2015 ANNUAL REPORT

Dundee Precious Metals

2015 ANNUAL REPORT

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Rick Howes, President and CEO

MESSAGE TO SHAREHOLDERS

In this day and age it takes patience, perseverance, hard work and a diverse set of skills and talent to build a successful international mining company. In a year where the prices of gold and other metals continued to decline, and our share price reached lows that defied logic, we never wavered as we continued to execute our strategy to be a progressive gold mining company that unlocks and delivers superior value through innovation and strong partnerships with stakeholders. Despite the many challenges faced in 2015, we have good progress to report on all fronts. We are enthusiastic about the prospects of our smelter in Namibia, after five years of significant investment and hard work, and we are excited to see our Krumovgrad project finally nearing construction stage.

Despite challenging market conditions in 2015, we continued to make good progress advancing our strategic initiatives. We achieved our best safety performance since we began as a producer in 2003 and we achieved record gold production. We successfully built and commissioned our new acid plant in Namibia and began delivering acid to our customers. We also continued to advance the permitting of our Krumovgrad open pit gold project in Bulgaria and to optimize performance and extend the life of the Chelopech mine through exploration success.

2015 Operating Highlights and Growth Progress

In the face of challenging gold and copper markets, we remained focused on maintaining our financial strength and flexibility, reducing our costs and optimizing the costs and performance of our operations.

In 2015, we continued to see a weakening of many of the base and precious metal commodity prices as global growth continued to slow. 2015 was the third consecutive year of declining gold prices following the 10 year bull market. Gold fell 8% in 2015 and has fallen 30% since 2012. Copper prices also fell sharply in 2015, down 20% from 2014.

2015 Operating Highlights

Our focus on being a consistent and reliable producer has paid off as we met or exceeded all of our guidance for the year. We achieved record production of 195,000 ounces of gold contained in all concentrates, and copper production of 42.4 million pounds from our two operating mines. As a low cost gold producer, our consolidated all-in sustaining cost per ounce of gold was US$620, a 10% decrease from 2014. We continued to reduce our cash costs per tonne of ore processed at our Chelopech and Kapan mines, each of which declined by 9% year over year. Our cost reduction efforts also contributed to a year over year reduction in general and administrative expenses of US$10.7 million.

We are coming to the end of our major multi-year investment program to transform our Tsumeb smelter into a unique

sustainable stand-alone specialty complex copper concentrate tolling smelter. We successfully commissioned our new acid plant in the third quarter, with first commercial production of 37,000 tonnes of acid in the fourth quarter. In the first quarter of 2016, the commissioning of our two new converters is expected to be completed and will enable higher levels of production. In 2015, we processed 196,000 tonnes of complex copper concentrates and generated adjusted EBITDA of US$8.6 million, the vast majority of which was earned in the fourth quarter, demonstrating the potential cash flow generating capability that is expected to be realized when the full capacity is reached, following the successful operation of the new converters in the second quarter of 2016. With the major smelter capital program now coming to an end, we expect to start generating positive free cash flow, net of all capital, from this business.

2015 Growth Progress

We continued to advance our near term growth project, the Krumovgrad open pit gold development project in southern Bulgaria, through the final construction permitting phase with the approval of the detailed development plan in November 2015. The remaining construction-related permits are expected to be secured by mid-2016.

In 2015, we also completed a prefeasibility study on an expansion of the smelter throughput up to 370,000 tonnes per year through the addition of a holding furnace. The study demonstrated potential for a quick payback on a relatively small incremental capital investment and has now advanced to the feasibility stage.

Our in-mine exploration programs continue to replace the reserves mined each year. In addition, regional brownfields exploration programs around our existing mines and our planned Krumovgrad mine have identified promising new targets that will be further tested in 2016.

Business and Market Outlook

The worst may be over for gold prices following three years of decline. Gold ended the year at US$1,060 per ounce and has climbed 15% to US$1,220 year-to-date on strong physical and speculative demand in response to a number of global developments that are supportive for gold. Copper has also rebounded 8% year-to-date in response to continued government stimulus and slower than expected tightening by the U.S. Federal Reserve. We remain bullish on future gold prices, however we continue to base our business plans on more conservative price assumptions.

We anticipate the favourable economic climate will continue with the lower oil prices, a strengthening gold price, and our ability to take advantage of weaker local currencies in Canada, Bulgaria and Namibia. With capital spending declining and strong operating cash flows anticipated from Chelopech and Tsumeb, we expect to generate net free cash flow in 2016.

On March 1, 2016, we announced that we reached an agreement with Polymetal International Plc for the sale of our Kapan Mine in Armenia for US$25 million in cash and shares and a 2% net smelter return royalty, subject to regulatory and other approvals. The proceeds from the sale will strengthen our balance sheet and reduce future capital requirements, which can be utilized to support the growth of our business, and also allows us to focus on our remaining core assets.

With the sale of Kapan, our gold production in 2016 is forecast to decline to approximately 160,000 ounces, and to remain relatively stable through 2017. We expect to increase production tonnage at Chelopech by 10% to offset some of the grade decline expected in 2016. We are also exploring the potential to expand Chelopech to 2.5 million tonnes per year, which became possible with the 15% increase in 2015 Indicated Mineral Resources related to the old cave zones in the upper part of the mine.

We have near term organic growth from our Krumovgrad open pit gold project in Bulgaria. Although it has been a fairly lengthy period of time since we began our efforts to permit and develop the Krumovgrad project, we expect to receive the remaining permits necessary to begin construction by mid-2016. Krumovgrad represents one of the few attractive high return gold projects in this gold price environment and would add, on average, an additional 85,000 gold ounces per year

at a cash cost of US$389 per ounce, with initial production starting in late 2018. In addition to the capital generated from the Kapan sale, we continue to assess several options that will supplement the existing financing we have in place and ensure our financing plan is capable of withstanding a potentially weaker commodity price environment. Based on our current schedule, a decision by the Board is not expected to be made until the third quarter of 2016.

Krumovgrad will be our first greenfield mining project, and the first mining project in Europe to be built in a designated Natura 2000 protected area. We recognize the importance that local communities, civil society, governments, NGOs and media all play in granting us social license. As a result, our approach has been to work closely with all stakeholders to build a project that will be a leading example of what responsible mining can achieve. This approach has garnered wide recognition and strong stakeholder support, and stands in sharp contrast to most other projects in this region.

2016 will be a year in which we ramp-up and stabilize the Tsumeb smelter performance to a targeted level of throughput up to 250,000 tonnes per year based on the existing installed infrastructure, following a number of environmental and other upgrades made to the smelter over the last five years. We expect to reach full capacity after completing the commissioning of the new converters in the first quarter of 2016, and will undertake a feasibility study to evaluate a potential further expansion to 370,000 tonnes per year. Any such expansion would not be advanced without adequate commercial and funding arrangements in place, including a possible strategic partnership.

I am proud to work at Dundee Precious Metals and proud of our team. Guided by our shared values and a dedicated and experienced Board, we are committed to unlocking the potential value of our current assets and building a reputation for successful execution. As a low cost, diversified gold producer, operating in mining friendly and politically stable jurisdictions, we are well positioned to weather the current economic downturn, have attractive organic growth prospects that we can pace based on market conditions and our available capital resources, and have a strong management team with the capability and track record for gaining stakeholder support and turning around poorly performing assets.

On behalf of our Board, I would like to express our sincere appreciation to Ronald Singer and Derek Buntain who both retired from our Board in 2015, after serving 17 years and 22 years, respectively, and were instrumental in guiding the company through its many challenges and successes over those years. I would also like to thank our more than 2,600 employees around the world for their dedication, hard work and commitment to working safely, and making 2015 our safest and highest producing year ever. We can all take pride in the fact that we are building a successful global mining company that demonstrates care and a commitment to responsible mining in the communities in which we operate.

Rick Howes
President and Chief Executive Officer
March 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations

for the Year ended December 31, 2015

(All monetary figures are expressed in U.S. dollars unless otherwise stated)

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Dundee Precious Metals Inc. ("DPM" and, together with its consolidated subsidiaries, collectively referred to as the "Company") for the three and twelve months ended December 31, 2015. This MD&A should be read in conjunction with DPM's audited consolidated financial statements for the year ended December 31, 2015 prepared in accordance with International Financial Reporting Standards ("IFRS"). 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 audited consolidated financial statements for the year ended December 31, 2015. 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 February 9, 2016.

OVERVIEW

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").

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 Kapan CJSC ("Kapan"), which owns and operates a gold, copper, zinc and silver mine located in the town of Kapan, south east of the capital city of Yerevan in southern Armenia;
- 100% of Dundee Precious Metals Krumovgrad EAD ("Krumovgrad"), which is focused on the development of a gold property located in south eastern Bulgaria, near the town of Krumovgrad;
- 100% of Dundee Precious Metals Tsumeb (Proprietary) Limited ("Tsumeb"), which owns and operates a custom smelter located in Tsumeb, Namibia; and
- 50.1% of Avala Resources Ltd. ("Avala"), a TSX Venture Exchange ("TSXV") listed company (TSXV: AVZ) incorporated in 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.

The Company is committed to creating value for all our stakeholders in a safe and responsible manner through a disciplined but opportunistic business model. Maximizing the value of our existing operating assets through exploration, development, innovation and operational excellence is a key component of our strategy. Future growth will be realized through the development of our project pipeline, which includes our Krumovgrad gold project and Tsumeb expansion project as well as strategic interests in a number of early stage development projects.

Summary of Significant Operational and Financial Achievements

Overall, financial results in 2015 were impacted by an impairment loss taken in respect of Kapan, lower metal prices and higher local currency operating expenses, which were partially offset by the favourable impact of a stronger U.S. dollar.

Chelopech

- Annual mine production of over two million tonnes resulting in gold and copper contained in copper concentrate produced of 114,951 ounces and 39.8 million pounds, respectively, a decrease of 8% and 10% over 2014 as a result of lower grades and recoveries. Mine and metals production were in line with the guidance issued in February 2015;
- Sold 109,981 ounces of gold in copper concentrate and 37.9 million pounds of copper generating adjusted EBITDA(1) of $100.5 million;
- Cash cost per tonne of ore processed(1) of $36.46 was 9% lower than 2014 due primarily to the favourable impact of a weaker Euro relative to the U.S. dollar, which has more than offset higher local currency operating expenses and cash cost per ounce of gold, net of by-product credits(1) of $314 was 7% higher than 2014 as a result of lower by-product prices;
- 15% increase to the Measured and Indicated Mineral Resources, following successful demonstration of a methodology for crown pillar extraction that can be applied to mine previously restricted inferred resources, representing a 4.2 million tonne increase in Mineral Resources;

Kapan

- Annual mine production of 409,848 tonnes resulting in gold and copper contained in concentrate produced of 24,850 ounces and 2.6 million pounds, respectively, an increase of 19% and 23% over 2014 resulting from higher grades and recoveries. Mine and metals production were in line with the guidance issued in February 2015;

- Sold 20,618 ounces of gold and 2.4 million pounds of copper generating adjusted EBITDA of $4.9 million;
- Cash cost per tonne of ore processed of $77.42 was 9% lower than 2014 due primarily to on-going improvement initiatives and the favourable impact of a weaker Armenian dram relative to the U.S. dollar and cash cost per ounce of gold, net of by-product credits of $709 was 18% lower than 2014 as a result of higher payable metals in concentrate sold, partially offset by lower by-product prices;
- As a result of lower metal prices and a slower projected ramp-up of production, an impairment loss of $42.7 million was recognized in other expense in the fourth quarter of 2015;

Tsumeb

- Complex concentrate smelted of 196,107 tonnes was comparable to 2014 and within the guidance issued in February 2015, albeit at the lower end of the range;
- Generated adjusted EBITDA of $8.6 million, which was negatively impacted by an additional Ausmelt furnace shutdown in the third quarter of 2015 and higher deductions for estimated metals exposure;
- Cash production cost per tonne of concentrate smelted[(1)] of $377 was 7% higher than 2014 due primarily to increased maintenance activities and electricity rates, partially offset by the favourable impact of a weaker ZAR relative to the U.S. dollar, and in line with the guidance issued in February 2015;
- Acid plant commissioning and hand over to operations completed during the third quarter of 2015. Acid production totaled 36,904 tonnes in the fourth quarter of 2015;
- Construction of the new copper converters, together with their associated off-gas system and tie-ins to the acid plant, continued through the fourth quarter of 2015. The new copper converters are expected to be commissioned and put into operation in the first quarter of 2016;
- A pre-feasibility study to assess opportunities to further optimize the smelter operation, including the installation of a holding furnace, was completed in 2015 and has progressed to the feasibility study stage;

Corporate and other

- Achieved an all-in sustaining cost per ounce of gold[(1)] of $620 in 2015, a decrease of 10% relative to 2014;
- General and administrative expenses decreased by $10.7 million in 2015 reflecting the favourable impact of a weaker Cdn dollar relative to the U.S. dollar and lower employee related expenses;
- Approximately 64% of the Company's expected copper production for 2016 is hedged at an average price of $2.32 per pound;
- Approximately 23% of the Company's projected Euro operating expenses for 2016 are hedged at an average rate of 1.11. Approximately 62% of projected Namibian dollar operating expenses for 2016 are hedged at an average rate of 13.04; and
- Final detailed development plan ("DDP") for the Krumovgrad project approved and in force during November 2015. Remaining construction related permits expected to be secured by mid-2016.

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1) Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), cash cost per tonne of ore processed, cash cost per ounce of gold sold, net of by-product credits, cash production cost per tonne of concentrate smelted and all-in sustaining cost per ounce of gold sold are not a defined measure under generally accepted accounting principles ("GAAP"). Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS.

KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS

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

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Operational Highlights				
Payable metals in copper and zinc concentrates sold:				
Gold *(ounces)*[(1)]	**32,105**	43,409	**130,599**	134,220
Copper *('000s pounds)*	**10,620**	12,487	**40,272**	42,749
Zinc *('000s pounds)*	**3,070**	2,019	**10,267**	10,120
Silver *(ounces)*	**176,728**	192,239	**549,424**	528,336
Payable gold in pyrite concentrate sold *(ounces)*	**9,779**	11,801	**38,156**	26,514
Cash cost per tonne of ore processed *($)*[(2),(3)]	**46.63**	46.05	**43.30**	47.25
Cash cost per ounce of gold sold, net of by-product credits *($)*[(1),(2),(4),(5)]	**485**	259	**377**	373
Cash cost per ounce of gold sold in pyrite concentrate *($)*[(2),(8)]	**895**	963	**919**	973
All-in sustaining cost per ounce of gold *($)*[(1),(2),(5),(7)]	**758**	419	**620**	690
Complex concentrate smelted at Tsumeb *(tonnes)*	**55,833**	53,782	**196,107**	198,346
Cash production cost per tonne of complex concentrate smelted at Tsumeb *($)*[(2),(9)]	**347**	350	**377**	351
Financial Results				
Revenue	**64,494**	89,309	**260,132**	323,980
Gross (loss) profit[(6)]	**(6,972)**	21,903	**(2,155)**	61,753
Depreciation and amortization	**20,613**	17,900	**71,023**	65,864
Adjusted EBITDA[(2)]	**21,797**	40,454	**88,146**	97,918
Other (expense) income	**(29,630)**	11,083	**(38)**	(65,332)
(Loss) earnings before income taxes	**(45,885)**	24,511	**(40,862)**	(55,380)
Income tax expense	**(2,766)**	(3,529)	**(7,180)**	(7,330)
Net (loss) earnings attributable to common shareholders	**(48,509)**	21,461	**(46,989)**	(58,922)
Basic (loss) earnings per share *($)*	**(0.34)**	0.15	**(0.33)**	(0.42)
Adjusted (loss) earnings before income taxes[(2)]	**(2,478)**	19,693	**5,937**	21,076
Adjusted net (loss) earnings[(2)]	**(3,856)**	16,341	**316**	13,841
Adjusted basic (loss) earnings per share *($)*[(2)]	**(0.03)**	0.12	**0.00**	0.10
Cash provided from operating activities	**33,037**	47,687	**87,710**	98,079
Cash provided from operating activities, before changes in non-cash working capital[(2)]	**22,136**	39,029	**80,515**	85,648
Free cash flow[(2)]	**266**	22,325	**25,694**	28,613
Capital expenditures incurred:				
Growth[(2)]	**8,605**	20,244	**53,760**	154,214
Sustaining[(2)]	**12,194**	5,731	**33,640**	30,026
Total capital expenditures	**20,799**	25,975	**87,400**	184,240
As at,			**December 31, 2015**	December 31, 2014
Financial Position				
Cash and cash equivalents			**26,570**	36,292
Investments at fair value			**13,911**	8,228
Total assets			**906,151**	980,152
Debt[(10)]			**147,035**	157,773
Equity			**638,113**	703,906
Common shares outstanding *('000s)*			**140,576**	140,576
Share price *(Cdn$ per share)*			**1.28**	2.74

1) Excludes metals in pyrite concentrate sold, and where applicable, the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, which is reported separately.
2) Cash cost per tonne of ore processed, cash cost per ounce of gold sold, net of by-product credits; cash cost per ounce of gold sold in pyrite concentrate; all-in sustaining cost per ounce of gold; cash production cost per tonne of complex concentrate smelted; adjusted EBITDA; adjusted (loss) earnings before income taxes; adjusted net (loss) earnings; adjusted basic (loss) earnings per share; cash provided from operating activities, before changes in non-cash working capital; free cash flow; and growth 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.
3) Cash cost per tonne of ore processed represents site related production expenses, including mining, processing, services, royalties and general and administrative, divided by tonnes of ore processed.
4) Cash cost per ounce of gold sold, net of by-product credits, represents cost of sales at Chelopech and Kapan less depreciation, amortization and other non-cash expenses plus treatment charges, penalties, transportation and other selling costs less by-product copper, zinc and silver revenues, including realized gains on copper swap contracts, divided by the payable gold in copper and zinc concentrates sold.
5) Includes realized gains on copper swap contracts, entered to hedge a portion of projected payable production, of $9.9 million and $28.5 million during the fourth quarter and twelve months ended December 31, 2015, respectively, compared with $3.3 million and $8.6 million in the corresponding periods in 2014.
6) Gross (loss) profit is regarded as an additional GAAP measure and is presented in the Company's consolidated statements loss. Gross (loss) profit represents revenue less cost of sales and is one of several measures used by management and investors to assess the underlying operating profitability of a business.
7) All-in sustaining cost per ounce of gold represents cost of sales at Chelopech and Kapan 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, silver and zinc, including realized gains on copper swap contracts, divided by the payable gold in copper and zinc concentrates sold.
8) Cash cost per ounce of gold sold in pyrite concentrate represents treatment charges and freight costs associated with the sale of pyrite concentrate divided by the payable gold in pyrite concentrate sold.
9) Cash production cost per tonne of complex concentrate smelted at Tsumeb represents cost of sales less depreciation and amortization, transportation and related costs and operating costs related to acid production 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 leva, which is pegged to the Euro, the Armenian dram ("AMD"), the Namibian dollar, which is tied to the South African rand ("ZAR") on a 1:1 basis, and the Canadian dollar ("Cdn$") can also impact the Company's results of operations and financial condition.

The following table summarizes the average trading price for gold, copper, zinc and silver based on the London Bullion Market Association ("LBMA") for gold and silver, the London Metal Exchange ("LME") for copper (Grade A) and the LME special high grade ("SHG") for zinc for the three and twelve months ended December 31, 2015 and 2014 and highlights the overall year over year weakness in commodity prices.

Metal Market Prices (Average)	**Three Months**			**Twelve Months**		
Ended December 31,	**2015**	2014	**Change**	**2015**	2014	**Change**
LBMA gold ($/ounce)	**1,105**	1,200	**(8%)**	**1,160**	1,263	**(8%)**
LME settlement copper ($/pound)	**2.22**	3.00	**(26%)**	**2.50**	3.11	**(20%)**
LME settlement SHG zinc ($/pound)	**0.73**	1.01	**(28%)**	**0.88**	0.98	**(10%)**
LBMA spot silver ($/ounce)	**14.76**	16.47	**(10%)**	**15.70**	19.08	**(18%)**

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

Average Foreign Exchange Rates	**Three Months**			**Twelve Months**		
Ended December 31,	**2015**	2014	**Change**	**2015**	2014	**Change**
US$/Cdn$	**1.3351**	1.1361	**18%**	**1.2785**	1.1048	**16%**
Euro/US$	**1.0952**	1.2489	**12%**	**1.1105**	1.3292	**16%**
US$/AMD	**479**	427	**12%**	**478**	415	**15%**
US$/ZAR	**14.2135**	11.2130	**27%**	**12.7464**	10.8361	**18%**

The following table sets out the applicable closing foreign exchange rates as at December 31, 2015 and 2014 and the extent to which the U.S. dollar has strengthened relative to each of the currencies.

Closing Foreign Exchange Rates As at December 31,	2015	2014	Change
US$/Cdn$	**1.3840**	1.1601	**19%**
Euro/US$	**1.0906**	1.2155	**10%**
US$/AMD	**484**	475	**2%**
US$/ZAR	**15.5293**	11.6017	**34%**

Operational Highlights

Production

Production of copper and zinc concentrates in the fourth quarter of 2015 of 36,424 tonnes was 18% lower than the corresponding period in 2014 due primarily to lower copper grades in ore treated at Chelopech and lower volumes of ore processed. Production of copper and zinc concentrates for 2015 of 128,041 tonnes was 8% lower than the corresponding period in 2014 due primarily to lower copper grades in ore treated at Chelopech, partially offset by higher copper grades at Kapan.

Relative to the fourth quarter of 2014, gold contained in copper and zinc concentrates produced in the fourth quarter of 2015 decreased by 27% to 35,835 ounces, copper production decreased by 19% to 12.0 million pounds, silver production decreased by 7% to 184,167 ounces and zinc production decreased by 9% to 2.7 million pounds. The decreases in gold and copper production were due primarily to lower gold and copper grades and recoveries at Chelopech, and lower volumes of ore processed at Chelopech and Kapan. The decrease in silver production was due primarily to lower volumes of ore processed at Chelopech and Kapan and lower silver recoveries at Chelopech, partially offset by higher silver grades at Chelopech and Kapan. The decrease in zinc production at Kapan was due primarily to lower volumes of ore processed and lower recoveries, partially offset by higher zinc grades.

Relative to 2014, gold contained in copper and zinc concentrates produced in 2015 decreased by 4% to 139,801 ounces, copper production decreased by 9% to 42.4 million pounds and silver production increased by 6% to 703,277 ounces. Zinc production in 2015 of 11.9 million pounds was comparable to 2014. The decreases in gold and copper production were due primarily to lower recoveries and grades at Chelopech, partially offset by higher grades and recoveries at Kapan. The increase in silver production was due primarily to higher grades at Chelopech and Kapan, partially offset by lower recoveries at Chelopech.

Overall, gold, copper, zinc and silver production levels in 2015 were in line with the guidance provided on February 12, 2015.

Gold contained in pyrite concentrate produced in the fourth quarter and twelve months of 2015 was 13,656 ounces (2014 – 12,391 ounces) and 54,774 ounces (2014 – 36,466 ounces), respectively, consistent with increased production of pyrite concentrate.

Complex concentrate smelted at Tsumeb during the fourth quarter of 2015 of 55,833 tonnes was 4% higher than the corresponding period in 2014. Complex concentrate smelted in 2015 of 196,107 tonnes was comparable to 2014. Production for 2015 was within the guidance provided on February 12, 2015, albeit at the lower end of the range.

Deliveries

Deliveries of copper and zinc concentrates during the fourth quarter and twelve months of 2015 of 34,795 tonnes and 129,542 tonnes, respectively, were 11% and 5% lower than the corresponding periods in 2014 due primarily to the decrease in concentrate produced and the timing of shipments.

Relative to the fourth quarter of 2014, payable gold in copper and zinc concentrates sold in the fourth quarter of 2015 decreased by 26% to 32,105 ounces, payable copper in concentrate sold decreased by 15% to 10.6 million pounds, payable silver in concentrate sold decreased by 8% to 176,728 ounces and payable zinc in concentrate sold increased by 52% to 3.1 million pounds. The decreases in payable gold, copper and silver in copper and zinc concentrates sold were consistent with the decreases in gold,

copper and silver contained in concentrate produced. The increase in payable zinc in concentrate sold was due primarily to the timing of deliveries and higher grades at Kapan.

Relative to 2014, payable gold in copper and zinc concentrates sold in 2015 decreased by 3% to 130,599 ounces, payable copper in concentrate sold decreased by 6% to 40.3 million pounds, payable silver in concentrate sold increased by 4% to 549,424 ounces. Payable zinc in concentrate sold in 2015 of 10.3 million pounds was comparable to the corresponding period in 2014. The decreases in payable gold and copper in copper and zinc concentrates sold were consistent with the decreases in gold and copper contained in copper and zinc concentrates produced. The increase in payable silver in concentrate sold was consistent with the increase in silver contained in concentrate produced.

Payable gold in pyrite concentrate sold in the fourth quarter and twelve months of 2015 was 9,779 ounces (2014 – 11,801 ounces) and 38,156 ounces (2014 – 26,514 ounces), respectively. The increase in 2015 was consistent with increased production of pyrite concentrate and above the guidance provided on February 12, 2015.

Cash cost per ounce of gold sold

Consolidated cash cost per ounce of gold sold, net of by-product credits, during the fourth quarter of 2015 was $485 compared to $259 during the corresponding period in 2014 due primarily to lower volumes of payable metals in copper and zinc concentrates sold, lower prices for by-products and higher local currency operating expenses, which have been partially offset by the favourable impact of a stronger U.S. dollar relative to the Euro and the Armenian dram.

Consolidated cash cost per ounce of gold sold, net of by-product credits, during 2015 of $377 was comparable to 2014 due primarily to higher local currency operating expenses and lower prices for by-products, partially offset by the favourable impact of a stronger U.S. dollar relative to the Euro and the Armenian dram.

All-in sustaining cost per ounce of gold

Consolidated all-in sustaining cost per ounce of gold in the fourth quarter of 2015 was $758 compared to $419 in the corresponding period in 2014 due primarily to the same factors affecting cash cost per ounce of gold sold and higher cash outlays for sustaining capital expenditures.

Consolidated all-in sustaining cost per ounce of gold in 2015 was $620 compared to $690 in 2014. This decrease was due primarily to the same factors affecting cash cost per ounce of gold sold as well as lower cash outlays for sustaining capital expenditures and lower general and administrative expenses.

Cash production cost per tonne of complex concentrate smelted

Cash production cost per tonne of complex concentrate smelted during the fourth quarter of 2015 of $347 was comparable to 2014. The favourable impact of a weaker ZAR relative to the U.S dollar has offset the increases in local currency operating expenses.

Cash production cost per tonne of complex concentrate smelted in 2015 of $377 was 7% higher than 2014 due primarily to increased maintenance activities and electricity rates, partially offset by the favourable impact of a weaker ZAR relative to the U.S. dollar.

Financial Highlights

Revenue

Revenue during the fourth quarter of 2015 of $64.5 million was $24.8 million lower than the corresponding period in 2014 due primarily to lower volumes of payable metals in concentrate sold, lower metal prices and higher deductions for estimated metals exposure at Tsumeb, partially offset by higher toll rates and volumes of complex concentrate smelted at Tsumeb and the sale of acid with the commencement of production in the fourth quarter of 2015. Revenue in the fourth quarter of 2015 excluded realized gains of $10.9 million (2014 - $3.9 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 consolidated statements of loss.

Revenue in 2015 of $260.1 million was $63.9 million lower than 2014 due primarily to lower metal prices, a higher proportion of third party concentrate smelted at Tsumeb resulting in a lower overall toll rate, and

higher deductions for stockpile interest and estimated metals exposure. These unfavourable variances were partially offset by higher third party toll rates at Tsumeb and revenue generated from the sale of acid with the commencement of production in the fourth quarter of 2015. Revenue in 2015 excluded realized gains of $30.7 million (2014 – $8.1 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 consolidated statements of loss.

Included in revenue were unfavourable metal price adjustments on provisionally priced sales of $3.6 million (2014 – $1.9 million) and $15.1 million (2014 – $4.6 million) during the fourth quarter and twelve months of 2015, respectively. These adjustments were offset by hedge gains on cash settled swap contracts entered to mitigate the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales ("QP Hedges"). These hedge gains were recorded in other expense in the consolidated statements of loss.

The average market price for gold during both the fourth quarter and twelve months of 2015 decreased by 8% compared to the corresponding periods in 2014. The average market price for copper during the fourth quarter and twelve months of 2015 decreased by 26% and 20%, respectively, compared to the corresponding periods in 2014. The average realized gold price, including realized hedging gains and losses, for the fourth quarter and twelve months of 2015 was $1,111 per ounce and $1,162 per ounce, respectively, compared to $1,199 per ounce and $1,248 per ounce in the corresponding periods in 2014. The average realized copper price, including realized hedging gains, for the fourth quarter and twelve months of 2015 was $3.12 per pound and $3.18 per pound, respectively, compared to $3.18 per pound and $3.26 per pound in the corresponding periods in 2014.

Cost of sales

Cost of sales in the fourth quarter of 2015 of $71.5 million was $4.1 million higher than the corresponding period in 2014 due primarily to higher depreciation and higher local currency operating expenses, partially offset by the favourable impact of a stronger U.S. dollar. Cost of sales in 2015 of $262.3 million was comparable to 2014 due primarily to the favourable impact of a stronger U.S. dollar offsetting the increase in local currency operating expenses and higher depreciation.

Gross (loss) profit

Gross loss in the fourth quarter of 2015 was $7.0 million compared to a gross profit of $21.9 million in the corresponding period in 2014. The gross loss was due primarily to lower volumes of payable metals in concentrate sold, lower metal prices, higher local currency operating expenses, higher deductions for estimated metals exposure and depreciation at Tsumeb, partially offset by the favourable impact of a stronger U.S. dollar and higher third party toll rates at Tsumeb. Gross profit in the fourth quarter of 2015 excluded realized gains of $10.9 million (2014 - $3.9 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 consolidated statements of loss.

Gross loss in 2015 was $2.2 million compared to a gross profit of $61.8 million in 2014. The gross loss was due primarily to lower metal prices, higher deductions for stockpile interest and estimated metals exposure at Tsumeb, higher local currency operating expenses, a higher proportion of third party concentrate smelted at Tsumeb resulting in a lower overall toll rate, and higher depreciation. These unfavourable variances were partially offset by the favourable impact of a stronger U.S. dollar and higher third party toll rates at Tsumeb. Gross profit in 2015 excluded realized gains of $30.7 million (2014 – $8.1 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 consolidated statements of loss.

Included in gross (loss) profit were unfavourable metal price adjustments on provisionally priced sales of $3.6 million (2014 – $1.9 million) and $15.1 million (2014 – $4.6 million) during the fourth quarter and twelve months of 2015, respectively. These adjustments were offset by gains on QP Hedges, which were recorded in other expense in the consolidated statements of loss.

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

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Chelopech	**(4,603)**	25,276	**20,465**	71,074
Kapan	**(2,131)**	1,058	**(4,361)**	(4,595)
Tsumeb	**(238)**	(4,431)	**(18,259)**	(4,726)
Total gross (loss) profit	**(6,972)**	21,903	**(2,155)**	61,753

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter of 2015 was $21.8 million compared to $40.4 million in the corresponding period in 2014. This decrease was due primarily to lower volumes of payable metals in concentrate sold, lower metal prices, higher local currency operating expenses and higher deductions for estimated metals exposure at Tsumeb. These unfavourable variances were partially offset by the favourable impact of a stronger U.S. dollar and higher third party toll rates at Tsumeb.

Adjusted EBITDA in 2015 was $88.1 million compared to $97.9 million in 2014. This decrease was due primarily to lower metal prices, higher deductions for stockpile interest and estimated metals exposure at Tsumeb, higher local currency operating expenses and a higher proportion of third party concentrate smelted at Tsumeb resulting in a lower overall toll rate. These unfavourable variances were partially offset by the favourable impact of a stronger U.S. dollar, lower general and administrative expenses and higher third party toll rates at Tsumeb.

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

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Chelopech	**17,866**	41,506	**100,532**	118,347
Kapan	**97**	3,084	**4,885**	1,614
Tsumeb	**8,897**	1,469	**8,611**	18,463
Corporate & Other[1]	**(5,063)**	(5,605)	**(25,882)**	(40,506)
Total adjusted EBITDA	**21,797**	40,454	**88,146**	97,918

1) *Included in Corporate & Other are general, administrative, exploration and other income related to Avala of $0.2 million and $1.8 million, during the fourth quarter and twelve months of 2015, respectively, compared to $1.5 million and $7.6 million for the corresponding periods in 2014.*

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" section of this MD&A for a more detailed discussion of Chelopech, Kapan, Tsumeb and Corporate & Other results.

Other (expense) income

Other (expense) income 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 contracts, gains or losses on the forward point component of the forward foreign exchange contracts, gains or losses on DPM's warrants and impairment losses. The commodity swap 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 commodity swap contracts and the forward point component of the forward foreign exchange contracts are included in other (expense) income.

The following table summarizes the items making up other (expense) income:

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Net gains (losses) on Sabina warrants and special warrants	**667**	(675)	**278**	(1,400)
Net gains on commodity swap contracts	**11,010**	11,147	**35,478**	32,417
Net gains on the forward point component of forward foreign exchange contracts	**2,120**	-	**4,670**	-
Net gains on equity settled warrants	**493**	11,262	**3,100**	7,734
Impairment losses on publicly traded securities	**(12)**	(4,470)	**(654)**	(19,247)
Impairment losses on property, plant and equipment	**(20,171)**	(5,571)	**(20,179)**	(13,059)
Impairment losses on mine properties	**(21,685)**	-	**(21,685)**	-
Impairment losses on intangibles	**(951)**	(20)	**(995)**	(45)
Impairment losses on exploration and evaluation assets	**-**	-	**(803)**	(70,001)
Net foreign exchange (losses) gains	**(495)**	(894)	**1,846**	(1,640)
Interest income	**55**	80	**212**	281
Other (expense) income, net	**(661)**	224	**(1,306)**	(372)
Total other (expense) income	**(29,630)**	11,083	**(38)**	(65,332)

During the fourth quarter and twelve months of 2015, the Company reported unrealized losses on commodity swap contracts of $4.5 million (2014 – unrealized gains of $3.9 million) and $11.5 million (2014 – unrealized gains of $20.3 million), respectively. The Company also reported realized gains on the settlement of certain commodity swap contracts of $15.5 million (2014 – $7.2 million) and $47.0 million (2014 – $12.1 million) during the fourth quarter and twelve months of 2015, respectively.

During the fourth quarter and twelve months of 2015, the Company reported unrealized gains of $1.7 million and $4.1 million, respectively, on the forward point component of the forward foreign exchange contracts. The Company also reported realized gains of $0.4 million and $0.6 million during the fourth quarter and twelve months of 2015, respectively, on the settlement of certain of these contracts.

Impairments

As at December 31, 2015, the Company assessed the recoverable amount of each of its CGUs (as defined herein) as a result of its market capitalization being less than its net assets. Based on this assessment, the carrying values of all CGUs were considered to be recoverable with the exception of Kapan.

Kapan

As at December 31, 2015, the carrying value of Kapan exceeded its estimated recoverable amount by $42.7 million, of which $21.7 million was allocated to Kapan's mine properties, $20.1 million to property, plant and equipment and $0.9 million to intangible assets, with the resulting impairment loss recognized through other expense. This impairment loss is primarily attributable to projected lower commodity prices and a slower ramp-up of production.

Kapan's recoverable amount of $41 million as at December 31, 2015 was determined using FVLCD (as defined herein), which was calculated based on projected future after tax cash flows utilizing the latest information available and management's estimates including metals prices, available Mineral Resources, ore mined, grades, recoveries, operating costs, capital expenditures and foreign exchange rates. These projected cash flows were prepared in current dollars and discounted using a real discount rate of 9%, representing the estimated after tax weighted average real cost of capital. This rate was estimated based on the Capital Asset Pricing Model where the cost of equity and debt were built up based on estimated risk free interest rates, market returns on equity, share volatility, debt-to-equity ratios with reference to current market information and risks specific to the Company's mining industry peer group.

As at June 30, 2014, Kapan's exploration and evaluation assets were reduced by $70.0 million, with the resulting impairment charge recognized through other expense. This impairment loss reflected management's determination that these capitalized exploration and evaluation costs, incurred primarily to support an open pit expansion, initially the preferred option, should be written off based on the work conducted to support a potential underground expansion at Kapan.

Kapan's recoverable amount of $91 million as at June 30, 2014 was determined using FVLCD, based on the expected future after tax cash flow projections utilizing the latest information available and management estimates, including metal prices, available Mineral Resources, ore mined, grades, recoveries, operating costs, capital expenditures and foreign exchange rates. These projected cash flows were prepared in current dollars and discounted using a real discount rate of 9% representing the estimated after tax real weighted average cost of capital. This rate was estimated based on the Capital Asset Pricing Model where the cost of equity and debt were built up based on estimated risk free interest rates, market returns on equity, share volatility, debt-to-equity ratios and risks specific to the Company's mining industry peer group.

The assumed metal prices used to determine the FVLCD as at December 31, 2015 and June 30, 2014 were as follows:

Metal	**Price**	
	2015	**2014**
Gold ($/ounce)	1,100 - 1,200	1,200 – 1,300
Copper ($/pound)	2.37 - 2.86	2.85 – 3.18
Silver ($/ounce)	15.30 – 17.33	20.00 – 21.50
Zinc ($/pound)	0.83 – 1.01	0.97 – 1.08

The tax rates applied to the projections were based on the current tax rates in effect or expected to be in effect in Armenia based on existing law.

Sensitivities

The projected cash flows and estimated FVLCD can be affected by any one or more changes in the estimates used. Changes in metal prices and discount rates have the greatest impact on value, where a 100 basis point change in the real discount rate used would change FVLCD by $6 million, and a 5% change to metal prices would change FVLCD by $22 million.

Krumovgrad

Based on the current carrying value and estimated recoverable amount of Krumovgrad as at December 31, 2015, a 5% decrease in the assumed long-term gold price of $1,200 per ounce could result in its estimated recoverable amount falling below its carrying amount and an impairment loss being recognized.

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 and twelve months ended December 31, 2015 and 2014, the Company's effective tax rate was impacted primarily by the Company's amount of earnings, mix of foreign earnings, which are subject to lower tax rates in certain jurisdictions, and unrecognized tax benefits relating to the Kapan impairment loss and corporate operating, exploration and development costs. The Company's effective tax rate for the three and twelve months ended December 31, 2014 was also impacted by non-deductible impairment losses on publicly traded securities, and non-taxable gains related to the Company's equity settled warrants.

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Loss (earnings) before income taxes	**(45,885)**	24,511	**(40,862)**	(55,380)
Combined Canadian federal and provincial statutory income tax rates	**26.5%**	26.5%	**26.5%**	26.5%
Expected income tax (recovery) expense	**(12,159)**	6,495	**(10,828)**	(14,676)
Lower rates on foreign earnings	**173**	(4,665)	**(3,692)**	(8,351)
Unrecognized tax benefits relating to losses	**13,982**	4,098	**20,345**	29,071
Non-deductible write-down of investments	**2**	592	**87**	2,550
Non-taxable losses (gains) on equity settled warrants	**352**	(2,985)	**(339)**	(2,050)
Non-deductible portion of capital losses	**192**	90	**1,003**	186
Non-deductible share based compensation expense	**99**	91	**522**	676
Other, net	**125**	(187)	**82**	(76)
Income tax expense	**2,766**	3,529	**7,180**	7,330
Effective income tax rates	**(6.0%)**	14.4%	**(17.6%)**	(13.2%)

Net (loss) earnings attributable to common shareholders

In the fourth quarter of 2015, the Company reported a net loss attributable to common shareholders of $48.5 million compared to net earnings attributable to common shareholders of $21.5 million in the corresponding period in 2014. This loss was due primarily to an impairment loss related to Kapan, lower volumes of payable metals in concentrate sold, lower metal prices, higher local currency operating expenses, higher deductions for estimated metals exposure at Tsumeb and higher depreciation. These unfavourable variances were partially offset by the favourable impact of a stronger U.S. dollar and higher third party toll rates at Tsumeb.

In 2015, the Company reported a net loss attributable to common shareholders of $47.0 million compared to $58.9 million in 2014. A net after-tax impairment loss related to Kapan of $42.7 million was recognized in 2015 compared to net after-tax impairment losses on exploration and evaluation assets and property plant and equipment of $76.8 million in 2014, of which $66.9 million related to Kapan. 2015 results were also impacted by lower metal prices, higher local currency operating expenses, higher deductions for stockpile interest and estimated metals exposure at Tsumeb, a higher proportion of third party concentrate smelted at Tsumeb resulting in a lower overall toll rate and higher depreciation. These unfavourable variances were partially offset by the favourable impact of a stronger U.S. dollar, lower general and administrative expenses and higher third party toll rates at Tsumeb.

Net loss attributable to common shareholders for the fourth quarter and twelve months of 2015 were impacted by net after-tax losses of $44.6 million (2014 – net after-tax gains of $5.1 million) and $47.3 million (2014 – $72.8 million), respectively, related to several items not reflective of the Company's underlying operating performance, including an impairment loss in respect of Kapan, unrealized losses and gains on commodity swap contracts entered into to hedge a portion of future production, unrealized gains on the forward point component of the forward foreign exchange contracts entered to hedge a portion of foreign denominated operating costs, net gains attributable to DPM's equity settled warrants, and net gains and losses on Sabina special warrants, each of which are excluded from adjusted net (loss) earnings.

Adjusted net (loss) earnings

Adjusted net loss in the fourth quarter of 2015 was $3.9 million compared to adjusted net earnings of $16.3 million in the corresponding period in 2014. Adjusted net earnings in 2015 were $0.3 million compared to $13.8 million in 2014. Adjusted net (loss) earnings were impacted by the same factors affecting net (loss) earnings attributable to common shareholders, except for impairment losses, net gains on the Company's equity settled warrants, net losses and gains on Sabina special warrants, unrealized gains on the forward point component of the forward foreign exchange contracts entered to hedge a portion of foreign denominated operating costs and unrealized losses and gains on commodity swap contracts entered to hedge a portion of future production, each of which are excluded from adjusted net (loss) earnings.

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

($ millions) **Ended December 31,**	**Three Months**	**Twelve Months**
Adjusted net earnings - 2014	**16.3**	**13.8**
Lower metal prices [1]	(6.7)	(21.7)
Higher deductions for metals exposure and stockpile interest at Tsumeb	(3.1)	(13.9)
Higher operating expenses at Chelopech[2]	(5.2)	(12.9)
Mix, volumes of complex concentrate smelted and higher costs at Tsumeb [2]	7.9	(5.7)
Higher depreciation	(2.7)	(5.2)
Higher treatment charges at Chelopech [3]	(3.5)	(3.7)
Stronger U.S. dollar	6.7	29.3
(Higher) lower general and administrative expenses	(0.7)	9.9
Income taxes and other	1.1	6.6
(Lower) higher volumes of payable metals in concentrate sold	(14.3)	2.4
Lower exploration expenses	0.3	1.4
Adjusted net (loss) earnings - 2015	**(3.9)**	**0.3**

1) *Includes gains and losses on commodity swap contracts, except unrealized gains and losses on commodity swap contracts related to projected payable production, and metal price adjustments related to provisionally priced sales.*
2) *Excludes impact of foreign exchange and depreciation.*
3) *Reflects decreased copper concentrate deliveries to Xiangguang Copper Co. ("XGC") and higher deliveries to Tsumeb in the fourth quarter and twelve months of 2015 relative to the corresponding periods in 2014, resulting in higher overall treatment charges at Chelopech.*

Cash provided from operating activities

Cash provided from operating activities in the fourth quarter of 2015 of $33.0 million was $14.7 million lower than the corresponding period in 2014. This decrease was due primarily to lower volumes of payable metals in concentrate sold, lower metal prices and higher local currency operating expenses, partially offset by the favourable impact of a stronger U.S. dollar and higher volumes of complex concentrate smelted and toll rates at Tsumeb.

Cash provided from operating activities in 2015 of $87.7 million was $10.4 million lower than 2014. This decrease was due primarily to lower metal prices, higher local currency operating expenses, a higher proportion of third party concentrate smelted at Tsumeb resulting in a lower overall toll rate, and reduced cash inflow from changes in non-cash working capital, partially offset by the favourable impact of a stronger U.S. dollar and higher third party toll rates at Tsumeb.

The favourable change in non-cash working capital in the fourth quarter of 2015 of $10.9 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers. The favourable change in non-cash working capital in the fourth quarter of 2014 of $8.6 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers, partially offset by an increase in inventories due to the timing of shipments.

The favourable change in non-cash working capital in 2015 of $7.2 million was due primarily to a decrease in accounts receivable a result of the timing of receipts from customers, partially offset by a decrease in accounts payable as a result of timing associated with supplier payments and lower capital project activity. The favourable change in non-cash working capital in 2014 of $12.4 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, partially offset by a decrease in accounts payable as a result of the timing of payments.

Cash provided from operating activities, before changes in non-cash working capital, during the fourth quarter and twelve months of 2015 was $22.1 million and $80.5 million, respectively, compared to $39.0 million and $85.6 million in the corresponding periods in 2014.

Free cash flow

Free cash flow in the fourth quarter of 2015 was $0.3 million compared to $22.3 million in the corresponding period in 2014 consistent with the decrease in adjusted EBITDA and higher cash outlays for sustaining capital expenditures. Free cash flow in 2015 was $25.7 million compared to $28.6 million in 2014 due primarily to the decrease in adjusted EBITDA and higher interest payments, partially offset by lower cash outlays for sustaining capital expenditures.

Capital expenditures

Capital expenditures during the fourth quarter and twelve months of 2015 totaled $20.8 million and $87.4 million, respectively, compared to $25.9 million and $184.2 million in the corresponding periods in 2014. These decreases were due primarily to a lower rate of spending for the acid plant and copper converters at Tsumeb, and the completion of the pyrite recovery project and other growth projects at Chelopech in 2014.

Growth capital expenditures during the fourth quarter and twelve months of 2015 were $8.6 million and $53.8 million, respectively, compared to $20.2 million and $154.2 million in the corresponding periods in 2014. Sustaining capital expenditures during the fourth quarter and twelve months of 2015 were $12.2 million and $33.6 million, respectively, compared to $5.7 million and $30.0 million in the corresponding periods in 2014.

2015 ACTUAL RESULTS COMPARISON TO ORIGINAL GUIDANCE

The following table provides a comparison of the Company's 2015 results to its original guidance issued in February 2015:

US$ millions, unless otherwise indicated	**Guidance[(1)]**	**2015 Results**
Ore mined/milled *('000s tonnes)*	2,300 – 2,600	2,450 / 2,463
Complex concentrate smelted *('000s tonnes)*	190 - 220	196
Metals contained in copper and zinc concentrates produced[(2),(3)]		
Gold *('000s ounces)*	130 – 150	140
Copper *(million pounds)*	41.7 – 46.4	42.4
Zinc *(million pounds)*	8.8 – 11.8	11.9
Silver *('000s ounces)*	575 – 720	703
Payable gold in pyrite concentrate sold *('000s ounces)*	33 – 36	38
Cash cost per tonne of ore processed *($)[(6)]*	42 – 48	43
Cash cost per ounce of gold sold, net of by-product credits *($)[(2),(6)]*	300 – 500	377
All-in sustaining cost per ounce of gold *($)[(2),(6)]*	720 – 810	620
Cash production cost per tonne of complex concentrate smelted *($)[(5),(6)]*	320 – 400	377
Cash cost per ounce of gold sold in pyrite concentrate *($)[(6)]*	950 – 1,040	919
General & administrative expenses[(4)]	30 – 37	20
Exploration expenses[(4)]	7 – 9	5
Sustaining capital expenditures	33 – 40	34
Growth capital expenditures	70 – 90	53

1) *Reflects original guidance issued in February 2015, which was subsequently updated during the year.*
2) *Excludes metals in pyrite concentrate and, where applicable, the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, which is reported separately.*
3) *Metals contained in concentrate produced are prior to deductions associated with smelter terms.*
4) *Excludes expenses of Avala.*
5) *Excludes transportation and related costs.*
6) *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, cash production cost per tonne of complex concentrate smelted and cash cost per ounce of gold sold in pyrite concentrate have no standardized meaning under GAAP. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS.*

On a consolidated basis, the Company achieved or outperformed its original guidance.

2016 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 2016 is set out in the following table:

U.S. millions, unless otherwise indicated	Chelopech	Kapan	Tsumeb	Consolidated
Ore mined/milled *('000s tonnes)*	2,030 – 2,250	375 - 435	-	2,405 – 2,685
Complex concentrate smelted *('000s tonnes)*	-	-	215 - 250	215 - 250
Metals contained in copper and zinc concentrates produced[(1),(2)]				
Gold *('000s ounces)*	95 - 108	24 – 31	-	119 – 139
Copper *(million pounds)*	33.2 – 37.8	2.1 – 2.7	-	35.3 – 40.5
Zinc *(million pounds)*	-	9.0 – 14.0	-	9.0 – 14.0
Silver *('000s ounces)*	204 – 234	384 – 474	-	588 – 708
Payable gold in pyrite concentrate sold *('000s ounces)*	26 – 40	-		26 – 40
Cash cost per tonne of ore processed *($)*[(3),(5)]	32 – 36	80 – 90	-	40 – 45
Cash cost per ounce of gold sold, net of by-product credits *($)*[(1),(3),(5)]	560 – 760	735 – 1,175	-	600 – 835
All-in sustaining cost per ounce of gold *($)*[(1),(3),(5)]	-	-	-	940 – 1,070
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*[(3),(5)]	-	-	305 - 400	305 – 400
Cash cost per ounce of gold sold in pyrite concentrate *($)*[(5)]	790 – 890	-	-	790 – 890
General & administrative expenses[(3),(4)]	-	-	-	17 – 21
Exploration expenses[(3),(4)]	-	-	-	5 – 6
Sustaining capital expenditures[(3)]	10 - 12	13 - 19	12 - 16	35 – 47

1) Excludes metals in pyrite concentrate and, where applicable, the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, which is reported separately.
2) Metals contained in concentrate produced are prior to deductions associated with smelter terms.
3) Based on foreign exchange rates and metal prices that approximate current rates and prices. The assumed copper price reflects the impact of 64% of 2016 copper production being hedged at $2.32 per pound.
4) Excludes expenses of Avala.
5) 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, cash cost per tonne of complex concentrate smelted, net of by-product credits and cash cost per ounce of gold sold in pyrite concentrate have no standardized meaning under GAAP. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS.

The 2016 guidance provided above is not expected to occur evenly throughout the year. The estimated metals contained in concentrate produced 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. Production in the second half of 2016 is expected to be higher than the first half based on the existing mine plans at Chelopech and Kapan and the commissioning of the new copper converters and annual maintenance shutdown at Tsumeb expected to occur in the first and second quarter of 2016, respectively. Chelopech 2016 ore production is expected to increase by up to 10% over 2015, while copper and gold grades are expected to be 14% and 13% lower than 2015, respectively, consistent with the current mine plan. Tsumeb 2016 throughput is expected to increase by approximately 10% to 28% over 2015 as a result of reduced construction activity with the completion of the acid plant and new copper converters and the associated increase in capacity. Also, the rate of capital expenditures is expected to vary from quarter to quarter based on the schedule for, and execution of, each capital project and, where applicable, the receipt of necessary permits and approvals.

For 2016, the majority of the Company's growth capital expenditures are focused on the completion of the new copper converters at Tsumeb, and securing the remaining permits required to support the construction of the Krumovgrad Gold Project. In aggregate, these expenditures are expected to be between $27 million and $31 million.

Chelopech – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Operational Highlights				
Ore mined *(mt)*	**516,705**	552,929	**2,039,921**	2,053,612
Ore processed *(mt)*	**515,397**	549,988	**2,052,138**	2,076,112
Head grade / Recoveries in copper concentrate *(ore milled)*				
Gold *(g/mt) / %*	**3.69 / 48.4**	4.59 / 52.5	**3.70 / 47.0**	3.72 / 50.1
Copper *(%) / %*	**1.25 / 80.8**	1.38 / 85.2	**1.10 / 80.1**	1.18 / 82.3
Silver *(g/mt) / %*	**11.29 / 34.5**	9.32 / 42.2	**10.69 /34.3**	9.14 / 38.7
Copper concentrate produced *(mt)*	**33,015**	41,000	**113,466**	125,748
Metals contained in copper concentrate produced[1]:				
Gold *(ounces)*	**29,582**	42,622	**114,951**	124,371
Copper *(pounds)*	**11,439,963**	14,294,003	**39,760,363**	44,306,730
Silver *(ounces)*	**64,592**	69,483	**242,094**	235,983
Cash cost per tonne of ore processed *($)*[2],[4],[5]	**38.47**	37.97	**36.46**	39.90
Cash cost per ounce of gold in copper concentrate produced *($)*[1],[2],[3],[4]	**354**	253	**353**	334
Cash cost per pound of copper in copper concentrate produced *($)*[2],[3],[4]	**0.73**	0.63	**0.77**	0.83
Copper concentrate delivered *(mt)*	**30,236**	35,584	**115,179**	122,818
Payable metals in copper concentrate sold:				
Gold *(ounces)*[1],[6]	**25,307**	35,926	**109,981**	115,337
Copper *(pounds)*[6]	**9,814,078**	11,661,640	**37,913,492**	40,607,810
Silver *(ounces)*[6]	**51,286**	49,703	**192,468**	168,415
Cash cost per ounce of gold sold, net of by-product credits *($)*[1],[4],[7],[8]	**397**	205	**314**	293
Pyrite concentrate produced *(mt)*	**61,321**	51,631	**239,298**	163,237
Gold contained in pyrite concentrate produced *(ounces)*	**13,656**	12,391	**54,774**	36,466
Pyrite concentrate delivered *(mt)*	**57,232**	71,145	**224,829**	163,347
Payable gold in pyrite concentrate sold *(ounces)*	**9,779**	11,801	**38,156**	26,514
Cash cost per ounce of gold sold in pyrite concentrate *($)*[4]	**895**	963	**919**	973
Financial Highlights				
Net revenue[9],[10]	**22,578**	52,694	**131,695**	187,220
Gross (loss) profit	**(4,603)**	25,276	**20,465**	71,074
Adjusted EBITDA[4]	**17,866**	41,506	**100,532**	118,347
Adjusted earnings before income taxes[4]	**8,382**	32,008	**63,161**	83,002
Depreciation	**9,276**	9,197	**36,497**	33,804
Capital expenditures incurred:				
Growth[4]	**1,270**	3,597	**5,675**	19,932
Sustaining[4]	**3,198**	2,029	**12,793**	10,185
Total capital expenditures	**4,468**	5,626	**18,468**	30,117

1) *Excludes metals in pyrite concentrate produced and/or sold, and where applicable, the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, which is reported separately.*
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 $35.43 and $33.40 during the fourth quarter and twelve months of 2015, respectively, compared to $33.78 and $36.38 in the corresponding periods in 2014.*
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 gains on copper swap contracts, divided by the payable gold in copper concentrate sold.*
8) *Includes realized gains on copper swap contracts, entered to hedge a portion of projected payable production, of $9.2 million and $26.5 million during the fourth quarter and twelve months of 2015, respectively, compared to $3.2 million and $8.3 million in the corresponding periods in 2014.*

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 unfavourable mark-to-market adjustments and final settlements of $5.7 million and $17.4 million were recognized during the fourth quarter and twelve months of 2015, respectively, compared to $0.8 million and $4.7 million in the corresponding periods in 2014. Deductions during the fourth quarter and twelve months of 2015 were $32.4 million and $118.5 million, respectively, compared to $38.1 million and $113.1 million in the corresponding periods in 2014.*
10) *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. Under IFRS, these gains and losses are reported in other expense (income).*

Operational Highlights – Chelopech

Ore mined

Ore mined during the fourth quarter of 2015 of 516,705 tonnes was 7% lower than the ore mined in the corresponding period in 2014 due to planned downtime in the fourth quarter of 2015. Ore mined during 2015 of 2,039,921 tonnes was comparable to the ore mined in 2014.

Ore processed

Ore processed during the fourth quarter of 2015 of 515,397 tonnes was 6% lower than the ore mined in the corresponding period in 2014. Ore processed during 2015 of 2,052,138 tonnes was comparable to the ore processed in 2014.

Concentrate and metal production

Copper concentrate produced during the fourth quarter and twelve months of 2015 of 33,015 tonnes and 113,466 tonnes, respectively, was 19% and 10% lower than the corresponding periods in 2014 due primarily to lower copper grades and recoveries, and lower volumes of ore mined and processed.

Relative to the fourth quarter of 2014, gold contained in copper concentrate produced in the fourth quarter of 2015 decreased by 31% to 29,582 ounces, copper contained in concentrate produced decreased by 20% to 11.5 million pounds and silver contained in concentrate produced decreased by 7% to 64,592 ounces. The decreases in gold and copper production were due primarily to lower grades, recoveries and volumes of ore processed. The decrease in silver production was due primarily to lower recoveries and volumes of ore mined and processed, partially offset by higher grades.

Relative to 2014, gold contained in copper concentrate produced in 2015 decreased by 8% to 114,951 ounces, copper contained in concentrate produced decreased by 10% to 39.8 million pounds and silver contained in concentrate produced increased by 3% to 242,094 ounces. The decrease in gold production was due primarily to lower recoveries. The decrease in copper production was due primarily to lower grades and recoveries. The increase in silver production was due primarily to higher grades, partially offset by lower recoveries. The decrease in recoveries for all metals was due to different ore mineralogy being treated in 2015 compared to 2014.

Gold contained in pyrite concentrate produced was 13,656 ounces (2014 – 12,391 ounces) and 54,774 ounces (2014 – 36,466 ounces) in the fourth quarter and twelve months of 2015, respectively, consistent with increased production of pyrite concentrate.

Grades can vary period over period depending on the areas being mined. Overall grades achieved in 2015 were consistent with the grades contained in the mine plan.

Deliveries

Deliveries of copper concentrate during the fourth quarter and twelve months of 2015 of 30,236 tonnes and 115,179 tonnes, respectively, were 15% and 6% lower than the deliveries in the corresponding periods in 2014 due primarily to lower copper concentrate produced as a result of lower copper grades and recoveries, and the timing of shipments.

In the fourth quarter of 2015, payable gold in copper concentrate sold decreased by 30% to 25,307 ounces relative to the corresponding period in 2014, payable copper in concentrate sold decreased by 16% to 9.8 million pounds and payable silver in concentrate sold increased by 3% to 51,286 ounces. The decreases in payable gold and copper in copper concentrate sold were consistent with the decreases in gold and copper contained in concentrate produced.

Relative to 2014, 2015 payable gold in copper concentrate sold decreased by 5% to 109,981 ounces, payable copper in concentrate sold decreased by 7% to 37.9 million pounds and payable silver in concentrate sold increased by 14% to 192,468 ounces. These results were consistent with the changes in gold, copper and silver contained in concentrate produced.

Payable gold in pyrite concentrate sold in the fourth quarter and twelve months of 2015 was 9,779 ounces and 38,156 ounces, respectively, compared to 11,801 ounces and 26,514 ounces in the corresponding periods in 2014. The 2015 increase was consistent with increased production of pyrite concentrate.

Inventory

Copper concentrate inventory totaled 7,429 tonnes at December 31, 2015, down from 9,142 tonnes at December 31, 2014, reflecting the timing of shipments.

Financial Highlights – Chelopech

Net revenue

Net revenue in the fourth quarter of 2015 of $22.6 million was $30.1 million lower than the corresponding period in 2014 due primarily to lower volumes of payable metals in concentrate sold, lower metal prices and higher treatment charges. Net revenue in the fourth quarter of 2015 excluded realized gains on copper and gold swap contracts related to payable metals sold in the period of $10.2 million (2014 - $3.7 million), which were recorded in other expense in the consolidated statements of loss.

Net revenue in 2015 of $131.7 million was $55.5 million lower than 2014 due primarily to lower metal prices and higher treatment charges. Net revenue in 2015 excluded realized gains on copper and gold swap contracts related to payable metals sold in the period of $28.7 million (2014 - $7.8 million), which were recorded in other expense in the consolidated statements of loss.

Included in revenue were unfavourable mark-to-market price adjustments of $3.3 million (2014 – $1.8 million) and $14.0 million (2014 – $4.2 million) on provisionally priced sales during the fourth quarter and twelve months of 2015, respectively. These adjustments were offset by gains on QP Hedges, which were recorded in other expense in the consolidated statements of loss.

Cash cost measures

Cash cost per tonne of ore processed in the fourth quarter of 2015 of $38.47 was slightly higher than the corresponding cash cost in 2014 of $37.97 due primarily to increased maintenance and backfill activities and higher rates for electricity, partially offset by the favourable impact of a weaker Euro relative to the U.S. dollar.

Cash cost per tonne of ore processed in 2015 of $36.46 was 9% lower than the cash cost of $39.90 in 2014 due primarily to the favourable impact of a weaker Euro relative to the U.S. dollar, partially offset by higher rates for electricity and consumables, and increased maintenance activities.

Cash cost per ounce of gold sold, net of by-product credits, in the fourth quarter of 2015 was $397 compared to $205 in the corresponding period in 2014. This increase was due primarily to lower volumes of payable metals in concentrate sold, lower prices for by-products, higher treatment charges and higher local currency operating expenses, partially offset by the favourable impact of a weaker Euro relative to the U.S. dollar.

Cash cost per ounce of gold sold, net of by-product credits, in 2015 was $314 compared to $293 in 2014. This increase was due primarily to lower volumes and prices for by-products, higher treatment charges and higher local currency operating expenses, partially offset by the favourable impact of a weaker Euro relative to the U.S. dollar.

Gross (loss) profit

Gross loss in the fourth quarter of 2015 was $4.6 million compared to a gross profit of $ 25.3 million in the corresponding period in 2014. This loss was due primarily to lower volumes of payable metals in concentrate sold, higher local currency operating expenses, lower metal prices and higher treatment charges, partially offset by the favourable impact of a weaker Euro relative to the U.S. dollar. Gross loss in

the fourth quarter of 2015 excluded realized gains on copper and gold swap contracts related to payable metals sold in the fourth quarter of 2015 of $10.2 million (2014 - $3.7 million), which were recorded in other expense in the consolidated statements of loss.

Gross profit of $20.5 million in 2015 was $50.6 million lower than 2014 due primarily to lower metal prices, higher local currency operating expenses, higher treatment charges and higher depreciation, partially offset by the favourable impact of a weaker Euro relative to U.S. dollar. Gross profit in 2015 excluded realized gains on copper and gold swap contracts related to payable metals sold in the period of 2015 of $28.7 million (2014 - $7.8 million), which were recorded in other expense in the consolidated statements of loss.

Gross (loss) profit during the fourth quarter and twelve months of 2015 and 2014 was also impacted by metal price adjustments, as noted in the revenue section, that were offset by gains and losses on QP Hedges recorded in other expense in the consolidated statements loss.

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter and twelve months of 2015 was $17.8 million and $100.5 million, respectively, down from $41.5 million and $118.3 million in the corresponding periods in 2014 due primarily to the same factors affecting gross (loss) profit, except for depreciation which is excluded from adjusted EBITDA, gains on QP Hedges, which are included in adjusted EBITDA and serve to offset the unfavourable mark-to-market price adjustments recorded in revenue, and realized gains on copper and gold swap contracts related to payable metals sold in the fourth quarter and twelve months in 2015 of $10.2 million (2014 - $3.7 million) and $28.7 million (2014 - $7.8 million), respectively, which are also included in adjusted EBITDA.

Unrealized losses of $3.3 million (2014 – unrealized gains of $3.7 million) and $9.1 million (2014 – unrealized gains of $16.5 million) in the fourth quarter and twelve months of 2015, respectively, on copper and gold swap contracts related to projected payable production, which were included in earnings before income taxes, were excluded from adjusted EBITDA. Impairment losses on property, plant and equipment of $4.2 million and $11.0 million recognized in earnings before income taxes in the fourth quarter and twelve months of 2014, respectively, were also excluded from adjusted EBITDA.

Adjusted earnings before income taxes

Adjusted earnings before income taxes in the fourth quarter and twelve months of 2015 were $8.4 million and $63.2 million, respectively, compared to $32.0 million and $83.0 million in the corresponding periods in 2014.

Unrealized losses of $3.3 million (2014 – unrealized gains of $3.7 million) and $9.1 million (2014 – unrealized gains of $16.5 million) in the fourth quarter and twelve months of 2015, respectively, 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. Impairment losses on property, plant and equipment of $4.2 million and $11.0 million recognized in earnings before income taxes in the fourth quarter and twelve months of 2014, respectively, were also 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 December 31,**	**Three Months**	**Twelve Months**
Adjusted earnings before income taxes - 2014	**32.0**	**83.0**
Lower metal prices [1]	(4.9)	(17.4)
Higher operating expenses [2]	(6.8)	(14.1)
Higher treatment charges [3]	(3.5)	(3.7)
Higher depreciation	(0.1)	(2.7)
Weaker Euro	3.0	14.5
Other	(0.5)	1.9
(Lower) higher volumes of metals sold	(10.8)	1.7
Adjusted earnings before income taxes - 2015	**8.4**	**63.2**

1) *Includes gains and losses on commodity swap contracts, except unrealized gains and losses on commodity swap contracts related to projected payable production, and metal price adjustments on provisionally priced sales.*
2) *Excludes impact of foreign exchange and depreciation.*
3) *Reflects lower deliveries to XGC and higher deliveries to Tsumeb in the fourth quarter and twelve months of 2015 relative to the corresponding periods in 2014, resulting in higher overall treatment charges.*

Capital expenditures

Capital expenditures during the fourth quarter and twelve months of 2015 of $4.5 million and $18.5 million, respectively, were $1.1 million and $11.6 million lower than the corresponding periods in 2014 due primarily to the completion of the pyrite recovery and other growth projects in 2014.

Kapan – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Operational Highlights				
Ore mined *(mt)*	**87,670**	104,840	**409,848**	406,585
Ore processed *(mt)*	**91,402**	106,970	**411,121**	402,602
Head grade / Recoveries *(ore milled)*				
Gold *(g/mt) / %*	**2.55 / 83.6**	2.29 / 82.6	**2.25 / 83.7**	1.97 / 82.3
Copper *(%) / %*	**0.34 / 89.4**	0.28 / 87.2	**0.32 / 90.3**	0.28 / 85.9
Zinc *(%) / %*	**1.62 / 81.8**	1.43 / 87.0	**1.55 / 84.4**	1.54 / 87.9
Silver *(g/mt) / %*	**48.29 / 84.3**	44.65 / 83.9	**41.49 / 84.1**	39.47 / 83.7
Concentrate produced *(mt)*				
Copper	**1,389**	1,259	**5,654**	4,548
Zinc	**2,020**	2,249	**8,921**	9,082
Metals contained in concentrate produced:				
Gold *(ounces)*	**6,253**	6,501	**24,850**	20,935
Copper *(pounds)*	**611,958**	583,210	**2,652,356**	2,149,756
Zinc *(pounds)*	**2,670,598**	2,938,655	**11,886,570**	12,048,683
Silver *(ounces)*	**119,575**	128,825	**461,183**	427,452
Cash cost per tonne of ore processed *($)*[(1),(3),(4)]	**92.63**	87.58	**77.42**	85.15
Cash cost per ounce of gold in concentrate produced *($)*[(1),(2),(3)]	**723**	699	**624**	735
Cash cost per pound of copper in concentrate produced *($)*[(1),(2),(3)]	**1.51**	1.74	**1.34**	1.83
Cash cost per pound of zinc in concentrate produced *($)*[(1),(2),(3)]	**0.48**	0.57	**0.47**	0.57
Concentrate delivered *(mt)*				
Copper	**1,828**	1,794	**5,297**	4,739
Zinc	**2,731**	1,806	**9,066**	8,983
Payable metals in concentrate sold:				
Gold *(ounces)*[(5)]	**6,798**	7,483	**20,618**	18,883
Copper *(pounds)*[(5)]	**806,480**	825,485	**2,358,907**	2,141,204
Zinc *(pounds)*[(5)]	**3,069,916**	2,019,305	**10,267,393**	10,119,888
Silver *(ounces)*[(5)]	**125,442**	142,536	**356,956**	359,921
Cash cost per ounce of gold sold, net of by-product credits *($)*[(3),(6),(7)]	**813**	519	**709**	863
Financial Highlights				
Net revenue[(8),(9)]	**10,786**	13,477	**34,998**	38,810
Gross (loss) profit	**(2,131)**	1,058	**(4,361)**	(4,595)
Adjusted EBITDA[(3)]	**97**	3,084	**4,885**	1,614
Adjusted (loss) earnings before income taxes[(3)]	**(2,079)**	500	**(3,263)**	(6,587)
Depreciation	**1,952**	2,340	**7,325**	7,263
Capital expenditures incurred:				
Growth[(3)]	**-**	-	**-**	1,541
Sustaining[(3)]	**2,288**	2,354	**9,709**	13,495
Total capital expenditures	**2,288**	2,354	**9,709**	15,036

1) *Cash costs are reported in U.S. dollars, although the majority of costs incurred are denominated in non-U.S. dollars, and consist of all production related expenses including mining, processing, services, royalties and general and administrative.*
2) *Gold, copper and zinc are accounted for as co-products. Total cash costs are net of by-product silver sales revenue.*
3) *Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of these non-GAAP measures.*
4) *Cash cost per tonne of ore processed, excluding royalties, was $88.98 and $73.97 during the fourth quarter and twelve months of 2015, respectively, compared to $75.86 and $79.29 in the corresponding periods in 2014.*
5) *Represents payable metals in concentrate sold based on provisional invoices.*
6) *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 zinc, copper and silver revenues, including realized gains on copper swap contracts, divided by the payable gold in concentrate sold.*
7) *Includes realized gains on copper swap contracts, entered to hedge a portion of projected payable production, of $0.7 million and $2.0 million during the fourth quarter and twelve months of 2015, respectively, compared to $0.1 million and $0.3 million in the corresponding periods in 2014.*
8) *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 unfavourable mark-to-market adjustments and final settlements of $0.7 million and $3.1 million were recorded during the fourth quarter and twelve months of 2015, respectively, compared to $0.6 million and $2.3 million in the corresponding periods in 2014. Deductions during the fourth quarter and twelve months of 2015 were $1.6 million and $5.5 million, respectively, compared to $1.3 million and $5.2 million in the corresponding periods in 2014.*
9) *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. Under IFRS, these gains and losses are reported in other expense (income).*

Operational Highlights – Kapan

Ore mined

Ore mined during the fourth quarter of 2015 of 87,670 tonnes was 16% lower than the corresponding period in 2014 as mine production in October was affected by capital development constraints experienced earlier in the year. Capital and operating development returned to expected levels in November and December of 2015. Ore mined during 2015 of 409,848 tonnes was comparable to 2014.

Ore processed

Ore processed during the fourth quarter of 2015 of 91,402 tonnes was 15% lower than the corresponding period in 2014 due primarily to lower volumes of ore mined. Ore processed during 2015 of 411,121 tonnes was comparable to 2014.

Concentrate and metal production

Copper concentrate production in the fourth quarter of 2015 of 1,389 tonnes was 10% higher than the corresponding period in 2014 due primarily to higher copper grades and recoveries, partially offset by lower volumes of ore mined and processed. Copper concentrate production in 2015 of 5,654 tonnes was 24% higher than 2014 due primarily to higher copper grades and recoveries.

Zinc concentrate production in the fourth quarter of 2015 of 2,020 tonnes was 10% lower than the corresponding period in 2014 due primarily to lower zinc recoveries and lower volumes of ore mined and processed, partially offset by higher grades. Zinc concentrate production in 2015 of 8,921 tonnes was comparable to 2014.

Relative to the fourth quarter of 2014, gold contained in concentrate produced in the fourth quarter of 2015 decreased by 4% to 6,253 ounces, copper contained in concentrate produced increased by 5% to 0.6 million pounds, silver contained in concentrate produced decreased by 7% to 119,575 ounces and zinc contained in concentrate produced decreased by 9% to 2.7 million pounds. The decrease in gold production was due primarily to lower volumes of ore mined and processed, partially offset by higher gold grades. The increase in copper production was due primarily to higher copper grades and recoveries, partially offset by lower volumes of ore mined and processed. The decrease in silver production was due primarily to lower volumes of ore mined and processed, partially offset by higher silver grades. The decrease in zinc production was due primarily to lower volumes of ore mined and processed and lower zinc recoveries, partially offset by higher zinc grades.

Relative to 2014, gold, copper and silver contained in concentrate produced in 2015 increased by 19% to 24,850 ounces, by 23% to 2.6 million pounds and by 8% to 461,183 ounces, respectively. Zinc contained in concentrate produced in 2015 of 11.9 million pounds was comparable to 2014. The increases in gold, copper and silver production were driven by higher grade veins being mined consistent with the mine plan and improved dilution controls in 2015, and higher recoveries.

Grades can vary period over period depending on the areas being mined. Overall grades achieved in 2015 were consistent with the grades reflected in the mine plan.

Deliveries

Deliveries of concentrate in the fourth quarter of 2015 of 4,559 tonnes were 27% higher than the corresponding period in 2014 due primarily to the timing of zinc concentrate shipments. Deliveries of concentrate in 2015 of 14,363 tonnes were 5% higher than the corresponding period in 2014 due primarily to higher copper concentrate production.

Relative to the fourth quarter of 2014, payable gold in concentrate sold in the fourth quarter of 2015 decreased by 9% to 6,798 ounces, payable copper in concentrate sold decreased by 2% to 0.8 million pounds, payable silver in concentrate sold decreased by 12% to 125,442 ounces and payable zinc in concentrate sold increased by 52% to 3.1 million pounds. The decreases in payable gold and silver in concentrate sold were consistent with the decreases in gold and silver contained in concentrate produced as a result of lower volumes of ore processed, partially offset by higher gold and silver grades. The

increase in payable zinc in concentrate sold was consistent with the increase in zinc concentrate deliveries.

Relative to 2014, payable gold in concentrate sold in 2015 increased by 9% to 20,618 ounces and payable copper in concentrate sold increased by 10% to 2.4 million pounds. Payable silver in concentrate sold of 356,956 ounces and payable zinc in concentrate sold of 10.3 million pounds were both comparable to 2014. The increases in payable gold and copper in concentrate sold were due primarily to higher grades and higher copper concentrate deliveries.

Inventory

Inventory of concentrate totaled 1,512 tonnes at December 31, 2015, up slightly from 1,300 tonnes at December 31, 2014 due to the timing of shipments.

Financial Highlights – Kapan

Net revenue

Net revenue during the fourth quarter of 2015 of $10.8 million was $2.7 million lower than the corresponding period in 2014 due primarily to lower metal prices. Revenue in the fourth quarter of 2015 excluded realized gains on copper swap contracts related to payable metals sold in the period of $0.7 million (2014 - $0.1 million), which were recorded in other expense in the consolidated statements of loss.

Net revenue during 2015 of $35.0 million was $3.8 million lower than 2014 due primarily to lower metal prices, partially offset by higher volumes of payable metals in concentrate sold as a result of higher grades. Revenue in 2015 excluded realized gains on copper swap contracts related to payable metals sold in the period of $2.0 million (2014 - $0.3 million), which were recorded in other expense in the consolidated statements of loss.

Included in revenue were unfavourable mark-to-market price adjustments of $0.4 million (2014 – $0.1 million) and $1.1 million (2014 – $0.4 million) on provisionally priced sales during the fourth quarter and twelve months of 2015, respectively. These adjustments were offset by gains on QP Hedges, which were recorded in other expense in the consolidated statements of loss.

Cash cost measures

Cash cost per tonne of ore processed in the fourth quarter of 2015 of $92.63 was 6% higher than the corresponding period in 2014 due primarily to lower volumes of ore mined, higher electricity rates and higher consumables as a result of increased metres drilled, partially offset by the favourable impact of a weaker Armenian dram relative to the U.S. dollar and lower royalties.

Cash cost per tonne of ore processed in 2015 of $77.42 was 9% lower than 2014 due primarily to the favourable impact of a weaker Armenian dram relative to the U.S. dollar, ongoing improvement initiatives, including reductions in reagents, and lower spending on key productivity initiatives, partially offset by higher electricity rates and higher consumables as a result of increased metres drilled.

Cash cost per ounce of gold sold, net of by-product credits, in the fourth quarter of 2015 was $813 compared to $519 in the corresponding period in 2014. This increase was due primarily to lower prices for by-products and lower volumes of payable gold and copper in concentrate sold, partially offset by the favourable impact of a weaker Armenian dram relative to the U.S. dollar and lower local currency operating expenses. Cash cost per ounce of gold sold, net of by-product credits, in 2015 was $709 compared to a cash cost of $863 in 2014. This decrease was due primarily to higher volumes of payable gold, copper and silver in concentrate sold as a result of higher grades, the favourable impact of a weaker Armenian dram relative to the U.S. dollar and lower local currency operating expenses, partially offset by lower prices for by-products.

Gross (loss) profit

Gross loss in the fourth quarter of 2015 was $2.1 million compared to a gross profit of $1.1 million in the corresponding period in 2014. This loss was due primarily to a greater proportion of zinc concentrate sold, which generates a lower gross margin than copper concentrate, and lower metal prices, partially offset by lower local currency operating expenses and the favourable impact of a weaker Armenian dram relative

to the U.S. dollar. Gross loss in the fourth quarter of 2015 excluded realized gains on copper swap contracts related to payable metals sold in the period of $0.7 million (2014 - $0.1 million), which were recorded in other expense in the consolidated statements of loss.

Gross loss in 2015 was $4.3 million compared to $4.6 million in 2014. The reduced loss was due primarily to the favourable impact of a weaker Armenian dram relative to the U.S. dollar, lower local currency operating expenses, which benefitted from ongoing improvement initiatives, and higher volumes of payable metals in concentrate sold, partially offset by lower metal prices. Gross loss in 2015 excluded realized gains on copper swap contracts related to payable metals sold in the period of $2.0 million (2014 - $0.3 million), which were recorded in other expense in the consolidated statements of loss.

Gross (loss) profit during the fourth quarter and twelve months of 2015 and 2014 was also impacted by metal price adjustments, as noted in the revenue section, that were offset by gains or losses on QP Hedges recorded in other expense in the consolidated statements of loss.

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter and twelve months of 2015 was $0.1 million and $4.9 million, respectively, compared to $3.1 million and $1.6 million in the corresponding periods in 2014. These variances were due to the same factors affecting gross (loss) profit, except for gains on QP Hedges, which are included in adjusted EBITDA and serve to offset the unfavourable mark-to-market price adjustments recorded in revenue, and realized gains on copper swap contracts related to payable metals sold in the fourth quarter and twelve months of 2015 of $0.7 million (2014 - $0.1 million) and $2.0 million (2014 - $0.3 million), respectively, which are also included in adjusted EBITDA.

Unrealized losses of $0.3 million (2014 – unrealized gains of $0.6 million) and $1.0 million (2014 – unrealized gains of $2.1 million) on copper swap contracts related to projected payable production, which were recognized in loss before income taxes in the fourth quarter and twelve months of 2015, respectively, were excluded from adjusted EBITDA. An impairment loss of $42.7 million, which was recognized in loss before income taxes in the fourth quarter and twelve months of 2015, was excluded from adjusted EBITDA. Impairment losses on exploration and evaluation assets and property, plant and equipment of $71.4 million, which were recognized in loss before income taxes in 2014, were also excluded from adjusted EBITDA.

Adjusted (loss) earnings before income taxes

Adjusted loss before income taxes in the fourth quarter of 2015 was $2.1 million compared to adjusted earnings before income taxes of $0.5 million in the corresponding period in 2014. Adjusted loss before income taxes in 2015 was $3.3 million compared to $6.6 million in the corresponding period in 2014.

Unrealized losses of $0.3 million (2014 – unrealized gains of $0.6 million) and $1.0 million (2014 – unrealized gains of $2.1 million) on copper swap contracts related to projected payable production, which were recognized in loss before income taxes in the fourth quarter and twelve months of 2015, respectively, were excluded from adjusted (loss) earnings before income taxes. An impairment loss of $42.7 million, which was recognized in loss before income taxes in the fourth quarter and twelve months of 2015, was excluded from adjusted loss before income taxes. Impairment losses related to exploration and evaluation assets and property, plant and equipment of $71.4 million, which were recognized in loss before income taxes in 2014, were also excluded from adjusted (loss) earnings before income taxes.

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

($ millions) Ended December 31,	Three Months	Twelve Months
Adjusted earnings (loss) before income taxes - 2014	**0.5**	**(6.6)**
Weaker Armenian dram	1.0	4.8
Lower operating expenses [1]	1.6	1.2
Other	0.1	0.9
Concentrate mix and higher volumes of metals sold[2]	(3.5)	0.7
Lower metal prices [3]	(1.8)	(4.3)
Adjusted loss before income taxes - 2015	**(2.1)**	**(3.3)**

1) *Excludes impact of foreign exchange and depreciation.*
2) *A higher proportion of zinc concentrate sold in the fourth quarter of 2015, which generates a lower gross margin than copper concentrate*
3) *Includes gains and losses on commodity swap contracts, except unrealized gains and losses on commodity swap contracts related to projected payable production, and metal price adjustments on provisionally priced sales.*

Capital expenditures

Capital expenditures in the fourth quarter and twelve months of 2015 were $2.3 million and $9.7 million, respectively, compared to $2.3 million and $15.0 million in the corresponding periods in 2014. The year over year decrease was due primarily to lower spending on mobile equipment and the deferral of certain capital projects.

Tsumeb – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	**Three Months**		**Twelve Months**	
Ended December 31,	**2015**	2014	**2015**	2014
Operational Highlights				
Complex concentrate smelted *(mt)*:				
Chelopech	**19,469**	18,712	**72,394**	101,031
Third party	**36,364**	35,070	**123,713**	97,315
Total complex concentrate smelted	**55,833**	53,782	**196,107**	198,346
Cash production cost per tonne of complex concentrate smelted *($)*[1],[2]	**347**	350	**377**	351
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*[2],[3]	**329**	395	**409**	394
Acid production *(mt)*	**36,904**	-	**36,904**	-
Acid deliveries *(mt)*	**29,303**	-	**29,303**	-
Financial Highlights				
Toll revenue	**27,789**	22,906	**88,948**	97,077
Acid revenue	**2,946**	-	**2,946**	-
Arsenic revenue	**395**	232	**1,545**	873
Total net revenue	**31,130**	23,138	**93,439**	97,950
Gross loss	**(238)**	(4,431)	**(18,259)**	(4,726)
Adjusted EBITDA[2]	**8,897**	1,469	**8,611**	18,463
Adjusted loss before income taxes[2]	**(1,116)**	(5,542)	**(21,327)**	(9,004)
Depreciation	**9,192**	6,115	**26,444**	23,741
Capital expenditures incurred:				
Growth[2]	**3,197**	15,173	**33,530**	124,237
Sustaining[2]	**6,190**	1,249	**10,284**	6,200
Total capital expenditures	**9,387**	16,422	**43,814**	130,437

1) *Cash production cost per tonne of complex concentrate smelted represents cost of sales less depreciation and amortization, transportation and related costs, and operating costs related to acid production 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.*
3) *With the commencement of commercial production at the acid plant in the fourth quarter of 2015, Tsumeb will begin reporting cash cost per tonne of concentrate smelted, net of by-product credits. This new measure includes non-production costs as well as by-product revenues. In particular, this measure 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.*

Operational Highlights – Tsumeb

Production

Complex concentrate smelted during the fourth quarter of 2015 of 55,833 tonnes was 4% higher than the corresponding period in 2014 due primarily to increased furnace availability offsetting the four days of additional shutdown carried over from the third quarter. Complex concentrate smelted in 2015 of 196,107 tonnes was comparable to 2014.

Higher than expected refractory wear resulted in an additional shutdown of the Ausmelt furnace in September 2015 to replace the refractory lining. The shutdown was completed within 22 days and the smelter resumed operation on October 5, 2015. The current Ausmelt lining is expected to run through to June 2016 with a single outage planned for mid-2016.

During the third quarter of 2015, hot commissioning of the acid plant and handover to operations was completed and, through the fourth quarter, the plant achieved a sustainable level of operation consistent with design expectations. As a result, effective October 1, 2015, revenue, operating costs and depreciation related to the acid plant are reflected in the consolidated statements of loss.

Cash cost measures

Cash production cost per tonne of complex concentrate smelted during the fourth quarter of 2015 of $347 was comparable to the cash cost of $350 in the corresponding period in 2014. The favourable impact of a weaker ZAR has offset the increases in local currency operating expenses.

Cash production cost per tonne of complex concentrate smelted in 2015 of $377 was 7% higher than 2014 due primarily to increased maintenance activities and electricity rates, partially offset by the favourable impact of a weaker ZAR relative to the U.S. dollar.

Cash cost per tonne of concentrate smelted, net of by-product credits in the fourth quarter and twelve months of 2015 was $329 (2014 - $395) and $409 (2014 – $394), respectively. The decrease in the fourth quarter of 2015 relative to the corresponding period in 2014 was due primarily to the revenue generated by the acid plant, which was fully operational in the fourth quarter of 2015, although running below capacity prior to the commissioning of the new copper converters.

Financial Highlights - Tsumeb

Net revenue

Net revenue in the fourth quarter of 2015 of $31.1 million was $8.0 million higher than the corresponding period in 2014 due primarily to higher third party toll rates and higher volumes of complex concentrate smelted, partially offset by higher deductions for estimated metals exposure reflecting elevated levels of secondary materials and potential metal losses relative to contract rates. Deliveries of acid in the fourth quarter of 2015, which totaled 29,303 tonnes and generated revenue of $2.9 million, also contributed to the increase.

Net revenue in 2015 of $93.4 million was $4.5 million lower than 2014 due primarily to higher deductions for estimated metals exposure and stockpile interest reflecting elevated levels of secondary materials and potential metal losses relative to contract rates, and a higher proportion of third party concentrate smelted, which generates lower toll rates than Chelopech concentrate. These unfavourable variances were partially offset by higher third party toll rates and deliveries of 29,303 tonnes of acid, which generated revenue of $2.9 million.

Operational changes caused by the smelter upgrade projects resulted in a build-up of smelter secondary materials that increased the variability of estimated metal content and recoveries. With these projects coming to completion in the first quarter of 2016 and the stabilization of the new processes, Tsumeb expects to mitigate the potential sources of metals exposure and decrease the level of secondary materials accumulated, which will in turn reduce the deductions for stockpile interest and the variability around the estimated metals exposure.

Gross loss

Gross loss in the fourth quarter of 2015 was $0.2 million compared to $4.4 million in the corresponding period in 2014. The reduced loss was due primarily to higher third party toll rates, higher volumes of complex concentrate smelted and the favourable impact of a weaker ZAR relative to the U.S. dollar, partially offset by higher deductions for estimated metals exposure reflecting elevated levels of secondary materials and potential metal losses relative to contract rates, higher local currency operating expenses and higher depreciation related to the acid plant.

Gross loss in 2015 was $18.2 million compared to $4.7 million in 2014. The increase in gross loss was due primarily to higher local currency operating expenses, higher deductions for stockpile interest and estimated metal exposure reflecting elevated levels of secondary materials and potential metal losses relative to contract rates, a higher proportion of third party concentrate smelted resulting in a lower overall toll rate, and higher depreciation related to the acid plant, partially offset by the favourable impact of a weaker ZAR relative to the U.S. dollar and higher third party toll rates.

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter and twelve months of 2015 was $8.9 million and $8.6 million, respectively, compared to $1.5 million and $18.5 million in the corresponding periods in 2014 due primarily to the same factors affecting gross loss, except for depreciation which is excluded from adjusted EBITDA.

Unrealized gains of $1.6 million and $4.2 million on the forward point component of the forward foreign exchange contracts, which were recognized in loss before income taxes in the fourth quarter and twelve months of 2015, respectively, were excluded from adjusted EBITDA.

Adjusted loss before income taxes

Adjusted loss before income taxes during the fourth quarter and twelve months of 2015 was $1.1 million and $21.3 million, respectively, compared to $5.5 million and $9.0 million in the corresponding periods in 2014.

Unrealized gains of $1.6 million and $4.2 million on the forward point component of the forward foreign exchange contracts, which were recognized in loss before income taxes in the fourth quarter and twelve months of 2015, respectively, 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 December 31,**	**Three Months**	**Twelve Months**
Adjusted loss before income taxes - 2014	**(5.5)**	**(9.0)**
Higher operating expenses [(1)]	(3.4)	(16.3)
Higher deductions for metals exposure	(3.4)	(12.7)
Higher (lower) volumes of complex concentrate smelted and mix	1.1	(6.0)
Higher depreciation	(3.1)	(2.7)
Lower (higher) deductions for stockpile interest	0.3	(1.2)
Higher toll rates	6.9	11.8
Weaker ZAR	2.7	10.0
Acid revenue	2.9	2.9
Other	0.4	1.9
Adjusted loss before income taxes - 2015	**(1.1)**	**(21.3)**

1) Excludes impact of foreign exchange and depreciation.

Capital expenditures

Capital expenditures during the fourth quarter and twelve months of 2015 were $9.4 million and $43.8 million, respectively, compared to $16.4 million and $130.4 million in the corresponding periods in 2014. These decreases were due primarily to reduced spending on the acid plant and copper converters compared to the corresponding periods in 2014. The acid plant is now fully operational. Refer to the "Development and Other Major Projects" section of this MD&A for a more detailed discussion of Tsumeb's major capital projects.

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		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Financial Highlights				
General and administrative expenses, excluding depreciation[(1)]	**(2,857)**	(2,619)	**(17,873)**	(28,534)
Corporate social responsibility expenses	**(1,160)**	(858)	**(2,491)**	(2,659)
Exploration expenses[(2)]	**(800)**	(1,265)	**(3,914)**	(7,153)
Other expense[(3)]	**(246)**	(863)	**(1,604)**	(2,160)
Adjusted loss before interest, taxes, depreciation and amortization	**(5,063)**	(5,605)	**(25,882)**	(40,506)

1) Includes expenses related to Avala of $0.2 million and $0.8 million (2014 - $0.3 million and $2.2 million) during the fourth quarter and twelve months of 2015, respectively.
2) Includes expenses related to Avala of $0.2 million and $1.2 million (2014 – $0.7 million and $4.8 million) during the fourth quarter and twelve months of 2015, respectively.
3) Excludes impairment losses, net losses and gains on Sabina special warrants, unrealized losses and gains on commodity swap contracts entered to hedge a portion of future production, unrealized gains on forward foreign exchange contracts and net gains and losses on the Company's equity settled warrants.

General and administrative expenses

General and administrative expenses, excluding depreciation, of $2.9 million in the fourth quarter of 2015 was comparable to the corresponding period in 2014.

General and administrative expenses, excluding depreciation, of $17.9 million in 2015 were $10.7 million lower than 2014 due primarily to lower employee related expenses, including lower performance-based compensation, the favourable impact of a weaker Cdn dollar relative to the U.S. dollar and reduced spending on outside professional services.

Exploration expenses

Exploration expenses during the fourth quarter and twelve months of 2015 of $0.8 million and $3.9 million, respectively, were $0.4 million and $3.2 million lower than the corresponding periods in 2014 due primarily to decreased exploration activities in Serbia. Refer to the "Exploration" section of this MD&A for a more detailed discussion of the Company's exploration activities.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2015, the Company had cash and cash equivalents of $26.6 million, including Avala's cash of $0.4 million, investments at fair value of $13.9 million, and $160.0 million of undrawn lines of credit under its $275 million committed long-term revolving credit facility ("RCF").

The Company's liquidity is impacted by several factors which include, but are not limited to, gold, copper, zinc and silver market prices, production levels, capital expenditures, operating cash costs, interest rates and foreign exchange rates. These factors are monitored by the Company on a regular basis. At December 31, 2015, 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 requirements, as well as all contractual commitments, mandatory principal repayments and non-discretionary capital expenditures. 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.

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

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Cash provided from operating activities, before changes in non-cash working capital	**22,136**	39,029	**80,515**	85,648
Changes in non-cash working capital	**10,901**	8,658	**7,195**	12,431
Cash provided from operating activities	**33,037**	47,687	**87,710**	98,079
Cash used in investing activities	**(18,191)**	(22,819)	**(74,822)**	(173,654)
Cash (used in) provided from financing activities	**(5,757)**	(11,122)	**(22,610)**	63,000
Increase (decrease) in cash and cash equivalents	**9,089**	13,746	**(9,722)**	(12,575)
Cash and cash equivalents at beginning of period	**17,481**	22,546	**36,292**	48,867
Cash and cash equivalents at end of period	**26,570**	36,292	**26,570**	36,292

Cash and cash equivalent balances as at December 31, 2015 of $26.6 million were $9.7 million lower than the corresponding period in 2014. The primary factors impacting these cash flow movements are summarized below.

Operating Activities

Cash provided from operating activities in the fourth quarter of 2015 of $33.0 million was $14.7 million lower than the corresponding period in 2014. This decrease was due primarily to lower volumes of payable metals in concentrate sold, lower metal prices and higher local currency operating expenses, partially offset by the favourable impact of a stronger U.S. dollar and higher volumes of complex concentrate smelted and toll rates at Tsumeb.

Cash provided from operating activities in 2015 of $87.7 million was $10.4 million lower than 2014. This decrease was due primarily to lower metal prices, higher local currency operating expenses, a higher proportion of third party concentrate smelted at Tsumeb resulting in a lower overall toll rate, and reduced cash inflow from changes in non-cash working capital, partially offset by the favourable impact of a stronger U.S. dollar and higher third party toll rates at Tsumeb.

The favourable change in non-cash working capital in the fourth quarter of 2015 of $10.9 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers. The favourable change in non-cash working capital in the fourth quarter of 2014 of $8.6 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers, partially offset by an increase in inventories due to the timing of shipments.

The favourable change in non-cash working capital in 2015 of $7.2 million was due primarily to a decrease in accounts receivable a result of the timing of receipts from customers, partially offset by a decrease in accounts payable as a result of timing associated with supplier payments and lower capital project activity. The favourable change in non-cash working capital in 2014 of $12.4 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, partially offset by a decrease in accounts payable as a result of the timing of payments.

Cash provided from operating activities, before changes in non-cash working capital, during the fourth quarter and twelve months of 2015 was $22.1 million and $80.5 million, respectively, compared to $39.0 million and $85.6 million in the corresponding periods in 2014.

Investing Activities

Cash used in investing activities in the fourth quarter and twelve months of 2015 of $18.2 million and $74.8 million, respectively, was $4.6 million and $98.8 million lower than the corresponding periods in 2014 due primarily to lower capital expenditures.

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

$ thousands	**Three Months**		**Twelve Months**	
Ended December 31,	**2015**	2014	**2015**	2014
Chelopech	**5,258**	4,262	**14,990**	25,503
Kapan	**1,982**	2,658	**8,807**	15,661
Tsumeb	**6,418**	14,337	**38,020**	125,187
Krumovgrad	**4,279**	1,673	**12,622**	8,519
Other	**520**	39	**838**	264
Total cash capital expenditures	**18,457**	22,969	**75,277**	175,134

Cash outlays for capital expenditures in the fourth quarter and twelve months of 2015 were lower than the corresponding periods in 2014 due primarily to reduced spending on the acid plant and copper converters at Tsumeb, and the completion of the pyrite recovery project and other growth projects at Chelopech in 2014.

Financing Activities

Net cash used in financing activities in the fourth quarter of 2015 was $5.8 million compared to $11.1 million in the corresponding period in 2014. Net cash used in financing activities in 2015 was $22.6 million compared to net cash provided from financing activities of $63.0 million in the corresponding period in 2014. In the fourth quarter and twelve months of 2015, $5.0 million was drawn under the RCF during each period, compared to $nil and $90.0 million in the corresponding periods in 2014.

Interest paid of $2.4 million and $9.4 million during the fourth quarter and twelve months of 2015, respectively, compared to $2.4 million and $7.5 million in the corresponding periods in 2014, reflecting the increase in debt period over period.

Repayments of finance lease obligations of $0.3 million and $1.6 million during the fourth quarter and twelve months of 2015, respectively, compared to $0.5 million and $2.2 million in the corresponding periods in 2014.

Repayments of debt of $8.1 million and $16.2 million in the fourth quarter and twelve months of 2015, respectively, compared to $8.1 million and $16.6 million in the corresponding periods in 2014.

Financial Position

$ thousands **As at,**	**December 31, 2015**	December 31, 2014	**Increase/ (Decrease)**
Cash and cash equivalents	**26,570**	36,292	**(9,722)**
Inventories, accounts receivable and other current assets	**80,147**	102,511	**(22,364)**
Investments at fair value	**13,911**	8,228	**5,683**
Non-current assets, excluding investments at fair value	**785,523**	833,121	**(47,598)**
Total assets	**906,151**	980,152	**(74,001)**
Current liabilities	**72,738**	63,604	**9,134**
Non-current liabilities	**195,300**	212,642	**(17,342)**
Equity attributable to common shareholders	**637,457**	702,010	**(64,553)**
Non-controlling interests	**656**	1,896	**(1,240)**

Cash and cash equivalents decreased by $9.7 million to $26.6 million in 2015 due primarily to lower metal prices and higher local currency operating expenses, partially offset by lower capital expenditures, the favourable impact of a stronger U.S. dollar and lower general and administrative expenses. Inventories, accounts receivable and other current assets decreased by $22.4 million to $80.1 million due primarily to a decrease in other current assets due to the settlement of certain commodity swap contracts and a decrease in accounts receivable as a result of the timing of receipts. Non-current assets, excluding investments at fair value, decreased by $47.6 million to $785.5 million due primarily to an impairment loss in respect of Kapan and depreciation expense, partially offset by the capital investments made at Tsumeb, Chelopech, Kapan and Krumovgrad.

Current liabilities increased by $9.1 million to $72.7 million in 2015 due primarily to an increase in accounts payable and accrued liabilities related to the timing of payments to suppliers and the fair value loss on outstanding forward foreign exchange contracts. Non-current liabilities decreased by $17.3 million

to $195.3 million due primarily to a decrease in estimated rehabilitation costs based on an updated closure plan at Chelopech and mandatory debt repayments, partially offset by an increase in other liabilities related to the fair value loss on outstanding forward foreign exchange contracts.

Contractual Obligations

The Company has the following minimum contractual obligations as at December 31, 2015:

$ thousands	**up to 1 year**	**1 – 5 years**	**over 5 years**	**Total**
Debt	16,250	131,250	-	**147,500**
Finance lease obligations	3,097	11,103	11,424	**25,624**
Capital commitments	11,119	-	-	**11,119**
Purchase obligations	8,845	-	-	**8,845**
Operating lease obligations	3,842	12,228	8,346	**24,416**
Other obligations	2,037	1,875	70	**3,982**
Total contractual obligations	**45,190**	**156,456**	**19,840**	**221,486**

Debt

As at December 31, 2015, the Company's total debt was $147.5 million, of which $32.5 million related to the Company's secured term loans ("Term Loans") and $115.0 million to the Company's RCF. As at December 31, 2015, the Company's total debt, as a percentage of total capital, was 19% (December 31, 2014 – 18%). The Company's total debt, net of cash and cash equivalents, as a percentage of total capital, was 16% (December 31, 2014 – 15%). As at December 31, 2015, 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, Kapan and Tsumeb and by guarantees from each of these subsidiaries.

In February 2014, the Term Loans were amended to modify certain terms in anticipation of moving forward with the Krumovgrad gold project. 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 3.5:1 (below 4.0:1 during any period in which Krumovgrad construction is in progress), (ii) a current ratio (including the unutilized credit within the $150.0 million tranche of the RCF in current assets and excluding equity settled warrants from current liabilities) of greater than 1.5:1, and (iii) a minimum net worth of $500.0 million and 50% of ongoing annual net earnings (losses).

As at December 31, 2015, the Term Loans had an outstanding balance of $32.5 million.

Credit Agreements and Guarantees

Chelopech

Chelopech has a $16.0 million multi-purpose credit facility that matures on November 30, 2016. This credit facility is guaranteed by DPM. Advances under the multi-purpose revolving credit facility bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 3.25%. As at December 31, 2015, $4.1 million (December 31, 2014 – $4.0 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech also has bank issued letters of credit totaling Euro 21.0 million ($22.9 million as at December 31, 2015 and $25.5 million as at December 31, 2014) to support the Chelopech mine closure and rehabilitation plan, which were posted with the Bulgarian Ministry of Energy. These letters of guarantee mature on November 15, 2016 and are guaranteed by DPM.

DPM

DPM has a committed RCF with a consortium of banks. In February 2014, the RCF was amended to extend its term by one year and to modify certain terms to align with amendments made to the Term Loans. In June 2014, DPM increased the RCF by $125.0 million to $275.0 million. In February 2015, the RCF was amended to extend the term of two of its tranches by an additional year. As at December 31, 2015, the RCF is comprised of a $150.0 million (previously $125.0 million) tranche B maturing in February 2018, a $45.0 million (previously $25.0 million) tranche A maturing in February 2020, and an $80.0 million tranche C maturing in July 2019 that has quarterly availability reductions of $4.0 million beginning in the third quarter of 2016.

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 December 31, 2015, DPM was in compliance with all financial covenants and $115.0 million was drawn under the RCF.

Outstanding Share Data

DPM's common shares are traded on the TSX under the symbols DPM. As at February 9, 2016, 140,575,793 common shares were issued and outstanding.

DPM also has 6,063,937 stock options outstanding as of the date of this MD&A with exercise prices ranging from Cdn$2.97 to Cdn$10.33 per share (weighted average exercise price – Cdn$6.00 per share).

Other

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

FINANCIAL INSTRUMENTS

Investments at fair value

As at December 31, 2015, the Company's investments at fair value were $13.9 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 6(a) to DPM's consolidated financial statements for the year ended December 31, 2015.

As at December 31, 2015, DPM held: (i) 23,539,713 common shares of Sabina or 11.8% of the outstanding common shares (fair value of Cdn$17.2 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 Series B special warrants is exercisable into one common share for a period of 35 years.

As at December 31, 2015, the estimated fair value of the Series B special warrants was $1.5 million (2014 - $1.2 million). Refer to the "Risks and Uncertainties" section of the Company's MD&A for the year ended December 31, 2015 for a discussion on the risks related to the Company's investment portfolio.

For the three and twelve months ended December 31, 2015, the Company recognized unrealized gains on the Sabina warrants and special warrants of $0.7 million (2014 – unrealized losses of $0.7 million) and $0.3 million (2014 – unrealized losses of $0.9 million), respectively, in other expense. The Company also recognized a loss of $0.5 million on the expiration of the Sabina common share purchase warrants for the twelve months ended December 31, 2014 in other expense.

For the three and twelve months ended December 31, 2015, the Company recognized impairment losses of $nil (2014 – $4.5 million) and $0.6 million (2014 – $19.3 million), respectively, in other expense on its publicly traded securities, relating primarily to Sabina common shares, due to the significant and prolonged decline in the fair value of these publicly traded securities.

Commodity swap 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 in order to reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales ("QP Hedges"). As at December 31, 2015, 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	24,655 ounces	$1,086.39/ounce
Payable copper	13,359,997 pounds	$2.21/pound
Payable silver	110,810 ounces	$14.09/ounce
Payable zinc	1,036,171 pounds	$0.73/pound

The Company also enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to reduce its by-product metals price exposure ("Production Hedges"). As at December 31, 2015, the Company had outstanding commodity swap contracts in place to provide price protection on a portion of its 2016 projected payable copper production as summarized in the table below:

Year of projected payable copper production	Volume hedged (pounds)	Average fixed price of Production Hedges ($/pound)
2016	25,264,945	2.32

The Company also entered into cash settled commodity swap contracts to swap future contracted monthly average gold prices for fixed prices to hedge a portion of the payable gold contained in its 2016 projected pyrite concentrate production ("Pyrite Production Hedges"). As at December 31, 2015, the Company had outstanding swap contracts in respect of this exposure as summarized in the table below:

Year of projected payable gold production	Volume hedged (ounces)	Average fixed price of Pyrite Production Hedges ($/ounce)
2016	11,540	1,177.35

As at December 31, 2015, the fair value gain on all outstanding commodity swap contracts was $7.5 million (December 31, 2014 – $19.1 million), of which $7.1 million (December 31, 2014 – $19.0 million) was included in other current assets, $nil (December 31, 2014 – $0.03 million) in accounts payable and accrued liabilities and $0.4 million (December 31, 2014 – $0.1 million) in other long-term assets.

Unrealized gains and losses on these contracts were calculated based on the corresponding LME forward copper and zinc prices and New York Commodity Exchange forward gold and silver prices. For the three and twelve months ended December 31, 2015, the Company reported unrealized losses on these contracts of $4.4 million (2014 – unrealized gains of $3.9 million) and $11.5 million (2014 – unrealized gains of $20.3 million), respectively, in other expense. The Company also reported realized gains on the settlement of certain of these commodity swap contracts of $15.4 million (2014 – $7.2 million) and $47.0 million (2014 – $12.1 million) in other expense for the three and twelve months ended December 31, 2015, respectively.

Approximately 64% of the Company's expected full year copper production for 2016 and 35% of the expected payable gold in pyrite concentrate production have been hedged. The Company's reported earnings are exposed to unrealized mark-to-market gains and losses from future price movements during the term of the forward sales contracts.

Forward foreign exchange contracts

During the twelve months ended December 31, 2015, the Company entered into forward foreign exchange contracts in order to reduce the foreign exchange exposure associated with projected foreign denominated operating expenses.

As at December 31, 2015, the Company had outstanding forward foreign exchange contracts in respect of this exposure 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$
2016	Euro	11,700,000	1.1112
	South African rand	756,000,000	13.0369
2017	Euro	10,800,000	1.1287
	South African rand	720,000,000	13.8699
Total	**Euro**	**22,500,000**	**1.1196**
	South African rand	**1,476,000,000**	**13.4304**

Euro hedges represent approximately 23% and 21% of projected Euro operating expenses for 2016 and 2017, respectively. The Namibian dollar, which is tied to the ZAR, and the ZAR hedges represent approximately 62% and 59% of projected Namibian dollar operating expenses for 2016 and 2017, respectively.

The spot component of these forward foreign exchange contracts is designated as a cash flow hedge and qualifies for hedge accounting. The forward points, or interest rate differential, which form a component of these contracts, are not designated and therefore do not qualify for hedge accounting. The effective portion of any change in the fair value of the spot component of the outstanding contracts is recognized in other comprehensive income or loss in the consolidated statements of comprehensive loss. The gain or loss relating to the ineffective portion, if any, and the gain or loss relating to changes in the forward points are recognized immediately in other income or expense in the consolidated statements of loss. Amounts accumulated in other comprehensive income or loss are reclassified to the consolidated statements of loss in cost of sales in the same periods as the underlying projected operating expenses are incurred.

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 December 31, 2015, the fair value loss on all outstanding forward foreign exchange contracts was $21.3 million, of which $10.1 million was included in accounts payable and accrued liabilities and $11.2 million in other long-term liabilities.

For the three and twelve months ended December 31, 2015, the Company recognized unrealized losses of $10.4 million and $25.4 million, respectively, in other comprehensive loss on the spot component of the outstanding forward foreign exchange contracts. The Company also reported recognized losses of $2.0 million and $2.6 million for the three and twelve months ended December 31, 2015, respectively, in cost of sales on the spot component of those contracts which have been settled.

For the three and twelve months ended December 31, 2015, the Company reported unrealized gains of $1.8 million and $4.1 million, respectively, in other expense on the forward point component of the outstanding forward foreign exchange contracts. The Company also reported recognized gains of $0.4 million and $0.6 million for the three and twelve months ended December 31, 2015, respectively, in other expense on the forward component of those contracts which have been settled.

The Company is also exposed to credit and liquidity risks in the event of non-performance by counterparties in connection with its commodity swap 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

In 2015, an intensive underground resource development diamond drilling program of 45,310 metres was completed, including 25,261 metres of grade control drilling and 20,049 metres of extensional drilling. The focus of this work was to replace and increase Mineral Resources and Mineral Reserves. The key areas explored were the upper levels in Block 103 and Block 19, Chelopech North, along strike of Block 19, down plunge of Block 151 and Block 103. The north-west part of deposit, in particular Block 149 and an area south of it, was targeted as an additional area of interest for new resources. These areas were systematically defined through geological review and identified as having the highest potential for delivering Mineral Reserves to the life of mine plan.

In 2015, a total of 7,240 metres were drilled in Block 151. Drilling continued to define the extents of mineralization along strike. As a result of the grade control drilling from Level 360, the silica alteration envelope was expanded in a northwest direction and several high grade zones were defined in this area (between 360 mRL and 300 mRL). Drilling was primarily aimed to check for additional mineralization and to better define the shape and volume of the existing ore body close to the northwest contact of the block. Subsequent deeper drilling redefined the silica alteration envelope and mineralized zone as a result of the positive outcome from drilling intersections between Levels 80 and 55 (from 80 mRL to -10 mRL).

Chelopech North exploration continued to focus on Block 19 area, where drilling to date indicates potential to extend existing economic mineralization to the northeast and northwest and upper levels (above Level 405). In total, 21,650 metres of drilling was conducted from 13 drilling positions in Block 19. The recently completed drillholes combined with the underground sampling and mapping campaign expanded the Block 19 ore body, which enabled conversion of some Inferred Mineral Resource volumes to Measured and Indicated Mineral Resources. The discussion below shows the key considerations that assisted in improving the geological confidence and add additional resources in the Block 19 area.

A total of 4,650 metres of drilling were completed from two drilling positions in Block 19 Level 350. Six exploration holes of an initial wide space drilling program from 350 level, which had been planned to explore the area north of Block 19, were completed. While drilling confirmed the north and northeast boundary of Block 19, an additional area with silica alteration was intersected along the anticipated ore bearing corridor with a northeasterly strike orientation. The presence of the aforementioned silica alteration at 30 metres northeast of the known silica boundary of Block 19 (from 320 mRL to 210 mRL), and narrow high grade intersections in hole EXT19_350_07 (4.5 m@0.78%Cu, 2.08/t Au) is an indication of the possibility of further Cu-Au discoveries in this region. Drilling will continue to the north in 2016 in order to define mineralization extents and to improve the ongoing development of the geological model in this area.

As a result of eight infill holes drilled from Level 350 in a northwest direction, Block 19W was extended between 400 mRL and 340 mRL. This high grade area still remains open and additional drilling is being planned. Drilling also continues to determine the continuity of mineralization and convert this discovery into Mineral Reserves. Significant results that are of interest are presented in the table below, see holes G19W_350_01 and G19W_350_02.

Twelve holes were drilled from Level 320 from Block 19 to the south. In this area a broad drilling grid has been completed at this time, however, initial intersections indicate high potential for the definition of economic mineralization. At the same time, the western periphery of Block 16 was tested from this position in order to clarify the block dimensions and shape. As a result, the silicified zone was extended to the west and the ore body of Block 16 increased in size between 290 and 270 level (significant intercepts are shown in hole EXT19W_320_39).

Grade control drilling from Level 290 in Block 19 was completed from two locations (15 drillholes – 2,120 metres). Drillholes from the 19E-290-p14 location defined the north and northeast silica boundary of Block 19E (from 300mRL to 270mRL). They were primarily aimed to better define the shape and volume of the existing ore body close to the north-northeastern contact of the Block 19 and check for additional mineralization in the region. Three drillholes were drilled in a northeasterly direction to check continuity of mineralization in this area. Significant results from this infill drilling are presented in the table below within holes G19_290_12 and G19_290_14.

Twenty holes were drilled from Level 380 in a northeasterly direction, which were primarily aimed to better define the shape and volume of the existing ore body close to the south-southeastern contact of the Block 19 and check for additional mineralization in the region. From this location, holes intercepted Block 18 and Block 19. The results of this meant the expansion of existing mineralization in Block 18 between 400 mRL and 370 mRL and of Block 19E in northeast direction between 410 mRL and 370 mRL. The results that are of interest are presented in the table below, see drillhole G19_380_54.

The remaining holes drilled in block 19 defined extensions to the mining block between 230 mRL and 130 mRL. These areas of Block 19 were drilled from several positions. Grade control drilling to the northeast in Block 19E was completed from cuddies 19E-200-P7/19E-200-SD-DDC-10 drillholes (1,410 metres) and 19E-170-P3/19E-170-SD-9 drillholes (1,147 metres). Eight grade control drillholes were drilled to the northwest-west in Block 19W (19W-190-RA). The combined result of this work was the expansion of the silica envelope and the ore body. Geologically, this zone appears to comprise a series of sub-parallel vertically-oriented lenses. One of the lenses hosts low-grade copper with associated, very rich, gold mineralization (significant intercepts are presented in hole G19W_190_05. These lenses remain open along plunge and in the south direction. The drilling will continue in the first quarter of 2016 from 19W-210_RA.

Future focus will be on drilling of the upper part of Block 19, which is defined as a high potential area with little drilling. Drilling from Level 390 commenced in the third quarter of 2015. A total of 22 drillholes (3,870 metres) were drilled in northern and northeastern direction, which confirmed the presence of additional mineralization outside the current resource inventory. The geological model was updated and the Mineral Resource was upgraded during December 2015. A significant portion of the Inferred Mineral Resource was converted to Indicated Mineral Resources. The drilling will continue in 2016 with testing of Block 19E/19W between 440mRL and 370mRL, which is considered an area of high potential for finding economical mineralization (significant intercepts are shown in holes G19_390_03-04, 18).

Approximately 8,230 metres were drilled in Block 103 from two drilling positions. Earlier extensional drilling identified several high grade zones situated close to the eastern boundary of Block 103 between 460mRL and 350mRL (upper levels in the Block). The planned exploration metres, from ramp 20 on Level 450, aim to verify the eastern contact of the block on the higher levels and increase the ore body in size. Approximately 4,500 metres have been drilled to date, which has found new and expanded the extents of known mineralization. The drilling will continue in the first quarter of 2016 (significant intercepts are shown in hole EXT103_450_01-03, 10, 17).

A total of 3,760 metres were drilled from Level 270 down plunge of Block 103. In this area, a broad drilling grid has been completed at this time, however, initial intersections indicate high potential for the definition of economic mineralization in eastern periphery of Block 103 and at depth under known economic mineralization in the silica envelope. As a result of drilling, the mineralized zone was extended to the east and the ore body increased in size between 270mRL and 220mRL (significant intercepts are shown in hole G103_270_13).

Extensional drilling from Level 225 in Block 149 redefined the silica alteration envelope and mineralized zone in the western periphery of the block. A total of 4,670 metres were drilled from this location and holes intercepted Block 149, Block 147 and Target 184. The result was the expansion of existing mineralization in Block 149 between 225 mRL and 200 mRL and ore body of Block 147 between 225 mRL and 200 mRL. Significant results from Block 149 and Target 184 (6.9m width) are presented in the table below, see hole EXT149_225_67, and the results of interest from Block 149 and Block 147 are shown in hole EXT149_225_68.

Drilling in Block 149 South, which was discovered in the fourth quarter of 2014, continued in 2015 to further define the boundaries of mineralization. A total of 2,730 metres were drilled from 149-220-RA. As a result of the drilling, the silica alteration envelope and mineralization outline were expanded in a southwesterly direction between Levels 210 and 150. This block still remains open to the east and additional drilling is being planned to test this extension.

A new zone of mineralization was intersected during drilling south of Block 149 from a drive on 149-225. The zone is oriented sub-parallel to Block 149 South and has been dubbed “Target 148”. The newly discovered zone is approximately 30 metres south of Block 149 South and 160 metres north of Block 151. The currently defined extents of Target 148 are 16 metres by 40 metres by 40 metres, and the mineralization comprises of a low grade copper and gold bearing stockwork hosted within a silica envelope (significant intercepts are shown in hole EXT149_225_52). The drilling at Target 148 will continue in 2016 in order to more accurately define the outline of the mineralization.

The medium term resource development strategy for Chelopech is focused on drilling the northeast part of the deposit and the northwest zone. The upper parts of Blocks 19 and 103 will also be targeted in order to confirm and increase Mineral Resources in light of successful mining activities within the region.

Additionally, there are plans to test the following targets in 2016:

- grade control drilling of the western part of Block 19 from 17-395 due to the presence of a single high grade copper/gold interception above level 380 which indicates a possible extension;
- the northeast exploration zone of Block 19, which is considered to have high potential for expanding the existing economic mineralization along strike;
- extensional drilling will continue to the north of Block 19 in order to define economic mineralization and to improve the ongoing development of the geological model in this area;
- extensional drilling in the area situated northwest of Block 151 and west of Blocks 149/149 South. This area has been tested using a wide spaced drill pattern to date. A single high grade intercept that aligns with known structural trends indicates this area may have untested mineralization;
- the southeast zone of Block 103, which is considered to have high potential for expanding the existing economic mineralization along strike from RA-20_450 with special focus on the levels above 405mRL;
- grade control drilling in Block 149 South and Target 148;
- extensional drilling from Level 405 (405-P421-VOZDOL) into an area with little or no drilling, which is situated between the central and western parts of the deposit. An anomalous high Cu/Au intersection may indicate the presence of a new zone of mineralization;
- grade control drilling on the upper levels of Block 150 above Level 405 to expand the known ore body and convert Mineral Resources into Mineral Reserves; and
- extensional drilling to the SW of Block 19 and Block 18 in an area with little drilling. It exhibits high potential for discovery of new and the expansion of the known extents of Block 10 and Block 8.

Significant intercepts (gold equivalent (“AuEq”) cut-off grade of 3g/t) received for 2015:

HOLE ID	EAST	NORTH	RL	AZ	DIP	FROM	TO	True Width (m)	AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)
EXT149_225_52	5511	29786	223	195	-7.1	198.00	240.00	42.00	3.71	2.97	4.72	0.36
EXT149_225_57	5516	29788	222	137.1	-29.1	49.50	93.70	24.00	13.59	9.20	11.84	2.13
EXT149_225_59	5511	29787	223	226.8	-10.3	3.00	49.50	46.50	7.13	6.12	12.70	0.49
EXT149_225_67	5469	29784	223	14.8	-17.2	3.00	52.20	47.00	18.34	15.35	16.77	1.45
EXT149_225_67	5469	29784	223	14.8	-17.2	243.00	250.00	6.90	19.65	18.92	15.72	0.35
EXT149_225_68	5468	29784	224	354.6	0	3.00	21.00	18.00	22.23	18.33	10.08	1.90
EXT149_225_68	5468	29784	224	354.6	0	175.20	189.00	13.00	5.67	3.67	10.11	0.97
EXT149_225_73	5463	29782	223	281.8	-19.7	0.00	11.20	13.50	135.52	110.56	54.48	12.12
EXT103_450_01	5800	29193	447	236.6	-2.4	136.50	181.30	46.00	8.63	4.49	10.01	2.01
EXT103_450_02	5801	29193	448	223.8	5.5	142.50	175.50	33.00	4.60	2.67	4.25	0.94
EXT103_450_03	5801	29193	447	223.8	-8.1	144.00	166.50	23.80	6.48	3.86	6.39	1.27
EXT103_450_10	5803	29192	447	175.7	-28.9	84.00	132.00	41.50	3.15	1.51	3.38	0.79
EXT103_450_17	5801	29191	448	196.5	10.3	57.00	72.00	14.00	9.14	4.05	4.87	2.47
G103_270_13	5762	29069	278	74.3	-16.9	133.50	174.00	39.40	3.08	1.31	3.03	0.86
G151_360_28	5446	29294	362	311.1	-5.2	49.50	79.50	29.20	4.58	3.01	14.91	0.76
G151_80_12	5650	29302	82	134	-49.6	39.00	70.50	31.50	3.75	2.05	3.06	0.82
G151_55_27	5685	29304	59	109.5	-33.4	55.50	84.00	25.50	3.39	2.11	4.54	0.62
G19_390_03	5988	29780	396	342.4	15.1	75.00	114.00	37.50	3.99	2.71	6.25	0.62
G19_390_04	5991	29779	395	46.3	-1.1	55.50	66.00	10.30	3.71	1.21	12.44	1.21
G19_390_18	5988	29780	395	327.3	-11.2	168.00	189.00	20.00	6.21	4.03	19.66	1.06
G19_380_54	6027	29706	379	347.3	3	96.00	180.00	84.00	8.47	4.92	8.40	1.73
G19W_350_01	5915	29945	356	257	-2.9	130.50	187.20	56.00	6.93	3.54	7.53	1.65
G19W_350_02	5915	29945	356	256.5	7.1	131.50	182.50	50.00	5.90	2.90	8.77	1.46
EXT19W_320_39	5847	29772	319	154.2	-14.1	181.50	198.00	6.20	3.05	1.30	7.57	0.85
G19E_290_12	5916	29893	290	54.1	-6.1	27.00	79.50	52.40	5.23	3.10	7.73	1.03
G19E_290_14	5970	29888	291	358.4	-15	51.00	82.50	30.50	4.42	2.45	6.22	0.96
G19W_290_02	5904	29897	290	282.1	-17.1	97.50	120.00	22.00	6.01	4.36	7.62	0.80
EXT19E_200_55	6054	29815	203	40.1	2.4	76.50	145.50	69.00	3.49	2.42	5.32	0.52
G19E_200_08	6123	29907	203	117.5	-44.1	6.00	34.50	21.50	7.35	5.11	16.17	1.08
G19W_190_05	5875	29813	184	226.1	-46.3	24.00	57.00	22.00	8.92	8.01	4.15	0.45

1) *Significant intercepts are located within the Chelopech Mine Concession and proximal to the mine workings, and are based on their strategic importance to Mineral Resource development.*
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 Resource Update Chelopech Project” filed on SEDAR at www.sedar.com on February 4, 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, a full suite of field and laboratory duplicates and replicates along with internationally accredited standards are submitted with each batch of samples. Diamond drill core is prepared and assayed at the SGS managed laboratory at Chelopech in Bulgaria. Samples are routinely assayed for copper, gold, silver, sulphur, arsenic, lead and zinc.

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

Brownfields Exploration - Chelopech Concession and Sveta Petka Exploration Licence

During 2015, a total of 5,036 metres of diamond drilling was carried out from surface (2,331 metres in three holes) and underground (2,705 metres in four holes). Hole SVP001, the first hole in the surface drill program, was drilled approximately 100 metres west of high sulphidation mineralization encountered in hole PTDD014 that was drilled in 2007. Between 590 and 616 metres, a 26 metre wide zone of silica alteration grading 0.62 g/t Au and 0.11% Cu within brecciated diorites was intersected. Both hole SVP001 and hole PTDD014 were later surveyed using Borehole Electromagnetics which indicates the existence of a weak conductor correlating with the semi-massive sulphide mineralization intersected between 681 and 694 metres in hole PTDD014. Maxwell modelling of this conductor gives a moderately conductive plate dipping south but of limited extent (approximately 50 by 50 metres).

The second surface hole, SVP002, tested two geophysical targets on the eastern side of the Petrovden porphyry target. The hole intersected weak quartz-pyrite-chalcopyrite stockwork within the older gneisses. Hole SVP003 tested an induced polarization ("IP") target located approximately 300 metres west of the mine. The hole intersected a zone of weak silicification and pyrite in monzonite that included a 10 metre interval with 0.85 g/t Au.

Hole EX_230_01, the first hole of the underground program, tested a porphyry target in the footwall of the Petrovden Fault. The hole intersected a +400m wide zone of quartz-pyrite-chalcopyrite (±molybdenite) porphyry stockwork that continued to the end of the hole. The zone includes a 133 metre wide interval from 598 to 731 metres with 0.34% CuEq (0.27% Cu, 0.10 g/t Au, 88 g/t Mo).

Three other underground holes were drilled from a cuddy located near Block 10. Hole EX_NE10_01 was drilled to the northeast and intersected diorite and phreatomagmatic breccia with only narrow intervals of mineralization and alteration. Hole EX_NE10_02 was drilled to the north above mineralization reported in a hole drilled by the state in 1984. Two mineralized hydrothermal breccias were intersected: one with pyrite and sulphosalts between 174 and 181 metres that grades 3.90 g/t AuEq (0.78 % Cu and 2.29 g/t Au) and, the other between 199 and 200 metres, with pyrite infill and an 8 cm barite-tennantite vein that grades 8.93 AuEq (1.0 metre at 1.09 % Cu and 6.68 g/t Au). Hole EX_NE10_03, drilled to the south, intersected silicified zones with pyrite-sulfosalts stockwork between 179 and 186 metres that grades 3.56 AuEq (1.42 % Cu and 0.65 g/t Au).

Approximately 12,580 metres of historical core was re-logged during 2015, bringing the total core re-logged since the start of the program to approximately 50,000 metres. Based on the results of the re-logging program a new geological model is being developed to be used for targeting in 2016. In addition, detailed structural, lithological and alteration mapping at surface was completed during the autumn and is being used in the new geological model.

Kapan

In 2015, the underground diamond drilling program was focused on Mineral Resource development in the central, northern and southern sections. Drilling programs were designed to replace and to reclassify Mineral Resources as well as to extend known vein zones. A total of 37,315 metres of underground diamond drilling was completed in the twelve months of 2015, of which 43% were drilled in the north section, 37% in the central and 20% in the south section of the mine.

In the Northern section of the mine 77 holes were drilled. In the first half of the year, a group of veins were initially tested in decline 2 at level 740 on the northern flanks of the Shahumyan mine and interpreted as veins 108, 109, 110 and 111. The result of this drilling program provided better definition and

understanding of the vein continuity. Although the results meant a reduction of the extents of the latter mentioned veins, a new extension was discovered to V48 during this program. Overall, highly mineralized zones have been intercepted in this drill program, however, the continuity of the veins on the eastern flanks is limited due to the brecciated nature of the host lithologies.

A drill program completed to the south from the same cuddy resulted in the redefinition of the complex high grade, vein 35 swarm, immediately north of vein 5n between 700 and 780 levels. These veins were interpreted as a swarm of south west – north east trending link structures. Mineralization is noted as being particularly high in gold and silver grades, which was confirmed during subsequent development during the second half of 2015. Intercepts are represented in drillholes E740DC2S016 and E740DC2S022 in the significant intercepts table.

A new drill cuddy was prepared at vein 54 cross cut at level 780, where drilling continued for the balance of the year. From this cuddy, 20 holes were drilled to the north to better define veins 46, 32 and 5n. Drilling mostly confirmed the previously interpreted geometry of vein 46. The best intercept from this program can be seen in the significant intercept table represented in E780V46015. From the same location, 12 holes were drilled to the south, targeting veins 54, 58 and 53 on a wide spaced drilling grid. Better definition of the mineralization in these veins was achieved, however, no extensions were found. The assay values returned for these veins proved to be mostly sub-economical and no further work is warranted on this area at this time.

In the Central section of the mine, 47 drillholes were drilled through two programs. The first program targeted veins 22, 67, 62, 40, 41, 71 and 113 as well as the western parts of veins 16 and 34 between 660 and 760 levels. Drilling results have returned excellent grades over economic widths. Geologic continuity is good, making these veins attractive targets for the short term mine plan. Significant extensions to mineralization were discovered, particularly for V40 which was increased by 100 metres down-dip and V22_2 was extended 80 metres below 750 metre level.

The second program in the central section targeted veins 37, 37a and 102, and part of vein 99. High grades were returned from this program as shown in the significant intervals table represented in drillhole E775V37007 for vein 37 and in E775V37008 where the intersection is allocated to vein 99. Results generally confirmed the previous interpretations and extended V102 and V37a. A detailed drilling program has been prepared for defining vein 99 in the next year, which is a major contributor to the Shahumyan mineral resource inventory and hosts excellent potential for discovering additional veins outside of the current inventory. The next program will target the western part of veins 26 and 27, which are areas planned for production during 2016. The objective is to delineate the western extension of this vein, which from development and historical drilling has high potential for hosting additional resources. By the end of 2015, 11 holes had been drilled and the majority of assays are still pending.

During 2015, the Bobcat mobile rig was operating in the south section of the mine in five different locations. The first program consisted of 15 holes drilled on grade control grid on veins 33 and 34 from level 775. Frequent mineralized zones were intersected with quartz sulphide veins within andesite and andesitic breccias. Intermittent, high grade mineralisation was intersected, which is characteristic of this zone. High grade intercepts from this drilling program can be seen in the table below in drillholes G775V33008, G775V33010 and G775V33012.

Following this program, drilling commenced in level 735 in the zone between veins 11 and 17 where the resource model lacked detailed information between levels 700 and 770. A number of high grade but rather narrow veins have been intersected in the area, interpreted as veins 14, 14, 14b, 15 and 15a. A significant intercept from this program is represented by drillhole E735V14002 in the significant intercepts table.

This was followed by a program designed from decline 660-645 to infill the gaps in the vein 17 and vein 20 grade control grid below level 660. Information was obtained down to 590 metre elevation for vein 17 and for vein 20 to 560 metre elevation. Results from this program confirmed the grade and geologic continuity for these veins and examples can be seen in the table below within drillholes G660V17004, G660V17005 and G660V17009. Both veins are major contributors to the near-term mine plan and both veins remain open below 560 level.

Drilling then commenced at vein 17 west ore drive at level 660 to test the western flank of vein 6, with six holes, which confirmed the previous interpretation and extended the vein further to the west. Mineralization in this area can be characterized as a network of quartz-carbonate veins, hosting high

grade Au-Ag mineralization. Mineralization remains open below the 570 level. A representative significant intercept is reported in the table below within drillhole G660V6005. Further drilling in decline 9 tested veins 1 and 1.1 with 11 short holes. Assays are pending for this program.

The resource development strategy for the Shahumyan mine during 2016 will be guided by the mid-term mine plan requirements. The following areas are planned to be targeted for drilling in the first half of 2016:

- vein 37 infill drilling from vein 39 cross cut on level 775, which is designed to target the main-high grade shoot within V37 and provide additional information for V37a and a suspected V102 extension;
- an extensive drilling program is planned to test vein 99 from the 775 crosscut. Vein 99 is a particularly wide vein zone that is significant to the near-term mine plan and hosts excellent potential for adding additional resources;
- in the north part of the mine, a drilling program is planned to be completed from vein 99 crosscut, targeting veins 42, 44 and 3n. Based on historical data, the western flank of this zone has high potential to host economic mineralization; and
- infill drilling vein 1 and 1.1 on the southern flanks of the mine will continue. These veins have been defined using a wide-spaced drilling grid to date, however, results indicate good geologic and grade continuity and confirm historical records. This will be followed by a short grade control drill program on vein 34 from level 712 and a program designed to be drilled from decline 6 on level 670, targeting the main ore shoots within veins 3 and 4.

Significant intercepts AuEq (cut-off grade of 3.5g/t) received for 2015:

HOLE ID	EAST	NORTH	RL	AZ	DIP	FROM	TO	True Width (m)	AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)
E740DC2038	8623150	4344540	740	334	-36	101.5	107.3	3.70	12.09	7.92	119.45	0.74	2.71
E740DC2039	8623151	4344540	739	333	-52	174.0	179.8	2.90	5.70	3.77	36.32	0.98	0.09
E740DC2S016	8623150	4344521	740	153	-37	43.0	46.0	1.93	6.04	3.49	67.75	0.54	1.66
E740DC2S022	8623151	4344521	742	137	32	84.0	86.0	2.00	4.81	2.55	56.40	0.27	2.44
E775V16017	8623496	4343986	774	187	-13	262.0	264.0	1.00	46.85	31.25	468.30	0.95	15.45
E775V16019	8623496	4343986	773	188	-35	96.7	105.4	6.60	36.38	20.80	411.93	2.58	12.88
E775V16019	8623496	4343986	773	188	-35	203.0	205.0	1.70	6.93	4.85	60.65	0.36	1.33
E775V16020	8623494	4343985	774	197	-3	110.0	112.6	2.40	5.96	3.74	64.34	0.15	2.26
E775V16025	8623493	4343985	774	210	-3	135.0	137.0	1.41	25.69	14.29	230.97	2.24	12.41
E775V16025	8623493	4343985	774	210	-3	238.0	241.0	2.95	3.84	5.15	81.07	0.01	0.19
E775V16026	8623493	4343985	774	209	-13	103.5	105.5	1.15	14.28	8.04	116.50	0.72	9.26
E775V16026	8623493	4343985	774	209	-13	276.7	279.4	2.70	4.98	2.07	35.49	0.41	5.17
E775V16027	8623493	4343985	773	210	-21	176.0	178.4	1.17	13.06	6.20	88.05	1.24	10.93
E775V16027	8623493	4343985	773	210	-21	275.2	278.0	1.80	9.68	8.15	67.41	0.08	0.29
E775V16028	8623493	4343985	773	210	-29	84.0	86.0	1.00	9.10	4.58	143.32	0.33	3.81
E775V16030	8623493	4343985	774	221	-1	88.8	90.9	1.72	8.58	2.27	43.73	2.27	8.20
E775V16034	8623492	4343986	774	234	-4	193.6	196.5	2.80	51.79	35.60	489.38	2.37	10.79
E775V37007	8623499	4343996	774	351	-9	86.2	88.5	2.27	4.94	1.83	78.54	0.64	2.28
E775V37008	8623499	4343995	773	352	-28	223.5	225.8	2.16	16.98	9.64	149.13	2.85	2.75
E780V46005	8623092	4344269	797	301	-48	98.6	100.9	2.05	4.66	2.50	44.67	0.56	1.81
E780V46015	8623091	4344271	797	320	-65	72.1	74.3	1.41	87.14	73.60	606.65	0.30	3.08
G660V17004	8623947	4343188	651	0	-21	52.5	55.8	2.70	4.69	2.48	56.18	0.51	1.44
G660V17005	8623947	4343188	651	2	-43	76.0	78.2	1.80	9.84	8.05	43.86	0.74	0.05
G660V17005	8623947	4343188	651	2	-43	131.5	133.7	1.90	4.36	3.08	35.63	0.27	0.78
G660V17009	8623948	4343189	651	25	-52	24.0	26.7	2.66	5.24	3.05	47.69	0.92	0.39
G660V6005	8623782	4343196	661	236	-16	149.7	152.1	2.36	10.09	7.18	113.16	0.19	1.24
G735V14002	8623927	4343175	735	8	-7	49.0	51.0	1.87	5.80	3.44	79.40	0.49	0.56
G775V33008	8623713	4343838	784	156	-15	97.4	103.2	3.70	12.15	5.26	189.50	1.22	4.98
G775V33008	8623713	4343838	784	156	-15	105.0	107.9	2.00	10.20	3.60	160.77	0.49	8.47
G775V33010	8623713	4343838	784	157	-36	208.0	215.9	3.90	8.69	4.88	70.97	1.35	2.32
G775V33012	8623713	4343838	785	137	3	93.0	97.0	3.46	7.52	3.53	128.30	0.84	1.25
G775V33012	8623713	4343838	785	137	3	148.55	151.45	1.66	8.66	3.52	64.47	2.01	4.34

1) *Significant intercepts are located within the Shahumyan Mine Concession and proximal to the mine workings, and are based on their strategic importance to Mineral Resource development.*
2) *AuEq calculation is based on the formula: Au g/t + 0.02xAg g/t + 1.20xCu% + 0.34xZn%.*
3) *Minimum downhole width reported is two metres with a maximum internal dilution of one metre.*
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) *Co-ordinates are in Kapan exploration-grid.*
6) *No factor of material effect has hindered the accuracy and reliability of the data presented above.*
7) *No upper cuts applied.*
8) *Significant intercept data has been reviewed and verified by Ross Overall, Corporate Senior Resource Geologist, of DPM, who is a QP and not independent of the Company.*
9) *For detailed information on drilling, sampling and analytical methodologies refer to "NI 43-101 Technical Report – Shahumyan Project, Kapan, Republic of Armenia" filed on SEDAR at* www.sedar.com *on March 31, 2015.*

Sampling and Analysis

All undifferentiated drill core is sampled at a one metre sample interval. Changes in sample intervals are permitted at contacts of veins/mineralized structures, with a minimum allowed sample length of 25 centimetres and a maximum of one metre. For veins over one metre, veins are split into equal length samples. After transport to a secure core facility, all cores are marked up systematically for cutting by a diamond saw. HQ and NQ core are cut with care to retain the orientation line. BQ core is sampled whole, while HQ and NQ is routinely sampled on the right hand side, with core samples submitted to the SGS managed laboratory facility at Kapan for assaying and the residual half core retained in plastic core trays. Samples are routinely assayed for copper, gold, silver, zinc, lead, sulphur, bismuth, molybdenum, cadmium, antimony and arsenic. All drill cores are photographed wet and dry. Blanked crush and pulp duplicates, along with internationally certified standards representing 5% for each sample type, are submitted with each batch of samples. In addition, SGS submits and reports its own standards, blanks and control samples under the C-Class system. Bulk density samples are taken every 20 metres, with additional detailed sampling undertaken from within veins and surrounding wallrocks. Point load testing is carried out every five metres.

Near Mine and Regional Exploration

Exploration activities in 2015 were limited to geological mapping, trenching and rock sampling at several prospects that were identified by soil and stream sediment surveys carried out in 2014. A short diamond drilling program was completed at the Antarashat prospect in July 2015. Three short holes totaling 344 metres define a steep zone of moderate to strong vuggy silica alteration with a true width of 20 to 25 metres. The vuggy silica zone contains alteration minerals typically associated with high sulphidation epithermal mineralization and is cut by several veins of massive pyrite up to 1.5 metres in width and with up to 1.38 g/t gold and 0.25% copper.

Avala

In late 2014, Avala undertook a comprehensive review of all of its mineral projects with a view of developing a near-term work plan taking into account the results obtained from all of the exploration work conducted to date, its financial resources, and the global economic conditions for junior exploration companies. The near-term work plan that was developed consisted essentially of identifying new targets in areas in close proximity to Avala's key mineral deposits.

Lenovac Project

The 100%-held Lenovac license was granted to Avala in 2013. The license covers 132 km^2 and is located 170 kilometres south-east of Belgrade. This project is strategically located 10 kilometres due south of the Reservoir Minerals/Freeport-McMoran Cukaru Peki high-sulphidation epithermal and porphory copper-gold discovery, along the eastern margin of the Timok Magmatic Complex. Surface geology is dominated by volcanic derived epiclastics (with occasional mineralized clasts) and other sediments that are interpreted as being post-mineral with respect to the mineralization observed at Bor.

During the second quarter of 2015, Avala carried out early exploration work on the Lenovac license, including mapping, rock chip sampling and a geophysics program which consisted of 28 line kilometres. Interpretation and inversion modeling of the resistivity data has indicated a number of potential drill targets with mineralization interpreted to lie beneath post-mineral cover that is outcropping within the

northern half of the license. Following the completion in November 2015 of the earn-in and joint venture agreement with Rio Tinto, Avala proceeded with drilling an initial single deep hole in the north portion of the project area. This hole was required to meet a minimum working requirement for the renewal of the mineral license and was drilled to a depth of 852 metres. Assay results are pending.

Timok Gold Project

The 100%-held Timok Gold Project, which is located along the western margin of the Timok Magmatic Complex in Eastern Serbia, comprises several gold deposits, including Bigar Hill, Korkan, Korkan East and Kraku Pester. During 2014, Avala completed Mineral Resource estimates on these four deposits. A preliminary economic assessment ("PEA") for the Bigar Hill, Korkan and Kraku Pester deposits was also completed.

During the first quarter of 2015, Avala carried out an extensive review of geological, geochemical and geophysical datasets on the Bigar Istok license, which host part of the Timok Gold Project, with an aim to expand the existing resource base at the Timok Gold Project. This work has highlighted a number of interpreted structural corridors which link porphyry units and sediment-hosted gold mineralization. During the second quarter of 2015, Avala completed its planned trenching and channel sampling program, totaling 1,280 metres, on the Bigar Istok license. This program returned a number of intervals of gold and associated base metal mineralization, and has been interpreted as a higher temperature style of mineralization similar to that found at Korkan East. Further interpretation of these results has led to the design of the required 1,500 metre drilling program within the Bigar Istok license, which was started late in 2015. Approximately 1,000 metres have been drilled to date. Results will be released once drilling is completed and all assays have been returned.

Tulare Project

The Tulare Project, which was acquired in October 2014 through the business combination with Dunav Resources Ltd., lies within the Lece Volcanic Complex of Southern Serbia and comprises several porphyry copper-gold targets including the Kiseljak and Yellow Creek deposits. In 2014, a Mineral Resource estimate for Kiseljak and Yellow Creek was completed. The Tulare Project also comprises the Gubavce-Bakrenjaca carbonate-base metal gold epithermal vein system located in the southern half of the Tulare Project, approximately three kilometres south of the Kiseljak deposit.

During the second quarter of 2015, Avala conducted a first phase of trench and channel sampling on the Gubavce-Bakrenjaca prospect. Interpretation of these results show a number of approximately east-west structural corridors that cross the Tulare license and are host to brecciated quartz veins with low-grade base metal and gold mineralization. No further work is planned on this target until funds become available.

Avala is continuing to evaluate the potential of a number of other licenses held within the Lece Volcanic Complex and during 2015 carried out geological mapping and rock chip sampling on the Trn and Degrmen licenses.

Other

Throughout 2015, DPM carried out early stage exploration for epithermal gold deposits and porphyry copper gold deposits on a number of 100% owned licenses held by DPM subsidiaries in Bulgaria. These programs involve detailed data reviews, field traverses and systematic rock-chip and channel sampling, trenching and, in some cases, exploration diamond drilling. Exploration was ongoing at the end of 2015.

Grassroots exploration in central Armenia was carried out under option agreements signed with two Armenian companies in June 2015. In addition, DPM conducted reviews of projects and prospective belts in other parts of the world.

DEVELOPMENT AND OTHER MAJOR PROJECTS

Chelopech - Pyrite Project

The original project scope of the pyrite recovery project included the concentrate handling and storage facilities which is now scoped as a separate project. The project cost for the pyrite concentrate handling

and storage facilities is estimated at $3.7 million, of which $0.4 million has been spent on engineering at December 31, 2015. Construction of the pyrite concentrate facility is currently on hold.

Construction and commissioning of the concentrate conveying and train load out facility were completed during the third quarter of 2014. The storage facilities for the copper concentrate were completed in the third quarter of 2015.

Krumovgrad

The proposed mine site is located at Ada Tepe, approximately three kilometres south of the town of Krumovgrad in southeastern Bulgaria. The project plan contemplates the construction of an open-pit mining operation comprised of a process plant, which will employ conventional crushing, grinding and flotation processing for gold extraction, and the disposal of thickened tailings, together with mine rock waste, in an integrated mine waste facility ("IMWF"). A capital cost estimate and optimized mine plan, completed in March 2014, continue to support the construction and operation of this project. The plant is designed to treat up to 840,000 tonnes of ore per annum over an eight year mine life, including processing stockpiled low grade ore at the end of the project. The treatment rate is consistent with existing permitting applications and environmental submissions. 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 March 2014 capital cost to complete the construction of the mine and associated facilities, excluding sunk costs, was estimated at $164.1 million (stated in 2013 U.S. dollars). An update to the capital cost estimate was planned for 2015, however, as a result of the delays experienced during 2015 in the DDP approval process, the Company has delayed the finalization of the capital cost estimate and taken the opportunity to complete detailed engineering and to refine and optimize the project execution plan while the approvals process is ongoing. This work is expected to be completed in the first quarter of 2016 and will aid in de-risking the project through better project definition prior to proceeding with project implementation.

Sustaining capital over the life of mine ("LOM") was estimated at $12.5 million. Average annual concentrate production over the LOM is anticipated to be 4,100 tonnes, containing, on average, 85,700 ounces of gold and 38,700 ounces of silver. The average annual gold produced in the first three years is 103,000 ounces. Based on these estimated capital costs and production, and assumed gold and silver prices of $1,250 per ounce and $23.00 per ounce, respectively, the project has an estimated internal rate of return of 26.3%, and an estimated payback period from start of production of approximately 2.5 years. The average cash cost per ounce of AuEq is estimated at $389 and the average annual EBITDA is estimated to be $65 million. The financial model will be updated in the first quarter of 2016, following the completion of the updated capital cost estimate.

The project execution plan is based on an engineering, procurement and construction management ("EPCM") implementation strategy. An international consultant is currently executing the "EP" component, and DPM's experience in Bulgaria is being used to optimize the detailed engineering, permitting and execution planning of the construction component of the project. The contract for the detailed engineering of the process plant was awarded to AMEC of Perth, Australia, and the contract for the detailed engineering of the IMWF was awarded to Golder, UK. It is anticipated that detailed engineering will be completed in the first quarter of 2016.

The European Bank for Reconstruction and Development ("EBRD") acts as environmental agent with respect to the Company's RCF. According to the EBRD's Environmental and Social Policy (2008), and its associated Performance Requirements ("PRs"), a project of this type and scale requires a full Environmental and Social Impact Assessment ("ESIA"). The project underwent a national environmental impact assessment ("EIA") in 2010 and an environmental permit No. 18-8, 11/2011 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 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.

Archaeological work on the site continued during 2015 and the remaining archaeological field survey within the main DDP boundaries was finalized in December. Site work was completed during the fourth

quarter, and the final archaeology report was approved by the expert committee with receipt of the final archaeological protocol occurring in December 2015. Work is expected to continue through 2016 and 2017 to complete the conservation of stored artifacts.

In July 2015, the Executive Forestry Agency ("EFA") provided preliminary approval of the re-designation of the forestry land as industrial land, which allowed the Krumovgrad Mayor to announce and approve the main project DDP. As a result of administrative delays within the Krumovgrad Municipal Council ("KMC"), as well as the impact of the local municipal elections, the announcement of the final DDP by the Krumovgrad Mayor only occurred on November 2, 2015. With the appeal process having expired on November 19, 2015, the DDP is now fully in force.

Following the final approval of the DDP, the Company submitted an application to the EFA in November for final re-designation of the land from forestry land to industrial land. This final approval was granted in February 2016 and is now in the final appeal period, following which the Company will initiate the land purchase process. The Company is targeting land purchase and subsequent receipt of the main construction permit in the first half of 2016.

Other permitting and approval highlights during the quarter include:

- Positive coordination letters were received from all relevant government agencies for the draft DDP for the new site access road, and the draft DDP was announced and published in the State Gazette. The next step of the DDP procedure is the application for final approval of the road routing which was submitted in January 2016 to the Ministry of Agriculture and Food. Routing for the new access road was approved by KMC on December 22, 2015;
- Final DDP for the Central Mine Office in the town of Krumovgrad was announced and approved by the KMC and is now in force; and
- Construction permit for the water abstraction well was issued in November 2015.

The Company continues to maintain active dialogue with the municipality, government and other stakeholders to build relationships and work towards securing the remaining required permits to allow construction to proceed. The Company remains optimistic that the established active dialogue with the KMC will continue through the remainder of the approval process for the mine site, access road and discharge pipeline, enabling the Krumovgrad project to advance to construction readiness.

The project execution plan is based on a phased approach, which requires that specific milestones be achieved before committing funds to subsequent phases. For 2016, DPM is committed to completing all remaining activities necessary to secure the construction permit in the first half of 2016. This will allow construction to commence, subject to adequate financing being in place, in the second half of 2016, with commissioning and the hand-over to operations in the second half of 2018, and commencement of production in late 2018.

Kapan – Mine Expansion

The PEA for the potential underground expansion project was completed in October 2014 and confirmed the favourable technical results for a potential expansion to one Mtpa of ore mined and processed, based on the December 31, 2013 Indicated and Inferred Mineral Resources. The potential mine expansion is comprised of the refurbishment of existing mill equipment plus additional capital to restore the mill to its prior 1 Mtpa operating rate, and the increase of the mobile fleet to accommodate the additional development and production demands.

The mine is currently producing run of mine material at an average rate of 1,500 tonnes per day. The PEA supporting the LOM mineral inventory estimate contemplates ramping up production during years one and two to attain a production rate of 1 Mtpa from year three. The potential expansion is expected to be achieved through increased development and production rates, by increasing the mining equipment fleet currently in use in the operation, at an estimated upfront capital cost of $10.6 million.

The original infrastructure that processed up to 1 Mtpa through the 1990's is being utilized for current operations. Following conventional two-stage crushing of run of mine material, one of the original grinding circuits (rod mill/ball mill) provides the feed to the first of two sequential flotation circuits. These produce copper and zinc concentrates, both of which contain substantial precious metal credits. Currently, the milling and flotation circuits are capable of processing at the annual rate of approximately 750,000 tonnes. The additional capacity required for the expansion in throughput is expected to be achieved by refurbishing the currently idle second grinding line, while the capacity of the flotation and downstream

circuits is expected to be supplemented, as required, to achieve the 1 Mtpa throughput rate, at an estimated capital cost of $6.1 million.

The current tailings facility is capable of storing the LOM mineral inventory, however, a substantial upgrade of the facility is required, which has been considered in the project capital estimates at $13.4 million. This upgrade is required regardless of whether the expansion proceeds, although the expansion would accelerate the timing.

The LOM in the PEA was estimated at nine years, considering a mined/milled mineral inventory of 7.6 Mt as at December, 31 2013. Assumed gold, silver, copper and zinc prices used for financial modelling, of $1,300 per ounce, $20 per ounce, $3.00 per pound, and $1.00 per pound, respectively, produced an estimated cash cost per ounce of gold sold, net of by-product credits, of $336 and an estimated average annual EBITDA of $52.1 million. The net present value of the project was estimated at $141.7 million, using a real discount rate of 5.0%. Total initial and sustaining capital costs were estimated at $30.1 million and $165.0 million, respectively. Total LOM capital, inclusive of closure and rehabilitation costs, was estimated at $207.2 million.

In light of the current operating environment, the Company intends to review the underlying assumptions of the PEA, and does not anticipate proceeding with the expansion until this review is complete.

It is important to note that a PEA is preliminary in nature and includes Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that the PEA will be realized. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Tsumeb - Capital Projects

Sulphuric Acid Plant and Copper Converters

As part of its long-term strategy to bring the smelter to internationally accepted environmental standards and consistent with the directives issued by the Namibian government in April 2012, DPM entered into a lump sum turnkey (“LSTK”) contract with Outotec for the engineering, supply, construction and commissioning of a sulphuric acid plant.

The acid plant commissioning and hand over to operations was completed during the third quarter of 2015. The plant is now fully operational.

Two new larger copper converters, together with their associated off-gas system and tie-ins to the acid plant, are currently scheduled to be completed, commissioned and put into operation in the first quarter of 2016. At that point, all off-gasses that contain sulphur dioxide will be captured and routed to the acid plant.

Based on the current configuration of the smelter and forecasted concentrate supply, the plant will produce between 230,000 and 280,000 tpy of sulphuric acid. In July 2013, Tsumeb entered into a definitive supply agreement with Rössing Uranium Limited (“Rössing”) for the annual purchase of 225,000 tonnes of sulphuric acid to be produced by Tsumeb. Rössing currently imports sulphuric acid for processing at its uranium mine in Namibia.

Pricing on the Rössing contract is based on a market-linked pricing formula, which operates within a relatively narrow market range, providing price certainty to both parties. The supply agreement is for an initial term of five years, which can be extended by mutual consent, and provides Rössing with an option to purchase additional tonnes, up to 85% of total production, subject to agreement on commercial terms.

Tsumeb also signed an agreement with Weatherly International (“WTI”) during the first quarter of 2014 for the supply of acid to WTI’s Tschudi copper project. The agreement with Rössing and WTI enabled Tsumeb to sell all its acid envisaged to be produced during the first five years of acid production.

During the first quarter of 2014, Tsumeb also concluded an agreement with Protea Chemicals (Pty) Limited, a leading industrial chemicals company with significant presence in Sub-Saharan Africa, to provide acid transport logistics management as well as marketing services for the sale of any remaining acid, where required.

In April 2015, Tsumeb entered into a 10 year Rail Transportation Agreement with TransNamib, the national operator of the rail system of Namibia, which provides for, among other things, the transportation of sulphuric acid to Rössing as required under Tsumeb's definitive supply agreement with Rössing.

The capital cost for the construction of the acid plant and copper converters is estimated at approximately $243 million. As at December 31, 2015, the Company had incurred $234.2 million on this project.

Holding Furnace

The Company is currently assessing opportunities to further optimize its smelter operation, including the installation of a holding furnace which would provide surge capacity between the Ausmelt furnace and converters to increase the throughput of complex concentrate in order to further leverage the fixed cost structure of the facility. A pre-feasibility study, completed by Worley Parsons in 2015, evaluated a number of options to increase throughput, with the results being sufficiently attractive to support progressing to the feasibility study stage in 2016. The Company does not anticipate proceeding with this expansion without adequate commercial and financial partners in place.

OFF BALANCE SHEET ARRANGEMENTS

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

MANAGEMENT CHANGES

In December 2015, Hans Nolte, Vice-President and General Manager of Dundee Precious Metals Tsumeb, retired from the Company. Mr. Nolte will be replaced by Zebra Kasete, who will assume the position of Vice-President and Managing Director of Dundee Precious Metals Tsumeb effective February 15, 2016. Mr. Kasete brings to the smelter organization over 30 years of extensive experience gained in progressively senior positions in the mining industry.

SELECTED QUARTERLY AND ANNUAL INFORMATION

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

$ millions	**2015**				2014			
except per share amounts	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net revenue	**64.5**	59.6	71.1	64.9	89.3	60.3	98.0	76.4
Net (loss) earnings	**(48.7)**	2.5	1.5	(3.4)	21.0	(11.8)	(80.6)	8.7
Net (loss) earnings attributable to:								
• Non-controlling interest	**(0.2)**	(0.2)	(0.4)	(0.3)	(0.5)	(1.1)	(0.9)	(1.3)
• Common shareholders	**(48.5)**	2.7	1.9	(3.1)	21.5	(10.7)	(79.7)	10.0
Net (loss) earnings per share								
• Basic	**(0.34)**	0.02	0.01	(0.02)	0.15	(0.08)	(0.57)	0.07
• Diluted	**(0.34)**	0.02	0.01	(0.02)	0.07	(0.10)	(0.57)	0.07
Adjusted net (loss) earnings	**(3.9)**	4.2	1.6	(1.6)	16.3	(9.5)	9.3	(2.3)
Adjusted basic (loss) earnings per share	**(0.03)**	0.03	0.01	(0.01)	0.12	(0.07)	0.07	(0.02)

The variations in the Company's quarterly results were driven largely by fluctuations in gold, copper, silver and zinc prices as well as foreign exchange rates, fluctuations in ore mined, grades and recoveries and the introduction of a second oxygen plant at Tsumeb in late January 2014, 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 contracts related to hedging the Company's metal price exposures, unrealized gains or losses on forward foreign exchange contracts and impairment losses.

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

	2015				2014			
Average	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
London Bullion gold ($/oz)	**1,105**	1,124	1,193	1,220	1,200	1,283	1,277	1,293
LME settlement copper ($/lb)	**2.22**	2.38	2.75	2.64	3.00	3.17	3.08	3.19
LME settlement SHG zinc ($/lb)	**0.73**	0.84	1.00	0.94	1.01	1.05	0.94	0.92
LBMA spot silver ($/oz)	**14.76**	14.91	16.41	16.72	16.47	19.74	19.62	20.49

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

$ thousands, except per share amounts **At December 31,**	**2015**	2014	2013
Net revenue	**260,132**	323,980	344,654
Gross (loss) profit	**(2,155)**	61,753	89,767
Net (loss) earnings attributable to common shareholders	**(46,989)**	(58,922)	22,506
Net (loss) earnings	**(48,042)**	(62,710)	13,181
Adjusted net earnings	**316**	13,841	30,839
Basic net (loss) earnings per share	**(0.33)**	(0.42)	0.17
Diluted net (loss) earnings per share	**(0.33)**	(0.47)	0.00
Adjusted net earnings per share	**0.00**	0.10	0.23
Total assets	**906,151**	980,152	987,783
Long-term debt, including current portion	**147,035**	157,773	83,788

Key events impacting the Company's financial results over the period 2013 to 2015 include:

(i) continued decline in gold, copper, zinc and silver market prices in 2015 relative to 2014 and 2013, and in 2015 the favourable impact of a stronger U.S. dollar relative to the local currencies in which the Company's operating costs are denominated;

(ii) metals production and deliveries of concentrate in 2014 were lower than 2013 due to lower ore mined and processed at Kapan and lower recoveries at Chelopech;

(iii) increased production at Tsumeb in 2015 and 2014 supported by the introduction of a second oxygen plant, higher deductions for estimated metals exposure in 2015 reflecting elevated levels of secondary materials and potential metal losses relative to contract rates, a production curtailment in 2013 and delays in commissioning several projects designed to capture fugitive emission and the installation of a second oxygen plant;

(iv) impairment loss in respect of Kapan of $42.7 million in 2015;

(v) impairment loss on Kapan exploration and evaluation assets of $70.0 million in 2014;

(vi) impairment losses on property, plant and equipment and intangible assets of $13.1 million in 2014 and $12.6 million in 2013;

(vii) impairment losses on publicly traded securities of $0.7 million in 2015 and $19.2 million in 2014;

(viii) realized and unrealized gains and losses related to commodity swap contracts in 2015, 2014 and 2013;

(ix) realized and unrealized gains and losses related to forward foreign exchange contracts in 2015; and

(x) reduced capital expenditures in 2015 relative to 2014 and 2013 with the completion of the acid plant in the third quarter of 2015 and the second oxygen plant and fugitive emission projects in 2014 and 2013, respectively.

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 continuously evaluated and are based on management's experience and other factors, including

expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The following is a list of the most critical accounting estimates made by the Company:

(i) Mineral exploration and evaluation expenditures

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

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

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

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

(ii) Mine Properties

Mine Properties - Mines under construction

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

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

Mine Properties – Producing mines

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

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

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

Depletion

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

Mineral Resources and Mineral Reserves estimates

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

(iii) Property, plant and equipment

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

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

Depreciation

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

Depreciation of property, plant and equipment, which are depreciated on a straight-line basis over their estimated useful lives, is as follows:

Asset Category	Estimated useful life (Years)
Buildings	10-25
Machinery and Equipment	1-15
Vehicles	5
Computer Hardware	1-5
Office Equipment	3-7

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

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

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

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

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

(iv) Impairment of non-financial assets

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

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

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

The assessment of impairment is based, in part, on certain factors that may be partially or totally outside of the Company's control, and requires the use of estimates and assumptions related to future value drivers, such as commodity prices, discount rates, foreign exchange rates and operating and capital costs. These estimates and assumptions, some of which may be subjective, require that management make decisions based on the best available information at each reporting period. It is possible that the actual recoverable amount could be significantly different than those estimates. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable reserves, resources and exploration potential, and/or adverse market conditions can result in a write-down of the carrying amounts of the Company's assets. Fair value is determined as the net amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is based on estimated future cash flows discounted to their present value using a current pre-tax discount rate that is consistent with the risks specific to the asset. Management has assessed the Company's CGUs as being an individual mine or processing site.

(v) Rehabilitation provisions

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

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

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

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

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

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

At December 31, 2015, the undiscounted future cost for the rehabilitation obligations before inflation was estimated to be $59.0 million. The carrying value of the rehabilitation liability was $35.1 million at December 31, 2015 and $53.8 million at December 31, 2014.

(vi) Inventories

Inventories of ore and concentrates are measured and valued at the lower of average production cost and net realizable value. Net realizable value is the estimated selling price of the concentrates in the ordinary course of business based on the prevailing metal prices on the reporting date, less estimated costs to complete production and to bring the concentrates to sale. Production costs that are inventoried include

the costs directly related to bringing the inventory to its current condition and location, such as materials, labour, other direct costs (including external services and depreciation, depletion and amortization), production related overheads and royalties. A significant decrease in the selling prices of the metals produced and sold by the Company may result in a non-cash write-down of inventory if the net realizable value of the concentrate inventories is lower than the average production cost at the end of an accounting period.

Inventories of sulphuric acid, arsenic, spare parts, supplies and other materials are valued at the lower of average cost and net realizable value. Obsolete, redundant and slow moving inventories are identified at each reporting date and written down to their net realizable values.

(vii) Revenue recognition

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

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

Any adjustments to the amount receivable for each shipment on the settlement date, caused by final assay results, are adjusted through revenue at the time of determination. A decrease in the selling prices of the metals produced and sold by the Company may result in unfavourable mark-to-market adjustments and a reduction in net revenue. Conversely, an increase in the selling prices of the metals produced and sold by the Company may result in favourable mark-to-market adjustments and an increase in net revenue.

Revenue from processing concentrate is recognized when concentrate has been smelted and is based on the toll rate specified in the toll agreement, which can vary based on the composition of the concentrate processed and prevailing market conditions at the time the agreement was entered. Under each toll agreement, Tsumeb incurs a carrying charge in respect of the concentrate it processes until blister copper is delivered. This charge is recorded as a reduction of revenue.

Revenue from processing concentrate is also adjusted for any over or under recoveries of metals delivered relative to contracted rates, which are subject to estimation, including the amount of metals contained in concentrate received, material in-process and blister delivered. These estimates are based on the Company’s process knowledge and multiple assay results, the final results of which could differ materially from initial estimates.

Revenue from the sale of sulphuric acid and arsenic, a by-product from processing concentrate at the Tsumeb smelter, is measured at the price specified in the sales contract and is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when the products have been delivered to the location specified in the sales contract and the risk of loss has been transferred to the buyer.

(viii) Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement - Loans and receivables

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

Subsequent measurement - Available-for-sale financial assets

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

After initial measurement, available-for-sale investments are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive loss. When the investment is sold or

impaired, the cumulative gain or loss is removed from accumulated other comprehensive (loss) income and recognized in other expense in the consolidated statements of loss.

Derecognition

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

Impairment of financial assets

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

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

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

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

(ix) Financial liabilities

Initial recognition and measurement

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

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities

are classified as held for trading if management intends to settle the financial liabilities in the near term. This category includes any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship under IAS 39. Financial liabilities at fair value through profit or loss are carried at fair value with changes in fair value recognized in other expense in the consolidated statements of loss. The equity settled warrants issued by the Company, the commodity swap contracts entered to economically hedge a portion of its provisionally priced sales and projected production, and the forward point component of the forward foreign exchange contracts entered to hedge a portion of its projected operating expenses denominated in foreign currencies are, where applicable, classified as financial liabilities at fair value through profit or loss and the estimated fair value of the liabilities is based on market prices quoted from major stock and commodity exchanges.

Subsequent measurement – Other financial liabilities

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

Derecognition

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

(x) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the dates they are entered into and are subsequently re-measured at their fair value at each reporting period. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates the spot component of the forward foreign exchange contracts entered to hedge a portion of its projected operating expenses denominated in foreign currencies as a cash flow hedge.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The spot component of the forward foreign exchange contracts is designated as a cash flow hedge and qualifies for hedge accounting. The forward points, or interest rate differential, which form a component of these contracts, are not designated and therefore do not qualify for hedge accounting. The effective portion of any change in the fair value of the spot component of the outstanding contracts is recognized in other comprehensive income or loss in the consolidated statements of comprehensive loss. The gain or loss relating to the ineffective portion, if any, and the gain or loss relating to changes in the forward points are recognized immediately in other income or expense in the consolidated statements of loss. Amounts accumulated in other comprehensive income or loss are reclassified to the consolidated statements of loss in cost of sales in the same periods as the underlying projected operating expenses are incurred.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity is more than 12 months and as a current asset or liability when the remaining maturity is 12 months or less.

(xi) Income taxes

Current income tax

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

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

Deferred income tax

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

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

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

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

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

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

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

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

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

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards are not yet effective for the year ending December 31, 2015, and have not been applied when preparing the Company's consolidated financial statements for the year ended December 31, 2015. 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 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. This standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company continues to assess the full impact of this standard.

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 disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of this standard.

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. 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 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 pound of zinc in concentrate produced, cash cost per ounce of gold sold, net of by-product credits, cash cost per ounce of gold sold in pyrite concentrate, all-in sustaining cost per ounce of gold, net of by-product credits, cash production cost per tonne of complex concentrate smelted and cash cost per tonne of complex concentrate, 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.

With the completion of the commissioning of the acid plant in the third quarter of 2015, the Company commenced reporting cash cost per tonne of complex concentrate smelted, net of by-product credits. This new measure represents cost of sales less depreciation, net of revenue from the sale of acid and arsenic divided by the volumes of complex concentrate smelted.

The following tables provide a reconciliation of the Company's cash cost per tonne of ore processed and cash production cost per tonne of complex concentrate smelted to its cost of sales:

$ thousands, unless otherwise indicated **For the quarter ended December 31, 2015**	**Chelopech**	**Kapan**	**Tsumeb**	**Total**
Ore processed *(mt)*	**515,397**	**91,402**	**-**	
Metals contained in copper and zinc concentrates produced:				
Gold *(ounces)*	**29,582**	**6,253**	**-**	
Copper *(pounds)*	**11,439,963**	**611,958**	**-**	
Zinc *(pounds)*	**-**	**2,670,598**	**-**	
Complex concentrate smelted *(mt)*	**-**	**-**	**55,833**	
Cost of sales	**27,181**	**12,917**	**31,368**	**71,466**
Add/(deduct):				
Depreciation, amortization & other non-cash costs	**(9,135)**	**(2,555)**	**(9,192)**	
Realized losses (gains) on forward foreign exchange contracts[(1)]	**38**	**-**	**(415)**	
Transportation costs & other	**-**	**-**	**(2,382)**	
Change in concentrate inventory	**1,742**	**(1,895)**	**-**	
Total cash cost of production before by-product credits	**19,826**	**8,467**	**19,379**	
Silver by-product credits	**(955)**	**(1,741)**	**-**	
Total cash cost of production after silver by-product credits	**18,871**	**6,726**	**19,379**	
Cash cost per tonne ore processed *($)*	**38.47**	**92.63**	**-**	
Cash cost per pound copper produced *($)*[(2)]	**0.73**	**1.51**	**-**	
Cash cost per ounce gold produced *($)*[(2)]	**354**	**723**	**-**	
Cash cost per pound zinc produced *($)*[(2)]	**-**	**0.48**	**-**	
Cash production cost per tonne of complex concentrate smelted *($)*	**-**	**-**	**347**	

$ thousands, unless otherwise indicated **For the quarter ended December 31, 2014**	**Chelopech**	**Kapan**	**Tsumeb**	**Total**
Ore processed *(mt)*	549,988	106,970	-	
Metals contained in copper and zinc concentrates produced:				
Gold *(ounces)*	42,622	6,501	-	
Copper *(pounds)*	14,294,003	583,210	-	
Zinc *(pounds)*	-	2,938,655	-	
Complex concentrate smelted *(mt)*	-	-	53,782	
Cost of sales	27,418	12,419	27,569	67,406
Add/(deduct):				
Depreciation, amortization & other non-cash costs	(8,864)	(3,090)	(6,094)	
Transportation costs & other	-	-	(2,655)	
Change in concentrate inventory	2,330	39	-	
Total cash cost of production before by-product credits	20,884	9,368	18,820	
Silver by-product credits	(1,144)	(2,137)	-	
Total cash cost of production after silver by-product credits	19,740	7,231	18,820	
Cash cost per tonne ore processed *($)*	37.97	87.58	-	
Cash cost per pound copper produced *($)*[(2)]	0.63	1.74	-	
Cash cost per ounce gold produced *($)*[(2)]	253	699	-	
Cash cost per pound zinc produced *($)*[(2)]	-	0.57	-	
Cash production cost per tonne of complex concentrate smelted *($)*	-	-	350	

1) *Includes realized gains or losses on the forward point component of the forward foreign exchange contracts.*
2) *Gold, copper and zinc are accounted for as co-products. Total cash costs are net of by-product silver revenue.*

$ thousands, unless otherwise indicated **For the twelve months ended December 31, 2015**	**Chelopech**	**Kapan**	**Tsumeb**	**Total**
Ore processed *(mt)*	**2,052,138**	**411,121**	**-**	
Metals contained in copper and zinc concentrates produced:				
Gold *(ounces)*	**114,951**	**24,850**	**-**	
Copper *(pounds)*	**39,760,363**	**2,652,356**	**-**	
Zinc *(pounds)*	**-**	**11,886,570**	**-**	
Complex concentrate smelted *(mt)*	**-**	**-**	**196,107**	
Cost of sales	**111,230**	**39,359**	**111,698**	**262,287**
Add/(deduct):				
Depreciation, amortization & other non-cash costs	**(36,438)**	**(8,134)**	**(26,444)**	
Realized losses (gains) on forward foreign exchange contracts[1]	**56**	**-**	**(639)**	
Transportation costs & other	**-**	**-**	**(10,726)**	
Change in concentrate inventory	**(26)**	**605**	**-**	
Total cash cost of production before by-product credits	**74,822**	**31,830**	**73,889**	
Silver by-product credits	**(3,787)**	**(7,187)**	**-**	
Total cash cost of production after silver by-product credits	**71,035**	**24,643**	**73,889**	
Cash cost per tonne ore processed *($)*	**36.46**	**77.42**	**-**	
Cash cost per pound copper produced *($)*[2]	**0.77**	**1.34**	**-**	
Cash cost per ounce gold produced *($)*[2]	**353**	**624**	**-**	
Cash cost per pound zinc produced *($)*[2]	**-**	**0.47**	**-**	
Cash production cost per tonne of complex concentrate smelted *($)*	**-**	**-**	**377**	

$ thousands, unless otherwise indicated **For the twelve months ended December 31, 2014**	**Chelopech**	**Kapan**	**Tsumeb**	**Total**
Ore processed *(mt)*	2,076,112	402,602	-	
Metals contained in copper and zinc concentrates produced:				
Gold *(ounces)*	124,371	20,935	-	
Copper *(pounds)*	44,306,730	2,149,756	-	
Zinc *(pounds)*	-	12,048,683	-	
Complex concentrate smelted *(mt)*	-	-	198,346	
Cost of sales	116,146	43,405	102,676	262,227
Add/(deduct):				
Depreciation, amortization & other non-cash costs	(34,006)	(9,115)	(23,650)	
Transportation costs & other	-	-	(9,348)	
Change in concentrate inventory	688	(7)	-	
Total cash cost of production before by-product credits	82,828	34,283	69,678	
Silver by-product credits	(4,449)	(8,048)	-	
Total cash cost of production after silver by-product credits	78,379	26,235	69,678	
Cash cost per tonne ore processed *($)*	39.90	85.15	-	
Cash cost per pound copper produced *($)*[2]	0.83	1.83	-	
Cash cost per ounce gold produced *($)*[2]	334	735	-	
Cash cost per pound zinc produced *($)*[2]	-	0.57	-	
Cash production cost per tonne of complex concentrate smelted ($)	-	-	351	

1) *Includes realized gains or losses on the forward point component of the forward foreign exchange contracts.*
2) *Gold, copper and zinc are accounted for as co-products. Total cash costs are net of by-product silver revenue.*

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

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Cost of sales[(1)]	**27,219**	27,418	**111,286**	116,146
Add/(deduct):				
Depreciation, amortization & other	**(9,135)**	(8,864)	**(36,438)**	(34,006)
Other charges, including freight[(2)]	**23,653**	26,710	**83,496**	87,330
By-product credits[(3)]	**(31,698)**	(37,902)	**(123,769)**	(135,713)
Cash cost of sales, net of by-product credits	**10,039**	7,362	**34,575**	33,757
Payable gold in concentrate sold *(ounces)*[(4)]	**25,307**	35,926	**109,981**	115,337
Cash cost per ounce of gold sold, net of by-product credits *($)*	**397**	205	**314**	293

1) Includes realized gains or losses on the forward point component of the forward foreign exchange contracts.
2) Excludes treatment charges, transportation and other selling costs related to the sale of pyrite concentrate in the three and twelve months ended December 31, 2015 and 2014.
3) Includes realized gains on copper swap contracts, entered to hedge a portion of projected payable production, of $9.2 million and $26.5 million during the fourth quarter and twelve months of 2015, respectively, compared to $3.2 million and $8.3 million in the corresponding periods in 2014.
4) Excludes payable gold in pyrite concentrate sold in the three and twelve months ended December 31, 2015 and 2014.

The following table provides a reconciliation of Kapan cash cost per ounce of gold sold, net of by-product credits, to its cost of sales:

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Cost of sales	**12,917**	12,419	**39,359**	43,405
Add/(deduct):				
Depreciation, amortization & other	**(2,555)**	(3,090)	**(8,134)**	(9,115)
Other charges, including freight	**1,682**	1,368	**5,516**	5,215
By-product credits[(1)]	**(6,517)**	(6,814)	**(22,122)**	(23,213)
Cash cost of sales, net of by-product credits	**5,527**	3,883	**14,619**	16,292
Payable gold in concentrate sold *(ounces)*	**6,798**	7,483	**20,618**	18,883
Cash cost per ounce of gold sold, net of by-product credits *($)*	**813**	519	**709**	863

1) Includes realized gains on copper swap contracts, entered to hedge a portion of projected payable production, of $0.7 million and $2.0 million during the fourth quarter and twelve months of 2015, respectively, compared to $0.1 million and $0.3 million in the corresponding periods in 2014.

DPM's all-in sustaining cost per ounce of gold calculation is set out in the following table:

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Cash cost of sales, net of by-product credits[(1)]	**15,566**	11,245	**49,194**	50,049
Accretion expenses[(1)]	**368**	460	**1,435**	1,867
General and administrative expenses[(2)]	**2,063**	2,175	**12,213**	18,871
Cash outlays for sustaining capital[(1)]	**6,338**	4,303	**18,112**	21,761
All-in sustaining costs	**24,335**	18,183	**80,954**	92,548
Payable gold in copper and zinc concentrates sold *(ounces)*	**32,105**	43,409	**130,599**	134,220
All-in sustaining cost per ounce of gold *($)*	**758**	419	**620**	690

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

Chelopech cash cost per ounce of gold sold in pyrite concentrate calculation is set out in the following table:

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Treatment charges and refining costs	**4,705**	5,642	**18,397**	13,377
Transportation costs	**4,047**	5,719	**16,663**	12,409
Cash cost of sales related to pyrite concentrate sold	**8,752**	11,361	**35,060**	25,786
Payable gold in pyrite concentrate sold *(ounces)*	**9,779**	11,801	**38,156**	26,514
Cash cost per ounce of gold sold in pyrite concentrate *($)*	**895**	963	**919**	973

Tsumeb cash cost per tonne of complex concentrate smelted, net of by-product credits, calculation is set out in the following table as well as a comparison to Tsumeb cash production cost per tonne of complex concentrate smelted:

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Cost of sales	**31,368**	27,569	**111,698**	102,676
Add/(deduct):				
Depreciation & amortization	**(9,192)**	(6,094)	**(26,444)**	(23,650)
Realized gains on forward foreign exchange contracts	**(415)**	-	**(639)**	-
Transportation costs & other	**(2,382)**	(2,655)	**(10,726)**	(9,348)
Cash production cost	**19,379**	18,820	**73,889**	69,678
Transportation costs	**2,319**	2,655	**10,848**	9,348
Arsenic revenue	**(395)**	(232)	**(1,545)**	(873)
Acid revenue	**(2,946)**	-	**(2,946)**	-
Cash cost of complex concentrate smelted, net of by-product credits	**18,357**	21,243	**80,246**	78,153
Complex concentrate smelted *(mt)*	**55,833**	53,782	**196,107**	198,346
Cash production cost per tonne of complex concentrate smelted *($)*	**347**	350	**377**	351
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	**329**	395	**409**	394

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

Adjusted (loss) earnings before income taxes, adjusted net (loss) earnings and adjusted basic (loss) earnings 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) earnings are defined as net (loss) earnings attributable to common shareholders, adjusted to exclude specific items that are significant, but not reflective of the underlying operations of the Company, including:

- impairment provisions or reversals thereof,
- unrealized gains or losses on commodity swap 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 equity settled warrants,
- 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) earnings to net (loss) earnings attributable to common shareholders:

$ thousands, except per share amounts	**Three Months**		**Twelve Months**	
Ended December 31,	**2015**	2014	**2015**	2014
Net (loss) earnings attributable to common shareholders	**(48,509)**	21,461	**(46,989)**	(58,922)
Add/(deduct) after-tax adjustments:				
Unrealized losses (gains) on commodity swap contracts	**3,181**	(3,749)	**8,975**	(16,565)
Net (gains) losses related to Sabina warrants and special warrants	**(667)**	585	**(278)**	1,214
Unrealized gains on the forward point component of forward foreign exchange contracts	**(1,733)**	-	**(4,102)**	-
Net gains on equity settled warrants	**(493)**	(11,262)	**(3,100)**	(7,734)
Impairment loss related to Kapan	**42,729**	-	**42,729**	65,791
Impairment losses on exploration and evaluation assets	**-**	-	**803**	-
Impairment losses on property, plant and equipment	**-**	4,836	**-**	10,973
Impairment losses on publicly traded securities	**12**	4,470	**654**	19,084
Tax adjustment related to prior period	**1,624**	-	**1,624**	-
Adjusted net (loss) earnings	**(3,856)**	16,341	**316**	13,841
Basic (loss) earnings per share	**(0.34)**	0.15	**(0.33)**	(0.42)
Adjusted basic (loss) earnings per share	**(0.03)**	0.12	**0.00**	0.10

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

- impairment provisions or reversals thereof,
- unrealized gains or losses on commodity swap 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 equity settled warrants,
- 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) earnings before income taxes to (loss) earnings before income taxes:

$ thousands, except per share amounts	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
(Loss) earnings before income taxes	**(45,885)**	24,511	**(40,862)**	(55,380)
Add/(deduct) adjustments:				
Unrealized losses (gains) on commodity swap contracts	**3,569**	(4,225)	**10,078**	(18,638)
Unrealized gains on the forward point component of forward foreign exchange contracts	**(1,743)**	-	**(4,087)**	-
Net (gains) losses related to Sabina warrants and special warrants	**(667)**	675	**(278)**	1,400
Net gains on equity settled warrants	**(493)**	(11,262)	**(3,100)**	(7,734)
Impairment losses on exploration and evaluation assets	**-**	-	**803**	-
Impairment loss related to Kapan	**42,729**	-	**42,729**	70,001
Impairment losses on property, plant and equipment	**-**	5,524	**-**	12,343
Impairment losses on publicly traded securities	**12**	4,470	**654**	19,084
Adjusted (loss) earnings before income taxes	**(2,478)**	19,693	**5,937**	21,076

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) earnings before income taxes:

- depreciation and amortization,
- interest income,
- finance cost,
- impairment provisions or reversals thereof,
- unrealized gains or losses on commodity swap 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 equity settled warrants,
- 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) earnings before income taxes:

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
(Loss) earnings before income taxes	**(45,885)**	24,511	**(40,862)**	(55,380)
Add/(deduct):				
Depreciation and amortization	**20,613**	17,900	**71,023**	65,864
Finance cost	**3,717**	2,941	**11,398**	11,259
Interest income	**(55)**	(80)	**(212)**	(281)
Net (gains) losses related to Sabina warrants and special warrants	**(667)**	675	**(278)**	1,400
Unrealized losses (gains) on commodity swap contracts	**3,569**	(4,225)	**10,078**	(18,638)
Unrealized gains on the forward point component of forward foreign exchange contracts	**(1,743)**	-	**(4,087)**	-
Net gains on equity settled warrants	**(493)**	(11,262)	**(3,100)**	(7,734)
Impairment losses on exploration and evaluation assets	**-**	-	**803**	-
Impairment loss related to Kapan	**42,729**	-	**42,729**	70,001
Impairment losses on property, plant and equipment	**-**	5,524	**-**	12,343
Impairment losses on publicly traded securities	**12**	4,470	**654**	19,084
Adjusted EBITDA	**21,797**	40,454	**88,146**	97,918

Free cash flow

Free cash flow is defined as cash provided from operating activities, before changes in non-cash working capital, less cash outlays for sustaining capital, 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		Twelve Months	
Ended December 31,	**2015**	2014	**2015**	2014
Cash provided from operating activities, before changes in non-cash working capital	**22,136**	39,029	**80,515**	85,648
Cash outlays for sustaining capital	**(11,113)**	(5,673)	**(27,601)**	(30,645)
Mandatory principal repayments related to debt	**(8,125)**	(8,125)	**(16,250)**	(16,643)
Principal repayments related to finance leases	**(264)**	(490)	**(1,581)**	(2,208)
Interest payments	**(2,368)**	(2,416)	**(9,389)**	(7,539)
Free cash flow	**266**	22,325	**25,694**	28,613

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

Cash provided from operating activities, before changes in non-cash working capital, is defined as cash provided from operating activities excluding changes in non-cash working capital as set out in the Company's 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 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 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, commodity prices, foreign exchange rates, inflation and the availability and cost of capital to fund the capital requirements of the business. Each of these risks could have a material adverse effect on the Company's future business, results of operations and financial condition, and could cause actual results to differ materially from those described in any forward looking statements contained in this MD&A. The Company endeavors to manage these risks and uncertainties in a balanced manner with a view to mitigate risk while maximizing total shareholder returns. It is the responsibility of senior management, and the functional head of each business, to identify and to effectively manage the risks of each business. This includes developing appropriate risk management strategies, policies, processes and systems. There can be no assurance that the Company has been or will be successful in identifying all risks or that any risk-mitigating strategies adopted to reduce or eliminate risk will be successful. A description of the significant business risks and uncertainties affecting the Company are set out below. These risks should be considered when evaluating the Company and its guidance.

Metal Prices

The Company sells its products at prices that are effectively determined by reference to the traded prices on major commodity exchanges, in particular the LME and LBMA. The fluctuation of the price of a metal sold by the Company can significantly impact revenues and can significantly impact all-in sustaining cost per ounce of gold and other cost measures that are reported net of by-product credits. Therefore, the prices of gold, copper, zinc and silver are major factors influencing the Company's business, results of operations and financial condition, and, in turn, the price for its common shares.

Gold, copper, zinc and silver prices can fluctuate widely and are affected by numerous factors beyond the Company's control, including overall global market conditions; the sale or purchase of gold and silver by various central banks, financial institutions and Exchange Traded Funds; interest rates; foreign exchange rates; inflation or deflation; global and regional supply and demand; and the political and economic conditions of major gold, silver, zinc and copper producing and consuming countries throughout the world. If gold, silver, zinc and copper prices were to decline significantly from current levels, there can be no assurance that cash flow from operations, together with cash on hand and available lines of credit under the Company's RCF, will be sufficient to meet the Company's operating and capital requirements, including its contractual commitments and mandatory debt repayments, and the Company could be forced to discontinue production, reassess the feasibility of a particular project, and/or could lose its interest in, or be forced to sell, some of its properties. In addition, a significant commodity price decline could result in significant reductions in Mineral Reserve and Mineral Resource estimates, which could adversely impact the value of one or more of the Company's CGUs and result in an impairment of the carrying value of certain assets, including exploration and evaluation assets, mine properties, and property, plant and equipment.

In accordance with established risk management policies, from time to time, the Company enters into cash settled commodity swap contracts to swap future contracted monthly average metal prices for fixed metal prices in order to reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales as well as its by-product metals price exposure on future sales. Currently approximately 64% of the Company's expected copper production for 2016 has been hedged at an average price of $2.32 per pound. The Company also selectively enters into cash settled commodity swap contracts to swap future contracted monthly average gold prices for fixed prices to hedge a portion of the projected payable gold in its pyrite concentrate production. Currently, approximately 35% of the Company's expected payable gold in pyrite concentrate production for 2016

has been hedged at an average price of $1,177.35 per ounce. These hedges introduce earnings volatility as a result of potential unrealized mark-to-market gains or losses as they are deemed not to be hedges for accounting purposes, notwithstanding that they are effective from an economic perspective.

Financing and Liquidity

The Company relies on the cash flows generated from its operations, including provisional payments received from its customers, cash on hand, available lines of credits under its RCF, and its ability to raise debt and equity from the capital markets to fund its operating, investment and liquidity needs. The cyclical nature of the Company's businesses, general economic conditions and the volatility of capital markets are such that conditions could change dramatically, affecting the Company's cash flow generating capability, its ability to maintain, or draw upon, its RCF or the existing terms under its concentrate sales or toll agreements, as well as its liquidity, cost of capital and its ability to access additional capital, which could adversely affect the Company's earnings and cash flows and, in turn, could affect total shareholder returns. To reduce these risks, the Company: (i) prepares regular cash flow forecasts to monitor its capital requirements, available liquidity and compliance with its debt covenants; (ii) strives to maintain a prudent capital structure that is comprised primarily of equity financing as well as long-term amortizing debt and a long-term committed RCF; and (iii) targets a minimum level of liquidity comprised of surplus cash balances and/or available committed lines of credit to avoid having to raise additional capital at times when the costs or terms would be regarded as unfavourable.

As at December 31, 2015, the Company's total debt was $147.5 million, of which $32.5 million related to the Company's Term Loans and $115.0 million to the Company's RCF. As at December 31, 2015, the Company's total debt, as a percentage of total capital, was 19% (December 31, 2014 – 18%) and the total debt, net of cash, cash equivalents and short-term investments, as a percentage of total capital, was 16% (December 31, 2014 – 15%). As at December 31, 2015, the Company was in compliance with all of its debt covenants.

The Term Loans are repayable in 10 equal semi-annual installments, which commenced June 2013, and bear interest at a rate equal to the three month U.S. Dollar LIBOR plus 2.80%. The RCF bears interest at a spread above LIBOR, which varies between 2.75% and 5.50% depending upon the tranche being drawn upon and the Company's debt leverage ratio (funded net debt to adjusted EBITDA), as defined in the RCF agreement. The RCF is comprised of a $150.0 million tranche B maturing in February 2018, a $45.0 million tranche A maturing in February 2020 and an $80.0 million tranche C maturing in July 2019 that has quarterly availability reductions of $4.0 million beginning in the third quarter of 2016. As at December 31, 2015, $115.0 million was drawn under the RCF.

There can be no assurance that the Company's operations will remain profitable or that the Company will be able to raise capital on terms that it considers reasonable. Adverse commodity market, general economic conditions and adverse capital market conditions could result in a delay or the indefinite postponement of development or construction projects and could adversely impact the Company's financial condition, results of operations and share price.

Smelter Toll Rates, Metal Recoveries and Feed

The ability to keep the smelter supplied with complex concentrate and the availability of complex concentrate are of the utmost importance to the smelter. The Company has entered into a long-term tolling agreement to procure a constant supply of suitable high value complex concentrate. There can be no assurance that such concentrate will be available to the smelter in the future or that the contracted toll rates will not decline from current levels. Failure to find sufficient quantities of complex concentrate for processing at the smelter could have an adverse impact on the Company's business, financial condition and results of operations.

Under the long-term tolling agreement, Tsumeb must return an agreed copper, gold and silver content. Metal over and under recoveries at the smelter are subject to estimation, including the quantities of metal contained in concentrate received, material in-process and blister delivered. These estimates are based on the Company's process knowledge and multiple assay results, the final results of which could differ materially from initial estimates and could have an adverse impact on the Company's business, financial condition and results of operations as any over or under recovery of metals is recorded in revenue.

Foreign Exchange

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

In 2015, the Company entered into forward foreign exchange contracts in order to reduce the foreign exchange exposure associated with projected operating expenses denominated in foreign currencies. Currently approximately 23% and 21% of projected Euro operating expenses for 2016 and 2017, respectively, have been hedged at an average exchange rate of 1.11 and 1.13. In addition, approximately 62% and 59% of projected Namibian dollar operating expenses for 2016 and 2017, respectively, have been hedged at an average exchange rate of 13.04 and 13.87.

Counterparty Risk

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

Under the terms of the Company's existing concentrate sale contracts, the risk to counterparties is mitigated, in part, through required provisional payments that range between 70% and 90% of the provisional value of each lot at the time title of the concentrate transfers. A final adjusting payment, reflecting the actual metal prices for the specified quotational period, is made when final weights and assays are established. During 2015, the Company had contracts with seven customers for the sale of its concentrate production. Approximately 48% of the total concentrate sales in 2015 were to one customer. All contractual commitments are subject to force majeure clauses which, if implemented, could have a significant impact on revenue.

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

Environmental, Health and Safety

The Company's operations are subject to extensive environmental, health and safety regulations in the various jurisdictions in which it operates. These regulations mandate, among other things, emissions; air and water quality standards; land use; rehabilitation and reclamation; and safety and work environment standards, including human rights. They also set forth limitations on the generation, transportation, storage and disposal of various wastes, including hazardous wastes. Environmental, health and safety legislation continues to evolve and, while the Company takes active steps to monitor this legislation, it could result in stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

There can be no assurance that future changes in environmental, health and safety regulations, if any, will not adversely affect the Company's operations and business. Environmental hazards may exist on the properties in which the Company holds interests, which are unknown to the Company at present, and which have been caused by previous or existing owners or operators of the properties.

The Company may also acquire properties with known or undiscovered environmental risk. Any indemnifications by the previous owners or others may not be adequate to pay all the fines, penalties and costs incurred related to such properties. Some of the Company's properties have also been used for mining and related operations for many years before the Company acquired them and were acquired "as

is" or with assumed environmental liabilities from previous owners or operators. The Company has been required to address contamination at its properties in the past and may need to do so in the future, either for existing environmental conditions or for leaks, discharges or contamination that may arise from its ongoing operations or other contingencies. The cost of addressing environmental conditions or risks, and liabilities associated with environmental damage may be significant, and could have a material adverse effect on the Company's business results of operation and financial condition. Production at the Company's mines and processing facilities involves the use of various chemicals, including certain chemicals that are designated as hazardous substances. Contamination from hazardous substances, either at the Company's own properties or other locations for which it may be responsible, may subject the Company to liability for the investigation or remediation of contamination, as well as for claims seeking to recover costs for related property damage, personal injury or damage to natural resources. The occurrence of any of these adverse events could have a material adverse effect on the Company's business, results of operations and financial position.

The operations of the Company require licenses and permits from various governmental authorities to develop and exploit its properties, and the process for obtaining licenses and permits from governmental authorities often takes an extended period of time and is subject to numerous delays and uncertainties. Such licenses and permits are subject to change in various circumstances.

The Company's exploration programs are subject to laws and regulations relating to exploration procedures, employee health and safety, air quality standards, pollution of stream, river and fresh water sources, odour, noise, dust, and other environmental protection controls adopted by governmental authorities as well as the rights of adjoining property owners.

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

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

The Company is nearing completion of a major multi-year capital program at its smelter in Namibia directed at modernizing the environmental equipment being utilized and debottlenecking its processing capacity. This includes the completion of a sulphuric acid plant, which is expected to reduce the plant's SO_2 emissions by approximately 95%. The Company's environmental and occupational health and safety performance will be subject to continued monitoring by the Namibian authorities to ensure that the modifications made to the off-gas and dust handling systems and the completion of the acid plant continue to deliver on the expected decrease in emissions. Failure of these new systems and the acid plant to achieve the expected environmental and occupational health outcomes could adversely impact the Company's future production, results of operations and financial condition.

The Company recognizes a liability for its asset retirement obligations ("ARO") when a legal and/or constructive obligation is identified. The liability is measured at the present value of estimated costs required to rehabilitate the operating locations based on the risk free nominal discount rates applicable to the countries in which the operations are located. The carrying value of the ARO liability was $35.1 million and $53.8 million at December 31, 2015 and 2014, respectively. Changes in the underlying assumptions used to estimate the AROs as well as changes to environmental laws and regulations could cause material changes in the expected cost and the fair value of the AROs and these changes could have a material adverse impact on the Company's results of operations and financial condition.

Operations

Mining operations and related processing and infrastructure facilities are subject to risks normally encountered in the mining and metals industry. Such risks include, without limitation, environmental hazards, industrial accidents, disruptions in the supply of critical materials and supplies, labour disputes,

changes in laws, technical difficulties or failures, equipment failure, failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material. Such risks could result in damage to, or destruction of, mines and other processing facilities, damage to life or property, environmental damage, delays in mining and processing, losses and possible legal liability. Any prolonged downtime or shutdowns at the Company's mining and processing facilities could materially affect the Company's business, financial condition and results of operations.

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

Production, Operating and Shipping Costs

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

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

Mineral Resources and Mineral Reserves

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

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

Inferred Mineral Resources

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

Need for Mineral Reserves

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

Exploration

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

Foreign Country and Political

The majority of the Company's operations and business are outside of Canada, primarily in Eastern Europe, Eurasia and southern Africa, and as such, the Company's operations are exposed to various political and other risks and uncertainties.

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

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

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

Community Relations and License to Operate

The Company's relationship with the host communities where it operates is critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining and smelter activities on the environment and on communities impacted by such activities. Certain non-governmental organizations ("NGOs") and civil society groups, some of which oppose globalization and resource development, are often vocal critics of the mining industry and its practices, including the use of hazardous substances and the handling, transportation and storage of various waste, including hazardous waste. Adverse publicity generated by such NGOs and civil society groups or others related to the extractive industries generally, or the Company's operations specifically, could have adverse effects on, including but not limited to, the laws under which the Company operates, its ability to secure new permits and its reputation. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects and/or continue its operations, which could have a material adverse impact on the Company's business, results of operations and financial condition.

Development Projects

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

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

Despite the achievements and progress made to date, there is still risk and uncertainty around obtaining all the remaining approvals and permits necessary to advance the Krumovgrad project. If the required permits and approvals are not obtained in accordance with the project schedule, an impairment of the project carrying value may be required. A significant and prolonged decline in gold prices or insufficient funding could force the Company to reassess the feasibility or timing of the Krumovgrad project, which could result in an impairment of the carrying value of the project. Management continues to take steps to advance this project and remains committed to its future development. As of December 31, 2015, the net book value of the Krumovgrad project was $107.3 million.

Insurance and Uninsured Risks

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

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

Value of Investment Portfolio

The value of the Company's investment portfolio of securities will vary based on the underlying value of the securities acquired by the Company. The business activities of issuers in the resource industry ("Resource Issuers") are speculative and may be adversely affected by factors outside the control of

those issuers. Resource Issuers may not hold or discover commercial quantities of precious metals or minerals, have limited access to capital, and profitability may be affected by adverse fluctuations in commodity prices, demand for commodities, general economic conditions and cycles, unanticipated depletion of reserves or resources, native land claims, liability for environmental damage, competition, imposition of tariffs, duties or other taxes and government regulations, as applicable. Because the Company has and may continue to invest primarily in securities issued by Resource Issuers engaged in the mining industry or related resource businesses (including junior issuers), the value of the Company's investment portfolio of securities may be more volatile than portfolios with a more diversified investment focus. In some cases, the value of securities owned by the Company may also be affected by such factors as investor demand, specified rights or restrictions associated with the security, general market trends or regulatory restrictions. Fluctuations in the market values of such securities may occur for a number of reasons beyond the control of the Company, and there can be no assurance that an adequate liquid market will exist for securities or that quoted market prices at any given time will properly reflect the value at which the Company could monetize these securities.

Government Laws and Regulations

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

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

Labour Relations

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

A two-year collective agreement with the Company's unionized employees at Chelopech is in force from July 1, 2015 to July 1, 2017. An agreement was also reached with the Company's unionized employees at the smelter and is in force until March 2016. There is no formal collective agreement in place at Kapan.

Income Tax

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

The Company believes that it is not currently a passive foreign investment company ("PFIC") for U.S. Federal income tax purposes and it does not anticipate becoming a PFIC in the foreseeable future. However, the PFIC rules are complex, and, as a Canadian company publicly listed on the TSX, the Company does not operate its business in a manner specifically intended to avoid being classified as a PFIC. Accordingly, there can be no assurance that the Company will not be considered a PFIC. The Company also has not and does not expect to provide any shareholder with information that will enable a

U.S. shareholder to make a qualified electing fund election in respect of the Company. To the extent that the Company is a PFIC in respect of any taxable year, its status as such would have adverse tax consequences for taxable U.S. investors. U.S. investors should consult their own tax advisors regarding the PFIC rules and the potential adverse U.S. Federal income tax consequences to which they may be subject in respect of an investment in the Company's common shares.

Future Plans

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

Land Title

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

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

Competition

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

Market Price of Common Shares

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

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

Dilution to Common Shares

During the life of the Company's outstanding stock options granted under its share based compensation plans, the holders are given an opportunity to profit from an increase in the market price of the common shares with a resulting dilution in the interest of shareholders. The holders of stock options may exercise such securities at a time when the Company may have been able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights. The

increase in the number of common shares in the market, if all or part of these outstanding rights were exercised, and the possibility of sales of these additional shares may have a negative effect on the price of the common shares.

Anti-Corruption Laws

The Company's operations are governed by, and involve interactions with, many levels of government in numerous countries. Its operations take place in jurisdictions ranked unfavourably under Transparency International's Corruption Perception Index. The Company is required to comply with anti-corruption and anti-bribery laws, including the *Criminal Code*, the *Canadian Corruption of Foreign Public Officials Act,* as well as similar laws in the countries in which the Company conducts its business. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third party agents. Although the Company has adopted steps to mitigate such risks, including the implementation of training programs, internal monitoring, reviews and audits, and policies to ensure compliance with such laws, such measures may not always be effective in ensuring that the Company, its employees, contractors or third party agents will comply strictly with such laws. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company's reputation, business, financial condition and results of operations.

Information Systems Security Threats

DPM has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well the Company and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts; damage to physical plants; natural disasters; terrorism; fire; power loss; hacking; computer viruses; vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation, business, financial condition and results of operations.

Although to date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that DPM will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Interest Rate

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

Climate Change Risks

Many governments are moving to enact climate change legislation and treaties at the international, national, state, provincial and local levels. Where legislation already exists, regulations relating to emission levels and energy efficiency are becoming more stringent. Some of the cost associated with meeting more stringent regulations can be offset by increased energy efficiency and technological innovation. However, if the current regulatory trend continues, meeting more stringent regulations is

anticipated to result in increased costs, which could have a material adverse impact on the Company's business, results of operations and financial condition.

Foreign Subsidiaries

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

Key Executives and Senior Personnel

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

Conflicts of Interest

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109").

Management, under the supervision of the CEO and CFO, conducted an assessment of the effectiveness of DC&P and ICFR in place as of December 31, 2015 and concluded that such procedures and controls are adequate and effective to ensure accurate and complete disclosures in annual filings. The board of directors also assesses the integrity of the public financial disclosures through the oversight of the Audit Committee.

INTERNAL CONTROL EVALUATION

Management evaluated the design and operating effectiveness of the DC&P and ICFR as defined by NI 52-109 as of December 31, 2015. This evaluation was performed under the supervision of, and with the participation of, the CEO and CFO. Based on the evaluation of the design and operating effectiveness of the Company's ICFR and DC&P, management, the CEO and CFO concluded that the Company's DC&P and ICFR were designed and operating effectively as of December 31, 2015. ICFR was designed using the Internal Control – Integrated Framework (2013) developed by COSO (Committee of Sponsoring Organizations of the Treadway Commission).

NI 52-109 also requires Canadian public companies to disclose in their MD&A any change in ICFR that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to the internal controls in the year ended December 31, 2015.

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

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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 future price of gold, copper, zinc and silver, the estimation of Mineral Reserves and Mineral Resources, the realization of such mineral estimates, the timing and amount of estimated future production and output, LOM, costs of production, cash costs and other cost measures, capital expenditures, costs and timing of the development of new deposits, the results of PEA, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, success of permitting activities, environmental risks, reclamation expenses, the 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 “2016 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 and Kapan mines perform at planned levels. Subject to a number of risks, the more significant of which are: failure of plant, equipment or processes to operate as anticipated; and maintaining sufficient development inventory at Kapan.

Metals contained in 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.

Consolidated cash cost per tonne of ore processed: assumes ore mined/milled in line with the guidance provided; foreign exchange rates remain at or around current levels; and operating expenses at Chelopech and Kapan 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 DPM’s local currencies; and unexpected increases in labour and other operating costs.

Consolidated cash cost per ounce of gold sold, net of by-product credits: assumes metals contained in concentrate produced and consolidated cash cost per tonne of ore processed are each in line with the guidance provided; copper, zinc 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 consolidated cash cost per tonne of ore processed.

All-in sustaining costs: assumes that metals contained in concentrate produced, consolidated 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; and higher than anticipated consolidated cash cost per tonne of ore processed, 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; unanticipated issues related to the commissioning of the new copper converters; 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 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; 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 "2016 Guidance" and "Liquidity and Capital Resources" sections): assumes the operating and cost performance at Chelopech, Kapan and Tsumeb are consistent with current expectations; metal prices and foreign exchange rates remain at or around current levels; concentrate 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 and Kapan, 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; 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 the PEA; 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 prices and foreign exchange rates; unanticipated title disputes; claims or litigation; limitation on insurance coverage; 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.**

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

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

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

(Signed) "Richard Howes"

Richard Howes
President and Chief Executive Officer

(Signed) "Hume Kyle"

Hume Kyle
Executive Vice President and
Chief Financial Officer

February 9, 2016

February 9, 2016

Independent Auditor's Report

To the Shareholders of
Dundee Precious Metals Inc.

We have audited the accompanying consolidated financial statements of Dundee Precious Metals Inc., which comprise the consolidated statement of financial position as at December 31, 2015 and 2014 and the consolidated statements of loss, comprehensive loss, cash flows and changes in shareholders' equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dundee Precious Metals Inc. as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2015 and 2014

(in thousands of U.S. dollars)

	Notes	**December 31, 2015**	December 31, 2014
ASSETS			
Current Assets			
Cash and cash equivalents		**26,570**	36,292
Accounts receivable	*5*	**29,903**	36,166
Inventories	*6*	**41,663**	46,120
Other current assets	*7(c),7(d)*	**8,581**	20,225
		106,717	138,803
Non-Current Assets			
Investments at fair value	*7(a),7(b)*	**13,911**	8,228
Exploration and evaluation assets	*8*	**101,166**	87,564
Mine properties	*9*	**99,711**	130,548
Property, plant & equipment	*10*	**555,595**	581,009
Intangible assets	*11*	**21,632**	26,104
Deferred income tax assets	*21*	**2,891**	2,595
Other long-term assets	*12*	**4,528**	5,301
		799,434	841,349
TOTAL ASSETS		**906,151**	980,152
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	*13*	**53,225**	40,503
Income tax liabilities		**1,343**	1,744
Equity settled warrants	*25(a)*	**-**	3,100
Current portion of long-term debt	*14*	**16,250**	16,250
Current portion of long-term liabilities	*16*	**1,920**	2,007
		72,738	63,604
Non-Current Liabilities			
Long-term debt	*14*	**130,785**	141,523
Rehabilitation provisions	*15*	**35,127**	53,785
Share based compensation plans	*17*	**1,456**	2,657
Deferred income tax liabilities	*21*	**13**	65
Other long-term liabilities	*16*	**27,919**	14,612
		195,300	212,642
TOTAL LIABILITIES		**268,038**	276,246
EQUITY			
Share capital		**439,736**	439,736
Contributed surplus		**9,695**	7,723
Retained earnings		**208,450**	255,439
Accumulated other comprehensive loss		**(20,424)**	(888)
Equity attributable to common shareholders of the Company		**637,457**	702,010
Non-controlling interests		**656**	1,896
TOTAL EQUITY		**638,113**	703,906
TOTAL LIABILITIES AND EQUITY		**906,151**	980,152

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

Signed on behalf of the Board of Directors

(Signed) "Richard Howes"
Richard Howes, Director

(Signed) "Donald Young"
Donald Young, Director

CONSOLIDATED STATEMENTS OF LOSS

For the years ended December 31, 2015 and 2014

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

	Notes	2015	2014
Revenue		**260,132**	323,980
Cost of sales	*18*	**262,287**	262,227
Gross (loss) profit		**(2,155)**	61,753
General and administrative expenses	*18*	**18,630**	29,589
Corporate social responsibility expenses		**2,491**	2,659
Exploration expenses	*18*	**6,150**	8,294
Finance cost	*19*	**11,398**	11,259
Other expense	*20*	**38**	65,332
Loss before income taxes		**(40,862)**	(55,380)
Current income tax expense	*21*	**7,538**	11,162
Deferred income tax recovery	*21*	**(358)**	(3,832)
Net loss		**(48,042)**	(62,710)
Net loss attributable to:			
Common shareholders of the Company		**(46,989)**	(58,922)
Non-controlling interests		**(1,053)**	(3,788)
Net loss		**(48,042)**	(62,710)
Loss per share attributable to common shareholders of the Company			
- Basic	*22*	**(0.33)**	(0.42)
- Diluted	*22*	**(0.33)**	(0.47)

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

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2015 and 2014

(in thousands of U.S. dollars)

	2015	2014
Net loss	**(48,042)**	(62,710)
Other comprehensive (loss) income		
Items that may be reclassified subsequently to profit or loss		
Unrealized losses on forward foreign exchange contracts designated as cash flow hedges, net of income tax expense of $15 (2014 - $nil)	**(28,036)**	-
Realized losses on forward foreign exchange contracts transferred to net loss, net of income tax expense of $41 (2014 - $nil)	**2,631**	-
Unrealized gains (losses) on publicly traded securities, net of income tax recovery of $nil (2014 - $nil)	**5,406**	(8,152)
Impairment losses on publicly traded securities transferred to net loss, net of income tax recovery of $nil (2014 - $nil)	**654**	19,247
Currency translation adjustments	**(379)**	(649)
	(19,724)	10,446
Comprehensive loss, net of income taxes	**(67,766)**	(52,264)
Comprehensive loss attributable to:		
Common shareholders of the Company	**(66,525)**	(48,084)
Non-controlling interests	**(1,241)**	(4,180)
Comprehensive loss, net of income taxes	**(67,766)**	(52,264)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2015 and 2014

(in thousands of U.S. dollars)

	Notes	2015	2014
OPERATING ACTIVITIES			
Loss before income taxes		**(40,862)**	(55,380)
Items not affecting cash and other adjustments	*24(a)*	**86,176**	142,131
Changes in non-cash working capital	*24(b)*	**7,195**	12,431
Proceeds from settlement of derivative contracts		**42,438**	9,749
Income taxes paid		**(7,237)**	(10,852)
Cash provided from operating activities		**87,710**	98,079
INVESTING ACTIVITIES			
Proceeds from sale of short-term investments		**-**	905
Proceeds from disposal of mine properties and property, plant and equipment		**455**	575
Expenditures on exploration and evaluation assets		**(12,587)**	(7,525)
Expenditures on mine properties		**(10,296)**	(12,901)
Expenditures on property, plant and equipment		**(52,060)**	(150,318)
Expenditures on intangible assets		**(334)**	(4,390)
Cash used in investing activities		**(74,822)**	(173,654)
FINANCING ACTIVITIES			
Proceeds from shares issued		**-**	2,192
Drawdown under revolving credit facility	*14(b)*	**5,000**	90,000
Financing fees on debt		**(390)**	(2,802)
Repayments of debt		**(16,250)**	(16,643)
Repayments of finance lease obligation		**(1,581)**	(2,208)
Interest paid		**(9,389)**	(7,539)
Cash (used in) provided from financing activities		**(22,610)**	63,000
Decrease in cash and cash equivalents		**(9,722)**	(12,575)
Cash and cash equivalents, beginning of year		**36,292**	48,867
Cash and cash equivalents, end of year		**26,570**	36,292

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

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2015 and 2014

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

	December 31, 2015		December 31, 2014	
	Number	**Amount**	Number	Amount
Share capital				
Authorized				
Unlimited common and preference shares with no par value				
Issued				
Fully paid common shares with one vote per share				
Balance at beginning of year	**140,575,783**	**439,736**	139,188,847	436,762
Shares issued on exercise of stock options *(note 17)*	**-**	**-**	1,386,936	2,147
Transferred from contributed surplus on exercise of stock options	**-**	**-**	-	827
Balance at end of year	**140,575,783**	**439,736**	140,575,783	439,736
Contributed surplus				
Balance at beginning of year		**7,723**		5,775
Share based compensation expense		**1,971**		2,657
Transferred to share capital on exercise of stock options		**-**		(827)
Other changes in contributed surplus		**1**		118
Balance at end of year		**9,695**		7,723
Retained earnings				
Balance at beginning of year		**255,439**		314,361
Net loss attributable to common shareholders of the Company		**(46,989)**		(58,922)
Balance at end of year		**208,450**		255,439
Accumulated other comprehensive loss *(note 25(b))*				
Balance at beginning of year		**(888)**		(11,726)
Other comprehensive (loss) income		**(19,536)**		10,838
Balance at end of year		**(20,424)**		(888)
Total equity attributable to common shareholders of the Company		**637,457**		702,010
Non-controlling interests				
Balance at beginning of year		**1,896**		6,306
Net loss attributable to non-controlling interests		**(1,053)**		(3,788)
Other comprehensive loss attributable to non-controlling interests		**(188)**		(392)
Other changes in non-controlling interests		**1**		(230)
Balance at end of year		**656**		1,896
Total equity at end of year		**638,113**		703,906

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

1. CORPORATE INFORMATION

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

As at December 31, 2015, DPM's consolidated financial statements include DPM and its subsidiary companies (collectively, the "Company"). 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 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;
- 100% of Dundee Precious Metals Krumovgrad EAD ("Krumovgrad"), which is focused on the development of a gold property located in south eastern Bulgaria, near the town of Krumovgrad;
- 100% of Dundee Precious Metals Tsumeb (Proprietary) Limited ("Tsumeb"), which owns and operates a custom smelter located in Tsumeb, Namibia; and
- 50.1% of Avala Resources Ltd. ("Avala"), a TSX Venture Exchange ("TSXV") listed company (TSXV: AVZ) incorporated in 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 3*).

2.1 BASIS OF PREPARATION

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Chartered Professional Accountants of Canada Handbook – Accounting. These consolidated financial statements were approved by the Board of Directors on February 9, 2016.

These consolidated financial statements have been prepared on a historical cost basis except for held for trading and available-for-sale financial instruments *(note 7)* that are measured at fair value.

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

2.2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

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

(b) Critical accounting estimates and judgments

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 continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

- inventories *(note 2.2(g))*;
- fair value of financial instruments *(note 2.2(j))*;
- mineral exploration and evaluation expenditures *(note 2.2(l))*;
- mine properties *(note 2.2(m))*;
- property, plant and equipment *(note 2.2(n))*;
- intangible assets *(note 2.2(o))*;
- impairment of assets *(note 2.2(h) and 2.2(q))*;
- rehabilitation provisions *(note 2.2(r))*;
- revenue recognition *(note 2.2(t))*; and
- deferred income tax assets and liabilities *(note 2.2(w))*.

(c) Presentation and functional currency

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

(d) Foreign currency

Foreign currency transactions

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

Foreign operations

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

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash deposits, guaranteed investment certificates and/or other highly rated and liquid securities with an original maturity of less than three months.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Short-term investments

Short-term investments include guaranteed investment certificates and/or other highly rated and liquid securities with original maturities between three months and less than one year at the time the investment is made. Short-term investments are recorded at amortized cost.

(g) Inventories

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

(h) Financial assets and liabilities

Financial assets

Initial recognition and measurement

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

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

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if management intends to sell the financial assets in the near term. This category includes any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship under IAS 39. Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in other expense in the consolidated statements of loss. The Company's investment in Sabina Gold & Silver Corp. ("Sabina") special warrants, the commodity swap contracts entered to economically hedge a portion of its provisionally priced sales and projected production, and the forward point component of the forward foreign exchange contracts entered to hedge a portion of its projected operating expenses denominated in foreign currencies are, where applicable, classified as financial assets at fair value through profit or loss.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Subsequent measurement - Loans and receivables

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

Subsequent measurement - Available-for-sale financial assets

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

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

Derecognition

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

Impairment of financial assets

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if management intends to settle the financial liabilities in the near term. This category includes any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship under IAS 39. Financial liabilities at fair value through profit or loss are carried at fair value with changes in fair value recognized in other expense in the consolidated statements of loss. The equity settled warrants issued by the Company, the commodity swap contracts entered to economically hedge a portion of its provisionally priced sales and projected production, and the forward point component of the forward foreign exchange contracts entered to hedge a portion of its projected operating expenses denominated in foreign currencies are, where applicable, classified as financial liabilities at fair value through profit or loss.

Subsequent measurement - Other financial liabilities

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Derecognition

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

(i) Offsetting of financial instruments

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

(j) Fair value of financial instruments

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

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

Changes in the underlying assumptions could materially impact the Company's investments at fair value through profit or loss. Further details on measurement of the fair values of financial instruments are provided in *note 7*.

(k) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the dates they are entered into and are subsequently re-measured at their fair value at each reporting period. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates the spot component of the forward foreign exchange contracts entered to hedge a portion of its projected operating expenses denominated in foreign currencies as a cash flow hedge.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The spot component of the forward foreign exchange contracts is designated as a cash flow hedge and qualifies for hedge accounting. The forward points, or interest rate differential, which form a component of these contracts, are not designated and therefore do not qualify for hedge accounting. The effective portion of any change in the fair value of the spot component of the outstanding contracts is recognized in other comprehensive income or loss in the consolidated statements of comprehensive loss. The gain or loss relating to the ineffective portion, if any, and the gain or loss relating to changes in the forward points are recognized immediately in other income or expense in the consolidated statements of loss. Amounts accumulated in other comprehensive income or loss are reclassified to the consolidated statements of loss in cost of sales in the same periods as the underlying projected operating expenses are incurred.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity is more than 12 months, and as a current asset or liability when the remaining maturity is 12 months or less.

(l) Mineral exploration and evaluation expenditures

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

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

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Mine properties

Mine Properties - Mines under construction

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

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

Mine Properties – Producing mines

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

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

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

Depletion

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

Mineral Resources and Mineral Reserves estimates

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Property, plant and equipment

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

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

Depreciation

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

Depreciation of property, plant and equipment, which are depreciated on a straight-line basis over their estimated useful lives, is as follows:

Asset Category	Estimated useful life (Years)
Buildings	10-25
Machinery and Equipment	1-15
Vehicles	5
Computer Hardware	1-5
Office Equipment	3-7

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

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

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Major maintenance and repairs

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

(o) Intangible assets

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

Amortization for intangible assets, which are amortized on a straight-line basis over their estimated useful lives, is as follows:

Asset Category	Estimated useful life (Years)
Computer Software	1-10
Exploration and Software Licenses	1-10
Long-term Customer Contract	11

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

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

(p) Assets held for sale

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(q) Impairment of non-financial assets

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

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

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

The assessment of impairment is based, in part, on certain factors that may be partially or totally outside of the Company's control, and requires the use of estimates and assumptions related to future value drivers, such as commodity prices, discount rates, foreign exchange rates and operating and capital costs. These estimates and assumptions, some of which may be subjective, require that management make decisions based on the best available information at each reporting period. It is possible that the actual recoverable amount could be significantly different than those estimates. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable reserves, resources and exploration potential, and/or adverse market conditions can result in a write-down of the carrying amounts of the Company's assets. Fair value is determined as the net amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is based on estimated future cash flows discounted to their present value using a current pre-tax discount rate that is consistent with the risks specific to the asset. Management has assessed the Company's CGUs as being an individual mine or processing site.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Provisions

General

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

A contingent liability is not recognized in the case where no reliable estimate can be made; however, disclosure is required unless the possibility of an outflow of resources embodying economic benefits is remote. By its nature, a contingent liability will only be resolved when one or more future events occur or fail to occur. The assessment of a contingent liability inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Rehabilitation provisions

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

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

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

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) Leases

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

Finance leases

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

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

Operating leases

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

(t) Revenue recognition

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

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

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

Revenue from processing concentrate is recognized when concentrate has been smelted and is based on the toll rate specified in the toll agreement, which can vary based on the composition of the concentrate processed and prevailing market conditions at the time the agreement was entered. Under each toll agreement, Tsumeb incurs a carrying charge in respect of the concentrate it processes until blister copper is delivered. This charge is recorded as a reduction of revenue.

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Revenue from processing concentrate is also adjusted for any over or under recoveries of metals delivered relative to contracted rates, which are subject to estimation, including the amount of metals contained in concentrate received, material in-process and blister delivered. These estimates are based on the Company's process knowledge and multiple assay results, the final results of which could differ materially from initial estimates.

Revenue from the sale of sulphuric acid and arsenic, a by-product from processing concentrate at the Tsumeb smelter, is measured at the price specified in the sales contract and is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when the products have been delivered to the location specified in the sales contract and the risk of loss has been transferred to the buyer.

(u) Borrowing costs

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

(v) Share based compensation transactions

Equity-settled transactions

Stock options are granted to directors and selected employees to buy common shares of the Company. Options vest equally over a three-year period and expire five years from the date of grant. Grants of stock options are based on the closing price of the common shares on the TSX the day before the effective grant date and reflect the Company's estimate of the number of awards that will ultimately vest. The stock options are measured on the date of grant by reference to the fair value determined using a Black-Scholes valuation model, further details of which are given in *note 17*. The value is recognized as a general and administrative expense in the consolidated statements of loss and an increase to contributed surplus in the consolidated statements of changes in shareholders' equity over the period in which the performance and/or service conditions are fulfilled.

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

Cash-settled transactions

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

A Restricted Share Unit ("RSU") Plan was established for directors, certain employees and eligible contractors ("Participant") of DPM and its wholly-owned subsidiaries in consideration of past services to the Company. Under this plan, the Board of Directors may, at its sole discretion, (i) grant non-performance based RSUs and RSUs with a performance-based component, referred to as performance share units ("PSUs"), subject to performance conditions to be achieved by the Company, the Participant, or a class of Participants; and (ii) determine the entitlement date or dates of such RSUs and PSUs. The non-performance based RSUs vest equally over a three year period and are paid in cash based on the Market Price of DPM's publicly traded common shares on the entitlement date or dates. The PSUs vest after three years from the grant date and are paid in cash based on the 20-day volume weighted average price of DPM's publicly traded common shares, subject to performance criteria based on total shareholder return relative to a peer group established for this purpose, on the entitlement date or dates.

The cost of the RSUs and PSUs is measured initially at fair value on the authorization date based on the closing price of DPM's common shares preceding the day the RSUs and PSUs are granted. The cost of RSUs and PSUs is recognized as a liability under share based compensation plans, with the current portion recognized in accounts payable and accrued liabilities, in the consolidated statements of financial position and as an expense in the consolidated statements of loss over the vesting period. The liability is remeasured to fair value based on the Market Price of DPM's common shares and, in the case of PSUs, subject to performance criteria, at each reporting date up to and including the settlement date, with changes in fair value recognized in the consolidated statements of loss.

(w) Income taxes

Current income tax

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

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

Deferred income tax

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

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

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

2.2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

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

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

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

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

(x) Earnings per share

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

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

2.3 NEW STANDARDS NOT YET ADOPTED

The following new standards are not yet effective for the year ending December 31, 2015, and have not been applied when preparing these consolidated financial statements. 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 IAS 39. 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. This standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company continues to assess the full impact of this standard.

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*, 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 disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of this standard.

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. 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 is currently assessing the impact of this standard.

3. SIGNIFICANT TRANSACTIONS

Avala

On October 2, 2014, Avala and Dunav Resources Ltd. ("Dunav") completed their plan of arrangement whereby Avala acquired Dunav and, as a result, all of the outstanding shares and warrants of Dunav were exchanged for Avala shares and warrants, and Dunav became a wholly-owned subsidiary of Avala. DPM was issued an additional 83,435,171 common shares and 24,399,736 common share purchase warrants of Avala in exchange for its ownership interest in Dunav. On October 9, 2014, the outstanding securities of Avala were consolidated on a ten pre-consolidation for one post-consolidation basis.

As at December 31, 2015, DPM held an aggregate of 21,859,120 common shares and 2,439,973 common share purchase warrants of Avala, which represented a 50.1% (December 31, 2014 – 50.1%) ownership interest in Avala. The non–controlling interests' share of Avala's net loss resulting from its exploration activities for the year ended December 31, 2015 was $1.1 million (2014 – $2.2 million). The non-controlling interests' share of Avala's net assets as at December 31, 2015 was $0.7 million (December 31, 2014 – $1.9 million).

Dunav

Prior to Avala's acquisition of Dunav on October 2, 2014, DPM had a 45.5% ownership interest in Dunav. The non-controlling interests' share of Dunav's net loss resulting from its exploration activities for the nine months ended September 30, 2014 was $1.6 million.

Set out below is summarized financial information reported by Avala and Dunav that have been consolidated into these financial statements, with the exception of comprehensive loss attributable to non-controlling interests, which represents the Company's share of their loss. All financial information is presented before any intercompany eliminations.

The following table summarizes the financial position for Avala as at December 31, 2015 and 2014:

	December 31, 2015	December 31, 2014
Current		
Assets	**811**	2,597
Liabilities	**(367)**	(236)
Total current net assets	**444**	2,361
Non-current		
Assets	**791**	1,362
Total non-current net assets	**791**	1,362
Net assets	**1,235**	3,723

The following table summarizes the comprehensive loss for Avala and Dunav for the years ended December 31, 2015 and 2014:

	Avala		**Dunav**	
	2015	2014	**2015**	2014 *(i)*
Net loss	**(2,112)**	(4,429)	**-**	(3,189)
Currency translation adjustments	**(379)**	(280)	**-**	(369)
Comprehensive loss, net of income taxes	**(2,491)**	(4,709)	**-**	(3,558)
Comprehensive loss attributable to non-controlling interests	**(1,241)**	(2,406)	**-**	(1,774)

The following table summarizes the cash flow information for Avala and Dunav for the years ended December 31, 2015 and 2014:

	Avala		Dunav	
	2015	2014	**2015**	2014 *(i)*
Cash used in operating activities	**(2,202)**	(4,864)	**-**	(3,325)
Cash provided from (used in) investing activities	**263**	4,758	**-**	(10)
Decrease in cash and cash equivalents	**(1,939)**	(106)	**-**	(3,335)
Cash and cash equivalents, beginning of year	**2,385**	2,491	**-**	7,972
Cash and cash equivalents, end of year	**446**	2,385	**-**	4,637

(i) The financial position of Dunav has been consolidated into Avala as at December 31, 2014. The comprehensive loss and cash flow information for Dunav reflect the nine-month period ended September 30, 2014 prior to Avala's acquisition of Dunav.

4. IMPAIRMENTS

As at December 31, 2015, the Company assessed the recoverable amount of each of its CGUs as a result of its market capitalization being less than its net assets. Based on this assessment, the carrying values of all CGUs were considered to be recoverable with the exception of Kapan.

Kapan

As at December 31, 2015, the carrying value of Kapan exceeded its estimated recoverable amount by $42.7 million, of which $21.7 million was allocated to Kapan's mine properties, $20.1 million to property, plant and equipment and $0.9 million to intangible assets, with the resulting impairment loss recognized through other expense *(note 20)*. This impairment loss is primarily attributable to projected lower commodity prices and a slower ramp-up of production.

Kapan's recoverable amount of $41 million as at December 31, 2015 was determined using FVLCD, which was calculated based on projected future after tax cash flows utilizing the latest information available and management's estimates including metals prices, available Mineral Resources, ore mined, grades, recoveries, operating costs, capital expenditures and foreign exchange rates. These projected cash flows were prepared in current dollars and discounted using a real discount rate of 9%, representing the estimated after tax weighted average real cost of capital. This rate was estimated based on the Capital Asset Pricing Model where the cost of equity and debt were built up based on estimated risk free interest rates, market returns on equity, share volatility, debt-to-equity ratios with reference to current market information and risks specific to the Company's mining industry peer group.

As at June 30, 2014, Kapan's exploration and evaluation assets were reduced by $70.0 million, with the resulting impairment charge recognized through other expense *(note 20)*. This impairment loss reflected management's determination that these capitalized exploration and evaluation costs, incurred primarily to support an open pit expansion, initially the preferred option, should be written off based on the work conducted to support a potential underground expansion at Kapan.

Kapan's recoverable amount of $91 million as at June 30, 2014 was determined using FVLCD, based on the expected future after tax cash flow projections utilizing the latest information available and management estimates, including metal prices, available Mineral Resources, ore mined, grades, recoveries, operating costs, capital expenditures and foreign exchange rates. These projected cash flows were prepared in current dollars and discounted using a real discount rate of 9% representing the estimated after tax real weighted average cost of capital. This rate was estimated based on the Capital Asset Pricing Model where the cost of equity and debt were built up based on estimated risk free interest rates, market returns on equity, share volatility, debt-to-equity ratios and risks specific to the Company's mining industry peer group.

Management's estimates of Kapan's FVLCD are classified as level 3 in the fair value hierarchy. The assumed metal prices used to determine the FVLCD as at December 31, 2015 and June 30, 2014 were as follows:

Metal	Price	
	2015	2014
Gold ($/ounce)	1,100 - 1,200	1,200 – 1,300
Copper ($/pound)	2.37 - 2.86	2.85 – 3.18
Silver ($/ounce)	15.30 - 17.33	20.00 – 21.50
Zinc ($/pound)	0.83 – 1.01	0.97 – 1.08

The tax rates applied to the projections were based on the current tax rates in effect or expected to be in effect in Armenia based on existing law.

Sensitivities

The projected cash flows and estimated FVLCD can be affected by any one or more changes in the estimates used. Changes in metal prices and discount rates have the greatest impact on value, where a 100 basis point change in the real discount rate used would change FVLCD by $6 million, and a 5% change to metal prices would change FVLCD by $22 million.

Krumovgrad

Based on the current carrying value and estimated recoverable amount of Krumovgrad as at December 31, 2015, a 5% decrease in the assumed long-term gold price of $1,200 per ounce could result in its estimated recoverable amount falling below its carrying amount and an impairment loss being recognized.

5. ACCOUNTS RECEIVABLE

	December 31, 2015	December 31, 2014
Accounts receivable	**15,191**	20,876
Value added tax recoverable	**7,956**	6,533
Supplier advances and other prepaids	**6,756**	8,757
	29,903	36,166

6. INVENTORIES

	December 31, 2015	December 31, 2014
Ore and concentrates	**9,219**	9,220
Spare parts, supplies and other	**32,444**	36,900
	41,663	46,120

For the year ended December 31, 2015, the cost of inventories recognized as an expense and included in cost of sales was $145.7 million (2014 - $153.8 million).

7. FINANCIAL INSTRUMENTS

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

	Financial instrument classification	Carrying Amount December 31, 2015	Carrying Amount December 31, 2014
Financial assets			
Cash and cash equivalents	Loans and receivables	**26,570**	36,292
Accounts receivable *(note 5)*	Loans and receivables	**29,903**	36,166
Restricted cash	Loans and receivables	**2,026**	2,508
Sabina special warrants (a)	Held for trading	**1,451**	1,173
Publicly traded securities *(b)*	Available for sale	**12,460**	7,055
Commodity swap contracts *(c)*	Derivatives held for trading	**7,548**	19,129
Financial liabilities			
Accounts payable and accrued liabilities *(note 13)*	Other financial liabilities	**43,108**	40,469
Debt *(note 14)*	Other financial liabilities	**147,035**	157,773
Commodity swap contracts *(c)*	Derivatives held for trading	**-**	34
Forward foreign exchange contracts *(d)*	Derivatives for cash flow hedges	**21,345**	-
Equity settled warrants *(note 25(a))*	Held for trading	**-**	3,100

The carrying values of all the financial assets and liabilities approximate their fair values as at December 31, 2015 and 2014.

(a) Sabina warrants and special warrants

As at December 31, 2015, 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 for a period of 35 years into one common share.

The fair value of the special warrants was based on the fair value of the Sabina common shares and the warrants. The fair value of the Sabina common shares was determined based on the closing bid prices as at December 31, 2015 and 2014.

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

For the year ended December 31, 2015, the Company recorded unrealized gains on the Sabina warrants and special warrants of $0.3 million (2014 – unrealized losses of $0.9 million) in other expense *(note 20)* in the consolidated statements of loss. The Company also recognized a loss of $0.5 million on the expiration of the Sabina common share purchase warrants, which expired on June 9, 2014 for the year ended December 31, 2014 in other expense *(note 20)* in the consolidated statements of loss.

(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 (loss) income in the consolidated statements of comprehensive loss. When the investment is sold or considered to be impaired, the cumulative gain or loss is removed from accumulated other comprehensive loss and recognized in other expense in the consolidated statements of loss.

For the year ended December 31, 2015, the Company recognized unrealized gains on these publicly traded securities of $5.4 million (2014 – unrealized losses of $8.2 million) in other comprehensive (loss) income. For the year ended December 31, 2015, $0.6 million unrealized losses were transferred to other expense *(note 20)* as an impairment charge due to the significant and prolonged decline in the fair value of these publicly traded securities. For the year ended December 31, 2014, unrealized losses, together with cumulative losses previously recognized in accumulated other comprehensive loss, which in aggregate amounted to $19.2 million, were transferred to other expense *(note 20)* as an impairment charge due to the significant and prolonged decline in the fair value of these publicly traded securities.

(c) Commodity swap 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 reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales (“QP Hedges”). As at December 31, 2015, 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	24,655 ounces	$1,086.39/ounce
Payable copper	13,359,997 pounds	$2.21/pound
Payable silver	110,810 ounces	$14.09/ounce
Payable zinc	1,036,171 pounds	$0.73/pound

The Company also enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to reduce its by-product metals price exposure. As at December 31, 2015, the Company had outstanding commodity swap contracts in place to provide price protection on 25,264,945 pounds of its 2016 projected payable copper production at an average fixed price of $2.32 per pound.

The Company also enters into cash settled commodity swap contracts to swap future contracted monthly average gold prices for fixed prices to hedge a portion of the payable gold contained in its projected pyrite concentrate production. As at December 31, 2015, the Company had outstanding commodity swap contracts in place to provide price protection on 11,540 ounces of its 2016 projected pyrite concentrate production at an average fixed price of $1,177.35 per ounce.

As at December 31, 2015, the fair value gain on all outstanding commodity swap contracts was $7.5 million (December 31, 2014 – $19.1 million), of which $7.1 million (December 31, 2014 – $19.0 million) was included in other current assets, $nil (December 31, 2014 – $0.03 million) in accounts payable and accrued liabilities, and $0.4 million (December 31, 2014 – $0.1 million) in other long-term assets.

All commodity swap contracts are subject to master netting agreements. As at December 31, 2015 and 2014, there was no cash collateral pledged in connection with any of the commodity swap contracts. The following table summarizes those assets and liabilities subject to set-off, which were included in the assets and liabilities presented net in the consolidated statements of financial position.

			As at December 31, 2015
	Gross assets	**Gross liabilities**	**Net assets**
Commodity swap contract assets	**8,159**	**(611)**	**7,548**

			As at December 31, 2014
	Gross assets	Gross liabilities	Net assets
Commodity swap contract assets	2,381	(73)	2,308

Unrealized gains and losses on these contracts were calculated based on the corresponding London Metal Exchange forward copper and zinc prices and New York Commodity Exchange forward gold and silver prices. For the year ended December 31, 2015, the Company reported unrealized losses on these contracts of $11.5 million (2014 – unrealized gains of $20.3 million) in other expense *(note 20)*. The Company also reported realized gains on the settlement of certain of these commodity swap contracts of $47.0 million (2014 – $12.1 million) in other expense *(note 20)* for the year ended December 31, 2015.

(d) Forward foreign exchange contracts

During the year ended December 31, 2015, the Company entered into forward foreign exchange contracts in order to reduce the foreign exchange exposure associated with projected operating expenses denominated in foreign currencies.

As at December 31, 2015, the Company had outstanding forward foreign exchange contracts in respect of projected foreign denominated operating expenses 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$**
2016	Euro	11,700,000	1.1112
	South African rand	756,000,000	13.0369
2017	Euro	10,800,000	1.1287
	South African rand	720,000,000	13.8699
Total	**Euro**	**22,500,000**	**1.1196**
	South African rand	**1,476,000,000**	**13.4304**

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 December 31, 2015, the fair value loss on all outstanding forward foreign exchange contracts was $21.3 million, of which $10.1 million was included in accounts payable and accrued liabilities and $11.2 million in other long-term liabilities. All forward foreign exchange contracts are subject to master netting agreements. As at December 31, 2015, there was no set-off of assets and liabilities in the consolidated statements of financial position.

For the year ended December 31, 2015, the Company recognized unrealized losses of $25.4 million in other comprehensive loss on the spot component of the outstanding forward foreign exchange contracts. The Company also recognized realized losses of $2.6 million for the year ended December 31, 2015 in cost of sales on the spot component of those contracts which have been settled.

For the year ended December 31, 2015, the Company reported unrealized gains of $4.1 million in other expense *(note 20)* on the forward point component of the outstanding forward foreign exchange contracts. The Company also reported realized gains of $0.6 million for the year ended December 31, 2015 in other expense *(note 20)* on the forward point component of those contracts which have been settled.

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 December 31, 2015 and 2014:

			As at December 31, 2015	
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Sabina special warrants	**-**	**-**	**1,451**	**1,451**
Publicly traded securities	**12,460**	**-**	**-**	**12,460**
Commodity swap contracts	**-**	**7,548**	**-**	**7,548**
Financial liabilities				
Forward foreign exchange contracts	**-**	**21,345**	**-**	**21,345**

			As at December 31, 2014	
	Level 1	Level 2	Level 3	Total
Financial assets				
Sabina special warrants	-	-	1,173	1,173
Publicly traded securities	7,055	-	-	7,055
Commodity swap contracts	-	19,129	-	19,129
Financial liabilities				
Commodity swap contracts	-	34	-	34
Equity settled warrants	3,100	-	-	3,100

During the years ended December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The following table reconciles level 3 fair value measurements from January 1, 2014 to December 31, 2015:

	December 31, 2015	December 31, 2014
Balance at beginning of year	**1,173**	2,573
Unrealized gains (losses) included in net loss *(note 20)*	**278**	(905)
Realized loss on expiration of Sabina common share purchase warrants *(note 20)*	**-**	(495)
Balance at end of year	**1,451**	1,173

8. EXPLORATION AND EVALUATION ASSETS

	December 31, 2015	December 31, 2014
Balance at beginning of year	**87,564**	148,926
Additions	**14,128**	7,882
Capitalized depreciation	**277**	757
Impairment charge *(note 4)*	**(803)**	(70,001)
Balance at end of year	**101,166**	87,564

Exploration and evaluation expenditures expensed directly to net loss amounted to $6.2 million (2014 - $8.3 million) for the year ended December 31, 2015.

9. MINE PROPERTIES

	December 31, 2015	December 31, 2014
Cost:		
Balance at beginning of year	**189,034**	175,331
Additions	**10,421**	13,751
Capitalized depreciation	**1,433**	1,896
Change in rehabilitation provisions	**(7,438)**	(1,831)
Disposals	**(1,053)**	(113)
Impairment charge *(note 4)*	**(34,679)**	-
Balance at end of year	**157,718**	189,034
Accumulated depletion:		
Balance at beginning of year	**58,486**	45,506
Depletion	**13,568**	12,980
Disposals	**(1,053)**	-
Impairment charge *(note 4)*	**(12,994)**	-
Balance at end of year	**58,007**	58,486
Net book value:		
At beginning of year	**130,548**	129,825
At end of year	**99,711**	130,548

All mine properties are related to producing mines. The depletion expense for mine properties has been fully charged to cost of sales in the consolidated statements of loss for the years ended December 31, 2015 and 2014.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Construction Work-in-Progress	Total
Cost:				
Balance as at January 1, 2014	37,651	380,109	211,428	629,188
Additions *(a)*	1,110	16,919	140,239	158,268
Currency translation adjustment	(228)	(453)	-	(681)
Disposals	(41)	(10,384)	(175)	(10,600)
Impairment charge *(b)*	(11)	(8,495)	(5,329)	(13,835)
Change in rehabilitation provisions	(1,515)	(3,346)	-	(4,861)
Transfers	11,775	100,867	(112,642)	-
Balance as at December 31, 2014	48,741	475,217	233,521	757,479
Additions *(a)*	**1,332**	**18,825**	**41,748**	**61,905**
Capitalized depreciation	**-**	**152**	**-**	**152**
Currency translation adjustment	**(101)**	**(265)**	**-**	**(366)**
Disposals	**(344)**	**(5,019)**	**-**	**(5,363)**
Impairment charge *(note 4)*	**(6,422)**	**(54,354)**	**-**	**(60,776)**
Change in rehabilitation provisions	**1,138**	**(15,738)**	**-**	**(14,600)**
Transfers	**10,317**	**190,859**	**(198,376)**	**2,800**
Balance as at December 31, 2015	**54,661**	**609,677**	**76,893**	**741,231**
Accumulated depreciation and impairment:				
Balance as at January 1, 2014	13,568	122,874	-	136,442
Depreciation expense	1,798	46,974	-	48,772
Capitalized depreciation	56	2,328	-	2,384
Currency translation adjustment	(77)	(323)	-	(400)
Depreciation relating to disposals	(85)	(9,867)	-	(9,952)
Impairment charge *(b)*	(2)	(774)	-	(776)
Balance as at December 31, 2014	15,258	161,212	-	176,470
Depreciation expense	**2,161**	**50,918**	**-**	**53,079**
Capitalized depreciation	**172**	**1,655**	**-**	**1,827**
Currency translation adjustment	**(64)**	**(186)**	**-**	**(250)**
Depreciation relating to disposals	**(170)**	**(4,723)**	**-**	**(4,893)**
Impairment charge *(note 4)*	**(6,417)**	**(34,180)**	**-**	**(40,597)**
Balance as at December 31, 2015	**10,940**	**174,696**	**-**	**185,636**
Net book value:				
As at December 31, 2014	33,483	314,005	233,521	581,009
As at December 31, 2015	**43,721**	**434,981**	**76,893**	**555,595**

(a) Included in additions were capitalized borrowing costs amounting to \$3.6 million (2014 - \$3.1 million) for the year ended December 31, 2015, at a weighted average interest rate of 4.34% (2014 – 3.79%).

(b) Included in the impairment charge for the year ended December 31, 2014 was an \$11.0 million impairment loss on assets related to a metals processing facility that Chelopech no longer expects to use. As at December 31, 2015, the carrying values of these assets represented their estimated residual values. These impairment losses were included in other expense *(note 20)* in the consolidated statements of loss.

Of the total depreciation expense, \$52.1 million (2014 - \$47.7 million) was charged to cost of sales, \$0.7 million (2014 – \$0.9 million) was charged to general and administrative expenses, and \$0.3 million (2014 – \$0.2 million) was charged to exploration expenses for the year ended December 31, 2015.

The carrying value of equipment held under finance leases as at December 31, 2015 was $11.5 million (December 31, 2014 – $13.0 million). Leased assets are pledged as security for the related finance lease obligations.

11. INTANGIBLE ASSETS

	December 31, 2015	December 31, 2014
Cost:		
Balance at beginning of year	**45,822**	41,781
Additions	**946**	4,339
Currency translation adjustment	**(55)**	(110)
Disposals and impairment charge *(note 4)*	**(2,138)**	(188)
Balance at end of year	**44,575**	45,822
Accumulated amortization and impairment:		
Balance at beginning of year	**19,718**	15,549
Amortization	**4,376**	4,112
Capitalized amortization	**35**	269
Currency translation adjustment	**(42)**	(75)
Amortization relating to disposals and impairment charge *(note 4)*	**(1,144)**	(137)
Balance at end of year	**22,943**	19,718
Net book value:		
At beginning of year	**26,104**	26,232
At end of year	**21,632**	26,104

As at December 31, 2015, intangible assets included $16.8 million (December 31, 2014 - $20.0 million) related to a toll processing contract acquired as part of the Company's 2010 acquisition of Tsumeb. For the year ended December 31, 2015, the Company recorded a $3.2 million (2014 - $3.2 million) amortization expense on this intangible asset. The remaining useful life of this intangible asset is expected to be five years from the reporting date.

Of the total intangible asset amortization expense, $4.3 million (2014 - $3.9 million) was charged to cost of sales and $0.1 million (2014 - $0.2 million) was charged to general and administrative expenses for the year ended December 31, 2015.

12. OTHER LONG-TERM ASSETS

	December 31, 2015	December 31, 2014
Restricted cash	**1,424**	1,905
Commodity swap contracts *(note 7(c))*	**444**	148
Value added tax recoverable	**67**	382
Other	**2,593**	2,866
	4,528	5,301

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2015	December 31, 2014
Accounts payable	**21,479**	18,427
Accrued liabilities	**21,356**	20,914
Commodity swap contracts *(note 7(c))*	**-**	34
Forward foreign exchange contracts *(note 7(d))*	**10,117**	-
Other payables	**273**	1,128
	53,225	40,503

14. DEBT

	December 31, 2015	December 31, 2014
Current portion of debt		
Term loans *(a)*	**16,250**	16,250
	16,250	16,250
Long-term portion of debt		
Term loans *(a)*	**15,785**	31,523
Revolving credit facility *(b)*	**115,000**	110,000
	130,785	141,523
Total debt	**147,035**	157,773

(a) Loans

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, Kapan and Tsumeb and by guarantees from each of these subsidiaries.

In February 2014, the Term Loans were amended to modify certain terms in anticipation of moving forward with the Krumovgrad gold project. 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 3.5:1 (below 4.0:1 during any period in which Krumovgrad construction is in progress), (ii) a current ratio (including the unutilized credit within the $150.0 million tranche of the committed revolving credit facility ("RCF") in current assets and excluding equity settled warrants from current liabilities) of greater than 1.5:1, and (iii) a minimum net worth of $500.0 million and 50% of ongoing annual net earnings (losses).

As at December 31, 2015, the Term Loans had an outstanding balance of $32.5 million and DPM was in compliance with all financial covenants.

(b) Credit Agreements and Guarantees

Chelopech

Chelopech has a $16.0 million multi-purpose credit facility that matures on November 30, 2016. This credit facility is guaranteed by DPM. Advances under the multi-purpose revolving credit facility bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 3.25%. As at December 31, 2015, $4.1 million (December 31, 2014 – $4.0 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech also has bank issued letters of credit totaling Euro 21.0 million ($22.9 million as at December 31, 2015 and $25.5 million as at December 31, 2014) to support the Chelopech mine closure and rehabilitation plan, which were posted with the Bulgarian Ministry of Energy. These letters of guarantee mature on November 15, 2016 and are guaranteed by DPM.

DPM

DPM has a committed RCF with a consortium of banks. In February 2014, the RCF was amended to extend its term by one year and to modify certain terms to align with amendments made to the Term Loans. In June 2014, DPM increased the RCF by $125.0 million to $275.0 million. In February 2015, the RCF was amended to extend the term of two of its tranches by an additional year. As at December 31, 2015, the RCF is comprised of a $150.0 million (previously $125.0 million) tranche B maturing in February 2018, a $45.0 million (previously $25.0 million) tranche A maturing in February 2020, and an $80.0 million tranche C maturing in July 2019 that has quarterly availability reductions of $4.0 million beginning in the third quarter of 2016.

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 December 31, 2015, DPM was in compliance with all financial covenants and $115.0 million was drawn under the RCF.

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

	Payments Due by Period		
	up to 1 year	**1 - 5 years**	**Total**
Term loans	16,250	16,250	**32,500**
Revolving credit facility	-	115,000	**115,000**
	16,250	**131,250**	**147,500**
Unamortized deferred financing costs			**(465)**
Total debt			**147,035**

15. REHABILITATION PROVISIONS

The rehabilitation provisions represent the present value of rehabilitation costs relating to the Chelopech, Kapan and Tsumeb sites, which are expected to be incurred between 2016 and 2039.

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

	December 31, 2015	December 31, 2014
Discount period		
Chelopech	**2025 - 2028**	2025 - 2028
Kapan	**2025 - 2027**	2025 - 2027
Tsumeb	**2016 - 2039**	2016 - 2039
Local discount rate		
Chelopech	**2.4%**	3.0%
Kapan	**16.9%**	13.9%
Tsumeb	**10.7%**	9.1%
Local inflation rate		
Chelopech	**2.0%**	2.0%
Kapan	**4.0%**	4.0%
Tsumeb	**5.5%**	5.5%

Changes to rehabilitation provisions were as follows:

	Chelopech	**Kapan**	**Tsumeb**	**Total**
Balance as at January 1, 2014	28,614	6,329	21,620	56,563
Change in cost estimate *(a)*	(392)	1,272	-	880
Remeasurement of provisions *(b)*	(4,194)	(2,650)	(728)	(7,572)
Accretion expense *(note 19)*	925	942	2,047	3,914
Balance as at December 31, 2014	24,953	5,893	22,939	53,785
Change in cost estimate *(a)*	**(9,902)**	**-**	**-**	**(9,902)**
Remeasurement of provisions *(b)*	**(1,079)**	**(1,697)**	**(9,360)**	**(12,136)**
Accretion expense *(note 19)*	**610**	**825**	**1,945**	**3,380**
Balance as at December 31, 2015	**14,582**	**5,021**	**15,524**	**35,127**

(a) During the year ended December 31, 2015, Chelopech decreased its estimated rehabilitation costs based on their current activities, and updated closure plans and closure obligations.

During the year ended December 31, 2014, the estimated economic life of the Chelopech mine was extended from 2023 to 2025 based on updated Mineral Resource and Mineral Reserve estimates and, correspondingly, the estimated time during which the rehabilitation costs are expected to be incurred is now between 2025 and 2028.

During the year ended December 31, 2014, the estimated economic life of the Kapan mine was extended from 2015 to 2026 based on the updated Mineral Resource estimate and correspondingly, the estimated time during which the rehabilitation costs are expected to be incurred is now between 2025 and 2027. Kapan also increased its estimated rehabilitation costs based on its current activities, and updated closure plans and closure obligations.

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

16. OTHER LONG-TERM LIABILITIES

	December 31, 2015	December 31, 2014
Finance leases *(a)*	**15,839**	15,759
Forward foreign exchange contracts *(note 7(d))*	**11,228**	-
Environmental commitment	**602**	602
Other liabilities	**2,170**	258
	29,839	16,619
Less: Current portion	**(1,920)**	(2,007)
	27,919	14,612

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

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

	Payments Due by Period			
	up to 1 year	**1 - 5 years**	**over 5 years**	**Total**
Minimum lease payments	1,389	5,603	8,847	**15,839**
Finance charges	1,708	5,500	2,577	**9,785**
Present value of minimum lease payments	**3,097**	**11,103**	**11,424**	**25,624**

17. SHARE BASED COMPENSATION PLANS

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 Price 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 summary of the RSUs granted for the years indicated:

	Number of RSUs	Amount
Balance as at January 1, 2014	960,713	1,417
RSUs granted	1,331,811	4,157
RSUs redeemed	(355,197)	(1,493)
RSUs forfeited	(175,853)	(322)
Mark-to-market adjustments		(1,658)
Balance as at December 31, 2014	1,761,474	2,101
RSUs granted	**1,080,650**	**2,768**
RSUs redeemed	**(747,358)**	**(1,762)**
RSUs forfeited	**(155,637)**	**(122)**
Mark-to-market adjustments		**(2,020)**
Balance as at December 31, 2015	**1,939,129**	**965**

As at December 31, 2015, there was $1.7 million (December 31, 2014 – $3.3 million) of RSU expenses remaining to be charged to net earnings in future periods relating to the RSU plan.

(b) 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, the Participant, or a class of Participants; and (ii) determine the entitlement date or dates of such PSUs.

During the year ended December 31, 2015, the Board of Directors authorized the granting of 380,200 (2014 – nil) PSUs to certain employees. 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 performance criteria based on total shareholder return relative to a peer group established for this purpose, 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.

As at December 31, 2015, there was $0.5 million (December 31, 2014 – $nil) of expenses remaining to be charged to net earnings in future periods relating to these PSUs.

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 Price 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 Price 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 years indicated:

	Number of DSUs	Amount
Balance as at January 1, 2014	708,917	1,919
DSUs granted	174,652	607
DSUs redeemed	(57,158)	(196)
Mark-to-market adjustments		(480)
Balance as at December 31, 2014	826,411	1,850
DSUs granted	**295,609**	**452**
Mark-to-market adjustments		**(1,253)**
Balance as at December 31, 2015	**1,122,020**	**1,049**

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 closing price of DPM's common shares on the trading date preceding the day the option is granted. The aggregate number of shares that can be issued from treasury under this plan is 12,500,000. Options granted vest equally over a three year period and expire five years from the date of grant.

During the year ended December 31, 2015, the Company granted 1,660,754 (2014 – 1,549,900) stock options with a fair value of $2.0 million (2014 – $2.6 million). The estimated value of the options granted will be recognized as an expense in the consolidated statements of loss and an addition to contributed surplus in the consolidated statements of changes in shareholders' equity over the vesting period. The Company recorded stock option expenses of $2.0 million (2014 – $2.6 million) for the year ended December 31, 2015 under the DPM stock option plan.

As at December 31, 2015, there was $1.1 million (December 31, 2014 – $1.7 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:

	2015	2014
Five year risk free interest rate	**0.5%**	1.4% -1.5%
Expected life in years	**4.75**	4.75
Expected volatility	**59.6%**	55.0% - 55.2%
Dividends per share	**-**	-

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

	Number of options	Weighted average exercise price per share (Cdn$)
Balance as at January 1, 2014	6,260,482	6.18
Options granted	1,549,900	3.89
Options exercised	(1,386,936)	1.70
Options forfeited	(272,236)	6.42
Options expired	(173,408)	7.71
Balance as at December 31, 2014	5,977,802	6.56
Options granted	**1,660,754**	**2.97**
Options forfeited	**(73,867)**	**3.74**
Options expired	**(1,437,752)**	**4.82**
Balance as at December 31, 2015	**6,126,937**	**6.03**

The following lists the options outstanding and exercisable as at December 31, 2015:

	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$)**
2.97 - 3.96	3,030,254	3.77	3.39	483,358	3.88
6.56 - 7.84	730,983	2.18	7.82	498,851	7.81
8.09 - 10.33	2,365,700	0.61	8.86	2,354,033	8.86
2.97 - 10.33	**6,126,937**	**2.36**	**6.03**	**3,336,242**	**7.98**

18. EXPENSES BY NATURE

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

	2015	2014
Raw materials, consumables and spare parts	**117,329**	114,966
Staff costs	**60,240**	65,711
Service costs	**22,492**	28,665
Royalties	**7,702**	9,665
Drilling, assaying and other exploration expenses	**2,832**	3,055
Share based compensation expense	**2,383**	4,572
Insurance	**2,342**	3,206
Depletion of mine properties *(note 9)*	**13,568**	12,980
Depreciation of property, plant and equipment *(note 10)*	**53,079**	48,772
Amortization of intangible assets *(note 11)*	**4,376**	4,112
Other costs	**724**	4,406
Total operating costs	**287,067**	300,110

19. FINANCE COST

	2015	2014
Interest on borrowings *(a)*	**6,276**	5,468
Finance charges under finance leases	**1,742**	1,877
Accretion expense related to rehabilitation provisions *(note 15)*	**3,380**	3,914
	11,398	11,259

(a) Interest on borrowings for the years ended December 31, 2015 and 2014 was net of interest capitalized to property, plant and equipment *(note 10(a))*.

20. OTHER EXPENSE

	2015	2014
Net gains (losses) on Sabina warrants and special warrants *(note 7(a))*	**278**	(1,400)
Net gains on commodity swap contracts *(note 7(c))*	**35,478**	32,417
Net gains on forward foreign exchange contracts *(note 7(d))*	**4,670**	-
Net gains on equity settled warrants *(note 25(a))*	**3,100**	7,734
Impairment losses on publicly traded securities *(note 7(b))*	**(654)**	(19,247)
Impairment losses on exploration and evaluation assets *(note 8)*	**(803)**	(70,001)
Impairment losses on mine properties *(note 9)*	**(21,685)**	-
Impairment losses on property, plant & equipment *(note 10)*	**(20,179)**	(13,059)
Impairment losses on intangible assets *(note 11)*	**(995)**	(45)
Net foreign exchange gains (losses)	**1,846**	(1,640)
Interest income	**212**	281
Other expense, net	**(1,306)**	(372)
	(38)	(65,332)

21. INCOME TAXES

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

	2015	2014
Current income tax expense on earnings	**7,538**	11,162
Deferred income tax recovery:		
Deferred income tax recovery related to origination and reversal of temporary differences	**(1,982)**	(3,832)
Write-down of deferred income tax assets	**1,624**	-
	(358)	(3,832)
Income tax expense	**7,180**	**7,330**

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

	2015	2014
Loss before income taxes	**(40,862)**	(55,380)
Combined Canadian federal and provincial statutory income tax rates	**26.5%**	26.5%
Expected income tax recovery	**(10,828)**	(14,676)
Lower rates on foreign earnings	**(3,692)**	(8,351)
Unrecognized tax benefits relating to losses	**20,345**	29,071
Non-deductible write-down of investments	**87**	2,550
Non-taxable gains on equity settled warrants	**(339)**	(2,050)
Non-deductible portion of capital losses	**1,003**	186
Non-deductible share based compensation expense	**522**	676
Other, net	**82**	(76)
Income tax expense	**7,180**	7,330

The income tax credited to other comprehensive loss for the year ended December 31, 2015 was $0.03 million relating to the deferred income tax recovery on losses on forward foreign exchange contracts designated as cash flow hedges.

The significant components of the Company's deferred income taxes as at December 31, 2015 and 2014 were as follows:

	December 31, 2015	December 31, 2014
Deferred income tax assets		
Non-capital losses	**38,113**	37,086
Cumulative Canadian exploration expenses	**1,700**	1,700
Depreciable property, plant and equipment	**3,939**	3,993
Investments	**3,337**	4,031
Rehabilitation provisions	**1,953**	3,107
Share based compensation expense	**386**	704
Financing costs	**366**	575
Other	**3,233**	3,243
Gross deferred income tax assets	**53,027**	54,439
Unrecognized tax benefit relating to tax losses	**(48,258)**	(47,755)
Total deferred income tax assets	**4,769**	6,684
Deferred income tax liabilities		
Investments	**1,819**	2,093
Depreciable property, plant and equipment	**56**	2,011
Other	**16**	50
Total deferred income tax liabilities	**1,891**	4,154
Net deferred income tax assets	**2,878**	2,530

As at December 31, 2015, the Company had $2.9 million (December 31, 2014 - $2.6 million) deferred income tax assets and $0.01 million (December 31, 2014 - $0.1 million) deferred income tax liabilities in its consolidated statements of financial position after offsetting deferred income tax assets and liabilities incurred by the same legal entities in the same jurisdictions.

As at December 31, 2015, the Company had Canadian non-capital losses of $108.4 million (December 31, 2014 - $90.0 million) expiring between 2026 and 2035, Serbian non-capital losses of $61.1 million (December 31, 2014 - $85.1 million) expiring between 2016 and 2020, and Bulgarian non-capital losses of $3.8 million (December 31, 2014 - $2.8 million) expiring between 2016 and 2020, for which no deferred income tax assets had been recognized.

Of the total deferred income tax assets recognized in 2015, $4.0 million (2014 – $6.4 million) is expected to be recovered after more than 12 months. Of the total deferred income tax liabilities recognized in 2015, $0.1 million (2014 – $2.0 million) is expected to be payable after more than 12 months.

The Company is subject to assessments by various taxation authorities which may interpret tax legislation and tax filing positions differently than the Company. Such differences are provided for when it is probable that the Company's filing position will not be upheld and the amount of the tax exposure can be reasonably estimated. As at December 31, 2015 and 2014, no provisions have been made in the consolidated financial statements for potential tax liabilities relating to such assessments and interpretations.

22. LOSS PER SHARE

	2015	2014
Net loss attributable to common shareholders		
Basic loss	**(46,989)**	(58,922)
Net gains on equity settled warrants *(note 25(a))*	**-**	(7,734)
Diluted loss	**(46,989)**	(66,656)
Basic weighted average number of common shares outstanding	**140,575,783**	140,196,691
Effect of warrants	**-**	1,870,537
Diluted weighted average number of common shares	**140,575,783**	142,067,228
Basic loss per share	**(0.33)**	(0.42)
Diluted loss per share	**(0.33)**	(0.47)

23. 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 consolidated statements of loss for the years ended December 31, 2015 and 2014 was as follows:

	2015	2014
Salaries, management bonuses and director fees	**4,659**	5,566
Other benefits	**386**	90
Share based compensation	**1,346**	3,131
Total remuneration	**6,391**	8,787

24. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Items not affecting cash and other adjustments:

	2015	2014
Depreciation and amortization	**71,023**	65,864
Net interest expense	**7,806**	7,064
Accretion expense related to rehabilitation provisions	**3,380**	3,914
Share based compensation expense	**1,971**	2,657
Net (gains) losses on Sabina warrants and special warrants	**(278)**	1,400
Net gains on commodity swap contracts	**(35,478)**	(32,417)
Net gains on forward foreign exchange contracts	**(2,080)**	-
Net gains on equity settled warrants	**(3,100)**	(7,734)
Impairment losses on publicly traded securities	**654**	19,247
Impairment losses on exploration and evaluation assets	**803**	70,001
Impairment losses on mine properties	**21,685**	-
Impairment losses on property, plant & equipment	**20,179**	13,059
Impairment losses on intangible assets	**995**	45
Other, net	**(1,384)**	(969)
	86,176	142,131

(b) Changes in non-cash working capital:

	2015	2014
Decrease in accounts receivable and other assets	**9,135**	27,781
Decrease in inventories	**1,657**	1,986
Decrease in accounts payable and accrued liabilities	**(3,760)**	(17,408)
Increase in other liabilities	**163**	72
	7,195	12,431

25. SUPPLEMENTARY SHAREHOLDERS' EQUITY AND WARRANTS INFORMATION

(a) Warrants

DPM had share purchase warrants traded on the TSX and each warrant entitled the holder to purchase one DPM common share at a price of Cdn$3.25. All remaining unexercised warrants expired on November 20, 2015.

The following is a continuity of the equity settled warrants for the years indicated:

	Number of Warrants	Amount
Balance as at December 31, 2013	7,733,664	10,834
Unrealized gains on outstanding warrants *(note 20)*	-	(7,734)
Balance as at December 31, 2014	7,733,664	3,100
Unrealized losses included in net loss *(note 20)*	**-**	**539**
Realized gains on expiration of warrants *(note 20)*	**(7,733,664)**	**(3,639)**
Balance as at December 31, 2015	**-**	**-**

(b) Changes in accumulated other comprehensive loss

	2015	2014
Unrealized losses on forward foreign exchange contracts designated as cash flow hedges		
Balance at beginning of year	**-**	-
Unrealized losses on forward foreign exchange contracts designated as cash flow hedges, net of income taxes	**(28,036)**	-
Realized losses on forward foreign exchange contracts transferred to net loss, net of income taxes	**2,631**	-
Balance at end of year	**(25,405)**	-
Unrealized gains (losses) on publicly traded securities		
Balance at beginning of year	**35**	(11,060)
Unrealized gains (losses) on publicly traded securities, net of income taxes	**5,406**	(8,152)
Impairment loss on publicly traded securities transferred to net loss, net of income taxes	**654**	19,247
Balance at end of year	**6,095**	35
Accumulated currency translation adjustments		
Balance at beginning of year	**(923)**	(666)
Currency translation adjustments	**(191)**	(257)
Balance at end of year	**(1,114)**	(923)
Accumulated other comprehensive loss	**(20,424)**	(888)

26. COMMITMENTS AND OTHER CONTINGENCIES

(a) Contractual obligations

The Company had the following minimum future contractual obligations as at December 31, 2015:

	up to 1 year	1 - 5 years	over 5 years	Total
Debt *(note 14)*	16,250	131,250	-	**147,500**
Finance lease obligations *(note 16)*	3,097	11,103	11,424	**25,624**
Capital commitments	11,119	-	-	**11,119**
Purchase obligations	8,845	-	-	**8,845**
Operating lease obligations	3,842	12,228	8,346	**24,416**
Other obligations	2,037	1,875	70	**3,982**
Total contractual obligations	**45,190**	**156,456**	**19,840**	**221,486**

(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.

27. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise accounts payable and accrued liabilities and long-term debt. The main purpose of these financial instruments is to assist with the management of the Company's short term and long term cash flow requirements. The Company has various financial assets, such as cash and cash equivalents and accounts receivable, which arise directly from its operations.

The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are market risk (which includes commodity price risk, interest rate risk and foreign currency risk), liquidity risk and credit risk. Management reviews each of these risks and establishes policies for managing them as summarized below.

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and the impact on net loss and shareholders' equity, where applicable. Financial instruments affected by market risk include cash and cash equivalents, accounts receivable, investments at fair value, commodity swap contracts, forward foreign exchange contracts, long-term debt, accounts payable and accrued liabilities. The sensitivity has been prepared using financial assets and liabilities held as at the reporting dates. The Company has designated the forward foreign exchange contracts as cash flow hedges and applies hedge accounting on these contracts. The commodity swap contracts that the Company has entered into do not meet existing IFRS criteria for hedge accounting and therefore do not receive hedge accounting treatment notwithstanding the fact that they serve as effective economic hedges.

The Company has established risk management policies to identify and analyze the risks of the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees involved in risk management activities understand their roles and obligations.

Market risk

Market risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risks: commodity price risk, interest rate risk and foreign currency risk. The impact of each of these components is discussed below.

Commodity price risk

The Company is subject to price risk associated with fluctuations in the market prices for metals. The Company sells its products at prices that are effectively determined by reference to the traded prices on the London Metal Exchange and London Bullion Market. The prices of gold, copper, zinc and silver are major factors influencing the Company's business, results of operations and financial condition. The Company regularly enters into derivative contracts to reduce the price exposure associated with the time lag between the provisional and final determination of its concentrate sales. In addition, the Company periodically enters into commodity swap contracts to reduce the price exposure associated with the projected payable copper production. The Company also selectively enters into commodity swap contracts to reduce its price exposure applicable to the projected payable gold contained in Chelopech's pyrite concentrate production.

As at December 31, 2015, a 5% increase or decrease in the metal prices impacting the Company's accounts receivables and outstanding commodity swap contracts, with all other variables held constant, would decrease or increase earnings before income taxes by $5.9 million (2014 - $11.3 million). The impact on equity is the same as the impact on net loss.

The following table demonstrates the effect on 2015 and 2014 earnings before income taxes of a 5% increase in commodity prices on its sales, excluding the impact of any hedges and with all other variables held constant. The impact on equity is the same as the impact on net loss.

Effect of a 5% increase in metal prices on earnings before income taxes

	2015	2014
Gold	**9,684**	10,051
Copper	**4,977**	6,532
Silver	**448**	484
Zinc	**442**	494
Total increase on earnings before income taxes	**15,551**	17,561

The effect of a 5% decrease in metal prices would decrease earnings before income taxes by an equivalent amount.

Interest rate risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash and cash equivalents, floating rate denominated long-term debt and finance lease obligations, the majority of which have associated cash flows based on floating interest rates. For the year ended December 31, 2015, a 100 basis point increase or decrease in interest rates across the yield curve, with all other variables held constant, would increase or decrease earnings by $0.4 million (2014 - $0.1 million), excluding a $0.8 million (2014 - $1.1 million) increase or decrease related to capitalized interest. The impact on equity is the same as the impact on net loss.

Foreign currency risk

The Company's foreign currency exposures arise primarily from a significant portion of its operating and capital costs being denominated in currencies other than the U.S. dollar, the Company's functional currency. The Company periodically undertakes to purchase, in advance, a portion of its foreign denominated cash flow requirements on a spot or forward basis to reduce this exposure. In 2015, the Company also entered into forward foreign exchange contracts in order to reduce the foreign exchange exposure associated with projected operating expenses denominated in foreign currencies.

The following table demonstrates the effect on 2015 and 2014 earnings before income taxes and equity of a 5% change in the key foreign exchange rates impacting the Company's outstanding financial assets and liabilities denominated in foreign currencies, as well as the forward foreign exchange contracts designated as cash flow hedges, with all other variables held constant.

	Effect of a 5% appreciation of the U.S. dollar on			
	Earnings before income taxes		**Equity**	
	2015	2014	**2015**	2014
Euro	**592**	810	**(630)**	810
Namibian Dollar	**859**	576	**(3,687)**	576
Canadian Dollar	**221**	228	**221**	228
Armenian Dram	**(259)**	(247)	**(259)**	(247)
Total increase (decrease)	**1,413**	1,367	**(4,355)**	1,367

The effect of a 5% depreciation of the U.S. dollar would decrease earnings before income taxes by $1.4 million (2014 – $1.4 million) and increase (decrease) equity by $4.4 million (2014 – ($1.4 million)), respectively.

Credit risk

The exposure to credit risk arises through the potential failure of a customer or another third party to meet its contractual obligations to the Company. During 2015, the Company had contracts with seven customers for the sale of its concentrate production. Approximately 48% (2014 - 43%) of the total concentrate sales for the year ended December 31, 2015 were to one customer.

Under the terms of the Company's concentrate sales contracts, the purchasers make an initial advance payment equal to 70% to 90% of the provisional value of each lot at the time title transfers. This serves to mitigate a portion of the Company's credit risk.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, equity investments and derivative financial assets, the Company's maximum exposure is equal to the carrying amount of these instruments. The Company limits its counterparty credit risk on these assets by dealing with highly rated counterparties, issuers that are subject to minimum credit ratings, and/or maximum prescribed exposures.

Liquidity risk

The Company relies on the cash flows generated from its operations, including provisional payments received from its customers, retained cash balances, available lines of credit under its RCF and its ability to raise debt and equity from the capital markets to fund its operating, investment and liquidity needs. The cyclical nature of the Company's businesses and the volatility of capital markets are such that conditions could change dramatically, affecting the Company's cash flow generating capability, its ability to maintain, or draw upon, its RCF or the existing terms under its concentrate sales and/or smelting agreements, as well as its liquidity, cost of capital and its ability to access new capital, which could adversely affect the Company's earnings and cash flows and, in turn, could affect total shareholder returns. To reduce these risks, the Company: (i) prepares regular cash flow forecasts to monitor its capital requirements, available liquidity and compliance to debt covenants; (ii) strives to maintain a prudent capital structure that is comprised primarily of equity financing as well as long-term amortizing debt and a long-term committed RCF; and (iii) targets a minimum level of liquidity comprised of surplus cash balances and/or undrawn committed lines of credit to avoid having to raise additional capital at times when the costs or terms would be regarded as unfavourable.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

				As at December 31, 2015
	up to 1 year	**1 - 5 years**	**over 5 years**	**Total**
Accounts payable and accrued liabilities	**43,108**	**-**	**-**	**43,108**
Forward foreign exchange contracts	**10,117**	**11,228**	**-**	**21,345**
Long term debt	**16,250**	**131,250**	**-**	**147,500**
Finance lease obligations	**3,097**	**11,103**	**11,424**	**25,624**
Other obligations	**2,037**	**1,875**	**70**	**3,982**
	74,609	**155,456**	**11,494**	**241,559**

				As at December 31, 2014
	up to 1 year	1 - 5 years	over 5 years	Total
Accounts payable and accrued liabilities	40,469	-	-	40,469
Commodity swap contracts	34	-	-	34
Long term debt	16,250	142,500	-	158,750
Finance lease obligations	3,149	10,019	13,982	27,150
Other obligations	202	32	24	258
	60,104	152,551	14,006	226,661

Capital management

The Company's objective for capital management is to: (i) maintain sufficient levels of liquidity to fund and support its exploration, development and operating activities; (ii) maintain a strong financial position to ensure it has ready access to debt and equity markets to supplement free cash flow being invested in its growth projects; and (iii) comply with all financial covenants set out in its credit agreements and guarantees. See *note 14* for discussion on the Company's compliance with these requirements. The Company monitors its financial position and the potential impact of adverse market conditions on an ongoing basis. The Company manages its capital structure and makes adjustments to it based on prevailing market conditions and according to its business plan. The Company's long term funding strategy is to maintain a capital structure comprised primarily of equity sourced from equity offerings and net earnings generated from its businesses and, as a result, the targeted level of debt making up the Company's capital base is relatively low. Given the long term nature of the assets being funded and the U.S. dollar denominated revenue stream generated therefrom, the Company's general strategy around any debt financing is to raise long-term U.S. dollar denominated debt to supplement these equity financings.

Overall financial leverage is monitored based upon a number of non-financial and financial factors, including a number of credit related ratios contained in DPM's loan agreements and net debt (defined as total debt less cash and cash equivalents) as a percentage of total capital (defined as total equity plus net debt). As of December 31, 2015, the Company was in compliance with all loan covenants and its net debt as a percentage of total capital was 16% (December 31, 2014 – 15%).

28. OPERATING SEGMENT INFORMATION

Operating segments are components of an entity whose operating results are regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance and for which separate financial information is available.

The Company has three operating segments – Chelopech in Bulgaria, Kapan in Armenia 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.

The accounting policies of the segments are the same as those described in *note 2.2, Significant Accounting Policies*. There are no significant inter-segment transactions that have not been eliminated on consolidation. Segment performance is evaluated based on several operating and financial measures, including net earnings (loss), which is measured consistently with net earnings (loss) in the consolidated financial statements.

The following table summarizes the net earnings (loss) and other relevant information by segment for the years ended December 31, 2015 and 2014:

	Year ended December 31, 2015				
	Chelopech	**Kapan**	**Tsumeb**	**Corporate & Other**	**Total**
Revenue *(a)*	**131,695**	**34,998**	**93,439**	**-**	**260,132**
Cost of sales	**111,230**	**39,359**	**111,698**	**-**	**262,287**
Gross profit (loss)	**20,465**	**(4,361)**	**(18,259)**	**-**	**(2,155)**
General and administrative expenses	**-**	**-**	**-**	**18,630**	**18,630**
Corporate social responsibility expenses	**-**	**-**	**-**	**2,491**	**2,491**
Exploration expenses	**1,297**	**939**	**-**	**3,914**	**6,150**
Finance cost	**890**	**825**	**3,665**	**6,018**	**11,398**
Other (income) expense	**(35,619)**	**40,826**	**(4,828)**	**(341)**	**38**
Earnings (loss) before income taxes	**53,897**	**(46,951)**	**(17,096)**	**(30,712)**	**(40,862)**
Income tax expense	**5,611**	**1,385**	**-**	**184**	**7,180**
Net earnings (loss)	**48,286**	**(48,336)**	**(17,096)**	**(30,896)**	**(48,042)**
Other disclosures					
Depreciation and amortization	**36,497**	**7,325**	**26,444**	**757**	**71,023**
Impairment losses *(b)*	**54**	**42,757**	**-**	**1,505**	**44,316**
Capital expenditures *(c)*	**18,468**	**9,709**	**43,814**	**15,409**	**87,400**

	Year ended December 31, 2014				
	Chelopech	Kapan	Tsumeb	Corporate & Other	Total
Revenue *(a)*	187,220	38,810	97,950	-	323,980
Cost of sales	116,146	43,405	102,676	-	262,227
Gross profit (loss)	71,074	(4,595)	(4,726)	-	61,753
General and administrative expenses	-	-	-	29,589	29,589
Corporate social responsibility expenses	-	-	-	2,659	2,659
Exploration expenses	368	773	-	7,153	8,294
Finance cost	1,559	942	3,894	4,864	11,259
Other (income) expense	(19,407)	69,536	384	14,819	65,332
Earnings (loss) before income taxes	88,554	(75,846)	(9,004)	(59,084)	(55,380)
Income tax expense (recovery)	8,294	(3,691)	-	2,727	7,330
Net earnings (loss)	80,260	(72,155)	(9,004)	(61,811)	(62,710)
Other disclosures					
Depreciation and amortization	33,804	7,263	23,741	1,056	65,864
Impairment losses *(b)*	10,990	71,367	627	19,323	102,307
Capital expenditures *(c)*	30,117	15,036	130,437	8,650	184,240

(a) Chelopech and Kapan's revenues were generated from the sale of concentrate and Tsumeb's revenues were generated from processing concentrate. For the year ended December 31, 2015, revenues from the sale of concentrate of $80.7 million or 48% (2014 - $96.6 million or 43%) and revenues from processing concentrate of $88.9 million (2014 - $98.0 million) or 95% (2014 – 100%) were derived from a single external customer. Revenues from the sale of concentrate of $48.3 million or 29% (2014 - $87.7 million or 39%) were also derived from another single external customer.

(b) Included in the impairment losses were the impairment losses on exploration and evaluation assets, mine properties, property, plant & equipment, intangible assets, and publicly traded securities recognized in other expense *(note 20)* for the years ended December 31, 2015 and 2014.

(c) Capital expenditures represent cash and non-cash additions to exploration and evaluation assets *(note 8)*, mine properties *(note 9)*, property, plant and equipment *(note 10)* and intangible assets *(note 11)*.

The following table summarizes the total assets and total liabilities by segment as at December 31, 2015 and 2014:

				As at December 31, 2015	
	Chelopech	**Kapan**	**Tsumeb**	**Corporate & Other**	**Total**
Total current assets	**45,789**	**31,818**	**14,911**	**14,199**	**106,717**
Total non-current assets	**249,691**	**17,981**	**406,518**	**125,244**	**799,434**
Total assets	**295,480**	**49,799**	**421,429**	**139,443**	**906,151**
Total liabilities	**35,299**	**9,728**	**64,864**	**158,147**	**268,038**

				As at December 31, 2014	
	Chelopech	Kapan	Tsumeb	Corporate & Other	Total
Total current assets	75,234	37,621	7,377	18,571	138,803
Total non-current assets	276,543	58,808	399,414	106,584	841,349
Total assets	351,777	96,429	406,791	125,155	980,152
Total liabilities	45,253	9,091	50,554	171,348	276,246

DPM is domiciled in Canada. Revenues by geographic location are based on the location in which the revenues originate. Revenues by geographic location for the years ended December 31, 2015 and 2014 are summarized below:

				Year ended December 31, 2015	
	Canada	**Europe**	**Armenia**	**Namibia**	**Total**
Revenue	**-**	**131,695**	**34,998**	**93,439**	**260,132**

				Year ended December 31, 2014	
	Canada	Europe	Armenia	Namibia	Total
Revenue	-	187,220	38,810	97,950	323,980

Assets by geographic location as at December 31, 2015 and 2014 are summarized below:

					As at December 31, 2015
	Canada	**Europe**	**Armenia**	**Namibia**	**Total**
Total current assets	**10,712**	**49,276**	**31,818**	**14,911**	**106,717**
Financial assets	**13,911**	**402**	**42**	**1,424**	**15,779**
Deferred income tax assets	**-**	**2,891**	**-**	**-**	**2,891**
Other non-current assets	**3,267**	**354,464**	**17,939**	**405,094**	**780,764**
Total assets	**27,890**	**407,033**	**49,799**	**421,429**	**906,151**

					As at December 31, 2014
	Canada	Europe	Armenia	Namibia	Total
Total current assets	11,972	81,833	37,621	7,377	138,803
Financial assets	8,376	-	-	1,905	10,281
Deferred income tax assets	-	1,308	1,287	-	2,595
Other non-current assets	3,272	370,171	57,521	397,509	828,473
Total assets	23,620	453,312	96,429	406,791	980,152

CORPORATE INFORMATION

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3 Corporate Governance and Nominating Committee
4 Health, Safety and Environment Committee
5 Lead Director

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President and Chief Executive Officer

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David Rae
Executive Vice President and Chief Operating Officer

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Michael Dorfman
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Stock Listing & 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.

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