Dundee Precious Metals Announces 2019 First Quarter Results

5/9/2019

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

TORONTO, May 09, 2019 (GLOBE NEWSWIRE) -- **Dundee Precious Metals Inc. (TSX: DPM)**

First Quarter Financial and Operating Highlights:

- **Metals production –** Achieved gold production of 43,034 ounces and copper production of 8.0 million pounds, in line with 2019 guidance;
- **Smelter –** Achieved throughput of 62,822 tonnes, in line with 2019 guidance, generating positive cash flow;
- **Near term growth –** Construction of the Krumovgrad open pit mine was substantially completed. Ramp-up going well with first concentrate produced in March and commercial production expected in the second quarter of 2019;
- **Cash flow –** Generated $14.4 million in cash flow from operating activities and $10.0 million in free cash flow(1);
- **Cash Costs –** Reported an all-in sustaining cost per ounce of gold(1) of $817, in line with 2019 guidance, and a cash cost per tonne of complex concentrate smelted at Tsumeb, net of by-product credits(1), of $370, which is below the low end of 2019 guidance, and
- **Financial position –** Ended the first quarter of 2019 with approximately $248 million of cash resources, including long-term revolving credit facility ('RCF").

"Chelopech and Tsumeb had a good start to 2019 with production in line with guidance. Krumovgrad achieved a major milestone with first concentrate production in March and is expected to reach commercial production in the second quarter" said Rick Howes, President and CEO. "With Krumovgrad commencing production, we expect a significant increase in gold production and cash flow going forward."

Dundee Precious Metals Inc. ("DPM" or the "Company") today reported first quarter net loss attributable to common shareholders of $1.5 million ($0.01 per share) compared to net earnings attributable to common shareholders of $2.7 million ($0.02 per share) for the same period in 2018.

Net earnings (loss) attributable to common shareholders in the first quarters of 2019 and 2018 were impacted by several items not reflective of the Company's underlying operating performance, including unrealized gains on commodity price hedges that, prior to the adoption of IFRS 9 in 2018, did not receive hedge accounting treatment and net gains and losses on Sabina special warrants, which are excluded from adjusted net earnings (loss)(1).

Adjusted net loss(1) in the first quarter of 2019 was $1.6 million ($0.01 per share) compared to adjusted net earnings of $0.6 million ($nil per share) for the same period in 2018. This decrease was due primarily to higher Chelopech treatment charges related to unfavourable final settlements of provisionally priced concentrate sales, the mark-to-market impact related to strong share price performance and a higher cost per tonne of gold-copper concentrate produced and sold reflecting lower copper grades, partially offset by higher volumes of complex concentrate smelted, higher volumes of payable gold in concentrate sold as a result of higher gold grades in concentrate sold and a stronger U.S. dollar relative to the ZAR and Euro.

Adjusted EBITDA

Adjusted EBITDA(1) during the first quarter of 2019 was $16.7 million compared to $19.5 million in the corresponding period in 2018, reflecting the same factors affecting adjusted net earnings (loss), except for depreciation, interest and income taxes, which are excluded from adjusted EBITDA.

Production

In the first quarter of 2019, gold contained in concentrate produced decreased by 25% to 43,034 ounces and copper production decreased by 13% to 8.0 million, in each case, relative to the corresponding period in 2018. These decreases were due primarily to lower grades at Chelopech, in line with its 2019 mine plan. Chelopech remains on track to meet its 2019 production guidance.

Complex concentrate smelted during the first quarter of 2019 of 62,822 tonnes was 16% higher than the corresponding period in 2018 due primarily to strong performance and a steady state of operations at Tsumeb. This is a record first quarter performance where seasonal power grid instability typically impacts operations, a concern that was successfully mitigated during the quarter.

Deliveries

In the first quarter of 2019, payable gold in concentrate sold increased by 13% to 39,559 ounces and payable copper increased by 4% to 6.3 million pounds, in each case, relative to the corresponding period in 2018. The increase in payable gold was due primarily to higher gold grades in the concentrate sold in 2019.

Cost Measures

Cost of sales in the first quarter of 2019 of $64.7 million was comparable to the corresponding period in 2018. The favourable impact of a stronger U.S. dollar relative to the ZAR and Euro offset the higher cost per tonne of gold-copper concentrate produced and sold at Chelopech, reflecting lower copper grades, and higher local currency expenses at Tsumeb. This increase was due primarily to higher employment costs as a result of higher performance-based compensation and annual increases in line with local inflation, and higher rates for fuel, partially offset by the benefits of cost savings initiatives, which resulted in a decrease in contractor and consultant expenses.

All-in sustaining cost per ounce of gold in the first quarter of 2019 of $817 was $121 higher than the corresponding period in 2018 due primarily to a higher cost per tonne of gold-copper concentrate produced and sold and higher allocated corporate general and administrative expenses as a result of the mark-to-market impact related to strong share price performance, partially offset by the favourable impact of higher gold grades in concentrate sold and a stronger U.S. dollar relative to the Euro.

Cash cost per tonne of complex concentrate smelted at Tsumeb, net of by-product credits, during the first quarter of 2019 of $370 was $129 lower than the corresponding period in 2018 due primarily to higher volumes of complex concentrate smelted, the favourable impact of a weaker ZAR relative to the U.S. dollar and the benefits of cost savings initiatives, partially offset by higher employment costs as a result of higher performance-based compensation and annual increases in line with local inflation, and higher rates for fuel.

Cash provided from operating activities

Cash provided from operating activities in the first quarter of 2019 was $14.4 million compared to $11.0 million in the corresponding period in 2018 reflecting the same factors affecting net earnings (loss) and lower period over period working capital requirements.

Free Cash Flow

Free cash flow in the first quarter of 2019 was $10.0 million compared to $11.0 million in the corresponding period in 2018. Free cash flow was impacted by the same factors affecting cash provided from operating activities, with the exception of changes in working capital, which are excluded from free cash flow, and lower outlays for sustaining capital.

Capital Expenditures

Capital expenditures incurred during the first quarter of 2019 were $20.2 million compared to $30.4 million in the corresponding period in 2018.
First quarter 2019 growth capital expenditures(1), which were mostly related to the construction of the Krumovgrad project, were $17.7 million compared to $25.1 million in the corresponding period in 2018. Sustaining capital expenditures(1) incurred during the first quarter of 2019 were $2.5 million compared to $5.3 million in the corresponding period in 2018 due primarily to the timing of executing planned projects.

Krumovgrad Project, Bulgaria

As at March 31, 2019, construction of the project was substantially completed. Initial operations are going well with first concentrate production achieved during the first quarter, as planned. Achievement of commercial production and commencement of the depreciation of invested capital is on track and is expected to begin in the second quarter of 2019.

Mining of ore and waste continued through the first quarter of 2019 as planned, with 71,000 tonnes of waste and 16,000 tonnes of ore blasted and excavated. Ore was hauled to the ore stockpile and 600 tonnes were fed to the plant during the hot commissioning process during the first quarter.

Timok Gold Project, Serbia

Based on the updated Mineral Resource estimate released in September 2018, the Company continued to progress a scoping study for Timok and, depending on the results of the scoping study, targets to release a preliminary economic assessment in the second quarter of 2019.

Exploration

At Chelopech, diamond drilling continued from underground positions along the Southeast Breccia Pipe Zone (“SEBPZ”) and from surface from the Krasta prospect, located two kilometres northeast of the mine.

At Krumovgrad, geological mapping, trenching and soil sampling are defining additional drill targets on the Chiirite, Elhovo and Lada exploration licenses.

At the Malartic project in Quebec, through an option agreement with Pershimex Resources Corp., a 5,800 metre diamond drill program commenced on the gold-bearing Parfouru deformation zone.

Financial Position

As at March 31, 2019, DPM had $14.0 million of cash, $31.8 million of investments, comprised primarily of its 10.4% interest in Sabina, and $234 million of undrawn capacity under its RCF.

With the start-up of Krumovgrad and the expected increase in operating cash flow, the Company is amending the terms and size of its RCF, resulting in, among other things, pricing improvements and the RCF being reduced to $175 million.

(1) Adjusted net earnings (loss), adjusted basic earnings (loss) per share, adjusted earnings before interest, taxes, depreciation and amortization (“EBITDA”), all-in sustaining cost per ounce of gold, cash cost per tonne of complex concentrate smelted at Tsumeb, net of by-product credits, free cash flow, and growth and sustaining capital expenditures have no standardized meaning under International Financial Reporting Standards ("IFRS"). Presenting these measures from period to period helps management and investors evaluate earnings and cash flow trends more readily in comparison with results from prior periods. Refer to the “Non-GAAP Financial Measures” section of the Management’s Discussion and Analysis for the three months ended March 31, 2019 (the “MD&A”) for further discussion of these items, including reconciliations to IFRS measures.

Key Financial and Operational Highlights

$ millions, except where noted	Three Months	
Ended March 31,	**2019**	2018
Revenue	**85.3**	86.9
Cost of sales	**64.7**	64.4
Earnings (loss) before income taxes	**(1.0)**	5.6
Net earnings (loss) attributable to common shareholders	**(1.5)**	2.7
Basic earnings (loss) per share	**(0.01)**	0.02
Adjusted EBITDA(1)	**16.7**	19.5
Adjusted net earnings (loss)(1)	**(1.6)**	0.6
Adjusted basic earnings (loss) per share(1)	**(0.01)**	0.00
Cash provided from operating activities	**14.4**	11.0
Free cash flow(1)	**10.0**	11.0
Metals contained in concentrate produced:		
Gold (ounces)(2)	**43,034**	57,331
Copper (‘000s pounds)	**8,021**	9,261
Silver (ounces)	**30,735**	54,367
Payable metals concentrate sold:		
Gold (ounces)(3)	**39,559**	35,156
Copper (‘000s pounds)	**6,315**	6,084
Silver (ounces)	**25,061**	36,497
All-in sustaining cost per ounce of gold(1)	**817**	696
Complex concentrate smelted at Tsumeb (tonnes)	**62,822**	54,142
Cash cost per tonne of complex concentrate smelted at Tsumeb, net of by-product credits(1)	**370**	499

Adjusted EBITDA; adjusted net earnings (loss); adjusted basic earnings (loss) per share; free cash flow; all-in sustaining cost per ounce of gold; and cash cost per tonne of complex concentrate smelted at Tsumeb, net of by-product credits, are not defined measures under IFRS. Refer to the “Non-GAAP Financial Measures” section of the MD&A for reconciliations to IFRS measures.

Includes gold contained in pyrite concentrate produced in the first quarter of 2019 of 13,249 ounces compared to 15,148 ounces for the corresponding period in 2018.

Includes payable gold in pyrite concentrate sold in the first quarter of 2019 of 11,053 ounces compared to 10,555 ounces for the corresponding period in 2018.

DPM’s unaudited condensed interim financial statements and MD&A for the three months ended March 31, 2019 are posted on the Company’s website at **www.dundeeprecious.com** and have been filed on SEDAR at **www.sedar.com**.

2019 Guidance

Overall Outlook and Strategy

For 2019, DPM will continue to focus on increasing the profitability of its business by optimizing existing assets and ramping up its new Krumovgrad gold mine, which achieved first concentrate production in the first quarter with commercial production expected in the second quarter. This is expected to generate significant growth in gold production and cash flow, which will further strengthen the Company’s balance sheet and support pursuing a variety of margin improvement and growth opportunities within its existing portfolio of assets. These growth opportunities include exploration programs in Bulgaria, near Chelopech and Krumovgrad, and in Serbia, near the Timok gold project, as well as new investment opportunities that are consistent with the Company’s strategy. These opportunities will be assessed based on a disciplined capital allocation framework that balances the reinvestment of capital with building financial strength, and returning capital to shareholders.

The Company's guidance for 2019 is set out in the following table and remains unchanged from the guidance issued in February 2019, except for the range of Krumovgrad capital expenditures which has been narrowed:

$ millions, unless otherwise indicated	Chelopech	Krumovgrad	Tsumeb	Consolidated
Ore mined ('000s tonnes)	2,100 – 2,200	440 – 590	-	2,540 – 2,790
Cash cost per tonne of ore processed(3),(4)	36 – 39	50 – 60	-	-
Metals contained in concentrate produced(1),(2)				
Gold ('000s ounces)	155 – 187	55 – 75	-	210 – 262
Copper (million pounds)	33 – 39	-	-	33 – 39
Payable metals in concentrate sold(1)				
Gold ('000s ounces)	138 – 165	53 – 72	-	191 - 237
Copper (million pounds)	32 – 37	-	-	32 – 37
All-in sustaining cost per ounce of gold(3),(4),(5),(8)	-	-	-	675 – 820
Complex concentrate smelted ('000s tonnes)	-	-	225 – 250	225 -250
Cash cost per tonne of complex concentrate smelted, net of by-product credits(3),(4)	-	-	380 – 450	380 – 450
Corporate general and administrative expenses(3),(6)	-	-	-	16 – 20
Exploration expenses(3)	-	-	-	12 – 14
Sustaining capital expenditures(3),(4),(7)	16 – 19	4 – 5	14 – 18	38 – 46
Growth capital expenditures(3),(4)	4 – 5	25 – 27	-	29 – 32

Gold produced includes gold in pyrite concentrate produced of 43,000 to 53,000 ounces and payable gold sold includes payable gold in pyrite concentrate sold of 30,000 to 35,000 ounces.

Metals contained in concentrate produced are prior to deductions associated with smelter terms.

Based on Euro/US$ exchange rate of 1.15, US$/ZAR exchange rate of 14.20 and copper price of $2.75 per pound, where applicable.

Cash cost per tonne of ore processed, all-in sustaining cost per ounce of gold and cash cost per tonne of complex concentrate smelted, net of by-product credits, and sustaining and growth capital expenditures have no standardized meaning under IFRS. Refer to the "Non-GAAP Financial Measures" section of the MD&A for more information.

Includes the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, and payable gold in pyrite concentrate sold.

Excludes mark-to-market adjustments on share-based compensation and MineRP Holdings Inc.'s ("MineRP") general and administrative expenses.

Consolidated sustaining capital expenditures include $4 million related to Corporate digital initiatives.

All-in sustaining cost per ounce of gold represents cost of sales at Chelopech and Krumovgrad less Chelopech and Krumovgrad's depreciation, amortization and other non-cash items plus treatment charges, penalties, transportation and other selling costs, sustaining capital expenditures, rehabilitation related accretion expenses and an allocated portion of the Company's general and administrative expenses and corporate social responsibility expenses, less by-product revenues in respect of copper and silver, divided by the payable gold in concentrates sold.

The 2019 guidance provided above is not expected to occur evenly throughout the year. The estimated metals contained in concentrate produced, payable metals in concentrate sold and volumes of complex concentrate smelted are expected to vary from quarter to quarter depending on the areas being mined, the timing of concentrate deliveries and planned outages. The rate of capital expenditures is also expected to vary from quarter to quarter based on the schedule for, and execution of, each capital project.

Chelopech

Gold contained in concentrate produced is expected to be between 155,000 and 187,000 ounces in 2019, reflecting grades returning to expected life of mine levels in 2019. Gold production in 2019 is expected to be higher in the first half based on the existing mine plans.

Sustaining capital expenditures are expected to be higher than in recent years reflecting approximately $6 million to extend the life of Chelopech's tailings management facility. Growth capital expenditures related to resource development drilling and margin improvement projects are expected to be between $4 million to $5 million.

Tsumeb

Complex concentrate smelted in 2019 is expected to be between 225,000 and 250,000 tonnes, an increase of up to 8% over 2018 production levels. Work in 2019 will be targeted at further improving the availability and performance of all facilities, and to support the current 18-month Ausmelt operating cycle and the planned move to 24 months in the next campaign, which would significantly increase average annual throughput and defer the next furnace rebuild to 2021. Volumes of complex concentrate smelted in the second half of 2019 are expected to be lower than the first half due to the maintenance shutdown, which is planned to take place in the fourth quarter at the completion of the current 18-month Ausmelt campaign.

Krumovgrad

As at March 31, 2019, approximately $152 million has been incurred and with an additional $12 million to $14 million forecast for 2019, the aggregate cost of the project is expected to be between $164 million and $166 million, compared to the original estimate of $178 million.

Gold contained in concentrate produced is expected to be between 55,000 and 75,000 ounces in 2019. There is significant operating flexibility given the various grades of current stockpiles, which is expected to reduce the impact of potential delays in ramp-up.

During the first quarter of 2019, the Company amended its prepaid forward gold sales arrangement, shifting the first six months of deliveries scheduled from May 2019 to October 2019 to November 2019 to April 2020 such that 46,210 ounces will now be delivered over a 15-month period commencing November 2019 representing approximately 14% of expected gold deliveries during this period with approximately 75% of the deliveries occurring in 2020.

MineRP

DPM does not anticipate a material contribution to earnings or cash flow from MineRP operating results in 2019 given that it is in a growth ramp-up phase but does expect to see an increase in new customers based on its pipeline of prospective new customers. Chelopech anticipates finalizing the implementation of MineRP's planning software early in the third quarter of 2019, which is expected to support further optimization initiatives being developed in the Smart Center and integration into a new business planning system currently under development.

Exploration

Expenditures related to exploration in 2019 are expected to range between $12 million and $14 million, in line with 2018 spending. The 2019 budget is being used to fund major drilling programs at Chelopech, consisting of 10,000 metres of underground drilling on the SEBPZ and 7,000 metres of surface drilling at the Krasta prospect and other near-mine targets around Chelopech as well as drill programs at Krumovgrad, on the concession and on nearby exploration licenses, for a total 8,900 metres. A further 2,000 metres is planned for exploration and resource drilling at the Timok gold project in Serbia. Elsewhere, the exploration budget for 2019 will be put toward metallurgical test work for the Surnak prospect near Krumovgrad. The remaining exploration budget will be deployed primarily to other greenfield projects in Bulgaria, Serbia and Quebec.

Qualified Person

The technical information in this press release, 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, who is a Qualified Person as defined under NI 43-101, and not independent of the Company.

2019 First Quarter Results Call and Webcast (Listen/View only)

The Company will hold a call and webcast to discuss its 2019 first quarter results on Friday, May 10, 2019 at 9:00 a.m. EST. The call will be hosted by Rick Howes, President and Chief Executive Officer, who will be joined by Hume Kyle, Executive Vice President and Chief Financial Officer, together with other members of the executive management team. The call will be accessible via a live webcast and by telephone.

Date:	Friday, May 10, 2019
Time:	9:00 am EST
Webcast:	**https://edge.media-server.com/m6/p/vtvdhykj**
Canada and USA	1-844-264-2104

Toll Free:	
Outside Canada or USA:	1-270-823-1169
Replay:	1-855-859-2056
Replay Passcode:	1694608

2019 Annual General Meeting

The Company will be holding its 2019 Annual General Meeting on Friday, May 10, 2019 at 2:00 pm (E.S.T.) at The Design Exchange located at 234 Bay Street, Toronto, Ontario. This event will be webcast live and will be available on the Company website at **www.dundeeprecious.com**

Date:	Friday, May 10, 2019
Time:	2:00 pm EST
Webcast:	**https://www.meetview.com/dpm20190510/**

About Dundee Precious Metals

Dundee Precious Metals Inc. is a Canadian based, international gold mining company engaged in the acquisition of mineral properties, exploration, development, mining and processing of precious metals. The Company's operating assets include the Chelopech operation, which produces a gold-copper concentrate containing gold, copper and silver and a pyrite concentrate containing gold, located east of Sofia, Bulgaria; the Krumovgrad project, which produces a gold concentrate containing gold and silver, located in southern Bulgaria; and the Tsumeb smelter, a complex copper concentrate processing facility located in Namibia. DPM also holds interests in a number of developing gold and exploration properties located in Canada and Serbia, and its 10.3% interest in Sabina Gold & Silver Corp.

Cautionary Note Regarding Forward Looking Statements

This press release contains “forward looking statements” or “forward looking information” (collectively, “Forward Looking Statements”) that involve a number of risks and uncertainties. Statements that constitute Forward Looking Statements include, but are not limited to, certain statements with respect to the estimated capital costs, key project operating costs and financial metrics and other project economics with respect to Krumovgrad; the timing of the completion of construction, commissioning activities, commencement of production and the receipt of the operating permit in respect of Krumovgrad, timing of further optimization work at Tsumeb and potential benefits of the planned rotary furnace installation; price of gold, copper, silver and acid, toll rates, metals exposure and stockpile interest deductions; the estimation of Mineral Reserves and Mineral Resources and the realization of such mineral estimates; the timing and amount of estimated future production and output, life of mine, costs of production, cash costs and other cost measures, capital expenditures, rates of return at Krumovgrad and other deposits and timing of the development of new deposits; results of economic studies; success of exploration activities; permitting time lines; currency fluctuations; requirements for additional capital; government regulation of mining and smelting operations; success of permitting activities; environmental risks; reclamation expenses; potential or anticipated outcome of title disputes or claims; benefits of digital initiatives; 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. Forward Looking Statements are based on certain key assumptions and the opinions and estimates of management and Qualified Persons (in the case of technical and scientific information), 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 press release, such factors include, among others: the uncertainties with respect to the actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations and economic studies; changes in project parameters as plans continue to be refined; possible variations in ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; uncertainties and risks inherent to developing and commissioning new mines into production, such as the Krumovgrad project, which may be subject to unforeseen delays; 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; social and non-government organizations opposition to mining projects and smelting operations; uncertainties inherent with conducting business in foreign jurisdictions where corruption, civil unrest, political instability and uncertainties with the rule of law may impact the Company’s activities; fluctuations in metal and acid prices, toll rates and foreign exchange rates; unanticipated title disputes; claims or litigation; limitation on insurance coverage; cyber attacks; risks related to the implementation, cost and realization of benefits from digital initiatives; failure to realize projected financial results from MineRP Holdings Inc.; risks related to operating a technology business reliant on the ownership, protection and ongoing development of key intellectual properties; as well as those risk factors discussed or referred to in the Company’s MD&A under the heading “Risks and Uncertainties” and under the heading “Cautionary Note Regarding Forward Looking Statements” which include further details on material assumptions used to develop such Forward Looking Statements and material risk factors that could cause actual results to differ materially from Forward Looking Statements, and other documents (including without limitation the Company’s most recent Annual Information Form) 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 opinions should change. Accordingly, readers are cautioned not to place undue reliance on Forward Looking Statements.

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