balance at end of period	**(2,583)**	(1,105)
Accumulated other comprehensive income (loss)	**14,408**	(8,477)

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

15. COMMITMENTS AND OTHER CONTINGENCIES

(a) Commitments

The Company had the following minimum contractual commitments as at March 31, 2017:

	up to 1 year	1 - 5 years	over 5 years	Total
Capital commitments	66,849	-	-	**66,849**
Purchase commitments	17,146	-	-	**17,146**
Operating lease payments	3,758	14,095	1,030	**18,883**
Total commitments	**87,753**	**14,095**	**1,030**	**102,878**

As at March 31, 2017, Tsumeb had approximately $136 million (December 31, 2016 – $130 million) of third party in-process secondary materials, which it is obligated to process and return, generally in the form of blister.

(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.

16. 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 two operating segments from continuing operations – Chelopech in Bulgaria and Tsumeb 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. There are no significant inter-segment transactions that have not been eliminated on consolidation.

The operating results of Kapan have been presented as discontinued operations as a result of the Kapan Disposition *(note 3).*

(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

The following table summarizes the relevant information from continuing operations by segment for the three months ended March 31, 2017 and 2016:

	Three months ended March 31, 2017			
	Chelopech	**Tsumeb**	**Corporate & Other**	**Total**
Continuing Operations				
Revenue *(a)*	**52,038**	**22,630**	**-**	**74,668**
Earnings (loss) before income taxes	**9,528**	**(12,739)**	**(8,303)**	**(11,514)**
Capital expenditures	**2,352**	**4,463**	**15,169**	**21,984**

	Three months ended March 31, 2016			
	Chelopech	Tsumeb	Corporate & Other	Total
Continuing Operations				
Revenue *(a)*	38,578	31,590	-	70,168
Earnings (loss) before income taxes	7,148	(2,306)	(8,507)	(3,665)
Capital expenditures	3,014	4,225	4,184	11,423

(a) Chelopech's revenues were generated from the sale of concentrate and Tsumeb's revenues were generated from processing concentrate.

The following table summarizes the total assets and total liabilities by segment as at March 31, 2017 and December 31, 2016:

	As at March 31, 2017			
	Chelopech	**Tsumeb**	**Corporate & Other**	**Total**
Total current assets	**49,373**	**14,738**	**28,370**	**92,481**
Total non-current assets	**214,832**	**259,759**	**185,352**	**659,943**
Total assets	**264,205**	**274,497**	**213,722**	**752,424**
Total liabilities	**38,261**	**42,038**	**86,530**	**166,829**

	As at December 31, 2016			
	Chelopech	Tsumeb	Corporate & Other	Total
Total current assets	53,222	19,596	18,788	91,606
Total non-current assets	222,178	261,774	158,394	642,346
Total assets	275,400	281,370	177,182	733,952
Total liabilities	36,066	40,053	105,806	181,925

CORPORATE INFORMATION

Directors

R. Peter Gillin[2,5]
Toronto, Ontario, Canada

Jonathan Goodman
Toronto, Ontario, Canada

Richard Howes
Toronto, Ontario, Canada

Murray John[4]
Mill Bay, British Columbia, Canada

Jeremy Kinsman[2,3]
Victoria, British Columbia, Canada

Garth MacRae[1,4]
Toronto, Ontario, Canada

Juanita Montalvo[3,4]
Toronto, Ontario, Canada

Peter Nixon[2,3]
Niagara-on-the-Lake, Ontario, Canada

Marie-Anne Tawil[1,3]
Westmount, Québec, Canada

Anthony P. Walsh[1,2]
Vancouver, British Columbia, Canada

Donald Young[1,4]
Vancouver, British Columbia, Canada

[1] Audit Committee
[2] Compensation Committee
[3] Corporate Governance and Nominating Committee
[4] Health, Safety and Environment Committee
[5] Lead Director

Officers

Jonathan Goodman
Executive Chairman

Richard Howes
President and Chief Executive Officer

Hume Kyle
Executive Vice President and Chief Financial Officer

David Rae
Executive Vice President and Chief Operating Officer

Lori E. Beak
Senior Vice President, Governance and Corporate Secretary

Michael Dorfman
Senior Vice President, Corporate Development

Richard Gosse
Senior Vice President, Exploration

Nikolay Hristov
Senior Vice President, Sustainable Business Development

John Lindsay
Senior Vice President, Projects

Paul Proulx
Senior Vice President, Corporate Services

Mark Crawley
Vice President, Commercial

Iliya Garkov
Vice President and General Manager, Bulgaria

Zebra Kasete
Vice President and Managing Director Dundee Precious Metals Tsumeb (Pty) Limited

Patrick Lim
Director, Finance and Global Controller

Shareholder Contact

Janet Reid
jreid@dundeeprecious.com
Tel: 416-365-5191
Fax: 416-365-9080

Corporate Office

Dundee Precious Metals Inc.
1 Adelaide Street East
Suite 500, P.O. Box 195
Toronto, Ontario, Canada, M5C 2V9
Tel: 416-365-5191
Fax: 416-365-9080

Regional Offices

Sofia

Dundee Precious Metals
Krumovgrad EAD
26 Bacho Kiro Street, 3rd Floor
Sofia 1000, Bulgaria
Tel: +359-2-9301500
Fax: +359-2-9301595

Windhoek

Dundee Precious Metals
Tsumeb (Pty) Limited
35 Schanzen Road
Klein Windhoek
Windhoek, Namibia
Tel: +264-0-61-385000
Fax: +264-0-61-385001

Operations

Chelopech Mine

Dundee Precious Metals
Chelopech EAD
Village of Chelopech 2087
Bulgaria
Tel: +359-728-68-226
Fax: +359-728-68-286

Krumovgrad Project

Dundee Precious Metals
Krumovgrad EAD
1 Hristo Botev Street
District of Kardzhali
6900 Krumovgrad, Bulgaria
Tel: +359-0-3641-6803
Fax: +359-0-3641-7093

Tsumeb Smelter

Dundee Precious Metals
Tsumeb (Pty) Limited
P.O. Box 936
Smelter Road, Tsumeb, Namibia
Tel: +264-67-223-4000

Stock Listing and Symbol

The Toronto Stock Exchange
DPM – Common Shares

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

Registrar

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario, Canada M5J 2Y1
Tel: 514-982-7555
(International direct dial)
Tel: (toll-free): 800-564-6253
(North America)
Fax: 416-263-9394 (International)
Fax: (toll free): 888-453-0330
(North America)
Website: www.computershare.com
Email: service@computershare.com

Dundee
PRECIOUS METALS INC.

www.dundeeprecious.com

1 Adelaide Street East
Suite 500, P.O. Box 195
Toronto, Ontario, Canada
M5C 2V9

Tel: 416 365 5191
Fax: 416 365 9080