Dundee
PRECIOUS METALS

2018 FOURTH QUARTER REPORT

DELIVERING ON OUR STRATEGY

MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations

for the Three and Twelve Months Ended December 31, 2018

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

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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, 2018. This MD&A should be read in conjunction with DPM's audited consolidated financial statements for the year ended December 31, 2018 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, 2018. 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 12, 2019.

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").

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

DPM's principal subsidiaries include:

- 100% of Dundee Precious Metals Chelopech EAD ("Chelopech"), which owns and operates a gold, copper and silver mine located east of Sofia, Bulgaria;
- 100% of Dundee Precious Metals Krumovgrad EAD ("Krumovgrad"), which is currently constructing a gold mine located in south eastern Bulgaria, near the town of Krumovgrad, that is expected to commence production in the first quarter of 2019; and
- 100% of Dundee Precious Metals Tsumeb (Proprietary) Limited ("Tsumeb"), which owns and operates a custom smelter located in Tsumeb, Namibia.

DPM also holds interests in a number of exploration properties located in Canada, Serbia and Armenia, including:

- 10.5% of Sabina Gold & Silver Corp. ("Sabina"), which is focused on the Back River project in southwestern Nunavut, Canada;
- 100% of Avala Resources Ltd. ("Avala"), which is focused on the exploration and development of the Timok gold project, the Lenovac project, the Tulare copper and gold project and other early stage projects in Serbia; and
- through an option agreement, the right to earn up to a 71% interest in Pershimex Resources Corporation's (formerly Khalkos Exploration Inc.) gold property located in the Archean Abitibi greenstone belt near Val-d'Or, Canada.

DPM also owns:

- 78% equity interest in MineRP Holdings (Proprietary) Limited, an independent mining software vendor with operations in Canada, South Africa, Australia and Chile, through MineRP Holdings Inc. ("MineRP").

Summary of Significant Operational and Financial Highlights

Financial results in 2018 reflected strong operating performance that resulted in record annual volumes of complex concentrate smelted and gold produced, and stronger realized metal prices.

Chelopech

- Recorded one million lost-time injury ("LTI") free hours in 2018.
- Achieved record gold production of 201,095 ounces, up 2% relative to 2017, and outperformed the guidance issued in February 2018, which was updated twice in 2018. Copper production of 36.7 million pounds was up 3% relative to 2017 and was in line with the 2018 guidance.
- Sold 163,595 ounces of payable gold and 33.7 million pounds of payable copper generating revenue of $213.6 million. Payable copper was in line with guidance, while payable gold was at the high end of guidance.
- Cost of sales of $110.2 million was $3.5 million lower than 2017 due primarily to lower depreciation and lower operating expenses, partially offset by a stronger Euro relative to the U.S. dollar. Cash

cost per ounce of gold sold, net of by-product credits(1), of $539 was $59 lower than 2017 due primarily to higher by-product prices and lower treatment charges.
- Generated earnings before income taxes of $102.3 million and adjusted EBITDA(1) of $116.8 million.

Tsumeb
- Recorded two million LTI free hours in 2018.
- Complex concentrate smelted of 232,043 tonnes, a new annual record, was 6% higher than 2017, in line with 2018 guidance, generating revenue of $152.3 million.
- Cost of sales of $151.7 million was comparable to 2017 as the benefits of cost savings initiatives offset the stronger ZAR relative to the U.S. dollar. Cash cost per tonne of complex concentrate smelted, net of by-product credits(1), of $445 was 3% lower than 2017 due primarily to higher volumes of complex concentrate smelted and a reduction in operating expenses through cost savings initiatives, partially offset by higher labour costs and electricity rates, and a stronger ZAR relative to the U.S. dollar.
- Generated a loss before income taxes of $5.2 million and adjusted EBITDA of $23.1 million.

Krumovgrad
- Recorded two million LTI free hours in 2018.
- Construction continued through the period and, as at December 31, 2018, the project was approximately 92% complete, based on installed quantities, compared with a planned completion of 99%. Structural, mechanical, piping, electrical and instrumentation (”SMPEI”) installation progressed through the fourth quarter and first concentrate production is expected in the first quarter of 2019.

Timok gold project
- In September, announced an updated Mineral Resource estimate for the Timok gold project and commenced a scoping study, which, depending of the results, could lead to a Preliminary Economic Assessment being undertaken in the first half of 2019.
- Diamond drilling identified several intervals of significant gold mineralization outside the new resource models at both the Bigar Hill and Korkan deposits.

Exploration
- At Chelopech, underground drilling in the South East Breccia Pipe Zone (“SEBPZ”) identified two zones of high sulphidation copper-gold mineralization warranting follow-up drilling. At the Krasta prospect, located approximately two kilometres northwest of the Chelopech mine, a second phase of surface diamond drilling was in progress at the end of the year. Fourteen of 15 holes intersected high sulphidation copper-gold mineralization over a strike length of 300 metres between 130 and 400 metres from surface.
- At Krumovgrad, a resource drill program was completed at the Surnak deposit, located approximately four kilometres to the east of the Krumovgrad project mine site. The aim of this drilling was to improve the geological model and to collect material for metallurgical testwork.

Other
- Approximately 83% of projected Namibian dollar operating expenses for 2019 were hedged with options providing an average floor price of 14.00 and an average ceiling price of 15.46.
- In May, DPM announced it has further strengthened its stakeholder partnerships in Namibia through a transaction to address the empowerment initiatives being developed to aid previously disadvantaged Namibians whereby it has entered into an agreement with Greyhorse Mining (Pty) Ltd. (“GHM”) pursuant to which GHM will acquire an indirect 8% equity interest in Tsumeb. This transaction is subject to the execution of definitive documentation, which has been substantially agreed to, with closing expected to occur in 2019. An additional 2% indirect equity interest in Tsumeb will be acquired by an employee trust benefiting Tsumeb’s employees and is also expected to be completed in 2019.
- DPM also continues to adopt MineRP and other digital technologies and is intent on introducing mine planning enhancements and intelligent use of data. Key benefits expected from these initiatives are data unification to a single platform; rapid, parametric life-of-mine design and sequence; and real-time monitoring of performance versus plan and reaction to interruptions.
- Cash resources, including DPM’s long-term revolving credit facility (“RCF”), were $255 million as at December 31, 2018.

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

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

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2018**	2017	**2018**	2017
Financial Results				
Revenue	**83,007**	94,912	**377,111**	348,755
Cost of sales	**65,619**	68,482	**272,863**	267,123
Depreciation and amortization	**14,812**	14,626	**58,944**	61,851
Other expense	**2,314**	13,360	**8,525**	36,290
Earnings (loss) before income taxes	**(1,636)**	273	**44,414**	4,849
Income tax expense (recovery)	**(75)**	1,997	**7,242**	5,210
Net earnings (loss) attributable to common shareholders	**(1,291)**	(1,346)	**38,113**	217
Basic earnings (loss) per share	**(0.01)**	(0.01)	**0.21**	0.00
Adjusted EBITDA[1]	**12,458**	21,800	**99,467**	92,101
Adjusted earnings (loss) before income taxes[1]	**(4,022)**	5,466	**33,626**	22,974
Adjusted net earnings (loss)[1]	**(3,062)**	3,429	**29,026**	16,701
Adjusted basic earnings (loss) per share[1]	**(0.02)**	0.02	**0.16**	0.09
Cash provided from operating activities	**32,689**	29,133	**98,157**	109,910
Cash provided from operating activities, before changes in non-cash working capital[1]	**5,748**	20,284	**86,789**	89,892
Free cash flow[1]	**(4,288)**	14,584	**53,945**	46,155
Capital expenditures incurred:				
Growth[1]	**14,168**	24,213	**80,079**	75,189
Sustaining[1]	**9,504**	4,412	**27,371**	20,790
Total capital expenditures	**23,672**	28,625	**107,450**	95,979
Operational Highlights				
Metals contained in concentrate produced:				
Gold *(ounces)*[2]	**45,848**	49,390	**201,095**	197,684
Copper *('000s pounds)*	**8,559**	9,451	**36,673**	35,773
Payable metals in concentrate sold:				
Gold *(ounces)*[3]	**33,455**	48,906	**163,595**	171,969
Copper *('000s pounds)*	**7,070**	9,927	**33,651**	34,367
Cash cost per tonne of ore processed[1],[4]	**39.33**	36.83	**36.35**	34.20
Cash cost per ounce of gold sold, net of by-product credits[1],[5],[6],[7]	**631**	677	**539**	598
All-in sustaining cost per ounce of gold[1],[5],[7],[8]	**864**	802	**659**	729
Complex concentrate smelted at Tsumeb *(mt)*	**63,061**	58,983	**232,043**	219,252
Cash cost per tonne of complex concentrate smelted at Tsumeb, net of by-product credits[1],[9]	**413**	406	**445**	458

As at,	**December 31, 2018**	December 31, 2017
Financial Position		
Cash	**17,043**	28,767
Investments at fair value	**29,997**	48,411
Total assets	**859,585**	845,283
Debt	**29,000**	23,000
Equity	**638,181**	633,488
Number of common shares outstanding *('000s)*	**178,548**	178,493
Share price (Cdn$ per share)	**3.60**	3.00

1) Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"); adjusted earnings (loss) before income taxes; adjusted net earnings (loss); adjusted basic earnings (loss) per share; cash provided from operating activities, before changes in non-cash working capital; free cash flow; growth and sustaining capital expenditures; cash cost per tonne of ore processed; cash cost per ounce of gold sold, net of by-product credits; all-in sustaining cost per ounce of gold; and cash cost per tonne of complex concentrate smelted, net of by-product credits, are not defined measures under IFRS. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS measures.

2) *Includes gold contained in pyrite concentrate produced in the fourth quarter and twelve months of 2018 of 11,918 ounces and 59,255 ounces, respectively, compared to 12,938 ounces and 56,449 ounces for the corresponding periods in 2017.*
3) *Includes payable gold in pyrite concentrate sold in the fourth quarter and twelve months of 2018 of 8,956 ounces and 36,737 ounces, respectively, compared to 10,783 ounces and 35,714 ounces for the corresponding periods in 2017.*
4) *Cash cost per tonne of ore processed represents Chelopech related production expenses, including mining, processing, services, royalties and general and administrative, divided by tonnes of ore processed.*
5) *Includes payable gold in pyrite concentrate sold, and the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate of $6.3 million and $24.5 million in the fourth quarter and twelve months of 2018, respectively, compared to $8.1 million and $26.3 million in the corresponding periods in 2017. Cash cost per ounce of gold sold, net of by-product credits, excluding payable gold in pyrite concentrate sold and related costs, in the fourth quarter and twelve months of 2018 was $605 and $502, respectively, compared to $656 and $561 for the corresponding periods in 2017. All-in sustaining cost per ounce of gold, excluding payable gold in pyrite concentrate sold and related costs, in the fourth quarter and twelve months of 2018 was $922 and $657, respectively, compared to $816 and $726 for the corresponding periods in 2017.*
6) *Cash cost per ounce of gold sold, net of by-product credits, represents cost of sales at Chelopech less depreciation, amortization and other non-cash expenses plus treatment charges, penalties, transportation and other selling costs less by-product copper and silver revenues, including realized losses on copper swap and option contracts, divided by the payable gold in copper and pyrite concentrates sold.*
7) *Includes realized losses on copper swap and option contracts, entered to hedge a portion of projected payable production, of $0.8 million and $6.3 million during the fourth quarter and twelve months of 2018, respectively, compared to $5.6 million and $12.8 million for the corresponding periods in 2017.*
8) *All-in sustaining cost per ounce of gold represents cost of sales at Chelopech less depreciation, amortization and other non-cash items plus treatment charges, penalties, transportation and other selling costs, sustaining capital expenditures, rehabilitation related accretion expenses and an allocated portion of the Company's general and administrative expenses and corporate social responsibility expenses, less by-product revenues in respect of copper and silver, including realized losses on copper swap and option contracts, divided by the payable gold in copper and pyrite concentrates sold.*
9) *Cash cost per tonne of complex concentrate smelted, net of by-product credits at Tsumeb represents cost of sales less depreciation and amortization and net of revenue related to the sale of acid divided by the volumes of complex concentrate smelted.*

REVIEW OF CONSOLIDATED RESULTS

Market Trends

Commodity prices are one of the principal determinants of the Company's results of operations and financial condition. In addition, as an entity reporting in U.S. dollars with operations in several countries, fluctuations in foreign exchange rates between the U.S. dollar and the Bulgarian lev, which is pegged to the Euro, the Namibian dollar, which is pegged to the South African rand ("ZAR") on a 1:1 basis, and the Canadian dollar ("Cdn$") can also impact the Company's results of operations and financial condition.

The following table summarizes the average trading price for gold, copper and silver based on the London Bullion Market Association ("LBMA") for gold and silver, and the London Metal Exchange ("LME") for copper (Grade A) for the three and twelve months ended December 31, 2018 and 2017 and highlights the overall year over year strength (weakness) in commodity prices.

Metal Market Prices (Average)	**Three Months**			**Twelve Months**		
Ended December 31,	**2018**	2017	**Change**	**2018**	2017	**Change**
LBMA gold *($/ounce)*	**1,228**	1,275	**(4%)**	**1,269**	1,257	**1%**
LME settlement copper *($/pound)*	**2.80**	3.09	**(9%)**	**2.96**	2.80	**6%**
LBMA spot silver *($/ounce)*	**14.55**	16.70	**(13%)**	**15.71**	17.05	**(8%)**

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 (weakness) of the U.S. dollar relative to these currencies.

Average Foreign Exchange Rates	**Three Months**			**Twelve Months**		
Ended December 31,	**2018**	2017	**Change**	**2018**	2017	**Change**
US$/Cdn$	**1.3214**	1.2715	**4%**	**1.2961**	1.2980	**-**
Euro/US$	**1.1409**	1.1777	**3%**	**1.1812**	1.1295	**(5%)**
US$/ZAR	**14.2855**	13.6269	**5%**	**13.2285**	13.2954	**(1%)**

The following table sets out the applicable closing foreign exchange rates as at December 31, 2018 and 2017 and the extent to which the U.S. dollar has strengthened relative to each of the currencies.

Closing Foreign Exchange Rates Ended December 31,	**2018**	2017	**Change**
US$/Cdn$	**1.3642**	1.2545	**9%**
Euro/US$	**1.1444**	1.1979	**4%**
US$/ZAR	**14.3815**	12.3551	**16%**

Operational Highlights

Production

In the fourth quarter of 2018, gold contained in concentrate produced decreased by 7% to 45,848 ounces relative to the corresponding period in 2017 due primarily to lower gold grades. Copper production in the fourth quarter of 2018 decreased by 9% to 8.6 million pounds relative to the corresponding period in 2017 due primarily to lower copper grades and recoveries.

In 2018, gold contained in concentrate produced increased by 2% to 201,095 ounces and copper production increased by 3% to 36.7 million pounds, in each case, relative to 2017. The increase in gold production was due primarily to increased recoveries resulting from the benefits of various initiatives with a specific focus on improving metallurgical performance. The increase in copper production was due primarily to higher grades and recoveries.

Deliveries

In the fourth quarter of 2018, payable gold in concentrate sold decreased by 32% to 33,455 ounces and payable copper decreased by 29% to 7.1 million pounds, in each case, relative to the corresponding period in 2017. These decreases were due primarily to the timing of copper concentrate deliveries, where in the fourth quarter of 2018 there were two deliveries, as planned and in line with guidance, compared to three deliveries in the fourth quarter of 2017.

In 2018, payable gold in concentrate sold decreased by 5% to 163,595 ounces and payable copper decreased by 2% to 33.7 million pounds, in each case, relative to 2017. The decrease in payable gold was due primarily to the timing of copper concentrate deliveries resulting in an inventory build-up of 1,563 tonnes in 2018 compared with an inventory drawdown of 2,650 tonnes in 2017, and lower gold grades in copper concentrate sold. The decrease in payable copper was also due to the timing of deliveries. Payable copper in 2018 was in line with guidance, while payable gold was at the high end of guidance.

Complex concentrate smelted

Complex concentrate smelted during the fourth quarter and twelve months of 2018 of 63,061 tonnes and 232,043 tonnes, respectively, was 7% and 6% higher than the corresponding periods in 2017 due primarily to increased availability of all facilities, including the high pressure oxygen plant, the performance of which has been optimized over the course of 2018.

Financial Highlights

Revenue

Revenue during the fourth quarter of 2018 of $83.0 million was $11.9 million lower than the corresponding period in 2017 due primarily to lower copper concentrate deliveries, partially offset by higher volumes of complex concentrate smelted at Tsumeb.

Revenue during 2018 of $377.1 million was $28.4 million higher than 2017 due primarily to higher volumes of complex concentrate smelted, lower treatment charges at Chelopech and higher realized gold and copper prices, partially offset by lower volumes of payable gold in concentrate sold as a result of lower gold grades in concentrate sold and the timing of deliveries and lower third party toll rates at Tsumeb. Revenue in 2018 also included $11.1 million from MineRP compared to $1.8 million in 2017.

The average realized gold price for the fourth quarter of 2018 was $1,238 per ounce, down 3% relative to the corresponding period in 2017, while the average realized gold price in 2018 of $1,271 per ounce was comparable to 2017. The average realized copper price, including the impact of hedging, for the fourth quarter and twelve months of 2018 was $2.65 per pound and $2.76 per pound, respectively, up 5% and up 12% compared to $2.53 per pound and $2.47 per pound in the corresponding periods in 2017. Average

realized gold and copper prices are not defined measures under IFRS. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliation to IFRS.

Cost of sales

Cost of sales in the fourth quarter of 2018 of $65.7 million was $2.8 million lower than the corresponding period in 2017 due primarily to the timing of copper concentrate deliveries, partially offset by higher operating expenses at Tsumeb consistent with the increase in complex concentrate smelted. Cost of sales in the fourth quarter of 2018 also included $2.4 million from MineRP compared to $0.1 million in the corresponding period in 2017.

Cost of sales in 2018 of $272.9 million was $5.8 million higher than 2017 due primarily to reporting a full year of MineRP results following the fourth quarter of 2017 acquisition and a weaker U.S. dollar, partially offset by lower depreciation related to extending Chelopech's mine life. Cost of sales in 2018 included $11.0 million from MineRP compared to $0.1 million in 2017.

All-in sustaining cost per ounce of gold

All-in sustaining cost per ounce of gold in the fourth quarter of 2018 of $864 was $62 higher than the corresponding period in 2017 due primarily to lower gold grades in concentrate sold and lower by-product credits as a result of lower volumes of copper sold, partially offset by lower treatment charges.

All-in sustaining cost per ounce of gold in 2018 of $659 was $70 lower than 2017 due primarily to higher by-product credits as a result of higher realized copper prices, lower cash outlays for sustaining capital expenditures and lower treatment charges, partially offset by lower gold grades in concentrate sold.

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

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the fourth quarter of 2018 of $413 was comparable to the corresponding period in 2017.

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during 2018 of $445 was 3% or $13 lower than 2017 due primarily to higher volumes of complex concentrate smelted, higher acid by-product credits and Tsumeb's cost reduction program, which resulted in lower contractor and consultant expenses, partially offset by higher labour costs and electricity rates, and a stronger ZAR relative to the U.S. dollar.

Other expense

Other expense is primarily comprised of foreign exchange translation gains or losses, unrealized gains or losses on Sabina special warrants, and research costs associated with assessing alternate arsenic stabilization and disposal methods at Tsumeb.

The following table summarizes the items making up other expense:

$ thousands	**Three Months**		**Twelve Months**	
Ended December 31,	**2018**	2017	**2018**	2017
Net (gains) losses on Sabina special and other warrants	**166**	(369)	**2,624**	(3,015)
Net losses on commodity swap and option contracts	**-**	10,593	**-**	32,567
Impairment reversal on property, plant & equipment	**(2,457)**	-	**(2,457)**	-
Impairment charges on intangible assets	**2,346**	-	**2,346**	-
Net gains on foreign exchange forward contracts	**-**	(307)	**-**	(878)
Net foreign exchange losses(1)	**1,926**	2,688	**2,242**	8,600
Interest income	**(101)**	(82)	**(327)**	(294)
Other (income) expense, net(2)	**434**	837	**4,097**	(690)
Total other expense	**2,314**	13,360	**8,525**	36,290

1) *Primarily related to the revaluation of foreign denominated monetary assets and liabilities.*
2) *Includes $0.7 million (2017 - $0.2 million) and $2.9 million (2017 - $0.2 million) in the fourth quarter and twelve months of 2018, respectively, in respect of testwork being done to treat arsenic using an arsenic vitrification demonstration plant.*

With the adoption of IFRS 9, *Financial Instruments*, on January 1, 2018, unrealized gains and losses on commodity and foreign exchange contracts that receive hedge accounting treatment are recognized in other comprehensive income (loss).

As a result, the Company recognized net gains of $2.7 million and $9.4 million for the three and twelve months ended December 31, 2018, respectively, in revenue on settled contracts. Had the Company not adopted IFRS 9, these net gains would have been recognized in other expense in the consolidated statements of earnings (loss). For more details, refer to the “Changes in Accounting Policies” in note 2.2 to DPM’s consolidated financial statements for the year ended December 31, 2018.

In January 2019, the Company sold its 2% net smelter royalty on the Kapan mine, which was sold in 2016, for gross proceeds of $5.5 million. An impairment charge of $2.3 million related to this transaction was recognized in other expense in the fourth quarter and twelve months of 2018.

Income tax expense (recovery)

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, 2018 and 2017, 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 corporate operating, exploration and development costs.

$ thousands, unless otherwise indicated	**Three Months**		**Twelve Months**	
Ended December 31,	**2018**	2017	**2018**	2017
Earnings (loss) before income taxes	**(1,636)**	273	**44,414**	4,849
Combined Canadian federal and provincial statutory income tax rates	**26.5%**	26.5%	**26.5%**	26.5%
Expected income tax expense (recovery)	**(433)**	72	**11,770**	1,285
Lower rates on foreign earnings	**(8,666)**	(1,082)	**(22,413)**	(3,852)
Unrecognized tax benefits relating to losses	**6,221**	3,264	**13,476**	9,448
Non-taxable portion of capital (gains) losses	**2,870**	(187)	**3,509**	(1,617)
Non-deductible share based compensation expense	**69**	68	**303**	318
Other, net	**(136)**	(138)	**597**	(372)
Income tax expense (recovery)	**(75)**	1,997	**7,242**	5,210
Effective income tax rates	**(4.6%)**	731.5%	**16.3%**	107.4%

Net earnings (loss) attributable to common shareholders

In the fourth quarter of 2018, the Company reported a net loss attributable to common shareholders of $1.3 million, which was comparable to the corresponding period in 2017.

In 2018, the Company reported net earnings attributable to common shareholders of $38.1 million compared to $0.2 million in 2017. This increase was due primarily to higher volumes of complex concentrate smelted at Tsumeb, lower treatment charges at Chelopech and higher realized copper and gold prices, partially offset by lower copper concentrate deliveries, as a result of lower gold grades in copper concentrate sold and the timing of deliveries, a weaker U.S. dollar relative to the Euro and ZAR and lower third party toll rates at Tsumeb.

Net earnings (loss) attributable to common shareholders for the fourth quarter and twelve months of 2018 and 2017 were also impacted by net after-tax gains of $1.8 million (2017 – after-tax losses of $4.8 million) and $9.1 million (2017 – after-tax losses of $16.5 million), respectively, related to several items not reflective of the Company’s underlying operating performance, including unrealized gains and losses on commodity price and foreign exchange hedges that in 2017, prior to the adoption of IFRS 9, did not receive hedge accounting and net gains and losses on Sabina special warrants, each of which are excluded from adjusted net earnings (loss).

Adjusted net earnings (loss)

Adjusted net loss in the fourth quarter of 2018 was $3.1 million compared to adjusted net earnings of $3.4 million in the corresponding period in 2017. Adjusted net earnings in 2018 were $29.0 million compared to $16.7 million in 2017.

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

($ millions) **Ended December 31,**	**Three Months**	**Twelve Months**
Adjusted net earnings - 2017	**3.4**	**16.7**
Higher smelter volumes	3.5	12.3
Lower treatment charges at Chelopech	6.1	11.3
Higher realized metal prices[(1)]	0.9	10.9
Stockpile interest, slag mill concentrate returns and metals recoveries	1.9	6.2
Lower volumes of metals sold due to timing	(14.0)	(12.1)
Weaker U.S. dollar[(3)]	(0.9)	(8.2)
Lower smelter toll rates	(3.0)	(7.8)
All other, net	(1.0)	(0.3)
Adjusted net earnings (loss) - 2018	**(3.1)**	**29.0**

1) Includes net gains and losses on commodity swap and option contracts.
2) Includes net realized gains and losses on foreign exchange forward contracts.

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter and twelve months of 2018 was $12.5 million and $99.5 million, respectively, compared to $21.8 million and $92.1 million in the corresponding periods in 2017 reflecting the same factors that affected adjusted net earnings (loss), except for depreciation, interest and income taxes, which are excluded from adjusted EBITDA.

The following table summarizes adjusted EBITDA by segment:

$ thousands	**Three Months**		**Twelve Months**	
Ended December 31,	**2018**	2017	**2018**	2017
Chelopech	**20,994**	25,941	**116,805**	107,869
Tsumeb	**5,848**	5,256	**23,117**	13,959
Corporate & Other	**(14,384)**	(9,397)	**(40,455)**	(29,727)
Total adjusted EBITDA	**12,458**	21,800	**99,467**	92,101

The Corporate and Other Segment includes MineRP, corporate general and administrative expenses, corporate social responsibility expenses, exploration and development projects, and other income and expense 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, Tsumeb and Corporate & Other results.

Cash provided from operating activities

Cash provided from operating activities in the fourth quarter of 2018 was $32.7 million compared to $29.1 million in the corresponding period in 2017. This increase was due primarily to a favourable change in non-cash working capital, partially offset by the timing of copper concentrate deliveries, where in the fourth quarter of 2018 there were two deliveries, as planned and in line with guidance, compared to three deliveries in the fourth quarter of 2017. Cash provided from operating activities in 2018 was $98.1 million compared to $109.9 million in 2017. This decrease was due primarily to an unfavourable period over period change in non-cash working capital, lower results from MineRP and higher general and administrative expenses, partially offset by improved results from Chelopech and Tsumeb.

The favourable change in non-cash working capital in the fourth quarter of 2018 of $26.9 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers and an

increase in accounts payable and accrued liabilities as a result of the timing of payments to suppliers, partially offset by an increase in inventory as a result of the timing of copper concentrate deliveries and an increase in ore inventory at Krumovgrad following the start of mining activities. The favourable change in non-cash working capital in the fourth quarter of 2017 of $8.8 million was due primarily to an increase in accounts payable and accrued liabilities and a decrease in inventories.

The favourable change in non-cash working capital in 2018 of $11.3 million was due primarily to an increase in accounts payable and accrued liabilities as a result of the timing of payments to suppliers and a decrease in accounts receivable as a result of the timing of receipts from customers, partially offset by an increase in inventories as a result of the timing of copper concentrate deliveries and an increase in ore inventory at Krumovgrad following the start of mining activities. The favourable change in non-cash working capital in 2017 of $20.0 million was due primarily to an increase in accounts payable and accrued liabilities, and a decrease in accounts receivable and other assets, in each case, as a resulting of timing.

Cash provided from operating activities, before changes in non-cash working capital, during the fourth quarter of 2018 was $5.8 million compared to $20.3 million in the corresponding period in 2017. This decrease was due primarily to the timing of copper concentrate deliveries, where in the fourth quarter of 2018 there were two deliveries, as planned and in line with guidance, compared to three deliveries in the fourth quarter of 2017. Cash provided from operating activities, before changes in non-cash working capital, in 2018 was $86.8 million compared to $89.9 million in 2017. This decrease was due primarily to lower results from MineRP and higher general and administrative expenses, partially offset by improved results from Chelopech and Tsumeb.

Free cash flow

Free cash flow in the fourth quarter of 2018 was negative $4.3 million compared to free cash flow of $14.6 million in the corresponding period in 2017. This decrease was due primarily to the same factors impacting cash provided from operating activities, excluding the favourable change in non-cash working capital, as well as higher outflows for sustaining capital expenditures. Free cash flow in 2018 was $53.9 million compared to $46.2 million in 2017. This increase was due primarily to the same factors impacting cash provided from operating activities, excluding the unfavourable period over period change in working capital, and the repayment of term loans of $16.3 million in 2017, partially offset by higher outflows for sustaining capital expenditures.

Capital expenditures

Capital expenditures during the fourth quarter and twelve months of 2018 were $23.6 million and $107.4 million, respectively, compared to $28.7 million and $96.0 million in the corresponding periods in 2017.

Growth capital expenditures during the fourth quarter and twelve months of 2018 were $14.1 million and $80.0 million, respectively, compared to $24.2 million and $75.2 million in the corresponding periods in 2017. Growth capital expenditures in 2018 and 2017 were mostly related to the construction of the Krumovgrad project. Sustaining capital expenditures during the fourth quarter and twelve months of 2018 were $9.5 million and $27.4 million, respectively, compared to $4.5 million and $20.8 million in the corresponding periods in 2017, in line with higher planned 2018 expenditures.

2018 ACTUAL RESULTS COMPARISON TO 2018 GUIDANCE

The following table provides a comparison of the Company's results to its 2018 original guidance issued in February 2018 and its updated guidance issued in November 2018.

$ millions, unless otherwise indicated	**Original Consolidated Guidance**	**Updated Consolidated Guidance**	**2018 Consolidated Results**
Ore mined/processed *('000s tonnes)*	2,100 – 2,200	2,150 – 2,200	2,212 / 2,217
Cash cost per tonne of ore processed(3),(4)	37 – 40	35 – 37	36
Metals contained in concentrate produced(1),(2)			
Gold *('000s ounces)*	165 – 195	190 – 200	201
Copper *(million pounds)*	33.7 – 40.4	35.0 – 38.0	36.7
Payable metals in concentrate sold(1)			
Gold *('000s ounces)*	140 – 170	161 – 170	164
Copper *(million pounds)*	31.0 – 37.0	31.0 – 37.0	33.7
All-in sustaining cost per ounce of gold(3),(4)	640 – 855	640 – 710	659
Complex concentrate smelted *('000s tonnes)*	220 – 250	230 – 250	232
Cash cost per tonne of complex concentrate smelted, net of by-product credits(3)	440 – 500	430 – 460	445
Corporate general and administrative expenses(5)	20 – 24	20 – 23	21
Exploration expenses	10 – 15	12 – 14	12
Sustaining capital expenditures(3)	29 – 39	28 – 33	27
Growth capital expenditures(3)	92 – 100	82 – 90	80

1) *Includes gold in pyrite concentrate produced of 59,255 ounces compared to guidance of 55,000 to 60,000 ounces and payable gold in pyrite concentrate sold of 36,737 ounces compared to guidance of 34,000 to 38,000 ounces.*
2) *Metals contained in concentrate produced are prior to deductions associated with smelter terms.*
3) *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 this MD&A for more information.*
4) *Includes the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, and payable gold in pyrite concentrate sold. All-in sustaining cost per ounce of gold, excluding payable gold in pyrite concentrate sold and related costs, was $657 compared to guidance of $630 to $870.*
5) *Excludes mark-to-market adjustments on share based compensation of $4.4 million and MineRP's general and administrative expenses of $6.1 million.*

Chelopech outperformed its original 2018 gold production guidance, which was updated twice during the year, due primarily to higher than anticipated gold grades and recoveries. Ore mined, gold sales, copper production and sales were in line with 2018 guidance. Cash cost per tonne of ore processed and all-in sustaining cost per ounce of gold beat or were at the low end of 2018 guidance.

Tsumeb's complex concentrate smelted and cash cost were in line with 2018 guidance. This was largely attributable to improved availability of all facilities including the high pressure oxygen plants, the performance of which has been optimized over the course of 2018. Work continues on further operating improvements and to move to an 18-month Ausmelt operating cycle in 2019 and to 24 months in the next campaign. Cash cost per tonne of complex concentrate smelted, net of by-product credits, was at the low end of 2018 guidance.

Growth capital expenditures were below 2018 guidance due to the timing of expenditures related to the Krumovgrad project. The forecast capital cost remains at $164 to $168 million. The project was 92% complete as at December 31, 2018, and first concentrate production is expected in the first quarter of 2019.

2019 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. Refer to the "Cautionary Note Regarding Forward Looking Statements" and "Risks and Uncertainties" sections later in this MD&A for further information.

Overall Outlook and Strategy

For 2019, DPM will continue to focus on increasing the profitability of its business by optimizing existing assets and achieving first gold production in the first quarter at its Krumovgrad gold mine. This is expected to generate significant growth in gold production and cash flows, which will further strengthen the Company's balance sheet and support pursuing margin improvement and growth opportunities within its existing portfolio of assets, including its exploration programs in Bulgaria, near Chelopech and Krumovgrad, and in Serbia, near the Timok gold project as well as through a disciplined evaluation of new investment opportunities.

The Company's guidance for 2019 is set out in the following table:

$ 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 – 29	-	29 – 34

1) *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.*
2) *Metals contained in concentrate produced are prior to deductions associated with smelter terms.*
3) *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.*
4) *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 this MD&A for more information.*
5) *Includes the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, and payable gold in pyrite concentrate sold.*
6) *Excludes mark-to-market adjustments on share based compensation and MineRP's general and administrative expenses.*
7) *Consolidated sustaining capital expenditures include $4 million related to Corporate digital initiatives.*
8) *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 at Chelopech.

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, based on the midpoint of 2019 guidance. Work in 2019 will be targeted at 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 could significantly increase annual throughput. 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 18-month campaign.

Krumovgrad

Construction at Krumovgrad was 92% complete at the end of 2018. Hot commissioning commenced in January 2019 and first concentrate production is anticipated within the first quarter of 2019, with commercial production expected in the second quarter of 2019. Gold contained in concentrate produced is expected to be between 55,000 and 75,000 ounces in 2019. There is significant operating flexibility during ramp-up given the various grades of current stockpiles, which is expected to reduce the impact of potential delays in ramp-up.

As at December 31, 2018, approximately $139 million has been incurred and with an additional $25 million to $29 million forecast for 2019, the aggregate cost of the project is expected to be between $164 million and $168 million, compared to the original estimate of $178 million.

MineRP

DPM does not anticipate a material contribution to earnings or cash flow from MineRP in 2019 given that it is in a growth ramp-up phase but does expect to see an increase in new customers. Chelopech anticipates finalizing the implementation of MineRP's planning software in the second quarter of 2019, which is expected to support further mine optimization initiatives being developed from the Smart Center.

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 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 testwork for the Surnak prospect. The remaining exploration budget will be deployed primarily to other greenfield projects in Bulgaria, Serbia and the Malartic project in Quebec.

REVIEW OF OPERATING RESULTS BY SEGMENT

Chelopech – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	**Three Months**		**Twelve Months**	
Ended December 31,	**2018**	2017	**2018**	2017
Operational Highlights				
Ore mined *(mt)*	**512,907**	541,072	**2,211,557**	2,232,799
Ore processed *(mt)*	**524,693**	527,633	**2,216,753**	2,218,717
Head grade / Recoveries in copper concentrate (ore milled)				
Gold (g/mt) / %	**3.55 / 56.6**	3.88 / 55.4	**3.72 / 53.5**	3.74 / 52.9
Copper (%) / %	**0.93 / 79.6**	1.01 / 80.6	**0.92 / 81.2**	0.91 / 80.6
Silver (g/mt) / %	**5.55 / 37.5**	7.90 / 40.2	**6.77 / 38.0**	7.52 / 38.6
Copper concentrate produced *(mt)*	**25,204**	27,243	**104,087**	100,994
Pyrite concentrate produced *(mt)*	**56,400**	59,407	**258,884**	248,810
Metals contained in copper and pyrite concentrates produced:				
Gold in copper concentrate *(ounces)*	**33,930**	36,452	**141,840**	141,235
Gold in pyrite concentrate *(ounces)*	**11,918**	12,938	**59,255**	56,449
Copper *(pounds)*	**8,558,247**	9,451,075	**36,672,666**	35,772,650
Silver *(ounces)*	**35,127**	53,920	**183,283**	206,767
Cash cost per tonne of ore processed(1),(3),(4)	**39.33**	36.83	**36.35**	34.20
Cash cost per ounce of gold in copper concentrate produced(1),(3),(5)	**379**	306	**342**	326
Cash cost per pound of copper in copper concentrate produced(1),(3),(5)	**0.85**	0.78	**0.80**	0.74
Copper concentrate delivered *(mt)*	**21,913**	30,284	**102,524**	103,644
Pyrite concentrate delivered *(mt)*	**63,475**	71,594	**255,063**	242,660
Payable metals in copper and pyrite concentrates sold:				
Gold in copper concentrate *(ounces)*(6)	**24,499**	38,123	**126,858**	136,255
Gold in pyrite concentrate *(ounces)*(6)	**8,956**	10,783	**36,737**	35,714
Copper *(pounds)*(6)	**7,069,963**	9,926,915	**33,650,828**	34,366,752
Silver *(ounces)*(6)	**29,218**	59,785	**165,035**	182,721
Cash cost per ounce of gold sold, net of by-product credits(2),(3),(7),(8)	**631**	677	**539**	598
Cost per tonne of copper concentrate sold(9)	**1,087**	1,042	**1,075**	1,097
Financial Highlights				
Revenue(10),(11)	**41,232**	57,324	**213,650**	206,253
Cost of sales	**23,809**	31,551	**110,169**	113,703
Earnings before income taxes	**19,636**	13,296	**102,331**	56,108
Adjusted EBITDA(3)	**20,994**	25,941	**116,805**	107,869
Adjusted earnings before income taxes(3)	**13,486**	17,504	**85,321**	71,931
Depreciation	**7,366**	8,305	**30,887**	35,453
Capital expenditures incurred:				
Growth(3)	**910**	853	**4,106**	3,656
Sustaining(3)	**4,219**	3,623	**9,309**	12,830
Total capital expenditures	**5,129**	4,476	**13,415**	16,486

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) *Includes payable gold in pyrite concentrate sold, and the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate of $6.3 million and $24.5 million in the fourth quarter and twelve months of 2018, respectively, compared to $8.1 million and $26.3 million in the corresponding periods in 2017. Cash cost per ounce of gold sold, net of by-product credits, excluding payable gold in pyrite concentrate sold and related costs, in the fourth quarter and twelve months of 2018 was $605 and $502, respectively, compared to $656 and $561 in the corresponding periods in 2017.*
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 $36.38 and $33.12 in the fourth quarter and twelve months of 2018, respectively, compared to $33.25 and $31.01 in the corresponding periods in 2017.*
5) *Gold and copper are accounted for as co-products. Total cash costs are net of by-product silver sales revenue.*
6) *Represents payable metals in copper and pyrite concentrates 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 and losses on copper swap and option contracts, divided by the payable gold in copper and pyrite concentrates sold.*
8) *Includes realized losses on copper swap and option contracts, entered to hedge a portion of projected payable production, of $0.8 million and $6.3 million during the fourth quarter and twelve months of 2018, respectively, compared to $5.6 million and $12.8 million in the corresponding periods in 2017.*
9) *Represents cost of sales divided by volumes of copper concentrate delivered.*
10) *Revenue includes the value of payable metals sold, deductions for treatment charges, penalties, transportation and other selling costs, and mark-to-market adjustments and final settlements to reflect any physical and cost adjustments on provisionally priced sales. Net favourable mark-to-market adjustments and final settlements of $1.2 million and unfavourable mark-to-market adjustments and final settlements of $0.2 million were recognized during the fourth quarter and twelve months of 2018, respectively, compared to net unfavourable mark-to-market adjustments and final settlements of $0.8 million and favourable mark-to-market adjustments and final settlements of $0.7 million in the corresponding periods in 2017. Deductions during the fourth quarter and twelve months of 2018 were $24.0 million and $105.2 million, respectively, compared to $35.9 million and $112.5 million in the corresponding periods in 2017.*
11) *Following the implementation of IFRS 9 on January 1, 2018, revenue in the fourth quarter and twelve months of 2018 includes gains and losses on commodity swap and option contracts entered to hedge the mark-to-market impacts associated with provisionally priced sales and future production. In 2017, these gains and losses were reported in other expense.*

Operational Highlights – Chelopech

Concentrate and metal production

Copper concentrate produced during the fourth quarter of 2018 of 25,204 tonnes was 7% lower than the corresponding period in 2017 due primarily to lower copper grades, in line with the mine plan. Copper concentrate produced during 2018 of 104,087 tonnes was 3% higher than 2017 due primarily to higher copper grades and recoveries.

Pyrite concentrate produced during the fourth quarter of 2018 of 56,400 tonnes was 5% lower than the corresponding period in 2017 due primarily to lower gold grades, in line with the mine plan. Pyrite concentrate produced during 2018 of 258,884 tonnes was 4% higher than 2017 due primarily to higher gold distribution into pyrite concentrate.

In the fourth quarter of 2018, gold contained in copper concentrate produced decreased by 7% to 33,930 ounces, copper production decreased by 9% to 8.6 million pounds and silver production decreased by 35% to 35,127 ounces, in each case, relative to the corresponding period in 2017. The decrease in gold production was due primarily to lower grades, partially offset by higher recoveries. The decrease in copper production was due primarily to lower grades and recoveries.

Gold contained in copper concentrate produced of 141,840 ounces in 2018 was comparable to 2017. In 2018, copper production increased by 3% to 36.7 million pounds and silver production decreased by 11% to 183,283 ounces, in each case, relative to 2017. The increase in copper production was due primarily to higher copper grades and recoveries.

Gold contained in pyrite concentrate produced during the fourth quarter of 2018 of 11,918 ounces was 8% lower than the corresponding period in 2017 due primarily to lower gold grades. Gold contained in pyrite concentrate produced during 2018 of 59,255 ounces was 5% higher than 2017 due primarily to higher gold distribution into pyrite concentrate.

Grades can and do vary period over period depending on the areas being mined. Chelopech achieved record gold production in 2018, outperforming the gold production guidance originally issued. Chelopech met its copper production guidance.

Deliveries

Deliveries of copper concentrate during the fourth quarter of 2018 of 21,913 tonnes were 28% lower than the corresponding period in 2017 due primarily to the timing of deliveries, where in the fourth quarter of 2018 there were two deliveries, as planned and in line with guidance, compared to three deliveries in the fourth quarter of 2017. Deliveries of copper concentrate during 2018 were 102,524 tonnes compared to 103,644 tonnes in 2017. This decrease was due primarily to the timing of deliveries resulting in an inventory build-up of 1,563 tonnes in 2018 compared to an inventory drawdown of 2,650 tonnes in 2017.

Deliveries of pyrite concentrate in the fourth quarter of 2018 of 63,475 tonnes were 11% lower than the corresponding period in 2017 due primarily to the timing of deliveries. Deliveries of pyrite concentrate in 2018 of 255,063 tonnes were 5% higher than 2017 due primarily to the increase in pyrite concentrate produced and the timing of deliveries.

In the fourth quarter of 2018, payable gold in copper concentrate sold decreased by 36% to 24,499 ounces, payable copper decreased by 29% to 7.1 million pounds and payable silver decreased by 51% to 29,218 ounces, in each case, relative to the corresponding period in 2017. The decrease in payable gold and copper was due primarily to lower copper concentrate deliveries as a result of the timing of deliveries. Payable gold in pyrite concentrate sold in the fourth quarter of 2018 was 8,956 ounces compared to 10,783 ounces in the corresponding period in 2017 due primarily to lower pyrite concentrate deliveries as a result of the timing of deliveries.

In 2018, payable gold in copper concentrate sold decreased by 7% to 126,858 ounces, payable copper decreased by 2% to 33.7 million pounds and payable silver decreased by 10% to 165,035 ounces, in each case, relative to 2017. The decrease in payable gold was due primarily to lower gold grades in copper concentrate sold and the timing of copper concentrate deliveries. The decrease in payable copper was consistent with the decrease in copper concentrate deliveries. Payable gold in pyrite concentrate sold in 2018 was 36,737 ounces compared to 35,714 ounces in 2017 due primarily to the increase in pyrite concentrate deliveries.

Inventory

Copper concentrate inventory totaled 6,698 tonnes at December 31, 2018, up from 5,135 tonnes at December 31, 2017 as a result of the timing of copper concentrate deliveries.

Financial Highlights – Chelopech

Revenue

Revenue in the fourth quarter of 2018 of $41.2 million was $16.1 million lower than the corresponding period in 2017 due primarily to lower concentrate deliveries as a result of the timing of copper concentrate deliveries, partially offset by lower treatment charges from Tsumeb, which are based on a cost plus arrangement, reflecting lower operating costs.

Revenue in 2018 of $213.6 million was $7.4 million higher than 2017 due primarily to higher realized copper and gold prices and lower treatment charges, partially offset by lower volumes of payable metals in concentrate sold as a result of lower gold grades in copper concentrate sold and the timing of deliveries.

Included in revenue were favourable mark-to-market price adjustments on provisionally priced sales of $0.8 million and $3.5 million during the fourth quarter and twelve months of 2017, respectively. These favourable adjustments were offset by losses on QP Hedges, as defined in the “Financial Instrument” section of this MD&A under commodity swap and option contracts. In 2017, all gains or losses on QP Hedges were recorded in other expense. With the adoption of IFRS 9 on January 1, 2018, all gains or losses on QP Hedges are reported in revenue as they are now considered to be effective hedges under the new standard.

Cost of sales

Cost of sales in the fourth quarter of 2018 of $23.8 million was $7.7 million lower than the corresponding period in 2017 due primarily to lower copper concentrate deliveries and lower depreciation.

Cost of sales in 2018 of $110.2 million was $3.5 million lower than 2017 due primarily to lower depreciation related to extending Chelopech’s mine life, partially offset by a stronger Euro relative to the U.S. dollar.

Cash cost measures

Cash cost per tonne of ore processed in the fourth quarter of 2018 of $39.33 was 7% higher than the corresponding period in 2017 due primarily to timing of maintenance activities, higher employment costs, higher spending on direct materials and higher rates for electricity, partially offset by lower royalties as a result of lower market based metal prices and lower gold and copper contained in ore mined.

Cash cost per tonne of ore processed in 2018 of $36.35 was 6% higher than 2017 due primarily to a stronger Euro relative to the U.S. dollar and higher electricity rates.

Cash cost per ounce of gold sold, net of by-product credits, during the fourth quarter of 2018 of $631 was $46 lower than the corresponding period in 2017 due primarily to lower treatment charges.

Cash cost per ounce of gold sold, net of by-product credits, during 2018 of $539 was $59 lower than 2017 due primarily to higher by-product prices and lower treatment charges.

Earnings before income taxes

Earnings before income taxes in the fourth quarter of 2018 of $19.6 million were $6.3 million higher than the corresponding period in 2017. This increase was due primarily to unrealized losses on commodity swap and option contracts in the fourth quarter of 2017, which prior to the adoption of IFRS 9 did not receive hedge accounting, and the reversal in the fourth quarter of 2018 of a prior period impairment charge in respect of certain equipment, the sale of which Chelopech expects to complete in early 2019, partially offset by lower copper concentrate deliveries as a result of the timing of deliveries.

Earnings before income taxes in 2018 of $102.3 million were $46.2 million higher than 2017 due primarily to unrealized losses on commodity swap and option contracts in 2017, which prior to the adoption of IFRS 9 did not receive hedge accounting, higher realized copper and gold prices, lower treatment charges and the reversal of a prior period impairment charge, partially offset by lower volumes of payable gold in concentrate sold as a result of lower gold grades in copper concentrate sold and the timing of deliveries.

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter of 2018 of $21.0 million was $4.9 million lower than the corresponding period in 2017 due primarily to lower copper concentrate deliveries as a result of the timing of deliveries, where in the fourth quarter of 2018 there were two deliveries, as planned and in line with guidance, compared to three deliveries in the fourth quarter of 2017, partially offset by lower treatment charges.

Adjusted EBITDA in 2018 of $116.8 million was $9.0 million higher than 2017 due primarily to higher realized copper and gold prices and lower treatment charges, partially offset by lower volumes of payable gold in concentrate sold as a result of lower gold grades in copper concentrate deliveries and the timing of deliveries resulting in an inventory build-up of 1,563 tonnes in 2018 compared to an inventory drawdown of 2,650 tonnes in 2017.

Adjusted earnings before income taxes

Adjusted earnings before income taxes in the fourth quarter and twelve months of 2018 were $13.5 million and $85.3 million, respectively, compared to $17.5 million and $71.9 million in the corresponding periods in 2017.

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 - 2017	**17.5**	**71.9**
Lower treatment charges	6.1	11.3
Higher realized metal prices[(1)]	0.9	10.9
Lower depreciation expense	0.9	4.6
Lower cost per tonne of concentrate sold[(2)]	-	1.3
Other	1.5	0.3
Lower volumes of metals sold	(14.0)	(12.1)
Weaker (stronger) Euro	0.6	(2.9)
Adjusted earnings before income taxes - 2018	**13.5**	**85.3**

1) Includes net gains and losses on commodity swap and option contracts.
2) Excludes impact of depreciation and foreign exchange.

Capital expenditures

Capital expenditures during the fourth quarter of 2018 of $5.1 million were comparable to the corresponding period in 2017. Capital expenditures in 2018 of $13.4 million were $3.1 million lower than 2017 and were in line with 2018 guidance.

Tsumeb – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	**Three Months**		**Twelve Months**	
Ended December 31,	**2018**	2017	**2018**	2017
Operational Highlights				
Complex concentrate smelted *(mt):*				
Chelopech	**18,940**	20,452	**84,931**	81,694
Third parties	**44,121**	38,531	**147,112**	137,558
Total complex concentrate smelted	**63,061**	58,983	**232,043**	219,252
Cash cost per tonne of complex concentrate smelted, net of by-product credits[(1),(2)]	**413**	406	**445**	458
Acid production *(mt)*	**63,667**	58,148	**240,404**	221,050
Acid deliveries *(mt)*	**69,729**	51,525	**244,123**	212,727
Financial Highlights				
Toll revenue[(3)]	**33,061**	30,965	**129,334**	120,560
Acid revenue	**6,774**	4,811	**23,014**	19,643
Arsenic trioxide revenue	**-**	-	**-**	487
Total revenue	**39,835**	35,776	**152,348**	140,690
Cost of sales	**39,507**	36,808	**151,709**	153,297
Loss before income taxes	**(1,552)**	(2,931)	**(5,189)**	(18,706)
Adjusted EBITDA[(2)]	**5,848**	5,256	**23,117**	13,959
Adjusted loss before income taxes[(2)]	**(1,552)**	(1,413)	**(5,189)**	(13,973)
Depreciation	**6,654**	5,957	**25,278**	25,082
Capital expenditures incurred:				
Growth[(2)]	**62**	(51)	**99**	1,409
Sustaining[(2)]	**5,225**	418	**17,783**	7,198
Total capital expenditures	**5,287**	367	**17,882**	8,607

1) *Cash cost per tonne of complex concentrate smelted, net of by-product credits, represents cost of sales less depreciation and amortization and net of revenue related to the sale of acid divided by the volumes 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) *Includes deductions for stockpile interest and slag mill concentrate returns, and favourable or unfavourable estimated metals exposure.*

Operational Highlights – Tsumeb

Production & Acid Deliveries

Complex concentrate smelted during the fourth quarter of 2018 of 63,061 tonnes was 7% higher than the corresponding period in 2017 due primarily to improved availability of all plants.

Complex concentrate smelted during 2018 was 232,043 tonnes, in line with its guidance, and 6% higher than 2017 due primarily to increased availability of all facilities, including the high pressure oxygen plant, the performance of which has been optimized over the course of 2018.

Acid production in the fourth quarter and twelve months of 2018 of 63,667 tonnes and 240,404 tonnes, respectively, was each 9% higher than the corresponding periods in 2017 due primarily to higher volumes of complex concentrate smelted and improved process efficiency.

Acid deliveries in the fourth quarter and twelve months of 2018 of 69,729 tonnes and 244,123 tonnes, respectively, were 35% and 15% higher than the corresponding periods in 2017 due primarily to increased acid production in 2018 and the timing of deliveries.

Financial Highlights – Tsumeb

Revenue

Revenue in the fourth quarter of 2018 of $39.8 million was $4.0 million higher than the corresponding period in 2017 due primarily to higher volumes of complex concentrate smelted and higher acid deliveries, partially offset by lower toll rates.

Revenue in 2018 of $152.3 million was $11.6 million higher than 2017 due primarily to higher volumes of complex concentrate smelted, reduced deductions for slag mill concentrate returns and higher acid deliveries, partially offset by lower third party toll rates.

Cost of sales

Cost of sales in the fourth quarter of $39.5 million was $2.7 million higher than the corresponding period in 2017 due primarily to higher operating expenses consistent with the increase in complex concentrate smelted.

Cost of sales in 2018 of $151.7 million was $1.6 million lower than 2017 due primarily to savings achieved from a cost reduction program introduced in the first quarter of 2018, partially offset by higher labour costs and electricity rates, and a stronger ZAR relative to the U.S. dollar.

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

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the fourth quarter of 2018 of $413 was comparable to the corresponding period in 2017.

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during 2018 of $445 was 3% or $13 lower than 2017 due primarily to higher volumes of complex concentrate smelted, higher acid by-product credits and a reduction in operating expenses through cost savings initiatives, which resulted in lower contractor and consultant expenses, partially offset by higher labour costs and electricity rates, and a stronger ZAR relative to the U.S. dollar.

Loss before income taxes

Loss before income taxes in the fourth quarter of 2018 was $1.6 million compared to $2.9 million in the corresponding period in 2017. This improvement was due primarily to higher volumes of complex concentrate smelted, partially offset by lower toll rates and a stronger ZAR relative to the U.S. dollar.

Loss before income taxes in 2018 was $5.2 million compared to $18.7 million in 2017. The reduced loss was due primarily to higher volumes of complex concentrate smelted, savings achieved from a cost reduction program, reduced slag mill concentrate returns, higher estimated metal recoveries and higher acid deliveries, partially offset by lower third party toll rates and a stronger ZAR relative to the U.S. dollar.

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter and twelve months of 2018 was $5.8 million and $23.1 million, respectively, compared to $5.3 million and $14.0 million in the corresponding periods in 2017 reflecting the same factors affecting loss before income taxes.

Adjusted loss before income taxes

Adjusted loss before income taxes during the fourth quarter and twelve months of 2018 was $1.6 million and $5.2 million, respectively, compared to $1.4 million and $13.9 million in the corresponding periods in 2017.

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 - 2017	**(1.4)**	**(13.9)**
Higher volumes	3.5	12.3
Reduced deductions for slag mill concentrate returns	1.2	3.6
Other[(1)]	(0.1)	2.3
Higher (lower) estimated metal recoveries	(1.3)	2.1
Lower (higher) operating expenses[(2)]	(1.0)	1.0
Lower stockpile interest	2.0	0.5
Lower toll rates	(3.0)	(7.8)
Stronger ZAR[(3)]	(1.5)	(5.3)
Adjusted loss before income taxes - 2018	**(1.6)**	**(5.2)**

1) *Primarily related to the revaluation of foreign currency denominated monetary assets and liabilities.*
2) *Excludes impact of depreciation and foreign exchange.*
3) *Includes realized losses on foreign exchange forward contracts of $2.2 million (2017 – realized gains of $0.5 million) and $2.6 million (2017 – realized gains of $2.1 million) in the fourth quarter and twelve months of 2018, respectively.*

Capital expenditures

Capital expenditures during the fourth quarter and twelve months of 2018 of $5.3 million and $17.9 million, respectively, were $4.9 million and $9.3 million higher than the corresponding periods in 2017 due primarily to higher planned capital expenditures for 2018 and were in line with 2018 guidance.

Other

In May 2018, DPM announced it has further strengthened its stakeholder partnerships in Namibia through a transaction to address the empowerment initiatives being developed to aid previously disadvantaged Namibians whereby it has entered into an agreement with GHM pursuant to which GHM will acquire an indirect 8% equity interest in Tsumeb. This transaction is subject to execution of definitive documentation, which has been substantially agreed to, with closing expected to occur in 2019. An additional 2% indirect equity interest in Tsumeb will be acquired by an employee trust benefiting Tsumeb's employees and is expected to be completed in 2019.

REVIEW OF CORPORATE AND OTHER SEGMENT RESULTS

The corporate and other segment results include MineRP, corporate general and administrative costs, corporate social responsibility expenses, exploration and development projects, and other income and expense 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,	**2018**	2017	**2018**	2017
Financial Highlights				
General and administrative expenses, excluding depreciation and MineRP[(1)]	**8,307**	5,182	**23,334**	19,111
Corporate social responsibility expenses	**700**	467	**1,472**	1,761
Exploration and evaluation expenses[(2)]	**3,405**	2,610	**10,142**	8,177
MineRP	**1,926**	1,267	**5,412**	1,267
Other (income) expense[(3),(4)]	**46**	(129)	**95**	(589)
Adjusted loss before interest, taxes, depreciation and amortization	**14,384**	9,397	**40,455**	29,727

1) *Excludes depreciation of $0.1 million and $0.6 million in the fourth quarter and twelve months of 2018, respectively, compared to $0.2 million and $0.7 million in the corresponding periods in 2017.*
2) *Includes evaluation expenses related to Timok scoping studies of $0.4 million and $0.6 million in the fourth quarter and twelve months of 2018, respectively.*
3) *In the fourth quarter and twelve months of 2018, excludes net losses on Sabina special and other warrants.*
4) *In the fourth quarter and twelve months of 2017, excludes net gains on Sabina special warrants, and unrealized losses on commodity swap and option contracts entered to hedge a portion of future production and on foreign exchange forward contracts, which are now included in other comprehensive income (loss).*

General and administrative expenses

General and administrative expenses, excluding depreciation, in the fourth quarter and twelve months of 2018 of $8.3 million and $23.3 million, respectively, were $3.1 million and $4.2 million higher than the corresponding periods in 2017 due primarily to higher share-based compensation.

Exploration and evaluation expenses

Exploration and evaluation expenses during the fourth quarter and twelve months of 2018 of $3.4 million and $10.1 million, respectively, were $0.8 million and $1.9 million higher than the corresponding periods in 2017. Refer to the "Exploration" section of this MD&A for a more detailed discussion of the Company's exploration activities.

MineRP

The following table summarizes MineRP's results:

$ thousands	**Three Months**		**Twelve Months**	
Ended December 31,	**2018**	2017[1]	**2018**	2017[1]
Revenue	**1,940**	1,812	**11,113**	1,812
Cost of sales	**2,303**	123	**10,985**	123
General and administrative expenses, excluding depreciation[2]	**1,168**	2,063	**5,138**	2,063
Loss before interest, taxes, depreciation and amortization	**(1,926)**	(1,267)	**(5,412)**	(1,267)

1) *MineRP was acquired in October 2017.*
2) *Excludes depreciation of $0.2 million (2017 – $0.1 million) and $0.9 million (2017 – $0.1 million) in the fourth quarter and twelve months of 2018, respectively.*

Revenue for 2018 was below expectation due primarily to lower software sales and related project implementation fees as a result of the timing associated with entering into contracts with several new customers, which is expected to occur in the first half of 2019. Income related to support and maintenance and software assurance, cost of sales and general and administrative expenses remained in line with expectation.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2018, the Company had cash of $17.0 million, investments valued at $30.0 million primarily related to its 10.5% interest in Sabina, and $238.0 million of undrawn capacity under its RCF.

The Company's liquidity is impacted by several factors which include, but are not limited to, gold, copper and silver market prices, production levels, capital expenditures, operating cash costs, interest rates and foreign exchange rates. These factors are monitored by the Company on a regular basis. As at December 31, 2018, the Company's cash resources and available lines of credit under its RCF continue to provide sufficient liquidity and cash resources to meet its current operating and capital expenditure requirements, as well as all contractual commitments. 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,	**2018**	2017	**2018**	2017
Cash provided from operating activities, before changes in non-cash working capital	**5,748**	20,284	**86,789**	89,892
Changes in non-cash working capital	**26,941**	8,849	**11,368**	20,018
Cash provided from operating activities	**32,689**	29,133	**98,157**	109,910
Cash used in investing activities	**(27,003)**	(43,384)	**(107,649)**	(99,438)
Cash provided from (used in) financing activities	**(12,034)**	21,031	**(2,232)**	6,538
Increase (decrease) in cash	**(6,348)**	6,780	**(11,724)**	17,010
Cash at beginning of period	**23,391**	21,987	**28,767**	11,757
Cash at end of period	**17,043**	28,767	**17,043**	28,767

Cash at December 31, 2018 of $17.0 million was $11.8 million lower than the cash at December 31, 2017 of $28.8 million. The primary factors impacting these cash flow movements are summarized below.

Operating Activities

Cash provided from operating activities in the fourth quarter of 2018 was $32.7 million compared to $29.1 million in the corresponding period in 2017. This increase was due primarily to a favourable change in non-cash working capital, partially offset by the timing of copper concentrate deliveries, where in the fourth quarter of 2018 there were two deliveries, as planned and in line with guidance, compared to three in the fourth quarter of 2017. Cash provided from operating activities in 2018 was $98.1 million compared to $109.9 million in 2017. This decrease was due primarily to an unfavourable period over period change in non-cash working capital, lower results from MineRP and higher general and administrative expenses, partially offset by improved results from Chelopech and Tsumeb.

The favourable change in non-cash working capital in the fourth quarter of 2018 of $26.9 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers and an increase in accounts payable and accrued liabilities as a result of the timing of payments to suppliers, partially offset by an increase in inventory as a result of the timing of copper concentrate deliveries and an increase in ore inventory at Krumovgrad following the start of mining activities. The favourable change in non-cash working capital in the fourth quarter of 2017 of $8.8 million was due primarily to an increase in accounts payable and accrued liabilities and a decrease in inventories.

The favourable change in non-cash working capital in 2018 of $11.3 million was due primarily to an increase in accounts payable and accrued liabilities as a result of the timing of payments to suppliers and a decrease in accounts receivable as a result of the timing of receipts from customers, partially offset by an increase in inventories as a result of the timing of copper concentrate deliveries and an increase in ore inventory at Krumovgrad following the start of mining activities. The favourable change in non-cash working capital in 2017 of $20.0 million was due primarily to an increase in accounts payable and accrued liabilities, and a decrease in accounts receivable, in each case, as a resulting of timing.

Cash provided from operating activities, before changes in non-cash working capital, during the fourth quarter of 2018 was $5.8 million compared to $20.3 million in the corresponding period in 2017. This decrease was due primarily to the timing of copper concentrate deliveries, where in the fourth quarter of 2018 there were two deliveries, as planned and in line with guidance, compared to three deliveries in the fourth quarter of 2017. Cash provided from operating activities, before changes in non-cash working capital, in 2018 was $86.8 million compared to $89.9 million in 2017. This decrease was due primarily to lower results from MineRP and higher general and administrative expenses, partially offset by improved results from Chelopech and Tsumeb.

Investing Activities

Cash used in investing activities in the fourth quarter and twelve months of 2018 was $27.0 million and $107.6 million, respectively, compared to $43.3 million and $99.4 million in the corresponding periods in 2017.

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

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2018**	2017	**2018**	2017
Chelopech	**4,611**	3,925	**11,267**	13,852
Tsumeb	**4,141**	170	**17,456**	10,417
Krumovgrad[1]	**15,443**	19,882	**70,447**	58,902
Other	**80**	119	**502**	831
Total cash capital expenditures	**24,275**	24,096	**99,672**	84,002

1) Includes payments for the settlement of foreign exchange forward contracts of $0.1 million (2017 – proceeds of $2.4 million) and proceeds of $3.2 million (2017 – $4.1 million) in the fourth quarter and twelve months of 2018, respectively.

Cash outlays for capital expenditures in the fourth quarter of 2018 of $24.3 million were comparable to the corresponding period in 2017. Cash outlays for capital expenditures in 2018 of $99.7 million were $15.7 million higher than 2017 due primarily to increased construction activities at the Krumovgrad project and higher planned sustaining capital expenditures at Tsumeb.

On October 25, 2017, the Company completed the acquisition of MineRP. As a result of this transaction, the Company owns a 78% investment in MineRP. Total cash paid by the Company for the acquisition of MineRP was $20.0 million, including $8.1 million used to repay all outstanding debt and certain other liabilities.

During 2018, as a result of equity issuances undertaken by Sabina, the Company purchased 6.6 million common shares of Sabina at an average price of $1.28 (Cdn$1.64) per share for a total cost of $8.4 million (Cdn $10.8 million) so as to maintain an ownership in excess of 10%.

Financing Activities

Cash used in financing activities in the fourth quarter of 2018 was $12.0 million compared to cash provided from financing activities of $21.0 million in the corresponding period in 2017. Cash used in financing activities in 2018 was $2.2 million compared to cash provided from financing activities of $6.5 million in 2017. The primary factors impacting the movement in financing activities are summarized below.

Repayments under the RCF in the fourth quarter of 2018 totaled $10.0 million compared to drawdowns of $23.0 million in the corresponding period in 2017. Drawdowns under the RCF in 2018 totaled $6.0 million compared to repayments of $2.0 million in 2017. Repayment of term loans totaled $16.3 million in 2017.

Interest paid in the fourth quarter and twelve months of 2018 was $1.5 million and $5.6 million, respectively, compared to $1.6 million and $6.1 million in the corresponding periods in 2017.

In 2017, the Company completed a non-brokered private placement with the European Bank for Reconstruction and Development ("EBRD") for gross proceeds of $33.2 million (Cdn$43.7 million).

Financial Position

$ thousands **As at,**	**December 31, 2018**	December 31, 2017	**Increase/ (Decrease)**
Cash	**17,043**	28,767	**(11,724)**
Accounts receivable, inventories and other current assets	**67,190**	69,810	**(2,620)**
Investments at fair value	**29,997**	48,411	**(18,414)**
Non-current assets, excluding investments at fair value	**745,355**	698,295	**47,060**
Total assets	**859,585**	845,283	**14,302**
Current liabilities	**93,446**	80,317	**13,129**
Non-current liabilities	**127,958**	131,478	**(3,520)**
Equity attributable to common shareholders	**632,000**	626,162	**5,838**
Non-controlling interests	**6,181**	7,326	**(1,145)**

Cash decreased by $11.7 million to $17.1 million during 2018 reflecting the timing of drawdowns and repayments under the RCF. Accounts receivable, inventories and other current assets decreased by $2.6 million to $67.2 million due primarily to the timing of receipts from customers and a decrease in derivative foreign exchange contract asset, partially offset by an increase in inventories as a result of the timing of copper concentrate deliveries and the start of mining activities at the Krumovgrad project. Investments at fair value decreased by $18.4 million to $30.0 million due primarily to the decrease in Sabina's share price. Non-current assets, excluding investments at fair value, increased by $47.1 million to $745.4 million due primarily to capital expenditures at Krumovgrad, Tsumeb and Chelopech, partially offset by depreciation expense.

Current liabilities increased by $13.1 million to $93.4 million during 2018 due primarily to the reclassification of deferred revenue related to the prepaid gold forward sales to be settled in 2019 to current liabilities from non-current liabilities, partially offset by a decrease in accounts payable as a result of the timing of payments to suppliers. Non-current liabilities decreased by $3.5 million to $127.9 million due primarily to reclassification of deferred revenue related to the prepaid gold forward sales to be settled in 2019 to current liabilities, partially offset by drawdowns under the RCF and an increase in financial leases related to Krumovgrad's mobile equipment fleet. Equity attributable to common shareholders increased by $5.8 million to $632.0 million due primarily to 2018 net earnings attributable to common shareholders, partially offset by unrealized losses on publicly traded securities, which is included in other comprehensive income (loss).

Contractual Obligations, Commitments and Contingencies

The Company had the following minimum contractual obligations and commitments as at December 31, 2018:

$ thousands	**up to 1 year**	**1 – 5 years**	**over 5 years**	**Total**
Debt	-	29,000	-	29,000
Finance lease obligations	4,001	13,995	4,886	22,882
Capital commitments	35,340	-	-	35,340
Purchase commitments	13,220	8,047	-	21,267
Operating lease obligations	1,534	2,285	548	4,367
Other obligations	938	624	60	1,622
Total contractual obligations and commitments	**55,033**	**53,951**	**5,494**	**114,478**

As at December 31, 2018, Tsumeb had approximately $62.1 million (December 31, 2017 – $112.2 million) of recoverable third party in-process secondary materials, which it is obligated to process and return, generally in the form of blister, to IXM S.A. ("IXM"), formerly Louis Dreyfus Company Metals Suisse, pursuant to a tolling agreement.

In July 2017, the Company and IXM agreed to amend the existing tolling agreement to provide for, among other things, lower stockpile interest deductions on excess secondary materials, specified quarterly targeted reductions designed to eliminate excess secondary materials, representing at that time

approximately $90.0 million, over a period that extends to December 31, 2020, the purchase of secondary materials in excess of established quarterly targeted levels, and the extension of the tolling agreement by one year. In 2018, no purchase of secondary materials was required. Since July 2017, the Company has reduced the quantity of copper-in-secondaries by approximately 56%. As at December 31, 2018, the value of excess secondary materials was approximately $39.0 million (December 31, 2017 – $86.0 million).

Debt

As at December 31, 2018, the Company's total outstanding debt was $29.0 million (December 31, 2017 – $23.0 million). As at December 31, 2018, the Company's total debt, as a percentage of total capital, was 4% (December 31, 2017 – 4%) and the Company's total debt, net of cash, as a percentage of total capital, was 2% (December 31, 2017 – negative 1%). As at December 31, 2018, the Company was in compliance with all of its debt covenants.

DPM RCF

DPM has a committed RCF with a consortium of banks. In April 2018, the RCF was amended to extend the terms of tranche B by an additional year. As at December 31, 2018, the RCF is comprised of a $45.0 million tranche A maturing in February 2022, a $150.0 million tranche B maturing in February 2021, and a $72.0 million tranche C maturing in September 2021 that contains quarterly availability reductions of $4.0 million that commenced in the third quarter of 2018.

The RCF bears interest at a spread above LIBOR, which varies between 2.75% and 5.50% depending upon the tranche being drawn and the Company's funded net debt to adjusted EBITDA ("Debt Leverage Ratio"), as defined in the RCF agreement. The RCF is secured by pledges of the Company's investments in Krumovgrad, Chelopech and Tsumeb and by guarantees from each of these subsidiaries.

The RCF contains financial covenants that require DPM to maintain: (i) a Debt Leverage Ratio below 3.5:1, (ii) a current ratio (including the addition of any unutilized credit within tranche B to current assets) of greater than 1.5:1, and (iii) a minimum net worth of $500.0 million plus (minus) 50% of ongoing annual net earnings (losses).

As at December 31, 2018, $29.0 million (December 31, 2017 – $23.0 million) was drawn under the RCF.

Tsumeb Overdraft Facility

In April 2018, Tsumeb entered into a Namibian $50.0 million ($3.5 million) demand overdraft facility that is guaranteed by DPM. This facility bears interest at a rate equal to the Namibian Prime Lending Rate minus 0.50%. As at December 31, 2018, $nil was drawn from this facility.

Credit Agreements and Guarantees

Chelopech and Krumovgrad have a $16.0 million multi-purpose credit facility that matures on November 30, 2019. This credit facility is guaranteed by DPM. As at December 31, 2018, $4.8 million (December 31, 2017 – $5.5 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech and Krumovgrad also have a Euro 21.0 million ($24.0 million) credit facility to support mine closure and rehabilitation obligations. This credit facility matures on November 30, 2019 and is guaranteed by DPM. As at December 31, 2018, $24.0 million (December 31, 2017 – $23.0 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

Krumovgrad has a $5.3 million multi-purpose credit facility that matures on November 30, 2019. This credit facility is guaranteed by DPM. As at December 31, 2018, $0.1 million (December 31, 2017 – $0.1 million) had been utilized against this multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Advances under these facilities bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 2.5%. The letters of credit and guarantee bear a fee of 0.6% based on the amounts issued.

Outstanding Share Data

DPM's common shares are traded on the TSX under the symbol DPM. As at February 12, 2019, 178,547,639 common shares were issued and outstanding.

DPM also has 5,460,733 stock options outstanding as at February 12, 2019 with exercise prices ranging from Cdn$2.05 to Cdn$3.96 per share (weighted average exercise price – Cdn$3.03 per share).

Normal Course Issuer Bid

On May 11, 2018, DPM announced that the TSX accepted its notice of intention to renew its normal course issuer bid (the "New Bid") to repurchase certain of its common shares through the facilities of the TSX. The Company commenced a normal course issuer bid on May 16, 2017, which was set to expire on May 15, 2018. Under the New Bid, the Company can purchase up to 8.9 million common shares during the period of the New Bid, which commenced on May 16, 2018 and terminates on May 15, 2019, representing approximately 5% of the 178.5 million outstanding common shares as of May 3, 2018. The actual timing and number of common shares that may be purchased pursuant to the New Bid will be subject to the requirements of the TSX, DPM's ongoing capital requirements and management's view that, from time to time, DPM's common shares trade at prices well below the underlying value of the Company and during these periods the repurchase of common shares represents an excellent opportunity to enhance shareholder value.

As at February 12, 2019, the Company had not purchased any common shares under the Bid.

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, 2018, the Company's investments at fair value were $30.0 million, the vast majority of which related to the value of its investment in Sabina common shares and special warrants. Sabina is an emerging precious metals company with district scale, advanced, high grade gold assets in Nunavut, Canada. Its 100% owned Back River project received its final Project Certificate on December 19, 2017 and its type A Water License on November 14, 2018, and is now in receipt of all major authorizations for construction and operations.

During 2018, as a result of equity issuances undertaken by Sabina, the Company purchased 6.6 million common shares of Sabina at an average price of $1.28 (Cdn$1.64) for a total cost of $8.4 million (Cdn$10.8 million), including 2.2 million common shares of Sabina purchased from Jonathan Goodman, a director of the Company, at the market price of $1.81 (Cdn $2.26) per share, so as to maintain its pro rata ownership interest in Sabina in excess of 10%. As at December 31, 2018, DPM held: (i) 30,119,913 common shares of Sabina or 10.5% of the outstanding common shares (fair value of Cdn $36.8 million) and (ii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the Back River project or upon the occurrence of certain other events. Each of the special warrants is exercisable into one common share until 2044.

For the three and twelve months ended December 31, 2018, the Company recognized unrealized losses on the Sabina special warrants of $0.2 million (2017 – unrealized gains of $0.4 million) and $2.6 million

(2017 – unrealized gains of $3.0 million), respectively, in other expense in the consolidated statements of earnings (loss). For more details on Sabina special warrants refer to note 6(a) to DPM's consolidated financial statements for the year ended December 31, 2018

Publicly traded securities, which are comprised primarily of Sabina common shares, were previously classified as available-for-sale under International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*, as management intended to hold them for the medium to long-term. Upon adoption of IFRS 9, the Company elected to present changes in the fair value of all its equity investments previously classified as available-for-sale in other comprehensive income or loss. For more details concerning this change in accounting policy refer to the "Changes in Accounting Policies" in note 2.2 to DPM's consolidated financial statements for the year ended December 31, 2018.

For the three and twelve months ended December 31, 2018, the Company recognized unrealized gains on these publicly traded securities of $0.4 million (2017 – $nil) and unrealized losses of $23.0 million (2017 – unrealized gains of $24.6 million), respectively, in other comprehensive income (loss) that will not be reclassified subsequently to profit or loss. Had the Company not adopted IFRS 9, these unrealized gains and losses for the three and twelve months ended December 31, 2018 would have been presented in other comprehensive income or loss and would have been subsequently reclassified to the consolidated statements of earnings (loss) once realized.

Commodity swap and option contracts

The Company enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to eliminate or substantially reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales ("QP Hedges").

As at December 31, 2018, the Company's outstanding QP Hedges, all of which mature within three months from the reporting date, are summarized in the table below:

Commodity hedged	Volume hedged	Average fixed price of QP Hedges
Payable gold	3,440 ounces	$1,264.17/ounce
Payable copper	7,065,807 pounds	$2.73/pound

The Company also enters into cash settled commodity swap and option contracts from time to time to reduce its future metal price exposures ("Production Hedges"). Commodity swap contracts are entered to swap future contracted monthly average prices for fixed prices. Commodity option contracts are entered to provide price protection below a specified "floor" price and price participation up to a specified "ceiling" price. These option contracts are comprised of a series of call options and put options (which when combined create a price "collar") that are generally structured so as to provide for a zero upfront cash cost. As at December 31, 2018, the Company had no outstanding Production Hedges.

Previously under IAS 39, commodity swap and option contracts did not qualify for hedge accounting as component hedging was not permitted. Upon adoption of IFRS 9, the Company is now able to designate the spot component of commodity swap contracts and the intrinsic value of the commodity option contracts in respect of Production Hedges as cash flow hedges and the spot component of commodity swap contracts in respect of QP Hedges as fair value hedges. For more details concerning this change in accounting policy refer to the "Changes in Accounting Policies" in note 2.2 to DPM's consolidated financial statements for the year ended December 31, 2018.

The fair value gain or loss on commodity swap contracts was calculated based on the corresponding LME forward copper prices and New York Commodity Exchange forward gold and silver prices, as applicable. The fair value gain or loss on commodity option contracts was calculated based on the option prices quoted on the Commodity Exchange (a part of the Chicago Mercantile Exchange). As at December 31, 2018, the net fair value gain on all outstanding commodity swap and option contracts was $0.1 million (December 31, 2017 – net fair value loss of $15.0 million), of which $0.2 million (December 31, 2017 – $nil) was included

in other current assets and $0.1 million (December 31, 2017 – $15.0 million) in accounts payable and accrued liabilities.

The Company recognized net gains of $2.7 million and $9.4 million for the three and twelve months ended December 31, 2018, respectively, in revenue on settled contracts. Had the Company not adopted IFRS 9, these net gains would have been recognized in other expense in the consolidated statements of earnings (loss).

For the three and twelve months ended December 31, 2017, the Company recognized unrealized losses of $5.0 million and $17.3 million, respectively, on commodity swap and option contracts in other expense. The Company also recognized realized losses on settled contracts of $5.6 million and $15.3 million in other expense for the three and twelve months ended December 31, 2017, respectively.

Foreign exchange forward and option contracts

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

Foreign exchange forward contracts are entered to fix foreign exchange rates on future operating expenses and capital expenditures. Foreign exchange option contracts are entered to provide price protection below a specified "floor" rate and participation up to a specified "ceiling" rate. The option contracts entered are comprised of a series of call options and put options (which when combined create a price "collar") that are structured so as to provide for a zero upfront cash cost.

As at December 31, 2018, the Company had outstanding foreign exchange forward contracts in respect of its projected foreign denominated capital expenditures as summarized in the table below:

Year of projected capital expenditures	Foreign currency hedged	Amount hedged in foreign currency	Average exchange rate (Foreign currency/US$)
2019	Euro	15,650,000	1.1506

As at December 31, 2018, the Company had outstanding foreign exchange option contracts in respect of its 2019 projected foreign denominated operating expenses as summarized in the table below:

Foreign currency hedged	Amount hedged in foreign currency	Call options sold Average ceiling rate (US$/Foreign currency)	Put options purchased Average floor rate (US$/Foreign currency)
ZAR	1,444,980,000	15.46	14.00

Approximately 83% of projected Namibian dollar operating expenses for 2019 have been hedged. At December 31, 2018, the remaining construction cost of the Krumovgrad project has been substantially hedged.

The Company designates the spot component of the foreign exchange forward contracts and the intrinsic value of option contracts as cash flow hedges. Upon adoption of IFRS 9, the forward point component of foreign exchange forward contracts is now treated as a separate cost of hedging. For more details concerning this change in accounting policy refer to the "Changes in Accounting Policies" in note 2.2 to DPM's consolidated financial statements for the year ended December 31, 2018.

The fair value gain or loss on these outstanding contracts was calculated based on foreign exchange forward rates and option pricing quoted in the market. As at December 31, 2018, the fair value loss on all outstanding foreign exchange forward and option contracts was $0.6 million, of which $0.3 million was included in other current assets and $0.9 million was included in accounts payable and accrued liabilities. As at December 31, 2017, the fair value gain on all outstanding foreign exchange forward contracts was $6.3 million, which was included in other current assets.

For the three and twelve months ended December 31, 2018, the Company recognized unrealized gains of $3.1 million (2017 – $4.5 million) and unrealized losses of $5.5 million (2017 – unrealized gains of $13.4 million), respectively, in other comprehensive income (loss) on the spot component of the outstanding foreign exchange forward and option contracts. The Company also recognized realized losses of $3.0 million (2017 – $1.3 million) and $4.8 million (2017 – $4.4 million) for the three and twelve months ended December 31, 2018, respectively, in cost of sales on the spot component of settled contracts in respect of foreign denominated operating expenses. The Company also recognized realized gains of $nil (2017 – $1.8 million) and $4.1 million (2017 – $4.7 million) for the three and twelve months ended December 31, 2018, respectively, as reductions to mine properties on the spot component of the settled contracts in respect of foreign denominated capital expenditures.

For the three and twelve months ended December 31, 2018, the Company recognized $2.1 million and $1.4 million, respectively, of unrealized losses on the time value component of the outstanding foreign exchange forward and option contracts in other comprehensive income (loss) as a deferred cost of hedging. The Company also recognized realized gains of $0.9 million and $2.2 million for the three and twelve months ended December 31, 2018, respectively, in cost of sales on the forward point component of the settled contracts in respect of foreign denominated operating expenses. The Company also recognized realized losses of $0.4 million and $1.5 million for the three and twelve months ended December 31, 2018, respectively, as additions to mine properties on the forward point component of the settled contracts in respect of foreign denominated capital expenditures. Had the Company not adopted IFRS 9, net losses of $1.6 million and $0.7 million in the three and twelve months ended December 31, 2018, respectively, would have been recorded in other expense in the consolidated statements of earnings (loss).

For the three and twelve months ended December 31, 2017, the Company recognized unrealized losses of $1.4 million and $5.1 million, respectively, in other expense on the forward point component of the outstanding foreign exchange forward contracts. The Company also recognized realized gains of $1.8 million and $6.1 million for the three and twelve months ended December 31, 2017, respectively, in other expense on the forward point component of settled contracts.

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

EXPLORATION

Chelopech Overview

In 2018, a total of 33,070 metres of resource development diamond drilling was completed, which comprised 11,452 metres of grade control drilling aimed to better define the shape and volume of existing ore bodies and 21,618 metres of extensional drilling, designed to explore for new mineralization along modelled trends.

Resource development drilling concentrated on the upper levels of Blocks 150, 18, 5 and 25, and Targets 7 and 700, with the aim to expand the current ore body extents and allow conversion of Mineral Resources into Mineral Reserves. Further to this, the areas down plunge of Blocks 151, 18 and 19 were also drilled during the year.

A detailed review of 2018 drilling program and results is discussed below.

Central Area

The main focus of the underground resource development drilling in the Central area of the mine was to extend known economic mineralization in Blocks 18, 5 and 25. Grade control drilling in this area was conducted within the Blocks 18 and 19. Additionally, resource development drilling concentrated on Target 7, which is an exploration target located close to current underground infrastructure.

Block 18

Higher elevations of Block 18 were tested as part of the Target 7 drilling program on level 505. The results from this drilling meant the broadening of mineralized contours in the northeastern part of the block between 450 mRL and 280 mRL (see drillholes “EXT18_505_09” and “EXT18_505_14”).

Grade control drilling from 19E-290-P2 on 290 level resulted in a significant increase in volume of the lower extents of Block 18 between 310 mRL and 200 mRL. Results are presented in the table below from holes “G18_290_07”, “G18_290_15” and “G18_290_17”.

Block 19

In 2018 total 2,128 metres grade control drilling were drilled in Block 19 from four separate localities.

Drillholes in eastern part of Block 19 were designed to check the continuity of mineralization in a northeasterly direction and to facilitate conversion of Mineral Resources to Mineral Reserves.

A series of holes (total 750 metres) were completed from position 19E-230-P7. Drilling returned significant intervals which extended the Block 19 contour in a northeasterly direction between 300 mRL and 190 mRL. Significant Intervals are shown in the table below from drillholes “G19E_230_09” and “G19E_230_12”.

A series of holes were drilled from cuddy 19E-290-P22. As a result of this program, the shape and volume of Block 19 was better defined between 300 mRL and 270 mRL. Significant results are presented in the table below within holes “G19E_290_26” and “G19E_290_28”.

Additionally, grade control drillholes from cuddy 19W-350-P14 verified the continuity of mineralization in the western part of Block 19. The results extended the ore body (see “G19W_350_33”) in a westerly direction. Furthermore, drillholes from cuddy 19-320-P5 confirmed the continuity of mineralization in a southerly direction from Block 19.

Blocks 5 and 25

In total, eleven drillholes tested Blocks 5 and 25 in 2018 (with total length 2,617 metres). The goal of this program was to discover new mineralization and expand the ore current body contours in the upper levels of Blocks 5 and 25. The result of drilling to date has been the successful extension of the ore contours in these blocks. Block 25 was increased between 450 mRL and 390 mRL, while Block 5 was extended between 410 mRL and 370 mRL. Significant results are presented in the table below within holes “EXT25_405_03”, “EXT25_405_05”, “EXT25_405_07”, “EXT25_405_08”, “EXT25_405_10” and “EXT25_405_11”. The drilling program will continue in 2019 to improve the data coverage in this area in order to further establish the continuity of mineralization.

Target 7

High grade mineralization in the northeastern part of the Chelopech Mine continues to be delineated within the Target 7 area. It is located about 200 metres east of Block 18 on the upper levels of Chelopech and within 50 metres of the current underground infrastructure. Re-interpretation of historical data and structural modelling has been used to delineate a target volume.

Drilling from position G31-505-DDC1 on level 505 successfully intersected Target 7 mineralization. Significant intervals are shown in the table below (see drillholes “EXT18_505_11”, “EXT18_505_18”, “EXT18_505_21”, “EXT7_505_01” and “EXT7_505_04”). The mineralization is a typical high-sulfidation mineral assemblage presented as a stockwork bearing pyrite, enargite and tennantite and is still open in a southeasterly direction. Metallurgical testwork on Target 7 core samples will be undertaken in the first quarter of 2019. The test work will be used to verify if the mineralization style is amenable to the current processing flow sheet.

Western Area

Block 150

During the year, extensional drilling was completed from position G421-405-DDC on level 405 targeting the upper levels of Block 150. This drilling program has been designed to further delineate a new extension to the Block 150 ore body, which was discovered during 2018. This area is viewed as an attractive target due to the wide and continuous nature of the Block 150 mineralization. Drilling returned mineralization that is typical for the upper levels of Block 150, appearing as a stockwork bearing pyrite, enargite and tennantite which transitions from a semi-massive to massive style of mineralization.

The results from this program continue to confirm the presence of high grade mineralization within the northern part of Block 150 and the contours of high grade mineralization have been extended along strike significantly between levels 500 mRL and 310 mRL. In the table below, significant results are presented from drillholes "EXT150_405_08", "EXT150_405_25", "EXT150_405_26", "EXT150_405_28", "EXT150_405_29", "EXT151_405_32A" and "EXT150_405_37".

Block 151

In 2018, approximately 4,237 metres of grade control drilling were completed in Block 151 from drill location 151-330-P2. The drillholes expanded the northwestern part of the ore body between 360 mRL and 290 mRL (see drillholes "G151_330_50", "G151_330_54" and "G151_330_55").

Subsequently, drillholes from cuddy 151-260-P2 returned mineralization which expanded the existing ore body of Block 151 in a westerly direction between 320 mRL and 200 mRL. Significant results from drillholes "G151_260_42" and "G151_260_43" are shown in the table below.

Additionally, a short program from position 151-135-P2 targeted the eastern flank of Block 151. Drillholes aimed to better define the shape and volume of existing ore body. Drilling extended the ore body down dip and outlined a series of discrete zones of mineralization that branch from the main ore body. See drillhole "G151_135_09" for a significant intercept from this program.

Block 153

In early 2018, drilling on the upper levels continued from cuddy G31-505-DDC2 towards Block 153. The drillholes were designed to clarify the final shape and continuity of the ore body. The drilling returned a series of discrete zones of high-grade mineralization, encompassed within a wide envelope of silica alteration. Significant intercepts are shown from holes "EXT153_505_14", "EXT153_505_18" and "EXT153_505_21".

Surface Drilling

A surface drilling program commenced in 2018 that aimed to determine the potential of a new mineralized zone called "700". This target is located in the central mining area approximately 150 metres above Block 17 and coincides with a NW – SE structural trend, which is viewed as being a high potential host for new mineralization. The 700 target mineralized trend is observed within historical drillholes and can be traced approximately 200 metres in down dip extent. The target outline is coincident with a wide silica alteration zone. Mineralization is primarily enriched with Au-Ag but virtually devoid of Cu. The zone presented as a massive barite – pyrite breccia zone surrounded by a halo of low temperature lead – zinc mineralization, hosted by a volcanic breccia within sediments of the Chelopech syncline.

In 2018, 2,079 metres of extensional drilling were completed towards Target 700. As a result of this drilling the silica envelope was significantly increased between 710 mRL and 500 mRL. Within the target area, drillholes "EXT765_01" and "EXT765_03" returned high grade Au-Ag mineralization. Further drilling is planned to access the continuity of mineralization and to permit this exploration target to be included in future Mineral Resource estimates. Metallurgical testwork will also be undertaken to determine the amenability of this mineralization style to the Chelopech flowsheet.

Outlook

The 2019 Mineral Resource development strategy for Chelopech will focus on the upper levels of Blocks 25, 5 and 8 and the northeastern parts of Block 18. Target 700 extensional drilling will continue with the aim to further delineate the target volume and to begin establishing continuity between drillholes.

Drilling towards Target 148 will continue in 2019. The additional drilling will determine the continuity of mineralization with the goal of converting some of this Mineral Resource into Mineral Reserves.

Additionally, DPM plans to test the following targets:

- Grade control drilling in Block 151 between levels 400 mRL and 330 mRL to test the current ore contours and possibly extend them in a southwest direction;
- Grade control drilling in Blocks 147, 145 and 144 to check the continuity of mineralization, define the ore body contours and for geotechnical purposes;
- Extensional drilling in a new target area termed "North", located in the northeast section of Chelopech deposit close to the boundary of Block 19 between 140 mRL and 160 mRL. The mineralization is presented as semi-massive to massive copper-gold mineralization constrained within steeply dipping structures. This section of the mine has been poorly explored to date; and
- Planned extensional diamond drilling in the upper levels area close to Blocks 8 and 10. This area has been poorly explored and historic drilling results, in combination with structural and geologic models, indicate un-tested mineralization may be present in this area.

Significant intercepts (gold equivalent ("AuEq") cut-off grade of 3 g/t) received during 2018:

HOLE ID	EAST	NORTH	RL	AZ	DIP	FROM	TO	True Width (m)	AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)
EXT150_405_08	5769	29497	412	282.7	-4.4	85.5	115.5	30.0	7.36	4.82	11.39	1.23
EXT150_405_25	5769	29496	413	272.7	7.2	102.7	151.5	47.0	11.68	8.65	42.32	1.47
EXT150_405_26	5769	29497	412	288.6	-25.1	75.0	118.5	36.5	4.35	2.15	7.07	1.07
EXT150_405_28	5769	29496	413	266.3	12.7	88.5	117.0	26.0	7.61	4.94	9.04	1.29
EXT150_405_29	5770	29496	413	267.8	18.1	204.0	268.5	61.0	8.25	6.98	28.58	0.61
EXT150_405_32A	5769	29496	413	279.3	20.5	166.5	203.1	32.0	7.26	5.64	76.97	0.79
EXT150_405_37	5769	29496	413	269.2	12.8	211.5	257.0	44.0	12.30	9.75	43.89	1.24
EXT153_505_14	6072	29368	507	276.4	-9.9	339.0	352.5	13.3	3.42	2.11	2.49	0.63
EXT153_505_18	6072	29366	507	252.6	-10.8	196.5	208.5	11.5	16.10	12.62	7.34	1.69
EXT153_505_21	6072	29367	508	272.9	5.6	357.0	373.5	16.5	6.39	4.53	1.06	0.90
EXT18_505_09	6379	29863	509	251.0	-19.0	207.0	237.0	29.0	7.64	4.63	14.67	1.46
EXT18_505_11	6378	29863	509	232.0	-11.7	46.0	64.5	18.0	5.20	2.05	75.13	1.53
EXT18_505_14	6379	29864	508	233.2	-49.5	274.5	301.5	18.5	7.13	5.71	13.22	0.69
EXT18_505_18	6379	29863	509	243.2	-21.3	86.0	96.0	9.5	21.63	7.60	96.33	6.81
EXT18_505_21	6072	29367	508	272.9	5.6	64.5	82.5	18.0	7.86	3.83	35.34	1.96
EXT25_405_03	5774	29500	412	349.0	-2.5	178.5	198.0	19.5	5.30	3.65	10.71	0.80
EXT25_405_05	5774	29500	412	355.7	-7.8	139.5	195.0	55.0	12.87	8.30	26.95	2.22
EXT25_405_07	5774	29500	412	342.7	-2.9	195.0	211.5	16.5	6.23	4.00	11.93	1.08
EXT25_405_08	5775	29499	412	5.2	-9.2	114.5	141.0	24.5	8.68	4.29	40.07	2.13
EXT25_405_10	5774	29500	412	338.7	-18.0	201.0	221.0	19.0	3.74	2.32	15.00	0.69
EXT25_405_11	5774	29500	412	348.7	-8.4	138.0	156.0	18.0	18.15	10.11	37.32	3.90
EXT7_505_01	6378	29864	511	249.3	22.1	73.5	92.0	18.0	6.3	3.73	29.55	1.25
EXT7_505_04	6379	29863	510	235.6	6.1	64.5	78.2	13.5	5.52	2.15	9.93	1.64
EXT765_01	6152	29420	765	326.8	-28.0	328.5	349.5	15.0	4.58	4.46	29.93	0.04
EXT765_03	6152	29420	765	343.6	-11.0	270.0	286.5	15.5	5.08	5.05	107.70	0.02

EXT765_03	6152	29420	765	343.6	-11.0	297.0	306.4	8.5	4.32	4.26	181.13	0.03
G151_135_09	5599	29335	136	138.9	-9.6	85.5	108.0	22.5	3.72	1.72	2.95	0.97
G151_260_42	5426	29341	265	214.0	-18.3	0.0	25.5	24.0	3.92	2.34	5.84	0.77
G151_260_43	5426	29341	266	260.0	15.9	115.5	150.0	32.0	18.65	12.56	17.56	2.96
G151_330_50	5471	29344	333	313.5	-11.6	24.0	52.5	27.5	6.20	3.25	10.15	1.43
G151_330_54	5444	29317	334	271.8	-1.6	106.5	148.5	42.0	4.86	3.60	5.00	0.61
G151_330_55	5444	29317	334	271.0	-9.1	109.5	159.0	49.5	3.25	2.25	5.10	0.49
G18_290_07	6060	29777	289	110.8	-16.0	91.5	129.0	36.0	3.56	2.72	5.88	0.41
G18_290_15	6058	29776	289	135.3	-8.6	67.5	136.5	68.0	14.88	13.46	3.68	0.69
G18_290_17	6060	29777	289	126.8	-19.2	133.5	159.0	24.5	6.24	5.58	14.58	0.32
G19E_230_09	6082	29894	233	77.7	-12.7	3.0	31.5	26.7	3.66	2.82	4.69	0.41
G19E_230_12	6081	29895	233	81.8	-4.5	70.5	99.0	28.5	4.51	3.55	6.63	0.47
G19E_290_26	6047	29976	295	77.8	-12.6	30.0	72.0	41.0	4.59	2.71	4.64	0.91
G19E_290_28	6047	29977	295	70.1	-7.8	45.0	67.5	22.4	3.94	2.31	6.22	0.79
G19W_350_33	5765	29916	355	188.3	-7.4	52.5	78.0	25.5	4.14	2.02	6.39	1.03

1) Significant intercepts are located within the Chelopech Mine Concession and proximal to the mine workings.
2) AuEq calculation is based on the following formula: Au g/t + 2.06 x Cu %.
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 & Reserve Update, Chelopech Project, Chelopech, Bulgaria" (the "Chelopech Technical Report") filed on SEDAR at www.sedar.com on March 28, 2018.

Sampling and Analysis

All drill cores are sampled in intervals up to a maximum of three metres, with 1.5 metres sample intervals being the common length within mineralized zones. The dimensions of the mineralized zones far exceed the standard sample length. Two sizes of core are drilled; NQ for extensional and BQ for grade control drilling. NQ core is cut by diamond saw, where one half of the core sample is submitted for assaying and the remaining half is retained in steel core trays. BQ core samples are submitted for analysis as a whole core. All drill cores are photographed prior to cutting and/or sampling.

Following DPM exploration standard procedures and internationally accredited standards, a full suite of CRM's (certified reference materials), blanks and field duplicates are submitted to the laboratory with each batch of samples. The overall quality control insertion rate is approximately 5% for reference materials, 2% for blanks, and 5% for field duplicates.

Sample tickets are entered into the bags with a numbering system, which reconciles sample and assayed results in the acQuire database. The average core recovery within the modeled resource constraints is 99.6% and the various phases of drill data show no issues with regards to recoveries.

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

Diamond drill core is prepared and assayed at the SGS managed laboratory at Chelopech in Bulgaria. Samples are routinely assayed for copper, gold, silver, sulphur and arsenic.

Chelopech Brownfield Exploration

A total of 18,081 metres of underground and surface diamond drilling in 42 drill holes was completed at Chelopech during 2018 in three brownfield exploration areas:

- Continuation of the near mine underground drilling along the SEBPZ;
- Follow-up surface drilling at the Sharlo Dere and Krasta prospects located 800 metres to two kilometres northeast of the Chelopech Mine on the mine concession and the Sveta Petka exploration license, and

- Surface drilling aiming for a deep target at the Aramu Dere prospect area west of the Chelopech Mine on the Sveta Petka license.

Other exploration activities included a high-resolution drone-based magnetic survey, soil geochemistry and geological mapping all within the Sveta Petka and Brevene exploration licenses.

Underground Exploration Drilling

Twenty-three holes totaling 9,713 metres were drilled along the SEBPZ from drill cuddies located northeast of Block 103, southwest of Block 8 and northeast of Block 10, located within the mining concession.

Sub-vertical breccia bodies with pyrite, chalcopyrite and sulphosalts were found southeast of Blocks 8 and 153. Significant intercepts from the two areas, called 8 South extension and 153 Southeast extension are listed in Table 1. A new distinct area of phyllic-altered diorite with quartz-barite-sulphide veins and high gold grades called the 'Gold-barite zone' was intersected by hole EX_SEBP_31_05 drilled along Section 31, with 18 metres averaging 3.22 g/t Au from 183 metres downhole. The Gold-barite zone is located southwest of Block 8 and northeast of the 153 Southeast target. In the fourth quarter of 2018, follow up drilling at the Level 555 target area at the northeastern end of the SEBPZ, first drilled in 2017, extended zones of weak sulphide mineralization and advanced argillic alteration to the southeast and northwest of Block 10 (assays expected in the first quarter of 2019). Underground exploration drilling along the SEBPZ will continue in 2019.

Significant intercepts from the SEBPZ received in 2018.

HOLE ID	EAST	NORTH	RL	AZ	DIP	FROM	TO	Length (m)	True width (m)	AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)
8 South extension													
EX_SEBP_31_01	6349	29708	408	129	-25	0	25	25	23	4.53	3.37	2.79	0.57
EX_SEBP_31_02	6348	29706	407	154	-25	0	6	6	5	3.18	1.86	3.54	0.64
and:						14	20	6	5	3.12	3.06	0.41	0.03
EX_SEBP_31_03	6346	29708	408	69	-20	0	9	9	8	7.25	4.20	4.90	1.48
EX_SEBP_31_04	6343	29712	407	330	-29	0	8	8	7	9.48	5.51	3.11	1.92
EX_SEBP_31_05	6340	29705	407	214	-25	0	11	11	10	5.32	3.66	4.51	0.81
153 Southeast extension													
HOLE ID	**EAST**	**NORTH**	**RL**	**AZ**	**DIP**	**FROM**	**TO**	**Length (m)**	**True width (m)**	**AuEq (g/t)**	**Au (g/t)**	**Ag (g/t)**	**Cu (%)**
EX_SEBP_103_01	5967	29275	451	305	-70	17	39	22	22	6.94	3.52	2.79	1.66
EX_SEBP_103_02	5971	29270	451	145	-60	36	47	11	6	4.29	2.02	5.84	1.10
EX_SEBP_103_04	5966	29275	451	270	-70	37	56	19	18	3.41	2.38	1.98	0.50
and:						47	53	6	6	8.15	6.22	1.46	0.93
and:						242	247	5	5	7.40	7.38	2.37	0.01
EX_SEBP_103_06						14	25	11	11	4.56	1.80	3.52	1.32
EX_SEBP_103_07						0	8	8	7.5	3.20	1.31	2.38	0.91
and:						139.5	145	5.5	5	3.96	0.41	2.44	1.73
Gold-barite zone													
HOLE ID	**EAST**	**NORTH**	**RL**	**AZ**	**DIP**	**FROM**	**TO**	**Length (m)**	**True width (m)**	**AuEq (g/t)**	**Au (g/t)**	**Ag (g/t)**	**Cu (%)**
EX_SEBP_31_05	6340	29705	407	214	-25	183	201	18	16	3.25	3.22	13.45	0.01

1) Coordinates are in Chelopech mine-grid.
2) AuEq calculation is based on the following formula: Au g/t + 2.06 x Cu %.
3) Cut-off grade of 3 g/t AuEq, 5m min length, 8m max internal dilution.
4) True widths are estimated.

Surface Exploration and Drilling

A total of 8,368 metres in 19 diamond holes was drilled from surface at the Krasta and Sharlo Dere prospects and the Aramu Dere target area. At the Krasta prospect, approximately two kilometres northwest of the main Chelopech ore bodies, drilling outlined a new zone of shallow copper gold mineralization over a strike length of 300 metres between 130 and 400 metres from surface. Drilling commenced in April 2018 and a total of 4,221 metres from 12 holes (EX_KR_01 to EX_KR_12) was completed by the end of December 2018. An additional three holes were drilled in January 2019. Fourteen of the 15 holes intersected high-sulphidation copper-gold mineralization hosted by: i) diorite and phreatomagmatic breccia similar to the those hosting the ore bodies at Chelopech or ii) in clasts reworked in the overlying epiclastic unit. Tennantite and pyrite mineralization form semi-massive hydrothermal breccia infill and stockwork style veins, similar to the Chelopech ore bodies. The most significant intercepts are summarized in the following table (assay results pending for holes EX_KR_11 and EX_KR_12). Interpretation and modelling are in progress and further drilling is planned for 2019.

Significant drill intercepts from the Krasta target received during 2018:

HOLE ID	EAST	NORTH	RL	AZ	DIP	FROM	TO	Length (m)	True width (m)	AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)
EX_KR_01	7019	30883	856	281	-57	178	219	41.0	31	0.65	0.36	1.21	0.14
EX_KR_03	7022	30886	857	336	-55	145	200.1	55.1	42	0.65	0.34	0.73	0.15
EX_KR_04	7020	30885	857	305	-45	141	148.3	7.3	6	1.01	0.73	1.00	0.14
EX_KR_05	7020	30882	857	265	-50	181.2	199	17.8	14	0.92	0.58	1.11	0.16
and:						206	216	10	8	0.94	0.49	0.92	0.22
EX_KR_06	7025	30887	857	5	-55	171	280	109	84	1.05	0.54	0.82	0.24
including:						192	202	10.0	8	3.04	1.45	1.38	0.77
EX_KR_07	7026	30885	857	35	-55	311	339	28	22	1.00	0.46	0.49	0.26
EX_KR_08	7025	30887	857	5	-69	277	293	16	9	1.00	0.54	1.17	0.22
EX_KR_09	7023	30887	857	350	-45	174	217.7	43.7	38	1.02	0.52	1.48	0.24
EX_KR_10	7026	30887	857	20	-45	196	234	38	33	1.50	0.87	0.83	0.31

1) *Coordinates are in Chelopech mine-grid.*
2) *AuEq calculation is based on the following formula: Au g/t + 2.06 x Cu %.*
3) *Cut-off grade of 0.5 g/t AuEq, 5m min length, 5m max internal dilution.*
4) *True widths are estimated.*

At the Sharlo Dere prospect, located approximately 800 metres northeast of the Chelopech mine, drilling was designed to follow up encouraging results from two drill holes completed in 2016 and to test a nearby conductive zone identified from magnetotelluric data. Drill permits were granted in the fourth quarter of 2018 and three holes totaling 1,341 metres were completed by the end of 2018. Zones of mineralized clasts in the overlying epiclastic unit, similar to previous drilling, appear uneconomic (assays pending).

At the Aramu Dere prospect, located approximately 1.5 kilometres west of the Chelopech mine, a single 1,307 metre hole was drilled in the fourth quarter of 2018. The scout hole intersected pre-mineral diorite with minor phreatomagmatic breccia, including a 35 metre interval with pervasive phyllic alteration and abundant (coliform) pyrite and minor base metal sulphides at 845 metres downhole depth (assays pending).

Surface exploration plans at Chelopech for the first part of 2019 will include surface drilling at the Krasta prospect and the Vozdol target, an orientation electro-magnetic survey at Krasta and additional geological mapping and soil sampling on the Brevene exploration license.

Krumovgrad, Bulgaria

During 2018, a total of 6,974 metres of diamond drilling was completed in 44 drill holes. Drilling focused on defining a resource at the Surnak deposit within the Khan Krum mining concession while some drilling was

carried out on two nearby exploration licenses. Other exploration activities included mapping, soil sampling, trenching, ground-based and high-resolution drone magnetic surveys.

Surnak deposit

A total of 5,052 metres was completed in 37 diamond drill holes (SUDD028 to SUDD064) at Surnak in 2018. The aim of this drilling program was to improve the geological model and to collect material for metallurgical testwork. Significant results are shown in the table below. Composite samples from three drill holes representing the basement sulphide zone, the detachment sulphide zone and the oxide zone have been sent for metallurgical testwork with results expected in the first quarter of 2019.

The gold mineralization at Surnak is related to a northeast-trending structural zone with a moderate dip towards the southeast. Gold mineralization at Surnak comprises intervals of quartz-carbonate-pyrite veins and sub-vertical hydrothermal breccia zones hosted by fine to coarse grained sandstone and conglomerates as well as the underlying metamorphic basement rocks (amphibolite and marble). Results confirm the presence of shallow gold mineralization while several higher grade hydrothermal breccia zones remain open at depth.

Significant drill intercepts from the Surnak deposit during 2018:

HOLE ID	EAST	NORTH	RL	AZ	DIP	FROM (m)	TO (m)	Length (m)	True width (m)	Au (g/t)	Ag (g/t)
SUDD028	9432424	4523071	463	260.2	-61.3	106	119	13	9.5	1.29	8.9
SUDD033	9432327	4522887	464	85.6	-75.8	62	72	10	4	0.68	10.5
and:						78	85	7	3	1.20	6.2
SUDD034	9432419	4522955	437	279	-60.8	65.6	92	26.4	23	1.22	12.4
SUDD035	9432425	4522915	441	271.9	-49.7	89	99	10	9.5	1.46	19.7
and:						106	112	6	6	0.87	2.3
SUDD036	9432400	4522956	440	272	-46.0	52	63	11	10.5	0.96	16.2
SUDD037	9432321	4523164	465	270.8	-60.3	33	38	5	4.5	0.97	6.8
SUDD038	9432155	4523209	463	270	-60.0	0	5	5	5	0.86	0.3
and:						19.3	24.5	5.2	5.2	1.50	4.9
SUDD039	9432137	4523165	463	272	-60.8	10	19	9	8	0.73	2.5
SUDD041	9432249	4522949	483	270	-60.3	1	21	20	14	2.41	10.5
and:						46	66	20	17	1.47	15.6
and:						71	76	5	4.8	1.16	6.6
and:						88	107	19	16	1.28	10.6
SUDD042	9432229	4522910	493	269.2	-60.3	0	26	26	18	1.58	3.1
and:						66	76	10	8.5	0.96	6.8
SUDD043	9432398	4523159	456	272.8	-60.3	46.75	62.3	15.55	11	2.48	3.9
and:						72.65	81	8.35	6	3.52	38.2
SUDD044	9432208	4522914	491	260	-50.1	16	46	30	28	2.13	4.6
SUDD045	9432269	4522899	484	271.1	-60.4	25	33	8	7.5	0.67	1.3
and:						50	82	32	23	1.11	9.2
and:						100	107	7	7	1.01	8.2
SUDD047	9432223	4522949	483	267.3	-45.9	29.5	45	15.5	13	1.63	5.4
SUDD048	9432326	4522887	464	271.4	-58.5	0	18	18	18	0.63	5.3
SUDD049	9432392	4523076	463	255.9	-55.1	30	44	14	12	1.06	4.7
and:						60	81	21	13	1.06	2.8

SUDD050	9432239	4523009	468	271.1	-59.7	32	40	8	8	1.14	5.7
and:						61	87	26	24	1.86	15.8
SUDD051	9432309	4523083	457	270	-55.0	4	11	7	6.5	1.09	0.3
and:						49	74	25	23.5	2.87	13.9
and:						100	122	22	20.5	1.22	9.8
SUDD052	9432200	4522998	470	266.8	-59.7	11	19.2	8.2	8	1.19	6.7
and:						39	47	8	8	3.15	12.7
SUDD053	9432154	4522996	472	269.3	-60.5	26.8	35.9	9.1	9	0.65	4.4
and:						39	45	6	6	0.65	3.4
and:						55	61	6	6	1.14	16.4
SUDD054	9432189	4523060	474	270	-60.0	0	10	10	9.5	1.45	1.5
SUDD057	9432325	4522886	464	271.9	-71.0	20	28	8	6	0.74	6.9
and:						84	92	8	7	3.13	17.9
SUDD058	9432329	4522883	464	320.3	-50.4	11	21	10	6.4	0.67	5.9
and:						64	71	7	4.5	2.31	35.7
and:						97	104	7	4.5	0.61	2.1
SUDD059	9432325	4522888	464	153.8	-55.6	71	85	14	6	1.21	17.2
SUDD060	9432325	4522887	465	211.2	-45.3	20	28	8	4	0.76	3.3
SUDD061	9432243	4523009	468	91	-75.6	65	71	6	2	0.69	3.3
and:						76	84	8	3	1.07	2.2
SUDD062	9432267	4522897	485	210.6	-50.4	13	20	7	3.5	0.71	4.1
and:						26	49	23	11	1.12	4.8
SUDD063	9432395	4523080	464	222	-52.0	37	46	9	6.2	1.02	4.9
and:						102	108	6	4.5	0.65	5.9
SUDD064	9432398	4523159	456	267.8	-80.7	23	31	8	6.5	0.68	1.1
and:						36	77	41	31	1.68	5.5

1) *Coordinates are in National coordinate 1970.*
2) *Cut-off grade of 0.6 g/t Au, 5m min length, 4m max internal dilution.*
3) *True widths are estimated.*

Kesebir license

At the Kupel North prospect, three drill holes totaling 1,220 metres were completed. Several narrow intervals of banded and bladed quartz-carbonate veins were intersected in the lower conglomerate. Results were not sufficiently encouraging to warrant further follow up drilling at Kupel North.

Elhovo exploration license

Four diamond drill holes totaling of 702 metres were completed along a northeast trending zone of silica-pyrite-clay alteration. Results were disappointing and no further drilling is warranted in this area. Further mapping, soil sampling and trenching to the western side of the license is planned for 2019.

Chiirite exploration license

At Chiirite, 1: 5,000 scale geological mapping, soil geochemistry and channel sampling along old trenches at the Chatal Kaya and Chernichino prospects were completed. Channel sampling across vein 6 at Chatal Kaya returned 13.2 g/t Au and 16.8 g/t Ag across a true width of 7.2 metres. Permitting for drill sites is in progress and drilling at the Chatal Kaya and Chernichino prospects is planned in 2019.

Timok Gold Project, Serbia

Exploration activities

During 2018, a total of 14,642 metres of diamond drilling was completed in 95 holes, including 1,718 metres in 16 holes for metallurgical samples. In addition, 34 line kilometres of ground magnetic surveying, 708 line kilometres of high resolution drone-based magnetic surveying, 53 line kilometres of induced polarization ("IP") and resistivity geophysic, infill soil geochemistry and 3,649 metres of trenching/channeling were carried out in 2018.

At the Bigar Hill and Korkan deposits, the results from near resource drilling during the second and third quarters of 2018 indicated good potential for additional resources outside the new resource model. Results of holes drilled to the west of the Bigar Hill Mineral Resource included hole BIDD079 that intersected 28 metres at 3.04 g/t Au from 85 metres downhole, including 12 metres at 6.94 g/t Au from 96 metres downhole in brecciated marble and basal conglomerates. On the northeast side of the Bigar Hill, hole BHDD094 intersected 35 metres at 2.03 g/t Au from 246 metres downhole in oxidized and strongly brecciated Cretaceous limestone. At the Korkan deposit, hole KODD180, located about 25-50 metres northwest of the Mineral Resource, intersected two intervals including 16 metres at 1.7 g/t Au in an oxidized section from between 65 and 81 metres downhole followed by 21 metres at 0.7 g/t between 93 and 114 metres in a transitional section.

In the fourth quarter of 2018, hole UMDD047 returned 34 metres with 2.07 g/t Au from a depth of 23 metres down hole, following up a gold target at the north-western extent of Božuluj prospect. Along the west and central margins of the Umka exploration license, a new gold target in shallow dipping sandstones was first tested by trench UMTR069 and returned 56 metres with 1.27 g/t Au and followed up by hole UMDD056 returning 9 metres with 0.76 g/t Au from 19 metres down hole depth.

Significant drill intercepts from the Timok Gold Project, Serbia, during 2018:

HOLE ID	EAST	NORTH	RL	AZ	DIP	FROM	TO	Length (m)	True Width (m)	Au (g/t)
BHDD088	570757	4898362	739	220.65	-55	169	182	13	10	1.22
and:						307	320	13	9	1.68
BHDD089	570466	4898687	662	195.65	-50	0	92	92	58	1.24
BHDD090	570605	4898710	661	320.91	-45	9	53	44	40	0.84
BHDD091	570263	4898357	680	175.91	-52	2	23.6	21.6	14	0.75
and:						138	147	9	6	4.36
and:						155	162	7	4	4.37
BHDD094	570911	4898690	632	270.91	-70	229	236	7	2.3	1.68
and:						246	281	35	11	2.03
BHDD095	570544	4898772	646	90.91	-45	8.8	49	40.2	20	0.51
and:						59	84	25	13	0.59
BIDD079	570058	4898465	625	225.91	-60	96	108	12	9	6.94
BIDD087	571251	4897802	761	50.94	-90	4	9	5	5	1.84
KODD180	570527	4900636	619	50.91	-60	65	81	16	12	1.70
and:						93	114	21	11	0.70
UMDD047	574015	4884881	654	330.91	-87	23	57	34	28	2.07
and:						84	105	21	16	0.62
UMDD056	570711	4890107	659	270.91	-60	19	28	9	7	0.76

1) *Coordinates are in UTM 34 North.*
2) *Cut-off grade of 0.1 g/t Au, 5m min length and 5m max internal dilution used in intervals shown.*
3) *True widths are estimated.*

Updated Mineral Resource estimate

On September 24, 2018, the Company announced the results of the updated Mineral Resource estimate for the Timok gold project. Highlights include:

- Total Indicated Mineral Resources of 46.9 million tonnes at 1.32 g/t Au for 1.996 million ounces;
- Includes oxide Indicated Mineral Resources of 21.8 million tonnes at 1.06 g/t Au for 742,000 ounces and transitional Indicated Mineral Resources of 9.2 million tonnes at 1.15 g/t Au for 338,000 ounces, and;
- Includes the first Mineral Resource estimate for the Korkan West deposit of Timok, discovered by DPM in 2016.

For additional information on the key parameters, assumptions, risks and other information relating to the updated Mineral Resource estimate for Timok, refer to the Company's press release dated September 24, 2018 entitled "Dundee Precious Metals announces updated Mineral Resource estimate for the Timok Gold Project" and the associated Technical Report filed on November 7, 2018 under the Company's profile at www.sedar.com.

The increase in Indicated Mineral Resources compared to the 2017 Mineral Resource estimate disclosed in the AIF dated March 28, 2018 (filed on SEDAR at www.sedar.com) is attributable to updated interpretations of the oxide and transitional weathering domains and new metallurgical inputs related to processing oxide and transitional mineralization. The inclusion of oxide and transitional mineralization within the conceptual pit optimization study has lowered reporting cutoffs, which in turn has increased constrained Mineral Resources. Net changes in Indicated Mineral Resources compared to the 2017 Mineral Resource estimate show an increase of 12 million tonnes and 280,000 ounces of gold. Corresponding percentage increases are 35% in tonnes and 16% in contained ounces of gold.

Based on the updated Mineral Resource estimate, the Company initiated a scoping study for Timok and, depending on the results of the scoping study, targets to release a preliminary economic assessment in the first half of 2019. These studies will focus on the initial economics of the oxide and transitional material to be constrained in a separate open pit shell, as well as the high level potential for subsequent development of the sulphide resource. Development of a permitting and approvals plan incorporating the ESIA process and approvals as well as all additional licensing (major permits and authorizations) requirements were also initiated in the fourth quarter of 2018. Exploration plans for 2019 are being developed to identify additional high quality targets to expand the near surface oxide resources.

Metallurgical studies

Following the positive results from a metallurgical testwork program conducted on the Timok oxide and transitional samples during the first quarter of 2018, further samples were collected from the various domains and submitted for metallurgical testwork during the fourth quarter of 2018. Results from this testwork program will be available during the first quarter of 2019 and included into the scoping study.

Tulare Project, Serbia

In 2018, exploration at the Tulare Project, comprising the Tulare, Trn and Degrmen exploration licenses that are located in the Lece Magmatic Complex, was focused on generating and testing near surface gold and copper-gold targets. Geological mapping and rock chip sampling undertaken on the three licenses, were followed up by trenching and diamond drilling. A total of 2,060 metres of drilling was completed in 11 holes. Assay results are pending for the majority of these holes.

A vector IP survey commenced on the Trn and Tulare licenses in December 2018 and is expected to be completed in early 2019. The aim of the survey is to identify conductive zones coinciding with favourable geology for follow up drill testing in 2019.

Lenovac Joint Venture, Serbia

During 2018, under the Lenovac joint venture with Rio Tinto Mining and Exploration Limited, exploration activities included: acquisition and interpretation of helicopter-borne gamma-ray spectrometry and aeromagnetic data; hydro-geochemical sampling of springs, and; two seismic survey transects.

On December 31, 2018, the joint venture agreement with Rio Tinto Mining and Exploration Limited expired. DMP will continue exploration at Lenovac in 2019.

Malartic Joint Venture, Quebec

In 2018, the Company met its first year exploration expenditure commitment and completed the first anniversary payment of Cdn$60,000 and issuance of 15,000 common shares to Pershimex Resources (formerly Khalkos Exploration Inc.) under the terms of the option agreement signed on July 4, 2017.

A 1,942 metre scout drilling program was completed in the beginning of 2018 on various targets within the Blake River Group that were generated from mapping and geophysical work completed in 2017. Best results include:

- 5.5 g/t Au over 2.0 metres in hole MLDD003 at 95 metres from the surface located 300 metres northwest from the historic Revillard gold showing. This intersection includes an 8.0 metre wide zone (estimated true width) grading 1.4 g/t Au. Additional anomalous shear zones were intercepted in the Blake River Group and, together with hole MLDD003, demonstrate that mineralization continues along strike for over 750 metres;
- 7.2 g/t Au over 3.3 metres in hole MLDD007 at 28 metres from surface including a high grade intersection of 11.6 g/t Au over 1.9 metres and a second intersection at 38 metres from surface of 2.3 g/t Au over 6.0 metres.

Other exploration activities completed in 2018 include 1:5000 scale mapping, 4.2 line kilometres of “Ore Vision” Induced Polarization geophysical survey and project-wide till sediment sampling. Also, during the fourth quarter of 2018, 1,049 line kilometres of high-resolution heli-bourne magnetics was flown along the Marbenite and Norbenite shear zones and a B-soil geochemistry program was conducted to follow-up anomalous till sediments and to cover areas with potassic and phyllic altered intrusion systems.

Exploration plans for the first quarter of 2019 include a 5,000 metre drill program to follow up holes MLDD003 and MLDD007 and test other targets from the 2018 exploration program.

Other

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

Sampling and Analysis of Exploration Core and Channel Samples

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

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

Samples from exploration programs at Chelopech, Krumovgrad and the Timok gold project are shipped to the Company's own exploration laboratory in Bor, Serbia, which is managed by SGS Minerals. The exploration samples from the Canadian Malartic joint venture project are processed using identical quality assurance and quality control ("QAQC") procedures and analytical methods, but sample preparation and gold fire assay analysis are completed by the Bureau Veritas laboratory in Timmins, Ontario and Vancouver, British Columbia.

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

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

DEVELOPMENT AND OTHER MAJOR PROJECTS

Krumovgrad

The mine site is located at Ada Tepe, approximately three kilometres south of the town of Krumovgrad in southeastern Bulgaria. The project plan contemplates the construction of an open pit mining operation comprised of a process plant, which will employ conventional crushing, grinding and flotation processing for gold extraction, and the disposal of thickened tailings, together with mine rock waste, in an integrated mine waste facility ("IMWF"). The plant is designed to treat up to 840,000 tonnes of ore per year over an eight-year mine life, including processing stockpiled low grade ore at the end of the project, which is consistent with existing permitting applications and environmental submissions. A feasibility study for the project was completed in 2011. The technical report for the Krumovgrad project entitled "Revised NI 43-101 Technical Report, Ada Tepe Deposit, Krumovgrad Project, Bulgaria" dated effective March 21, 2014, and revised November 7, 2017, is available at www.sedar.com (the "Krumovgrad Technical Report").

The table below is a summary of the Q4 2015 estimated capital costs required to construct and commission the project, together with the additional sustaining capital expenditures and closure costs expected to be incurred over the life of the project.

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

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

The estimated capital cost of the project at completion is now expected to be between $164 million and $168 million, of which $139.4 million has been incurred as at December 31, 2018. This decrease relative to the 2015 estimate of $178.2 million is due primarily to:

- A reforecast of contingency based on the remaining estimated cost ($4.7 million);
- Locking in a more favourable foreign exchange rate than was budgeted ($3.6 million);
- Procurement of some equipment spares on a consignment basis, as opposed to initial purchase ($2.0 million);
- Lower than planned earthmoving quantities ($2.0 million); and
- Procurement of some service vehicles on a leased basis, as opposed to purchase ($0.7 million).

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

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

1) Estimated and expressed in Q4 2015 US$.
2) Average cash cost over eight years.

Based on the Mineral Reserves and Mineral Resources contained in the Krumovgrad Technical Report, as well as the 2015 estimated capital and operating costs, the project economics and other key metrics are shown in the table below:

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

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

The project underwent a national environmental impact assessment (“EIA”) in 2010 and an environmental permit was issued and entered into force in March 2013. Following an independent review of the EIA reports, the EBRD required a number of supplementary environmental and social studies and documents to meet the EBRD Performance Requirements (“PRs”) and international good practices. In addition to the

EBRD PRs, certain lenders participating in the consortium refer to the Equator Principles and therefore the project also references the International Finance Corporation ("IFC") Performance Standards (2012).

Approval of the main construction permit was received in August 2016, and earthworks on the project site commenced in the fourth quarter of 2016. The Company has obtained all permits required for construction of the project facilities, and construction is ongoing in all areas.

EVN (the electricity supply utility) completed the installation of the power line to site at the end of the third quarter of 2018 and testing of the line was conducted during the fourth quarter of 2018. Grid power is now available at the site to support the ongoing commissioning of the project facilities.

The main construction activities during the fourth quarter of 2018 were:

- Completed installation of major civil and mechanical works associated with the IMWF;
- Commenced construction of the IMWF containment cells with waste rock from the mine;
- Continued with installation of the grout curtain at the IMWF;
- Continued construction of the permanent access road and waste water discharge pipeline;
- Testing and commissioning of the permanent grid power supply to the site;
- Ongoing installation of minor equipment foundations and suspended floors in the process plant area;
- Ongoing installation of electrical and instrumentation equipment;
- Ongoing installation of structural steel, piping and mechanical equipment;
- Started up and rotated the SAG mill under no-load conditions using grid power;
- Continued with installation of building roofing and cladding;
- Commissioned the site fire water reticulation system;
- Commenced filling the process water reservoir to support start-up in the first quarter of 2019;
- Cold commissioned the jaw crusher and associated equipment;
- Commissioning of the thickener area with water was completed; and
- Ongoing training of key operational staff.

Mining of ore and waste continued through the quarter as planned, with 30,000 tonnes of waste and 63,000 tonnes of ore blasted and excavated. Ore was hauled to the ore stockpile and will be fed to the plant during the hot commissioning process in the first quarter of 2019. The waste was hauled to the IMWF for construction of the initial tailings containment cells. To date, 158,000 tonnes of ore and 186,000 tonnes of waste have been mined.

As at December 31, 2018, construction of the project was approximately 92% complete, based on installed quantities, compared with a planned completion of 99%. Civil construction work was substantially completed and SMPEI installation progressed during the quarter. Additional structural, mechanical and electrical construction resources have been mobilized to site to mitigate the delays that resulted from the delayed concrete work earlier in the year. First concentrate production is expected in the first quarter of 2019, with commercial production expected in the second quarter of 2019.

Progress against the project baseline schedule is set out below:

Key Milestones	Expected/Actual Completion
Commence main civil/mechanical/electrical construction	Q3 2017 (complete)
Complete bulk earthworks in the process plant area	Q3 2017 (complete)
Mobilize electrical and instrumentation contractor to site	Q1 2018 (complete)
Complete IMWF earthworks	Q1 2018 (complete)
Commence pre-stripping of the mine	Q2 2018 (complete)
Start cold commissioning	Q2 2018 (in progress)
Start hot commissioning	Q1 2019
First concentrate production	Q1 2019

The Company continues to engage in an active dialogue with the municipality, government and other stakeholders, and will do so throughout the remainder of the construction and start-up phases, which

includes receipt of the subsequent operating approvals to support the Krumovgrad project start-up in the first quarter of 2019.

Tsumeb – Capital Project

Rotary Holding Furnace

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

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

Work to secure the necessary permits to support this planned increase in production is ongoing. An ESIA is underway for the project. Public access to the draft ESIA was provided during the second quarter of 2017. The Company is finalizing an update of certain technical studies, as a result of the feedback received from the public consultation process, and is planning to submit an updated ESIA for approval during the first half of 2019.

DPM anticipates moving forward with this project, subject to receipt of all major permits, adequate supply of complex concentrate on acceptable terms and funding being in place.

OFF BALANCE SHEET ARRANGEMENTS

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

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	**2018**				2017			
except per share amounts	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	**83.0**	104.3	102.9	86.9	94.9	92.3	86.9	74.6
Net earnings (loss)	**(1.5)**	20.0	16.0	2.7	(1.8)	3.0	11.0	(12.6)
Net earnings (loss) attributable to:								
• Non-controlling interest	**(0.2)**	(0.3)	(0.4)	(0.0)	(0.4)	(0.1)	0.0	(0.1)
• Common shareholders	**(1.3)**	20.3	16.4	2.7	(1.4)	3.1	11.0	(12.5)
Net earnings (loss) per share	**(0.01)**	0.11	0.09	0.02	(0.01)	0.02	0.06	(0.07)
Net earnings (loss) diluted per share	**(0.01)**	0.11	0.09	0.02	(0.01)	0.02	0.06	(0.07)
Adjusted net earnings (loss)	**(3.1)**	17.8	13.7	0.6	3.4	7.6	11.9	(6.2)
Adjusted basic earnings (loss) per share	**(0.02)**	0.10	0.08	0.00	0.02	0.04	0.07	(0.04)

The variations in the Company’s quarterly results were driven largely by fluctuations in gold grades and recoveries, volumes of complex concentrate smelted, gold and copper prices, foreign exchange rates, smelter toll rates, metals exposure and slag mill concentrate returns, depreciation, gains and losses related to Sabina special warrants, unrealized and realized gains and losses on commodity swap and option contracts related to hedging the Company’s metal price exposures, realized and unrealized gains or losses on foreign exchange forward and option contracts, impairment charges and common share issuances.

Following the implementation of IFRS 9 on January 1, 2018, unrealized gains or losses on commodity swap and options contracts on Production Hedges and time value of foreign exchange forward and option contracts are recognized in other comprehensive income (loss) rather than in other expense.

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

	2018				2017			
Average	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
LBMA gold *($/oz)*	**1,228**	1,213	1,307	1,330	1,275	1,278	1,257	1,219
LME settlement copper *($/lb)*	**2.80**	2.77	3.12	3.16	3.09	2.88	2.57	2.65
LBMA spot silver *($/oz)*	**14.55**	14.99	16.53	16.77	16.70	16.83	17.26	17.42

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,**	**2018**	2017	2016[1]
Revenue from continuing operations	**377,111**	348,755	279,489
Impairment charges of continuing operations[2]	**-**	-	126,363
Net earnings (loss) attributable to common shareholders from continuing operations	**38,113**	217	(149,947)
Net loss attributable to common shareholders from discontinued operations	**-**	-	(1,605)
Net earnings (loss)	**37,172**	(361)	(152,187)
Adjusted net earnings (loss) from continuing operations	**29,026**	16,701	(22,372)
Basic earnings (loss) per share from continuing operations	**0.21**	0.00	(1.00)
Basic loss per share from discontinued operations	**-**	-	(0.01)
Basic earnings (loss) per share	**0.21**	0.00	(1.01)
Diluted earnings (loss) per share	**0.21**	0.00	(1.01)
Adjusted net earnings (loss) per share from continuing operations	**0.16**	0.09	(0.15)
Total assets	**859,585**	845,283	733,952
Long-term debt, including current portion	**29,000**	23,000	41,110

1) 2016 results reflect Kapan as a discontinued operation as a result of the Kapan Disposition, which closed on April 28, 2016.
2) Includes impairment charges on property, plant and equipment, intangible assets and publicly traded securities.

Key events impacting the Company's financial results over the period 2016 to 2018 include:

(i) higher volumes of complex concentrate smelted and higher realized copper and gold prices in 2018 relative to 2017. Higher volumes of payable gold in concentrate sold as a result of higher gold recoveries and grades, higher volumes of complex concentrate smelted and higher market copper and gold prices in 2017 relative to 2016;

(ii) impairment charges in 2016 of $126.4 million included $118.7 million in respect of Tsumeb;

(iii) impact of a stronger U.S. dollar in 2018 and 2017 relative to the local currencies in which the Company's operating costs are denominated. Lower depreciation at Tsumeb in 2017 relative to 2016 following changes in the estimated useful lives for certain assets and the impairment charges taken in 2016;

(iv) unrealized gains and losses related to commodity swap contracts included in other expense in 2017 and 2016;

(v) following the implementation of IFRS 9 effective January 1, 2018, unrealized gains and losses related to the forward point component of forward foreign exchange contracts are recognized in

other comprehensive income (loss), whereas, they were recognized in other expense in 2017 and 2016;

(vi) higher growth capital expenditures for the construction of the Krumovgrad project in 2018 and 2017;

(vii) in October 2017, acquired a 78% equity interest in MineRP, for cash paid of $20.0 million, including $8.1 million that was used to repay all outstanding debt and certain other liabilities;

(viii) non-brokered private placement with the EBRD in 2017, pursuant to which the Company issued 17.8 million common shares of the Company for gross proceeds of $33.2 million. Bought deal financing with a syndicate of underwriters and a non-brokered private placement in 2016, pursuant to which the Company issued 19.1 million shares of the Company for gross proceeds of $43.8 million; and

(ix) Drawdowns under the RCF of $6.0 million in 2018, repayments of $2.0 million in 2017 and repayments of $90.0 million in 2016. Scheduled repayments of Term Loans of $16.3 million in 2017 and 2016.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

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

(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 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 charge, if any, is recognized through net earnings or 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 Mineral 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 and evaluation 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 earnings or loss in the period the new information becomes available.

(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”. All expenditures related to the construction of mine declines and ore body access, including mine shafts and ventilation raises, are considered to be 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.

Upon the commencement of commercial production, all related assets included in “Mines under construction” are reclassified to “Mine Properties – Producing mines” or “Property, plant and equipment”. Determination of commencement of commercial production is a complex process and requires significant assumptions and estimates. The commencement of commercial production is defined as the date when the mine is capable of operating in the manner intended by management. The Company considers primarily the following factors, among others, when determining the commencement of commercial production:

- All major capital expenditures to achieve a consistent level of production and desired capacity have been incurred;
- A reasonable period of testing of the mine plant and equipment has been completed;
- A predetermined percentage of design capacity of the mine and mill has been reached; and
- Required production levels, grades and recoveries have been achieved.

Mine Properties – Producing mines

All assets reclassified from “Mines under construction” to “Producing mines” are stated at cost less accumulated depletion and accumulated impairment charges. 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 Resource and Mineral Reserve estimates

The estimation of Mineral Resources and Mineral Reserves, as defined under NI 43-101 is a complex process and requires significant assumptions and estimates. The Company prepares its Mineral Resource and Mineral Reserve estimates based on information related to the geological data on the size, depth and shape of the orebody which is compiled by appropriately qualified persons. Mineral Resource and Mineral Reserve estimates are based upon factors such as 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. Mineral Resource and Mineral Reserve estimates, together with forecast production, determine the life of mine estimates and therefore changes in the Mineral Resource or Mineral Reserve 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 charges.

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	3-25
Vehicles	5
Computer Hardware	2-5
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 charge. 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 recognized in profit or 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. Significant judgment is involved in the determination of estimated residual values and useful lives. The actual residual values and useful lives may differ from current estimates.

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.

Rates of depreciation and, in turn, the annual depreciation expense could therefore be materially affected by changes in underlying estimates. Changes in estimates can be the result of differences in actual production or changes in forecast future production, changes in Mineral Resources or Mineral Reserves through exploration activities, differences between estimated and actual costs of mining and differences in metal prices used in the estimation of Mineral Reserves.

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 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 based on discounted cash flows. 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. Management has assessed the Company's CGUs as being an individual operating site.

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 charges are recognized in the consolidated statements of earnings (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 charge, other than a charge in respect of goodwill, is reversed only if there has been a change in the estimates used to determine the asset or CGU's recoverable amount since the last impairment charge 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 charge been recognized for the asset or CGU in prior years.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill is allocated to the CGU that is expected to benefit from the business combination in which the goodwill arose. Any impairment in goodwill is recognized immediately and cannot be subsequently reversed.

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, toll rates, discount rates, foreign exchange rates, operating and capital costs, and future expansion plans.

These significant 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. A significant decline in the asset's market value, 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. Judgment is also required when considering whether significant changes in any of these items indicate a previous impairment may have reversed.

As at December 31, 2018, the Company assessed the recoverable amount of each of its CGUs as a result of the market capitalization of its shares being less than their carrying value. Based on this assessment, the carrying values of all CGUs were considered to be recoverable.

As at December 31, 2018, the FVLCD of the Tsumeb CGU approximates its carrying value of $242 million. The projected cash flows and estimated FVLCD can be affected by any one or more changes in the estimates used. Changes in volumes of concentrate smelted, third party toll rates and operating costs have the greatest impact on value, where a 5% change in volumes, third party toll rates, or operating costs would each change FVLCD by approximately $40 million. The Company is advancing discussions and permitting of the Tsumeb expansion plan involving the installation of a rotary furnace to increase capacity to up to 370,000 tonnes, which is subject to the timing of anticipated new complex concentrate coming on the market and adequate commercial arrangements being in place to support the expansion. If Tsumeb were to not proceed with its expansion plan, there would be an impairment charge.

(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 profit or 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 earnings (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 profit or 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.

As at December 31, 2018, the undiscounted future cost for the rehabilitation obligations before inflation was estimated to be $51.3 million. The carrying value of the rehabilitation liability was $38.4 million as at December 31, 2018 and $38.0 million as at December 31, 2017.

(vi) Revenue recognition

Accounting policy under IFRS 15, *Revenue from Contracts with Customers*, applicable from January 1, 2018

Revenue from the sale of concentrates containing gold, copper and silver is recognized when control has been transferred, which is considered to occur when products have been delivered to the location specified

in the sales contract and the significant risks of loss have been transferred to the buyer. Revenue is measured based on the consideration specified in the contract.

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 other commercial 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 and LBMA 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.

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 significant estimates are based on the Company’s process knowledge and multiple assay results, the final results of which could differ from initial estimates.

Revenue from the sale of sulphuric acid, 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 control has 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.

Revenue from MineRP’s software services is recognized over time when the services are rendered. This is measured based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The estimated revenue or extent of progress toward percentage of completion is revised if changes occur or circumstances arise that indicate a revision is warranted. Any resulting increase or decrease in estimated revenue is reflected in the consolidated statements of earnings (loss) in the period in which such determination is made.

Revenue from licenses entered by MineRP containing software and ongoing services elements is recognized based on the estimated fair value of each element. The fair value of each element is determined based on the market price of each element when sold separately. Revenue relating to the software element is recognized when the control has been transferred to the customer, which occurs on delivery. Revenue relating to the service element is recognized over time when the services are rendered.

Accounting policy under IAS 18, *Revenue*, applicable prior to January 1, 2018

The accounting policy for the comparative information presented in respect of revenue recognition was similar to the accounting policy adopted in 2018, with the exception that under IAS 18, revenue was recognized when the significant risks and rewards of ownership had been transferred to the customer, which occurred at the same time as the transfer of control under the new accounting policy for the Company’s products and services, and was measured at the fair value of the consideration received or receivable.

(vii) Deferred revenue

Accounting policy under IFRS 15 applicable from January 1, 2018

Deferred revenue is recognized in the consolidated statements of financial position when a cash prepayment is received from one or more customers prior to the sale of product or delivery of service.

Revenue is subsequently recognized in the consolidated statements of earnings (loss) when the sale occurs, which generally occurs when control has been transferred or in the case of services, when the services have been rendered.

The Company recognizes the time value of money, where there is a significant financing component and the period between the payment by the customer and the transfer of the contracted goods or services exceeds one year.

In assessing the accounting for the Company's prepaid forward gold sales arrangement, the Company used judgement to determine that the upfront cash prepayment received was not a financial liability as the sale is expected to be settled through the delivery of gold, which is a non-financial item rather than through cash or other financial assets. It is the Company's intention to settle this arrangement through its own production. If such settlement is not expected to occur, the prepaid forward gold sales arrangement would become a financial liability as a cash settlement may be required.

Accounting policy under IAS 18 applicable prior to January 1, 2018

The accounting policy for the comparative information presented in respect of deferred revenue was similar to the accounting policy adopted in 2018 except that, under IAS 18, the Company did not recognize a deemed financing expense in respect of its prepaid forward gold sales arrangement.

(viii) 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 profit or 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

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, which resulted in changes in accounting policies as described in note 2.2 to DPM's consolidated financial statements for the year ended December 31, 2018. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2018, except for hedge accounting in respect of commodity swap and option contracts that was applied prospectively.

NEW STANDARD NOT YET ADOPTED

IFRS 16, *Leases*

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

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. IFRS 16 provides lessees the choice for either full retrospective application or modified retrospective application whereby the restatement of comparative information in prior periods would not be required but instead would be reflected in opening balances as at January 1, 2019. The Company will adopt this standard effective January 1, 2019 with modified retrospective application. The Company will also utilize the practical expedient election permitted by the standard whereby there is no need to reassess whether a contract is a lease or contains an embedded lease if this assessment was previously undertaken.

The Company has a project team that has reviewed the applicable technical interpretations and all existing operating leases to determine and document expected changes in lease accounting. The Company has completed its evaluation of the accounting implications on its consolidated financial statements and

disclosures, internal controls and accounting policies. Upon adoption of IFRS 16, the Company expects to recognize leased assets and the associated obligation of $3.5 million each as at January 1, 2019, with no impact on the total shareholders' equity.

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. In addition, the Compensation Committee of the Board of Directors uses certain of these measures, together with other measures, to set incentive compensation goals and assess performance. These measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Non-GAAP financial measures, together with other financial measures calculated in accordance with IFRS, are considered to be important factors that assist investors in assessing the Company's performance.

Non-GAAP Cash Cost and All-in Sustaining Cost Measures

Cash cost per tonne of ore processed, cash cost per pound of copper in concentrate produced, cash cost per ounce of gold in concentrate produced, cash cost per ounce of gold sold, net of by-product credits, all-in sustaining cost per ounce of gold and cash cost per tonne of complex concentrate smelted, net of by-product credits, capture the important components of the Company's production and related costs. Management and investors utilize these metrics as an important tool to monitor cost performance at the Company's operations. In addition, the Compensation Committee of the Board of Directors uses certain of these measures, together with other measures, to set incentive compensation goals and assess performance.

The following tables provide a reconciliation of the Company's cash cost per tonne of ore processed and cash cost per tonne of complex concentrate smelted, net of by-product credits to its cost of sales:

$ thousands, unless otherwise indicated **For the three months ended December 31, 2018**	**Chelopech**	**Tsumeb**	**MineRP**	**Total**
Ore processed *(mt)*	**524,693**	**-**		
Metals contained in copper concentrate produced:				
Gold *(ounces)*	**33,930**	**-**		
Copper *(pounds)*	**8,558,247**	**-**		
Complex concentrate smelted *(mt)*	**-**	**63,061**		
Cost of sales	**23,809**	**39,507**	**2,303**	**65,619**
Add/(deduct):				
Depreciation, amortization & other	**(7,557)**	**(6,654)**		
Change in concentrate inventory	**4,386**	**-**		
Total cash cost before by-product credits	**20,638**	**32,853**		
By-product credits	**(511)**	**(6,783)**		
Total cash cost after by-product credits	**20,127**	**26,070**		
Cash cost per tonne ore processed	**39.33**	**-**		
Cash cost per pound copper produced[(1)]	**0.85**	**-**		
Cash cost per ounce gold produced[(1)]	**379**	**-**		
Cash cost per tonne of complex concentrate smelted, net of by-product credits	**-**	**413**		

1) Gold and copper are accounted for as co-products. Total cash costs are net of by-product silver revenue.

$ thousands, unless otherwise indicated **For the three months ended December 31, 2017**	**Chelopech**	**Tsumeb**	**MineRP**	**Total**
Ore processed *(mt)*	527,633	-		
Metals contained in copper concentrate produced:				
Gold *(ounces)*	36,452	-		
Copper *(pounds)*	9,451,075	-		
Complex concentrate smelted *(mt)*	-	58,983		
Cost of sales	31,551	36,808	123	68,482
Add/(deduct):				
Depreciation, amortization & other	(8,306)	(5,957)		
Realized (gains) losses on foreign exchange forward contracts	106	(2,065)		
Change in concentrate inventory	(3,918)	-		
Total cash cost before by-product credits	19,433	28,786		
By-product credits	(904)	(4,811)		
Total cash cost after by-product credits	18,529	23,975		
Cash cost per tonne ore processed	36.83	-		
Cash cost per pound copper produced[1]	0.78	-		
Cash cost per ounce gold produced[1]	306	-		
Cash cost per tonne of complex concentrate smelted, net of by-product credits	-	406		

1) *Gold and copper 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, 2018**	**Chelopech**	**Tsumeb**	**MineRP**	**Total**
Ore processed *(mt)*	**2,216,753**	**-**		
Metals contained in copper concentrate produced:				
Gold *(ounces)*	**141,840**	**-**		
Copper *(pounds)*	**36,672,666**	**-**		
Complex concentrate smelted *(mt)*	**-**	**232,043**		
Cost of sales	**110,169**	**151,709**	**10,985**	**272,863**
Add/(deduct):				
Depreciation, amortization & other	**(31,788)**	**(25,278)**		
Change in concentrate inventory	**2,198**	**-**		
Total cash cost before by-product credits	**80,579**	**126,431**		
By-product credits	**(2,891)**	**(23,142)**		
Total cash cost after by-product credits	**77,688**	**103,289**		
Cash cost per tonne ore processed	**36.35**	**-**		
Cash cost per pound copper produced[1]	**0.80**	**-**		
Cash cost per ounce gold produced[1]	**342**	**-**		
Cash cost per tonne of complex concentrate smelted, net of by-product credits	**-**	**445**		

1) *Gold and copper 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, 2017**	**Chelopech**	**Tsumeb**	**MineRP**	**Total**
Ore processed *(mt)*	2,218,717	-		
Metals contained in copper concentrate produced:				
Gold *(ounces)*	141,235	-		
Copper *(pounds)*	35,772,650	-		
Complex concentrate smelted *(mt)*	-	219,252		
Cost of sales	113,703	153,297	123	267,123
Add/(deduct):				
Depreciation, amortization & other	(35,763)	(25,082)		
Realized (gains) losses on foreign exchange forward contracts	337	(7,000)		
Change in concentrate inventory	(2,387)	-		
Total cash cost before by-product credits	75,890	121,215		
By-product credits	(3,524)	(20,881)		
Total cash cost after by-product credits	72,366	100,334		
Cash cost per tonne ore processed	34.20	-		
Cash cost per pound copper produced(1)	0.74	-		
Cash cost per ounce gold produced(1)	326	-		
Cash cost per tonne of complex concentrate smelted, net of by-product credits	-	458		

1) Gold and copper are accounted for as co-products. Total cash costs are net of by-product silver revenue.

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

$ thousands, unless otherwise indicated	**Three Months**		**Twelve Months**	
Ended December 31,	**2018**	2017	**2018**	2017
Cost of sales(1)	**23,809**	31,657	**110,169**	114,040
Add/(deduct):				
Depreciation, amortization & other	**(7,557)**	(8,306)	**(31,788)**	(35,763)
Other charges, including freight(2)	**24,019**	35,865	**105,276**	112,489
By-product credits(3)	**(19,159)**	(26,090)	**(95,501)**	(87,912)
Cash cost of sales, net of by-product credits	**21,112**	33,126	**88,156**	102,854
Payable gold in copper and pyrite concentrates sold *(ounces)*(4)	**33,455**	48,906	**163,595**	171,969
Cash cost per ounce of gold sold, net of by-product credits	**631**	677	**539**	598

1) Includes realized losses on the forward point component of the foreign exchange forward contracts recorded in other expense in the three and twelve months ended December 31, 2017.

2) Includes treatment charges, transportation and other selling costs related to the sale of pyrite concentrate of $6.3 million and $24.5 million in the fourth quarter and twelve months of 2018, respectively, compared to $8.1 million and $26.3 million in the corresponding periods in 2017.

3) Includes realized losses on copper swap and option contracts, entered to hedge a portion of projected payable production, of $0.8 million and $6.3 million during the fourth quarter and twelve months of 2018, respectively, compared to $5.6 million and $12.8 million in the corresponding periods in 2017.

4) Includes payable gold in pyrite concentrate sold in the fourth quarter and twelve months of 2018 of 8,956 ounces and 36,737 ounces, respectively, compared to 10,783 ounces and 35,714 ounces in the corresponding periods in 2017.

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

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2018**	2017	**2018**	2017
Cost of sales[1]	**23,809**	31,657	**110,169**	114,040
Add/(deduct):				
Depreciation, amortization & other	**(7,557)**	(8,306)	**(31,788)**	(35,763)
Other charges, including freight	**17,720**	27,751	**80,795**	86,136
By-product credits[2]	**(19,159)**	(26,090)	**(95,501)**	(87,912)
Cash cost of sales, net of by-product credits	**14,813**	25,012	**63,675**	76,501
Payable gold in copper concentrate sold *(ounces)*	**24,499**	38,123	**126,858**	136,255
Cash cost per ounce of gold sold, net of by-product credits	**605**	656	**502**	561

1) Includes realized losses on the forward point component of the foreign exchange forward contracts recorded in other expense in the three and twelve months ended December 31, 2017.
2) Includes realized losses on copper swap and option contracts, entered to hedge a portion of projected payable production, of $0.8 million and $6.3 million during the fourth quarter and twelve months of 2018, respectively, compared to $5.6 million and $12.8 million in the corresponding periods in 2017.

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

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2018**	2017	**2018**	2017
Cash cost of sales, net of by-product credits[1]	**21,112**	33,126	**88,156**	102,854
Accretion expenses[1]	**92**	73	**400**	288
General and administrative expenses[2]	**3,981**	2,999	**11,995**	11,697
Cash outlays for sustaining capital[1]	**3,706**	3,032	**7,335**	10,491
All-in sustaining costs	**28,891**	39,230	**107,886**	125,330
Payable gold in copper and pyrite concentrates sold *(ounces)*[3]	**33,455**	48,906	**163,595**	171,969
All-in sustaining cost per ounce of gold	**864**	802	**659**	729

1) Represents the cash cost of sales, net of by-product credits, accretion expenses and cash sustaining capital expenditures that are specific to Chelopech.
2) Represents an allocated portion of DPM's general and administrative expenses, including share based remuneration, and excluding depreciation and expenses related to Avala, Krumovgrad and MineRP, based on Chelopech proportion of total revenue, excluding MineRP.
3) Includes payable gold in pyrite concentrate sold in the fourth quarter and twelve months of 2018 of 8,956 ounces and 36,737 ounces, respectively, compared to 10,783 ounces and 35,714 ounces in the corresponding periods in 2017.

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

$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	**2018**	2017	**2018**	2017
Cash cost of sales, net of by-product credits[1]	**14,813**	25,012	**63,675**	76,501
Accretion expenses[1]	**92**	73	**400**	288
General and administrative expenses[2]	**3,981**	2,999	**11,995**	11,697
Cash outlays for sustaining capital[1]	**3,706**	3,032	**7,335**	10,491
All-in sustaining costs	**22,592**	31,116	**83,405**	98,977
Payable gold in copper concentrate sold *(ounces)*	**24,499**	38,123	**126,858**	136,255
All-in sustaining cost per ounce of gold	**922**	816	**657**	726

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

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

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

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

- impairment charges or reversals thereof;
- unrealized gains or losses on commodity swap and option contracts related to projected payable production that in 2017, prior to the adoption of IFRS 9, did not receive hedge accounting;
- unrealized gains or losses on the forward point component of the foreign exchange forward contracts that in 2017, prior to the adoption of IFRS 9, did not receive hedge accounting;
- unrealized and realized gains or losses related to investments carried at fair value;
- significant tax adjustments not related to current period earnings; 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 earnings (loss) to net earnings (loss) attributable to common shareholders:

$ thousands, except per share amounts	**Three Months**		**Twelve Months**	
Ended December 31,	**2018**	2017	**2018**	2017
Net earnings (loss) attributable to common shareholders	**(1,291)**	(1,346)	**38,113**	217
Add/(deduct) after-tax adjustments:				
Unrealized losses on commodity swap and option contracts, net of income tax recovery of $431 and $1,603	**-**	3,874	**-**	14,423
Unrealized losses on the forward point component of foreign exchange forward contracts, net of income tax expense of $13 and income tax recovery of $38	**-**	1,270	**-**	5,076
Unrealized 2017 losses on commodity swap and option contracts that settled in 2018, net of income tax recovery of $374 and $1,460[1]	**(3,360)**	-	**(13,134)**	-
Net (gains) losses related to Sabina special and other warrants, net of income taxes of $nil for all periods	**166**	(369)	**2,624**	(3,015)
Tax adjustment not related to current period earnings	**1,252**	-	**1,252**	-
Impairment charges on intangible assets	**2,346**	-	**2,346**	-
Impairment reversal on property, plant and equipment, net of income taxes of $241	**(2,175)**	-	**(2,175)**	-
Adjusted net earnings (loss)	**(3,062)**	3,429	**29,026**	16,701
Basic earnings (loss) per share	**(0.01)**	(0.01)	**0.21**	0.00
Adjusted basic earnings (loss) per share	**(0.02)**	0.02	**0.16**	0.09

1) These losses were recognized in net earnings (loss) attributable to common shareholders in 2017 but were never recognized in adjusted net earnings (loss).

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

- impairment charges or reversals thereof;
- unrealized gains or losses on commodity swap and option contracts related to projected payable production that in 2017, prior to the adoption of IFRS 9, did not receive hedge accounting;

- unrealized gains or losses on the forward point component of the foreign exchange forward contracts that in 2017, prior to the adoption of IFRS 9, did not receive hedge accounting;
- 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 earnings (loss) before income taxes to earnings (loss) before income taxes:

$ thousands	Three Months		Twelve Months	
Ended December 31,	**2018**	2017	**2018**	2017
Earnings (loss) before income taxes	**(1,636)**	273	**44,414**	4,849
Add/(deduct) adjustments:				
Unrealized losses on commodity swap and option contracts	**-**	4,305	**-**	16,026
Unrealized losses on the forward point component of foreign exchange forward contracts	**-**	1,257	**-**	5,114
Unrealized 2017 losses on commodity swap and option contracts that settled in 2018[1]	**(3,734)**	-	**(14,594)**	-
Net (gains) losses related to Sabina special and other warrants	**166**	(369)	**2,624**	(3,015)
Tax adjustment not related to current period earnings	**1,252**	-	**1,252**	-
Impairment charges on intangible assets	**2,346**	-	**2,346**	-
Impairment reversal on property, plant and equipment	**(2,416)**	-	**(2,416)**	-
Adjusted earnings (loss) before income taxes	**(4,022)**	5,466	**33,626**	22,974

1) These losses were recognized in earnings before income taxes in 2017 but were never recognized in adjusted earnings (loss) before income taxes.

Adjusted EBITDA

Adjusted EBITDA is used by management and investors to measure the underlying operating performance of the Company's operating segments. Presenting these measures from period to period helps management and investors evaluate earnings trends more readily in comparison with results from prior periods. In addition, the Compensation Committee of the Board of Directors uses adjusted EBITDA, together with other measures, to set incentive compensation goals and assess performance.

Adjusted EBITDA excludes the following from earnings before income taxes:

- depreciation and amortization;
- interest income;
- finance cost;
- impairment charges or reversals thereof;
- unrealized gains or losses on commodity swap and option contracts related to projected payable production that in 2017, prior to the adoption of IFRS 9, did not receive hedge accounting;
- unrealized gains or losses on the forward point component of the foreign exchange forward contracts that in 2017, prior to the adoption of IFRS 9, did not receive hedge accounting;
- 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 earnings (loss) before income taxes:

$ thousands	**Three Months**		**Twelve Months**	
Ended December 31,	**2018**	2017	**2018**	2017
Earnings (loss) before income taxes	**(1,636)**	273	**44,414**	4,849
Add/(deduct):				
Depreciation and amortization	**14,812**	14,626	**58,944**	61,851
Finance cost	**1,769**	1,790	**7,224**	7,570
Interest income	**(101)**	(82)	**(327)**	(294)
Net (gains) losses related to Sabina special and other warrants	**166**	(369)	**2,624**	(3,015)
Unrealized losses on commodity swap and option contracts	**-**	4,305	**-**	16,026
Unrealized 2017 losses on commodity swap and option contracts that settled in 2018[1]	**(3,734)**	-	**(14,594)**	-
Unrealized losses on the forward point component of foreign exchange forward contracts	**-**	1,257	**-**	5,114
Tax adjustment not related to current period earnings	**1,252**	**-**	**1,252**	**-**
Impairment charges on intangible assets	**2,346**	**-**	**2,346**	**-**
Impairment reversal on property, plant and equipment	**(2,416)**	**-**	**(2,416)**	**-**
Adjusted EBITDA	**12,458**	21,800	**99,467**	92,101

1) These losses were recognized in earnings before income taxes in 2017 but were never recognized in adjusted EBITDA.

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.

DPM's free cash flow calculation is set out in the following table:

$ thousands	**Three Months**		**Twelve Months**	
Ended December 31,	**2018**	2017	**2018**	2017
Cash provided from operating activities	**32,689**	29,133	**98,157**	109,910
Add (deduct) changes in non-cash working capital	**(26,941)**	(8,849)	**(11,368)**	(20,018)
Cash provided from operating activities, excluding changes in non-cash working capital	**5,748**	20,284	**86,789**	89,892
Cash outlays for sustaining capital	**(7,906)**	(3,731)	**(24,935)**	(19,952)
Mandatory principal repayments related to debt	**-**	-	**-**	(16,250)
Principal repayments related to finance leases	**(626)**	(348)	**(2,269)**	(1,470)
Interest payments	**(1,504)**	(1,621)	**(5,640)**	(6,065)
Free cash flow	**(4,288)**	14,584	**53,945**	46,155

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.

Average realized price reconciliation

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

$ thousands, unless otherwise indicated	**Three Months**		**Twelve Months**	
Ended December 31,	**2018**	2017	**2018**	2017
Total revenue	**83,007**	94,912	**377,111**	348,755
Add/(deduct):				
Tsumeb revenue	**(39,835)**	(35,776)	**(152,348)**	(140,690)
MineRP revenue	**(1,940)**	(1,812)	**(11,113)**	(1,812)
Treatment charges and other deductions	**24,019**	35,865	**105,276**	112,489
Realized hedging losses on Production Hedges	**-**	(5,562)	**-**	(12,744)
Unrealized 2017 losses on commodity swap and option contracts that settled in 2018	**(3,478)**	-	**(15,729)**	-
Unfavourable (favourable) mark-to-market adjustments and final settlements	**(1,183)**	831	**207**	(628)
Silver revenue	**(424)**	(998)	**(2,612)**	(3,125)
Revenue from gold and copper	**60,166**	87,460	**300,792**	302,245
Revenue from gold	**41,430**	62,368	**207,902**	217,458
Payable gold in concentrate sold *(ounces)*	**33,455**	48,906	**163,595**	171,969
Average realized gold price per ounce	**1,238**	1,275	**1,271**	1,265
Revenue from copper	**18,736**	25,092	**92,890**	84,787
Payable copper in concentrate sold *('000s pounds)*	**7,070**	9,927	**33,651**	34,367
Average realized copper price per pound	**2.65**	2.53	**2.76**	2.47

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, commissioning and operation of its mine, mill and concentrate processing facilities and the research, development and sales activities of MineRP, a software vendor for the mining industry. The operating results and financial condition are also subject to numerous external factors, which include economic, social, geo-political, regulatory, legal, tax and market risks impacting, among other things, precious metals and copper prices, acid prices, toll rates, foreign exchange rates, inflation and the availability and cost of capital to fund the capital requirements of the business. Each of these risks could have a material adverse impact 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 mitigating 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 more significant business risks and uncertainties affecting the Company are set out below. These risks, along with other potential risks not specifically discussed in this MD&A, should be considered when evaluating the Company and its guidance. Additional potential risks not identified below may affect the Company.

Metal Prices

The Company sells and hedges the metals contained in copper and pyrite concentrates produced at prices that are effectively determined by reference to the traded prices on major commodity exchanges, including the LME and the 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 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 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 and copper producing and consuming countries throughout the world. If gold, silver 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 have a material adverse impact on the value of one or more of the Company's cash generating units 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. The Company also selectively enters into commodity option contracts from time to time to reduce its price exposure. These contracts are entered primarily to provide price protection below a specified "floor" price and, to reduce the upfront cost of these contracts, are typically accompanied by option contracts that provide price participation up to a specified "ceiling" price. Currently, no hedges are in place for the Company's 2019 expected payable copper production.

Financing and Liquidity

The Company relies on the cash flows generated from its mining and smelting 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 have a material adverse impact on 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 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, 2018, the Company's total debt was $29.0 million (December 31, 2017 – $23.0 million). As at December 31, 2018, the Company's total debt, as a percentage of total capital, was 4% (December 31, 2017 – 4%) and total debt, net of cash, as a percentage of total capital, was 2% (December 31, 2017 – negative 1%). As at December 31, 2018, the Company was in compliance with all of its debt covenants.

The RCF is comprised of a $45.0 million tranche A maturing in February 2022, a $150.0 million tranche B maturing in February 2020, and a $72.0 million tranche C maturing in September 2021 that contains quarterly availability reductions of $4.0 million that commenced in the third quarter of 2018. The RCF bears interest at a spread above LIBOR, which varies between 2.75% and 5.50% depending upon the tranche being drawn upon and the Company's Debt Leverage Ratio.

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 have a material adverse impact on the Company's business, financial condition, results of operations and share price.

Smelter Toll Rates, Metal Recoveries and Feed

The availability of sufficient volumes of high value complex concentrate, at suitable toll rates, is critical to the profitability of the Tsumeb smelter, given the fixed cost nature of the operation. To facilitate the procurement of complex concentrates, the Company entered a long-term agreement with IXM that currently matures on December 31, 2022, with IXM to facilitate the procurement of complex concentrates. Under this agreement, the Company has secured sufficient quantities of suitable high value complex concentrate through to the first half of 2020. There can be no assurance that such concentrate will be available to the smelter in future or that the parties will agree on contracted toll rates that will be sufficient to generate an adequate return. Failure to find sufficient quantities of suitable high value complex concentrate to be processed at acceptable toll rates could have a material adverse impact on the Company's business, financial condition and results of operations.

Under the agreement with IXM, Tsumeb must return specified quantities of copper, gold and silver. Metal over and under recoveries at the smelter are subject to smelter processing capabilities, contracted terms, and various estimates, 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. Actual metal deliveries could differ materially from initial estimates and could have a material 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. In July 2017, the Company and IXM agreed to amend the existing tolling agreement to provide for, among other things, lower stockpile interest deductions on excess secondary materials, specified quarterly targeted reductions designed to eliminate excess secondary materials over a period that extends to December 31, 2020, the purchase of secondary materials in excess of established quarterly targeted levels, and the extension of the tolling agreement by one year, with additional annual extensions until normal secondary levels are achieved. As at December 31, 2018, the value of excess secondary materials was approximately $39.0 million (December 31, 2017 – $86.0 million).

Completion of Construction and Start-up of Krumovgrad

The Company has made estimates with respect to capital costs, operating costs and other project economics with respect to the Krumovgrad project. The Company's actual costs, production, returns, payback and other financial and economic performance metrics for the Krumovgrad project are dependent on a number of factors, including currency exchange rates, the price of gold and by-product metals, the cost of inputs used in mining development and operations and events that impact cost and production levels that are not in the Company's control. DPM's actual costs may vary from estimates for a variety of reasons,

including changing waste-to-ore ratios, ore grade metallurgy, labour and other input costs, commodity prices, general inflationary pressures and currency exchange rates. Failure to achieve cost estimates or other economic performance metrics or material increases in costs could have a material adverse impact on the Company's future cash flows, profitability, financial condition and results of operations.

As a result of the substantial expenditures involved in development projects, development projects are at risk of material cost overruns versus budget. It is not unusual for new mining operations to experience construction challenges or delays and unexpected problems during the start-up phase, including failure of equipment, machinery, the processing circuit or other processes to perform as designed or intended, inadequate water, insufficient ore stock pile or grade, and failure to deliver adequate tonnes of ore to the mill, any of which could result in delays, slowdowns or suspensions and require more capital than anticipated. Given the inherent risks and uncertainties associated with the development of a new mine, there can be no assurance that the commencement of operations at Krumovgrad will take place in accordance with current expectations or that operating and sustaining costs will be consistent with the budget, or that the mine will operate as planned.

Foreign Exchange

By virtue of its international operations, the Company incurs costs and expenses in a number of foreign currencies. The revenue from its mining and smelting operations 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 of its mining and smelter operations are denominated in Bulgarian leva, which is pegged to the Euro, the Namibian dollar, which is tied to the South African rand, 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 business, financial condition and results of operations.

From time to time, the Company enters into forward and option foreign exchange contracts in order to reduce the foreign exchange exposures associated with projected operating expenses and capital expenditures denominated in foreign currencies. Approximately 83% of projected Namibian dollar operating expenses for 2019 have been hedged with a series of call and put options with an average floor and ceiling rates of 14.00 and 15.46, respectively. The remaining construction cost of the Krumovgrad project has been substantially hedged at an average exchange rate of 1.1506.

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 95% 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 quotation period, is made when final weights and assays are established. During 2018, the Company had contracts with 12 customers in connection with its mining and smelting operations, one of whom accounted for approximately 74% (2017 - 79%) of the Company's revenue. All contractual commitments are subject to force majeure clauses which, if implemented, could have a material adverse impact on the Company's business, financial condition and results of operations.

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 letters of credit. Should any such losses arise, they could have a material adverse impact on the Company's business, financial condition and results of operations.

Environmental, Health and Safety

The Company's mining and smelting 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. Amendments to current laws and regulations governing the Company's mining, processing, development and exploration activities, or more stringent implementation thereof, could have a material adverse impact on the Company's business, financial condition and results of operations, 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's exploration programs are also subject to health and safety and environmental protection controls adopted by governmental authorities as well as the rights of adjoining property owners.

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 impact on the Company's business, financial condition and results of operations.

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 events could have a material adverse impact on the Company's business, financial condition and results of operations.

In 2016, the Company completed 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 included the completion of a sulphuric acid plant, which has reduced the plant's SO_2 emissions. The Company is committed to making further improvements to the health, safety and environmental performance of the smelter and is continuously assessing the scope of any capital expenditures required to support these further improvements. The Company's environmental and occupational health and safety performance will be subject to continued monitoring by the Namibian authorities and deviation from expected environmental and occupational health and safety outcomes could have a material adverse impact on the Company's future production, business, financial condition and results of operations.

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 $38.4 million and $38.0 million at December 31, 2018 and 2017, 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 business, financial condition and results of operations.

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 have a material adverse impact on 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 have a material adverse impact on the Company's business, financial condition and results of operations.

Dependence on a Restricted Portfolio of Assets

The Company's operations at the Chelopech mine in Bulgaria accounted for all of the Company's gold and copper production in 2018. Any adverse condition affecting the Chelopech mine could have an adverse impact on the Company's business, financial condition and results of operations. Until such time as the Company acquires or develops other significant producing assets, and the Krumovgrad project starts producing concentrate, which is currently expected in the first quarter of 2019, the Company will continue to be dependent on its operations at the Chelopech mine for all of its cash flow provided by mining activities.

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 a material 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. Any material 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, copper or silver recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuations in gold, copper 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 impact on the Company's business, financial condition and results of operations. A significant decrease in the Mineral Resource and Mineral Reserve estimates could have a material adverse impact on 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, copper and silver concentrates. The Company's ability to maintain or increase its annual production of gold, copper and silver 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 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.

Other risks include the potential for fraud and corruption by suppliers, Company personnel and government officials which could implicate the Company, compliance with applicable anti-corruption laws, including the Canadian Corruption of Foreign Public Officials Act ("CFPOA") by virtue of the Company operating in jurisdictions that may be vulnerable to the possibility of bribery, collusion, kickbacks, theft, improper

commissions, facilitation payments, conflicts of interest and related party transactions and the Company's possible failure to identify, manage and mitigate instances of fraud, corruption, or violations of its code of conduct and applicable regulatory requirements. Although the Company has adopted a formal Anti-Bribery and Anti-Corruption policy, for which training has been provided to employees throughout the organization, there can be no assurance that these measures will prevent or detect the occurrence of a corrupt act, which could have a material adverse impact on the Company's business, financial condition and results of operation.

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 have a material adverse impact on the Company's business, financial condition and results of operations.

The Company also currently conducts mining, development and exploration activities in countries with developing economies. It is difficult to predict the future political, social and economic direction of the countries in which the Company operates, and the impact government decisions could have on its business. Any political or economic instability in the countries in which the Company currently operates could have a material adverse impact on the Company's business, financial condition and results of operations.

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.

Anti-Bribery and 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 CFPOA, 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 third parties, such as, but not limited to, contractors, suppliers, consultants, agents and customers. Although the Company has adopted steps to mitigate such risks, including the development of policies, implementation of training programs, internal monitoring, reviews and audits, and due diligence of its third parties to ensure compliance with such laws, such measures may not always be effective in ensuring that the Company, its employees or third parties 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 impact on the Company's reputation, business, financial condition and results of operations.

MineRP

In October 2017, the Company completed a business combination pursuant to which it acquired a 78% equity interest in MineRP, an independent software vendor for the mining industry with operations in South Africa, Canada, Australia and Chile. Up to 10% of the fully-diluted common shares of MineRP are reserved for incentive compensation arrangements, with up to half being allocated to certain officers of DPM who serve as directors of MineRP and half being reserved for issuance to MineRP employees. As a result, assuming the issuance of all common shares reserved under the foregoing incentive arrangements, DPM will hold a 70% fully-diluted interest in the common shares of MineRP. Total cash paid by the Company to acquire MineRP was $20.0 million, including $8.1 million that was used to repay all outstanding debt and certain other liabilities. Non-cash consideration through transfer of Terrative Digital Solutions Division assets was $0.7 million. Since October 2017, DPM has provided MineRP with $6.5 million of financing to support its working capital and growth initiatives.

There can be no assurance that the Company will be able to realize the projected financial results from MineRP. Failure to realize the projected financial results from MineRP could have an adverse impact on the Company's business, financial condition and results of operations.

MineRP's business as a software vendor is reliant upon the ownership, protection and ongoing development of key intellectual properties. There is no assurance that such ownership rights will not be challenged and that MineRP will successfully maintain its rights in such intellectual properties. Further, there is no assurance that MineRP will be able to develop and market commercially successful intellectual property assets.

Risks with Respect to Inadequate Controls over Financial Reporting

The Company assessed and tested its internal control procedures in order to satisfy the requirements of National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), which require an annual assessment by management of the operating effectiveness of the Company's internal control over financial reporting. The Company's failure to satisfy the requirements of NI 52-109 on an ongoing and timely basis could result in the loss of investor confidence in the reliability of its financial statements, which in turn could have a material adverse impact on the Company's business and share price. In addition, any failure to implement required new or improved controls, or difficulties encountered in their implementation, could have a material adverse impact the Company's business, financial condition, results of operations and share price.

No evaluation can provide absolute assurance that the Company's internal control over financial reporting will detect or uncover all material information required to be reported. Furthermore, there can be no certainty that the Company's internal control over financial reporting will prevent or detect all errors and fraud. In addition, with ever increasing regulations and changes in the Company's business it is expected that the Company's internal control over financial reporting will continue to evolve and improve over time.

Stakeholder Relations and License to Operate

The Company's relationships with stakeholders are 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. 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 a material adverse impact 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, obtain permits and licenses 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: in the case of a mine, the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal recoveries, metal prices and, in the case of the smelter, toll rates, each of which are highly cyclical; availability of complex concentrate; 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 have a material adverse impact on the Company’s business, financial condition and results of operations.

It is not unusual in the mining industry, especially in jurisdictions like Bulgaria and Namibia, for operations to experience construction challenges or delays and unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated. Given the inherent risks and uncertainties associated with any major capital project, there can be no assurance that construction will proceed in accordance with current expectations or at all, or that construction costs will be consistent with the budget, or that the operation will operate as planned.

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, which could have a material adverse impact on the Company’s business, financial condition and results of operations.

The Company also faces competition from other smelting companies as well as trading companies, notably those with blending operations, to secure complex feed for its Tsumeb smelter operation. Such competitive forces and supply-demand dynamics could cause terms for complex copper concentrate to fall below levels at which it is economic for the Company to smelt this material and therefore have a material adverse impact on the Company’s business, financial condition and results of operations.

MineRP faces competition from other software vendors in the development and sale of its intellectual properties. There can be no assurance that MineRP will be able to successfully develop and market its products.

Enforcement of Legal Rights

The Company’s material subsidiaries are organized under the laws of foreign jurisdictions. Given that the Company’s material assets are located outside of Canada, investors may have difficulty in effecting service of process within Canada and collecting from or enforcing against the Company, any judgments obtained by the Canadian courts or Canadian securities regulatory authorities and predicated on the civil liability provisions of Canadian securities legislation or otherwise. Similarly, in the event a dispute arises from the Company’s foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of courts in Canada. See “Other Disclosure Related to OSC Requirements for Companies Operating in Emerging Markets” in the AIF.

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 impact 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.

Laws, Regulations and Permitting

The activities of the Company are subject to various laws and regulations governing prospecting, exploration, 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 could have a material adverse impact on the Company's business, financial condition and results of operations.

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 that could have a material adverse impact on the Company's business, financial condition and results of operations.

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.

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 that the Company operates. 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, financial condition and operations results.

The Company has entered into a two-year collective agreement with its unionized employees in Bulgaria, for Chelopech and Krumovgrad, that is in effect to July 2019. Negotiations have been concluded with the Company's unionized employees at the Tsumeb smelter on a new agreement to cover the 2019 calendar year.

Income & Other Taxes

The Company operates in Canada and several foreign jurisdictions, through a number of subsidiary intermediary entities. 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, including changes applicable to DPMT's status under the Export Processing Zone Act in Namibia or to any other preferential tax status applicable to the Company or any of its subsidiaries, that could have a material adverse impact on 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 the particular attributes of the deposit, 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, foreign currency rates and toll rates, in the case of the smelter. Failure to successfully realize the anticipated benefits associated with one or more of these initiatives successfully could have a material adverse impact 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 or the shares of subsidiaries that hold 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 interest in 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.

Market Price of Common Shares

The 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 the 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 a material adverse impact 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 Company's 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 Company's common shares.

The Company may need to raise additional financing in the future through the issuance of additional equity securities. If the Company raises additional funding by issuing additional equity securities, such financings may substantially dilute the interests of shareholders of the Company and reduce the value of their investment in the Company's securities.

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 to mitigate the risk of failures. Any of these and other events could result in information loss, system failures, business interruptions and/or increases in capital expenses,

which could have a material adverse 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, revolver line of credit and finance lease obligations, the majority of which have associated cash flows based on fixed interest rates.

Climate Change Legislation 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 or receive cash from its operations. Any such limitations, or the perception that such limitations may exist now or in the future, could have a material adverse impact on the Company's business, financial condition and results of operations. In addition, the corporate law and other laws governing the Company's foreign subsidiaries differ materially from Canadian corporate and other laws. Challenges to the Company's ownership or title to the shares of such subsidiaries or the subsidiaries' title or ownership of their assets may occur based on alleged formalistic defects or other grounds that are based on form rather than in substance. Any such challenges may cost time and resources for the Company or cause other adverse effects.

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 have a material adverse impact on the Company's future operations and business.

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

Canada Business Corporations Act and other applicable laws. Mr. Goodman, Chair of the Board, holds the position of Executive Chairman of and has an ownership interest in Dundee Corporation, a significant shareholder of the Company, and, as such, situations may arise where the interest of Dundee Corporation and the Company may diverge, Mr. Goodman in such situations may be in a position of conflict of interest with the Company. The Board is aware of Mr. Goodman's position with and interest in Dundee Corporation and he recuses himself from Board deliberations and voting when necessary. We are not aware of any other existing or potential conflict of interest between the Company and any of our other directors or officers.

Significant Shareholder

Dundee Corporation owns approximately 20.4% of the Common Shares. As a result, Dundee Corporation has the ability to influence the outcome of corporate actions requiring shareholder approval, including the election of directors of DPM and the approval of certain corporate transactions.

Public Company Obligations

The Company's business is subject to evolving corporate governance and public disclosure regulations that have increased both the Company's compliance costs and the risk of non-compliance, which could have a material adverse impact the Company's share price.

The Company is subject to changing rules and regulations promulgated by a number of governmental and self-regulated organizations, including the Canadian Securities Administrators, the TSX, and the International Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity creating many new requirements. The Company's efforts to comply with rules and obligations could result in increased general and administration expenses and a diversion of management time and attention from revenue-generating activities.

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 NI 52-109.

The CEO and CFO evaluated or caused to be evaluated under their supervision the design and operating effectiveness of the DC&P and ICFR as defined by NI 52-109 as of December 31, 2018. Based on this evaluation, the CEO and CFO concluded that the Company's DC&P and ICFR were designed and operating effectively as of December 31, 2018. ICFR was designed using the Internal Control – Integrated Framework (2013) developed by COSO (Committee of Sponsoring Organizations of the Treadway Commission). The board of directors also assesses the integrity of the public financial disclosures through the oversight of the Audit Committee.

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 ICFR in the year ended December 31, 2018. 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". Statements that constitute Forward Looking Statements include, but are not limited to, certain statements with respect to the estimated capital costs, operating 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; success of permitting 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.

Without limitation to the foregoing, the following section outlines certain specific Forward Looking Statements contained in the “2019 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 Krumovgrad 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 longer than anticipated commissioning and ramp-up of the Krumovgrad gold mine.

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

Metals contained in concentrates 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, ore mined/milled and longer than anticipated commissioning and ramp-up of the Krumovgrad gold mine.

All-in sustaining costs: assumes that metals contained in concentrate produced and cash cost per tonne of ore processed at Chelopech and Krumovgrad are each in line with the guidance provided; copper and silver prices remain at or around current levels; timing of concentrate deliveries are consistent with DPM’s current expectations; payable metals in concentrate sold are consistent with the guidance provided, and general and administrative expenses and sustaining capital expenditures are consistent with the guidance provided. Subject to a number of risks, the more significant of which are: lower than anticipated metals contained in concentrate produced, concentrate deliveries and metal prices; a higher than anticipated cash cost per tonne of ore processed; and higher than anticipated sustaining capital expenditures and general and administrative expenses.

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

Cash cost per tonne of complex concentrate smelted, net of by-product credits: assumes complex concentrate smelted is consistent with the guidance provided; acid prices are at or around current levels; acid production and operating expenses are at planned levels; and foreign exchange rates remain at or around current levels. Subject to a number of risks, the more significant of which are: complex concentrate smelted and acid production are lower than anticipated; acid prices are lower than anticipated;

strengthening of the ZAR relative to the U.S. dollar; and higher than anticipated operating and transportation costs due to a variety of factors, including higher than anticipated inflation, labour and other operating costs.

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

Liquidity (see comments contained in "Liquidity and Capital Resources" section): assumes the operating and cost performance at Chelopech, Krumovgrad, Tsumeb and MineRP are consistent with current expectations; metal and acid prices, and foreign exchange rates remain at or around current levels; concentrate and acid sales agreements, and smelter toll terms are consistent with current terms and/or forecast levels; progress of capital projects is consistent with current expectations; and DPM's RCF remains in place. Subject to a number of risks, the more significant of which are: lower than anticipated metals production at Chelopech and Krumovgrad, longer than anticipated commissioning and ramp-up of the Krumovgrad gold mine, complex concentrate throughput and acid production at Tsumeb, concentrate deliveries and metal prices; weaker U.S. dollar relative to local operating currencies; changes in contractual sales and/or toll terms and acid prices; lower than anticipated revenue at MineRP; 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 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 document, such factors include, among others: the uncertainties with respect to actual results of current exploration activities, actual results of current reclamation activities, conclusions of economic evaluations and economic studies; changes in project parameters as plans continue to be refined; possible variations in ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; uncertainties and risks inherent to developing and commissioning new mines into production, such as the Krumovgrad project, which may be subject to unforeseen delays, costs or other issues; 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; social and non-governmental organizations ("NGO") opposition to mining projects and smelting operations; 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; 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 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.**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2018 and 2017

(in thousands of U.S. dollars)

	Notes	December 31, 2018	December 31, 2017
ASSETS			
Current Assets			
Cash		**17,043**	28,767
Accounts receivable	*4*	**31,170**	33,854
Inventories	*5*	**34,101**	28,093
Other current assets	*6(c),6(d)*	**1,919**	7,863
		84,233	98,577
Non-Current Assets			
Investments at fair value	*6(a),6(b)*	**29,997**	48,411
Mine properties	*7*	**337,022**	269,597
Property, plant & equipment	*8*	**347,822**	359,264
Intangible assets	*9*	**45,715**	56,027
Deferred income tax assets	*19*	**10,992**	8,962
Other long-term assets		**3,804**	4,445
		775,352	746,706
TOTAL ASSETS		**859,585**	845,283
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	*10*	**67,285**	75,140
Income tax liabilities		**1,216**	2,993
Current portion of long-term liabilities	*12,14*	**24,945**	2,184
		93,446	80,317
Non-Current Liabilities			
Long-term debt	*11*	**29,000**	23,000
Deferred revenue	*12*	**36,399**	50,000
Rehabilitation provisions	*13*	**38,388**	38,041
Share based compensation plans	*15*	**7,962**	5,923
Other long-term liabilities	*14*	**16,209**	14,514
		127,958	131,478
TOTAL LIABILITIES		**221,404**	211,795
EQUITY			
Share capital		**515,658**	515,507
Contributed surplus		**12,085**	11,720
Retained earnings		**115,909**	57,115
Accumulated other comprehensive income (loss)	*23(b)*	**(11,652)**	41,820
Equity attributable to common shareholders of the Company		**632,000**	626,162
Non-controlling interests		**6,181**	7,326
TOTAL EQUITY		**638,181**	633,488
TOTAL LIABILITIES AND EQUITY		**859,585**	845,283

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 EARNINGS (LOSS)

For the years ended December 31, 2018 and 2017

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

	Notes	**2018**	2017
Revenue	*26*	**377,111**	348,755
Costs and expenses			
Cost of sales	*16*	**272,863**	267,123
General and administrative expenses	*16*	**30,036**	21,906
Corporate social responsibility expenses		**1,472**	1,766
Exploration and evaluation expenses	*16*	**12,577**	9,251
Finance cost	*17*	**7,224**	7,570
Other expense	*18*	**8,525**	36,290
Earnings before income taxes		**44,414**	4,849
Current income tax expense	*19*	**9,404**	9,607
Deferred income tax recovery	*19*	**(2,162)**	(4,397)
Net earnings (loss)		**37,172**	(361)
Net earnings (loss) attributable to:			
Common shareholders of the Company		**38,113**	217
Non-controlling interests		**(941)**	(578)
Net earning (loss)		**37,172**	(361)
Basic and diluted earnings per share attributable to common shareholders of the Company	*20*	**0.21**	0.00

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2018 and 2017

(in thousands of U.S. dollars)

	2018	2017
Net earnings (loss)	**37,172**	(361)
Other comprehensive income (loss) items that may be reclassified subsequently to profit or loss:		
Foreign exchange forward and option contracts designated as cash flow hedges		
Unrealized gains (losses), net of income tax expense (recovery) of $(33) (2017 - $1,013)	**(6,243)**	12,635
Deferred cost of hedging, net of income tax recovery of $101 (2017 - $nil)	**(611)**	-
Realized losses transferred to cost of sales, net of income tax expense of $nil (2017 - $42)	**4,812**	4,441
Cost of hedging transferred to cost of sales, net of income tax expense of $nil (2017 - $nil)	**(2,151)**	-
Commodity swap and option contracts designated as cash flow hedges		
Unrealized gains, net of income tax expense of $681 (2017 - $nil)	**6,126**	-
Deferred cost of hedging, net of income tax expense of $147 (2017 - $nil)	**1,325**	-
Realized gains transferred to revenue, net of income tax expense of $650 (2017 - $nil)	**(5,851)**	-
Cost of hedging transferred to revenue, net of income tax expense of $178 (2017 - $nil)	**(1,601)**	-
Unrealized gains on publicly traded securities, net of income tax expense of $nil (2017 - $1,198)	**-**	24,590
Currency translation adjustments	**(4,186)**	3,817
Other comprehensive income (loss) items that will not be reclassed subsequently to profit or loss:		
Realized gains on foreign exchange forward contracts, transferred to mine properties net of income tax expense of $nil (2017 - $465)	**-**	(4,186)
Unrealized losses on publicly traded securities, net of income tax recovery of $1,198 (2017 - $nil)	**(23,005)**	-
	(31,385)	41,297
Comprehensive income	**5,787**	40,936
Comprehensive income (loss) attributable to:		
Common shareholders of the Company	**7,656**	40,666
Non-controlling interests	**(1,869)**	270
Comprehensive income	**5,787**	40,936

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

(in thousands of U.S. dollars)

	Notes	2018	2017
OPERATING ACTIVITIES			
Earnings before income taxes		**44,414**	4,849
Items not affecting cash and other adjustments	*22(a)*	**62,527**	105,229
Changes in non-cash working capital	*22(b)*	**11,368**	20,018
Payments for settlement of derivative contracts		**(8,730)**	(12,218)
Income taxes paid		**(11,422)**	(7,968)
Cash provided from operating activities		**98,157**	109,910
INVESTING ACTIVITIES			
Cash paid on acquisition of MineRP, net of cash acquired of $471	*3*	**-**	(19,529)
Purchase of publicly traded securities	*6*	**(8,409)**	(393)
Proceeds from Kapan disposition		**-**	4,372
Proceeds from disposal of mine properties and property, plant and equipment		**432**	114
Expenditures on mine properties		**(73,574)**	(63,292)
Expenditures on property, plant and equipment		**(25,821)**	(17,720)
Expenditures on intangible assets		**(277)**	(2,990)
Cash used in investing activities		**(107,649)**	(99,438)
FINANCING ACTIVITIES			
Proceeds from shares issued	*23(a)*	**252**	33,212
Share issuance costs	*23(a)*	**-**	(499)
Drawdowns (repayments), net under revolving credit facility	*11(a)*	**6,000**	(2,000)
Repayments of term loans		**-**	(16,250)
Financing fees on debt		**(575)**	(390)
Finance lease obligation		**(2,269)**	(1,470)
Interest paid		**(5,640)**	(6,065)
Cash provided from (used in) financing activities		**(2,232)**	6,538
Increase (decrease) in cash		**(11,724)**	17,010
Cash at beginning of year		**28,767**	11,757
Cash at end of year		**17,043**	28,767

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, 2018 and 2017

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

	December 31, 2018		December 31, 2017	
	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	**178,492,566**	**515,507**	160,588,112	482,656
Shares issued on financing *(note 23(a))*	**-**	**-**	17,843,120	33,176
Shares issued on option agreement	**15,000**	**37**	10,000	17
Share issuance costs *(note 23(a))*		**-**		(499)
Shares issued on exercise of stock options *(note 15)*	**40,073**	**76**	51,334	103
Transferred from contributed surplus on exercise of stock options		**38**		54
Balance at end of year	**178,547,639**	**515,658**	178,492,566	515,507
Contributed surplus				
Balance at beginning of year		**11,720**		10,890
Share based compensation expense		**1,127**		1,791
Transferred to share capital on exercise of stock options		**(38)**		(54)
Other changes in contributed surplus		**(724)**		(907)
Balance at end of year		**12,085**		11,720
Retained earnings				
Balance at beginning of year		**57,115**		56,898
Impact of adoption of IFRS 9 *(note 2.2)*		**20,681**		-
Adjusted balance at beginning of year		**77,796**		56,898
Net earnings attributable to common shareholders of the Company		**38,113**		217
Balance at end of year		**115,909**		57,115
Accumulated other comprehensive income (loss) *(note 23(b))*				
Balance at beginning of year		**41,820**		1,360
Impact of adoption of IFRS 9 *(note 2.2)*		**(20,681)**		-
Adjusted balance at beginning of year		**21,139**		1,360
Other comprehensive income (loss)		**(30,457)**		40,460
Realized gains on forward foreign exchange contracts and cost of hedging transferred to mine properties, net of income tax expense of $257 (2017 - $nil)		**(2,334)**		-
Balance at end of year		**(11,652)**		41,820
Total equity attributable to common shareholders of the Company		**632,000**		626,162
Non-controlling interests				
Balance at beginning of year		**7,326**		223
Net loss attributable to non-controlling interests		**(941)**		(578)
Other comprehensive income (loss) attributable to non-controlling interest		**(928)**		837
Acquisition of MineRP *(note 3)*		**-**		5,914
Other changes in non-controlling interests		**724**		930
Balance at end of year		**6,181**		7,326
Total equity at end of year		**638,181**		633,488

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 of mineral properties, exploration, development, mining and processing of precious metals. DPM is a publicly listed company incorporated in Canada with limited liability under legislation of the Province of Ontario. DPM has common shares traded on the Toronto Stock Exchange ("TSX"). The address of DPM's registered office is 1 Adelaide Street East, Suite 500, P. O. Box 195, Toronto, Ontario, M5C 2V9.

As at December 31, 2018, 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 Krumovgrad EAD ("Krumovgrad"), which is currently constructing a gold mine located in south eastern Bulgaria, near the town of Krumovgrad; and
- 100% of Dundee Precious Metals Tsumeb (Proprietary) Limited ("Tsumeb"), which owns and operates a custom smelter located in Tsumeb, Namibia.

DPM holds interests in a number of exploration properties located in Canada, Serbia and Armenia, including:

- 10.5% of Sabina Gold and Silver Corp. ("Sabina"), which is focused on the Back River project in southwestern Nunavut, Canada;
- 100% of Avala Resources Ltd., which is focused on the exploration and development of the Timok gold project, the Lenovac project, the Tulare copper and gold project and other early stage projects in Serbia; and
- through an option agreement, the right to earn up to a 71% interest in Pershimex Resources Corporation's (formerly Khalkos Exploration Inc.) gold property located in the Archean Abitibi greenstone belt near Val-d'Or, Canada.

DPM also owns:

- 78% equity interest in MineRP Holdings (Proprietary) Limited, an independent mining software vendor with operations in Canada, South Africa, Australia and Chile, through MineRP Holdings Inc. ("MineRP") *(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 12, 2019.

2.2 CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers,* which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2018, except for hedge accounting in respect of commodity swap and option contracts that was applied prospectively.

IFRS 9, *Financial Instruments*

IFRS 9 replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

Upon adoption of IFRS 9, the two main changes in the Company's accounting policy on financial instruments are: i) equity investments previously classified as available-for-sale are now classified as financial assets measured at FVOCI and ii) derivative instruments previously held for trading now qualify for hedge accounting, including the Company's commodity swap and option contracts, to the extent they comply with the IFRS 9 criteria for hedge accounting.

Equity investments previously classified as available-for-sale financial assets satisfied the conditions for classification as financial assets at FVOCI and the Company elected to irrevocably designate them at FVOCI. Gains and losses in respect of these investments are recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss), are not transferred to profit or loss upon disposition and are not subject to impairment assessments.

The new hedge accounting standards more closely align the accounting for hedging instruments with the Company's risk management practices. As a result, more hedge relationships are eligible for hedge accounting. Upon adoption of IFRS 9, the Company's foreign exchange forward contracts, which previously qualified for hedge accounting, continue to qualify. The Company has also elected to account for the forward point component of foreign exchange forward contracts as a cost of hedging. The Company's commodity swap and option contracts, which previously did not qualify for hedge accounting under IAS 39, now qualify for hedge accounting to the extent they comply with the IFRS 9 criteria for hedge accounting.

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

	Financial instrument classification	
	Under IAS 39	**Under IFRS 9**
Financial assets		
Cash	Loans and receivables	Amortized cost
Accounts receivable on provisionally priced sales	Held for trading	FVPL
Other accounts receivable	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Sabina special warrants (6(a))	Held for trading	FVPL
Publicly traded securities *(6(b))*	Available for sale	FVOCI
Commodity swap and option contracts *(6(c))*	Derivatives held for trading	Derivatives for cash flow and fair value hedges
Foreign exchange forward and option contracts *(6(d))*	Derivatives for cash flow hedges	Derivatives for cash flow hedges
Financial liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Debt *(note 11)*	Other financial liabilities	Amortized cost
Commodity swap and option contracts *(6(c))*	Derivatives held for trading	Derivatives for cash flow and fair value hedges
Foreign exchange forward and option contracts *(6(d))*	Derivatives for cash flow hedges	Derivatives for cash flow hedges

The effects of adopting IFRS 9 in the opening balances as at January 1, 2018 are summarized in the table below:

	Impact on opening balances upon adoption of IFRS 9		
	Retained earnings	**Accumulated other comprehensive income (loss)**	**Impact on total equity**
Balance as at December 31, 2017	57,115	41,820	98,935
Reclassify equity investments from available for sale to FVOCI *(i)*	**20,645**	**(20,645)**	**-**
Elect cost of hedge accounting *(ii)*	**36**	**(36)**	**-**
	20,681	**(20,681)**	**-**
Adjusted balance as at January 1, 2018	**77,796**	**21,139**	**98,935**

(i) Upon adoption of IFRS 9, impairment charges on available-for-sale investments previously recognized in profit or loss were transferred from retained earnings to accumulated other comprehensive income (loss) with no impact on total shareholders' equity.

(ii) Upon adoption of IFRS 9, the accumulated unrealized losses, net of income taxes, on the forward point component of outstanding foreign exchange forward contracts previously recognized in profit or loss were transferred from retained earnings to accumulated other comprehensive income (loss) with no impact on total shareholders' equity.

The Company adopted IFRS 9 retrospectively without restating comparatives and therefore the comparative information in respect of financial instruments for the year ended December 31, 2017 was accounted for in accordance with the Company's previous accounting policy under IAS 39. See *notes 2.3(f) to 2.3(i),* which outline the current and previous accounting policies pertaining to financial instruments.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15 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*.

Under IFRS 15, revenue is recognized when control of a good or service transfers to a customer and is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Under IAS 18, revenue was recognized when the significant risks and rewards of ownership had been transferred to the customer and was measured at the fair value of the consideration received or receivable.

While the implementation of IFRS 15 did not have a material impact on the Company's revenue recognition policies, the Company recognized a deemed financing expense in respect of its prepaid forward gold sales arrangement. This deemed financing expense was capitalized to mine properties under construction as a borrowing cost incurred in respect of the Krumovgrad gold project. As a result, mine properties and deferred revenue each increased by $4.5 million as at January 1, 2018.

The Company adopted IFRS 15 retrospectively without restating comparatives and therefore the comparative information in respect of revenue and deferred revenue for the year ended December 31, 2017 was accounted for in accordance with the Company's previous accounting policy under IAS 18. See *note 2.3(r) and 2.3(s),* which outline the current and previous accounting policies pertaining to revenue recognition and deferred revenue.

2.3 SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared on a historical cost basis except for publicly traded securities and derivative assets and liabilities *(note 6)* that are measured at fair value.

The Company's significant accounting policies are set out below. The Company has consistently applied these accounting policies to all periods presented in these consolidated financial statements, except those changes in accounting policies contained in *note 2.2*.

(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 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. At the date of acquisition, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values. The Company also recognizes any non-controlling interest in the acquiree at fair value.

The excess, if any, of the consideration paid and the amount of any non-controlling interest recognized 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 paid 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 earnings (loss).

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

- commencement of commercial production *(note 2.3(k))*;
- Mineral Resource and Mineral Reserve estimates *(note 2.3(k))*;
- impairment of non-financial assets *(note 2.3(o))*;
- rehabilitation provisions and contingencies *(note 2.3(p))*;
- revenue recognition related to toll smelting arrangements *(note 2.3(r))*;
- deferred revenue *(note 2.3(s))*; and
- deferred income tax assets and liabilities *(note 2.3(v))*.

(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 or losses resulting from the translation of these amounts are included in net earnings or loss, except those arising on the translation of available-for-sale equity instruments that are recorded in other comprehensive income or loss.

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Foreign operations

Foreign operations are comprised of subsidiaries of the Company that have a functional currency other than the U.S. dollar. 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 income or loss. As at December 31, 2018 and 2017, MineRP is the only foreign operation of the Company with a functional currency being South African Rand and its subsidiaries with functional currencies denominated in the currencies of the primary economic environments in which each of the subsidiaries operates.

(e) 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, 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.

(f) Financial assets and liabilities excluding derivative instruments related to hedging activities

(f.1) Accounting policy under IFRS 9 applicable from January 1, 2018

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as “financial assets at fair value”, as either FVPL or FVOCI, and “financial assets at amortized costs”, as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company’s business model and the contractual terms of the cash flows.

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

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. The Company has classified accounts receivable on provisionally priced sales as financial assets measured at FVPL. Other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement – Financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of earnings (loss). The Company's investment in Sabina special warrants and its accounts receivable on provisionally priced sales are classified as financial assets at FVPL.

Subsequent measurement – Financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company's investments in publicly traded equity securities are classified as financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss.

Dividends from such investments are recognized in other income in the consolidated statements of earnings (loss) when the right to receive payments is established.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and long-term debt, which are each measured at amortized cost.

All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance cost in the consolidated statements of earnings (loss).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the consolidated statements of earnings (loss).

(f.2) Accounting policy under IAS 39 applicable prior to January 1, 2018

The accounting policy under IAS 39 for the comparative information presented in respect of financial assets and liabilities, excluding derivative instruments related to hedging activities, was similar to the accounting policy adopted in 2018, with the following exceptions:

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IAS 39 were 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.

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

Financial assets at fair value through profit or loss included financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets were classified as held for trading if management intended to sell the financial assets in the short term. This category included any derivative financial instrument that was not designated as a hedging instrument in a hedge relationship under IAS 39. The Company's commodity swap and option contracts entered to economically hedge a portion of its provisionally priced sales and projected production, and the forward point component of the foreign exchange forward contracts entered to hedge a portion of its projected operating expenses and capital expenditures denominated in foreign currencies were classified as financial assets at fair value through profit or loss.

Derivatives embedded in host contracts were accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks were not closely related to those of the host contracts. Host contracts were not held for trading or designated at fair value through profit or loss. These embedded derivatives were measured at fair value with changes in fair value recognized in the consolidated statements of earnings (loss). Reassessment only occurred if there was a change in the terms of the contract that significantly modified the cash flows that would have otherwise been required.

Subsequent measurement – Available-for-sale financial assets

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

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Impairment of financial assets

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

For financial assets carried at amortized cost, the Company considered 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 were assessed for specific impairment. Financial assets that were not individually significant were collectively assessed for impairment by grouping together financial assets with similar risk characteristics. If there were objective evidence that an impairment had incurred, the amount of the charge was recognized in the consolidated statements of earnings (loss) and was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that had not yet been incurred. If, in a subsequent period, the estimated impairment charge decreased because of an event, any reversal would have been credited to profit or loss.

For available-for-sale investments, the Company assessed at each reporting date whether there was objective evidence that an investment or a group of investments was impaired. In the case of equity investments classified as available-for-sale, objective evidence included a significant or prolonged decline in the fair value of the investment below its original cost. "Significant" was 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 was evidence of impairment, the cumulative loss, which was measured as the difference between the acquisition cost and the current fair value, less any impairment charge on that investment previously recognized in profit or loss, was removed from accumulated other comprehensive income or loss and recognized in other income or expense in the consolidated statements of earnings (loss). Impairment charges on equity investments were not reversed through profit or loss; and increases in their fair value after impairment were recognized directly in other comprehensive income.

The assessment for impairment in respect of available-for-sale investments required judgment, where management evaluated, among other factors, the duration or extent to which the fair value of an investment was 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.

(g) Derivative financial instruments and hedging activities

(g.1) Accounting policy under IFRS 9 applicable from January 1, 2018

Derivatives are initially recognized at fair value on the dates they are entered into and are subsequently re-measured at their fair value at the end of 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.

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

For a derivative instrument to qualify for hedge accounting, the Company documents at the inception of the transaction the relationship between a hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Company also documents its assessment, both at inception and on an ongoing basis, of whether the derivative used to hedge an underlying exposure is highly effective in offsetting changes in the cash flows of the hedged item.

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.

Foreign exchange forward and option contracts designated as cash flow hedges

The Company designates the spot component of foreign exchange forward contracts and the intrinsic value of foreign exchange option contracts entered to hedge a portion of its projected operating expenses and capital expenditures denominated in foreign currencies as cash flow hedges.

The effective portion of changes in fair value of the spot component of the forward contracts and in the intrinsic value of the options are initially recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). For hedges of operating expenses, the accumulated fair value change initially recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss) is subsequently recognized in cost of sales in the consolidated statements of earnings (loss) in the period when the underlying hedged operating expenses occur. For hedges of capital expenditures, the accumulated fair value change initially recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss) is subsequently included in the carrying value of the underlying assets hedged in the period the underlying hedged capital expenditures occur.

The time value, which forms a component of these foreign exchange forward and option contracts, is treated as a separate cost of hedging. As a result, any unrealized fair value change in the time value component of the outstanding foreign exchange forward and option contracts is initially recognized as a deferred cost of hedging in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). The accumulated cost of hedging is subsequently recognized in cost of sales or included in the carrying value of the underlying assets hedged in the period the underlying hedged operating expenses or capital expenditures occur.

Commodity swap and option contracts designated as cash flow hedges

The Company also designates the spot component of commodity swap contracts and the intrinsic value of commodity option contracts to hedge future metal price exposures (“Production Hedges”) as cash flow hedges.

The effective portion of changes in fair value of the spot component of the swaps and in the intrinsic value of the options are initially recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). The accumulated fair value change is subsequently recognized in revenue in the consolidated statements of earnings (loss) in the period the underlying hedged sales occur.

The forward points, or time value, which form a component of these commodity swap and option contracts, are treated as a separate cost of hedging. As a result, any unrealized fair value change in the time value component of the outstanding commodity swap and option contracts is initially recognized as a deferred cost of hedging in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). The accumulated cost of hedging is subsequently recognized in revenue in the period the underlying hedged sales occur.

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Commodity swap and option contracts designated as fair value hedges

The Company designates the spot component of commodity swap contracts to hedge the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales ("QP Hedges") as a fair value hedge.

The effective portion of changes in fair value of the spot component of these commodity swap contracts are recognized in revenue in the consolidated statements of earnings (loss), together with any changes in the fair value of the hedged accounts receivable on the provisionally priced sales.

The forward point component of these commodity swap contracts is accounted for separately as a cost of hedging. As a result, any change in the fair value of the forward point component is recognized in revenue in the consolidated statements of earnings (loss).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for cash flow hedge accounting, the accumulated deferred gains or losses remain in other comprehensive income or loss until the period the underlying transaction that was hedged occurs at which point they are reclassified and recognized in revenue in the consolidated statements of earnings (loss). If the underlying hedged transaction is no longer expected to occur, the accumulated gains or losses that were initially recognized in other comprehensive income or loss are immediately reclassified to other income or expense in the consolidated statements of earnings (loss).

The gains or losses relating to the ineffective portion of all cash flow or fair value hedges, if any, are recognized immediately in other income or expense in the consolidated statements of earnings (loss).

(g.2) Accounting policy under IAS 39 applicable prior to January 1, 2018

The accounting policy for the comparative information presented in respect of derivative financial instruments related to hedging activities was similar to the accounting policy adopted in 2018 except that under IAS 39 (i) the fair value change in the forward point component of the foreign exchange forward contracts was immediately recognized in other income or expense in the consolidated statements of earnings (loss), and (ii) the Company's commodity swap and option contracts did not qualify for hedge accounting.

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset 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.

(i) 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 6*.

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(j) 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 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 charge, if any, is recognized through net earnings or 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 Mineral 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 and evaluation 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 earnings or loss in the period the new information becomes available.

(k) 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". All expenditures related to the construction of mine declines and ore body access, including mine shafts and ventilation raises, are considered to be 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.

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Upon the commencement of commercial production, all related assets included in “Mines under construction” are reclassified to “Mine Properties – Producing mines” or “Property, plant and equipment”. Determination of commencement of commercial production is a complex process and requires significant assumptions and estimates. The commencement of commercial production is defined as the date when the mine is capable of operating in the manner intended by management. The Company considers primarily the following factors, among others, when determining the commencement of commercial production:

- All major capital expenditures to achieve a consistent level of production and desired capacity have been incurred;
- A reasonable period of testing of the mine plant and equipment has been completed;
- A predetermined percentage of design capacity of the mine and mill has been reached; and
- Required production levels, grades and recoveries have been achieved.

Mine Properties – Producing mines

All assets reclassified from “Mines under construction” to “Producing mines” are stated at cost less accumulated depletion and accumulated impairment charges. 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 Resource and Mineral Reserve 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 Resource and Mineral Reserve estimates based on information related to the geological data on the size, depth and shape of the orebody which is compiled by appropriately qualified persons. Mineral Resource and Mineral Reserve estimates are based upon factors such as 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. Mineral Resource and Mineral Reserve estimates, together with forecast production, determine the life of mine estimates and therefore changes in the Mineral Resource or Mineral Reserve estimates may impact the carrying value of exploration and evaluation assets *(note 2.3(j))*, mine properties, property, plant and equipment *(note 2.3(l)),* depletion and depreciation charges *(note 2.3(l)),* rehabilitation provisions *(note 2.3(p)),* and deferred income tax assets *(note 2.3(v)).*

(l) Property, plant and equipment

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

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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	3-25
Vehicles	5
Computer Hardware	2-5
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 charge. 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 recognized in profit or 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. Significant judgment is involved in the determination of estimated residual values and useful lives. The actual residual values and useful lives may differ from current estimates.

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.

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

Rates of depreciation and, in turn, the annual depreciation expense could therefore be materially affected by changes in underlying estimates. Changes in estimates can be the result of differences in actual production or changes in forecast future production, changes in Mineral Resources or Mineral Reserves through exploration activities, differences between estimated and actual costs of mining and differences in metal prices used in the estimation of Mineral Reserves.

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.

(m) Intangible assets

Intangible assets include software, exploration and software licenses, intellectual properties, customer relationships, long-term customer contracts, a net smelter royalty and goodwill.

Intangible assets acquired 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. Identifiable intangible assets acquired through business combinations are initially recognized at fair value as at the date of acquisition. Goodwill is initially measured as described in *note 2.3(a)* through business combinations.

Research expenditures are recognized as an expense as incurred. Development costs that are directly attributable to the design and testing of an identifiable software product are capitalized and recognized as an intangible asset.

Goodwill is carried at cost less any accumulated impairment losses and is not subject to amortization. All other intangible assets are carried at cost less accumulated amortization and any accumulated impairment charges. The amortization of the net smelter royalty is based on the unit-of-production method over the estimated economic life of the Kapan mine owned by Polymetal International Plc. Other intangible assets are amortized on a straight-line basis over their estimated useful lives.

The amortization periods applicable to intangible assets amortized on a straight -line basis over their estimated useful lives are as follows:

Asset Category	Estimated useful life (Years)
Computer Software	3-5
Exploration and Software Licenses	3-7
Intellectual Property	10
Customer Relationships	15
Customer Contracts	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 earnings (loss) in the applicable expense category to which the intangible asset relates.

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 profit or loss when the asset is derecognized.

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Discontinued operations

A discontinued operation is a component of the Company that has been disposed of or is classified as held for sale and that represents a separate line of business or geographical area of operations. The results of discontinued operations are presented separately in the consolidated statements of earnings (loss).

(o) Impairment of non-financial assets

The carrying values of 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 based on discounted cash flows. 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. Management has assessed the Company's CGUs as being an individual operating site.

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 charges are recognized in the consolidated statements of earnings (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 charge, other than a charge in respect of goodwill, is reversed only if there has been a change in the estimates used to determine the asset or CGU's recoverable amount since the last impairment charge 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 charge been recognized for the asset or CGU in prior years.

Goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, goodwill is allocated to the CGU that is expected to benefit from the business combination in which the goodwill arose. Any impairment in goodwill is recognized immediately and cannot be subsequently reversed.

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, toll rates, discount rates, foreign exchange rates, operating and capital costs, and future expansion plans.

These significant 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. A significant decline in the asset's market value, 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. Judgment is also required when considering whether significant changes in any of these items indicate a previous impairment may have reversed.

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

As at December 31, 2018, the Company assessed the recoverable amount of each of its CGUs as a result of the market capitalization of its shares being less than their carrying value. Based on this assessment, the carrying values of all CGUs were considered to be recoverable.

As at December 31, 2018, the FVLCD of the Tsumeb CGU approximates its carrying value of $242 million. The projected cash flows and estimated FVLCD can be affected by any one or more changes in the estimates used. Changes in volumes of concentrate smelted, third party toll rates and operating costs have the greatest impact on value, where a 5% change in volumes, third party toll rates, or operating costs would each change FVLCD by approximately $40 million. In addition, if Tsumeb were to not proceed with its expansion plan, there would be an impairment charge.

(p) Provisions and contingencies

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 earnings (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 profit or 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 earnings (loss).

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 profit or 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.

(q) 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 earnings (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 earnings (loss) on a straight-line basis over the lease term.

(r) Revenue recognition

(r.1) Accounting policy under IFRS 15 applicable from January 1, 2018

Revenue from the sale of concentrates containing gold, copper and silver is recognized when control has been transferred, which is considered to occur when products have been delivered to the location specified in the sales contract and the significant risks of loss have been transferred to the buyer. Revenue is measured based on the consideration specified in the contract.

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 other commercial 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 and London Bullion Market 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.

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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 significant estimates are based on the Company's process knowledge and multiple assay results, the final results of which could differ from initial estimates.

Revenue from the sale of sulphuric acid, 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 control has 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.

Revenue from MineRP's software services is recognized over time when the services are rendered. This is measured based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The estimated revenue or extent of progress toward percentage of completion is revised if changes occur or circumstances arise that indicate a revision is warranted. Any resulting increase or decrease in estimated revenue is reflected in the consolidated statements of earnings (loss) in the period in which such determination is made.

Revenue from licenses entered by MineRP containing software and ongoing services elements is recognized based on the estimated fair value of each element. The fair value of each element is determined based on the market price of each element when sold separately. Revenue relating to the software element is recognized when the control has been transferred to the customer, which occurs on delivery. Revenue relating to the service element is recognized over time when the services are rendered.

(r.2) Accounting policy under IAS 18 applicable prior to January 1, 2018

The accounting policy for the comparative information presented in respect of revenue recognition was similar to the accounting policy adopted in 2018, with the exception that under IAS 18, revenue was recognized when the significant risks and rewards of ownership had been transferred to the customer, which occurred at the same time as the transfer of control under the new accounting policy for the Company's products and services, and was measured at the fair value of the consideration received or receivable.

(s) Deferred revenue

(s.1) Accounting policy under IFRS 15 applicable from January 1, 2018

Deferred revenue is recognized in the consolidated statements of financial position when a cash prepayment is received from one or more customers prior to the sale of product or delivery of service. Revenue is subsequently recognized in the consolidated statements of earnings (loss) when the sale occurs, which generally occurs when control has been transferred or in the case of services, when the services have been rendered.

The Company recognizes the time value of money, where there is a significant financing component and the period between the payment by the customer and the transfer of the contracted goods or services exceeds one year.

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

In assessing the accounting for the Company's prepaid forward gold sales arrangement *(note 12)*, the Company used judgement to determine that the upfront cash prepayment received was not a financial liability as the sale is expected to be settled through the delivery of gold, which is a non-financial item rather than through cash or other financial assets. It is the Company's intention to settle this arrangement through its own production. If such settlement is not expected to occur, the prepaid forward gold sales arrangement would become a financial liability as a cash settlement may be required.

(s.2) Accounting policy under IAS 18 applicable prior to January 1, 2018

The accounting policy for the comparative information presented in respect of deferred revenue was similar to the accounting policy adopted in 2018 except that under IAS 18, the Company did not recognize a deemed financing expense in respect of its prepaid forward gold sales arrangement.

(t) 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 profit or loss in the period in which they are incurred.

(u) 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 15*. The value is recognized as a general and administrative expense in the consolidated statements of earnings (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 earnings (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 earnings (loss).

2.3 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; 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 Market Price of DPM's publicly traded common shares, subject to performance criteria established by the Board of Directors 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 earnings (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 earnings (loss).

(v) 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.

2.3 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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 profit or 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.

(w) 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.

2.4 NEW STANDARD NOT YET ADOPTED

IFRS 16, *Leases*

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

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. IFRS 16 provides lessees the choice for either full retrospective application or modified retrospective application whereby the restatement of comparative information in prior periods would not be required but instead would be reflected in opening balances as at January 1, 2019. The Company will adopt this standard effective January 1, 2019 with modified retrospective application. The Company will also utilize the practical expedient election permitted by the standard whereby there is no need to reassess whether a contract is a lease or contains an embedded lease if this assessment was previously determined.

The Company has a project team that has reviewed the applicable technical interpretations and all existing operating leases to determine and document expected changes in lease accounting. The Company has completed its evaluation of the accounting implications on its consolidated financial statements and disclosures, internal controls and accounting policies. Upon adoption of IFRS 16, the Company expects to recognize leased assets and the associated obligation of $3.5 million each as at January 1, 2019, with no impact on the total shareholders' equity.

3. SIGNIFICANT TRANSACTIONS

On October 25, 2017, the Company completed the acquisition of MineRP and combination with its Terrative Digital Solutions Division ("Terrative"), creating a technology provider with operations in Canada, South Africa, Australia and Chile in the mining industry for digital innovation. As a result of this transaction, the Company owns a 78% equity interest in MineRP.

The purchase price allocation of MineRP acquisition was finalized as at June 30, 2018. As a result, the Company adjusted its provisional purchase price allocation so as to recognize $3.4 million of value related to customer relationships and reduced the value allocated to intellectual property and goodwill by $1.0 million and $1.9 million to $2.8 million and $22.7 million, respectively. The 2017 comparative information was also restated to reflect the adjustment to the provisional amounts resulting in an increase in intangible assets of $0.5 million and a corresponding increase in deferred income tax liabilities included in other long-term liabilities.

The following table summarizes the consideration paid on acquisition of MineRP, the final fair value of the assets acquired, liabilities assumed and the non-controlling interest at the date of acquisition.

Consideration paid	
Total cash paid	**20,000**
Less: Cash paid for settlement of debt and other liabilities *(i)*	**(8,125)**
Cash consideration paid	**11,875**
Non-cash consideration through transfer of Terrative assets	**700**
Total consideration paid	**12,575**
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash	**471**
Accounts receivable	**2,353**
Inventories	**174**
Investment in associate	**142**
Property, plant and equipment	**307**
Intangible assets	**7,087**
Bank debt *(i)*	**(7,729)**
Accounts payable and accrued liabilities *(i)*	**(5,525)**
Income tax liabilities *(i)*	**(577)**
Deferred income tax liabilities	**(963)**
Total identifiable net liabilities	**(4,260)**
Non-controlling interest	**(5,914)**
Goodwill	**22,749**
Total net assets acquired	**12,575**

(i) As part of the acquisition, $8.1 million of the total cash paid to acquire a 78% interest in MineRP was used to repay all outstanding bank debt as well as certain income tax and other liabilities acquired from MineRP.

The fair value of the non-controlling interest in MineRP, an unlisted company, was estimated based on the amount of total cash paid and assets transferred for the acquisition of a 78% equity interest in MineRP. The goodwill recognized upon the acquisition of MineRP is attributable to a number of factors that cannot specifically be allocated to an identifiable asset, including its market reputation, the potential for significant future overall market and MineRP revenue growth, and the skills and knowledge of its existing employees.

Transaction costs related to acquisition of MineRP of $1.3 million were recorded in other expense for the year ended December 31, 2017 *(note 18)*. The Company recognized post-acquisition revenue of $1.8 million and a net loss of $1.5 million from MineRP in the consolidated statements of earnings (loss) for the year ended December 31, 2017. Had MineRP been consolidated from January 1, 2017, the Company would have reported pro-forma revenue of $13.0 million and a net loss of $4.0 million in its consolidated statements of earnings (loss) for the year ended December 31, 2017.

4. ACCOUNTS RECEIVABLE

	December 31, 2018	December 31, 2017
Accounts receivable	**19,813**	21,039
Value added tax recoverable	**2,991**	5,300
Supplier advances and other prepaids	**8,366**	7,515
	31,170	33,854

5. INVENTORIES

	December 31, 2018	December 31, 2017
Ore and concentrates	**9,731**	5,590
Spare parts, supplies and other	**24,370**	22,503
	34,101	28,093

For the year ended December 31, 2018, the cost of inventories recognized as an expense and included in cost of sales was $96.4 million (2017 – $115.5 million).

6. 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, 2018	December 31, 2017
Financial assets			
Cash	Amortized cost	**17,043**	28,767
Accounts receivable on provisionally priced sales	FVPL	**7,921**	7,678
Other accounts receivable	Amortized cost	**23,249**	26,176
Restricted cash	Amortized cost	**2,140**	2,392
Sabina special warrants *(a)*	FVPL	**2,617**	5,239
Publicly traded securities *(b)*	FVOCI	**27,380**	-
Publicly traded securities *(b)*	Available for sale	**-**	43,172
Commodity swap and option contracts *(c)*	Derivatives for cash flow and fair value hedges	**197**	-
Foreign exchange forward and option contracts *(d)*	Derivatives for cash flow hedges	**351**	6,326
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	**66,303**	60,122
Debt *(note 11(a) & 11(b))*	Amortized cost	**29,000**	23,000
Commodity swap and option contracts *(c)*	Derivatives for cash flow and fair value hedges	**60**	-
Commodity swap and option contracts *(c)*	Derivatives held for trading	**-**	15,018
Foreign exchange forward and option contracts *(d)*	Derivatives for cash flow hedges	**922**	-

The carrying values of all the financial assets and liabilities approximate their fair values as at December 31, 2018 and 2017.

(a) Sabina special warrants

During the year ended December 31, 2018, the Company purchased an additional 6,580,200 common shares of Sabina at an average price of $1.28 (Cdn$1.64) per share. As at December 31, 2018, DPM held: (i) 30,119,913 common shares of Sabina; and (ii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the Back River project or upon the occurrence of certain other events. Each of the special warrants is exercisable into one common share until 2044.

The fair value of the special warrants was based on the fair value of the Sabina common shares, which was determined based on the closing bid prices as at December 31, 2018 and 2017.

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, 2018, the Company recognized unrealized losses on the Sabina special warrants of $2.6 million (2017 – unrealized gains of $3.0 million) in other expense *(note 18)* in the consolidated statements of earnings (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 were classified as available-for-sale under IAS 39 as management intended to hold them for the medium to long-term. Upon adoption of IFRS 9, the Company elected to present changes in the fair value of all its equity investments previously classified as available-for-sale in other comprehensive income or loss. See *note 2.2* – changes in accounting policies.

For the year ended December 31, 2018, the Company recognized unrealized losses on these publicly traded securities of $23.0 million (2017 – unrealized gains of $24.6 million) in other comprehensive income (loss) that will not be reclassified to profit or loss. Had the company not adopted IFRS 9, these unrealized losses for the year ended December 31, 2018 would have been presented in other comprehensive income or loss and would have been subsequently reclassified to the consolidated statements of earnings (loss) once realized.

(c) Commodity swap and option contracts

The Company enters into QP Hedges, being cash settled commodity swap contracts, from time to time to swap future contracted monthly average metal prices for fixed metal prices to eliminate or substantially reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales. As at December 31, 2018, the Company's outstanding QP Hedges, all of which mature within three months from the reporting date, are summarized in the table below:

Commodity hedged	Volume hedged	Average fixed price of QP Hedges
Payable gold	3,440 ounces	1,264.17 /ounce
Payable copper	7,065,807 pounds	2.73 /pound

The Company also enters into Production Hedges, being cash settled commodity swap and option contracts, from time to time to reduce its future metal price exposures. Commodity swap contracts are entered to swap future contracted monthly average prices for fixed prices. Commodity option contracts are entered to provide price protection below a specified "floor" price and price participation up to a specified "ceiling" price. These option contracts are comprised of a series of call options and put options (which when combined create a price "collar") that are generally structured so as to provide for a zero upfront cash cost. As at December 31, 2018, the Company had no outstanding Production Hedges.

Previously under IAS 39, commodity swap and option contracts did not qualify for hedge accounting as component hedging was not permitted. Upon adoption of IFRS 9 in 2018, the Company is now able to designate the spot component of commodity swap contracts and the intrinsic value of the commodity option contracts in respect of Production Hedges as cash flow hedges and the spot component of commodity swap contracts in respect of QP Hedges as fair value hedges. See *note 2.2* – changes in accounting policies.

The fair value gain or loss on commodity swap contracts was calculated based on the corresponding London Metal Exchange forward copper prices and New York Commodity Exchange forward gold and silver prices, as applicable. The fair value gain or loss on commodity option contracts was calculated based on the option prices quoted on the Commodity Exchange (a part of the Chicago Mercantile Exchange). As at December 31, 2018, the net fair value gain on all outstanding commodity swap and option contracts was $0.1 million (December 31, 2017 – net fair value loss of $15.0 million), of which $0.2 million (December 31, 2017 – $nil) was included in other current assets and $0.1 million (December 31, 2017 – $15.0 million) in accounts payable and accrued liabilities.

All commodity swap and option contracts are subject to master netting agreements. As at December 31, 2018 and 2017, there was no set-off of assets and liabilities in connection with the commodity swap and option contracts in the consolidated statements of financial position.

The Company recognized net gains of $9.4 million for the year ended December 31, 2018 in revenue on settled contracts. Had the Company not adopted IFRS 9, these net gains would have been recognized in other expense *(note 18)* in the consolidated statements of earnings (loss).

For the year ended December 31, 2017, the Company recognized unrealized losses of $17.3 million on commodity swap and option contracts in other expense *(note 18)*. The Company also recognized realized losses on the settled contracts of $15.3 million for the year ended December 31, 2017 in other expense *(note 18)*.

(d) Foreign exchange forward and option contracts

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

Foreign exchange forward contracts are entered to fix foreign exchange rates on future operating expenses and capital expenditures. Foreign exchange option contracts are entered to provide price protection below a specified “floor” rate and participation up to a specified “ceiling” rate. The option contracts entered are comprised of a series of call options and put options (which when combined create a price “collar”) that are structured so as to provide for a zero upfront cash cost.

As at December 31, 2018, the Company had outstanding foreign exchange forward contracts in respect of its projected foreign denominated capital expenditures as summarized in the table below:

Year of projected capital expenditures	Foreign currency hedged *(i)*	Amount hedged in foreign currency	Average exchange rate Foreign currency/US$
2019	Euro	15,650,000	1.1506

As at December 31, 2018, the Company had outstanding foreign exchange option contracts in respect of its 2019 projected foreign denominated operating expenses as summarized in the table below:

Foreign currency hedged *(i)*	Amount hedged in foreign currency	Call options sold Average ceiling rate US$/Foreign currency	Put options purchased Average floor rate US$/Foreign currency
South African rand	1,444,980,000	15.46	14.00

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

The Company designates the spot component of the foreign exchange forward contracts and the intrinsic value of option contracts as cash flow hedges. Upon adoption of IFRS 9, the forward point component of foreign exchange forward contracts is now treated as a separate cost of hedging. See *note 2.2* – changes in accounting policies.

The fair value gain or loss on these outstanding contracts was calculated based on foreign exchange forward rates and option pricing quoted in the market. As at December 31, 2018, the fair value loss on all outstanding foreign exchange forward and option contracts was $0.6 million, of which $0.3 million was included in other current assets and $0.9 was included in accounts payable and accrued liabilities. As at December 31, 2017, the fair value gain on all outstanding foreign exchange forward contracts was $6.3 million, which was included in other current assets. All foreign exchange forward and option contracts are subject to master netting agreements. As at December 31, 2018 and 2017, there was no set-off of assets and liabilities in the consolidated statements of financial position.

For the year ended December 31, 2018, the Company recognized unrealized losses of $5.5 million (2017 – unrealized gains of $13.4 million) in other comprehensive income (loss) on the spot component of the outstanding foreign exchange forward and option contracts. The Company also recognized realized losses of $4.8 million (2017 – $4.4 million) for the year ended December 31, 2018 in cost of sales on the spot component of settled contracts in respect of foreign denominated operating expenses. The Company also recognized realized gains of $4.1 million (2017 – $4.7 million) for the year ended December 31, 2018 as reductions to mine properties on the spot component of the settled contracts in respect of foreign denominated capital expenditures.

For the year ended December 31, 2018, the Company recognized $1.4 million of unrealized losses on the time value component of the outstanding foreign exchange forward and option contracts in other comprehensive income (loss) as a deferred cost of hedging. The Company also recognized realized gains of $2.2 million for the year ended December 31, 2018 in cost of sales on the forward point component of the settled contracts in respect of foreign denominated operating expenses. The Company also recognized realized losses of $1.5 million for the year ended December 31, 2018 as additions to mine properties on the forward point component of the settled contracts in respect of foreign denominated capital expenditures. Had the Company not adopted IFRS 9, net losses of $0.7 million for the year ended December 31, 2018 would have been recorded in other expense *(note 18)* in the consolidated statements of earnings (loss).

For the year ended December 31, 2017, the Company recognized unrealized losses of $5.1 million in other expense *(note 18)* on the forward point component of the outstanding foreign exchange forward contracts. The Company also recognized realized gains of $6.1 million for the year ended December 31, 2017 in other expense *(note 18)* on the forward point component of settled contracts.

Effects of hedge accounting

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged items (the Company's accounts receivable on provisionally priced sales, projected payable metal production, and projected operating expenses and capital expenditures denominated in foreign currencies) and the hedging instruments (commodity swap and option contracts and foreign exchange forward and option contracts). The hedges are effective when the critical terms of the hedging instrument match with the critical terms of the hedged item.

Hedge ineffectiveness can arise from:

- Differences in the timing and/or amount of the cash flows of the hedged item and the hedging instrument; and
- Fair value movements related to counterparty credit risk, which impact the hedging instrument and the hedged item differently.

The Company's hedging relationships are such that the ratio between the underlying hedged item and the hedging instrument is 1:1. To measure for potential hedge ineffectiveness, the Company compares change in the fair value of the hedging instrument to change in the fair value of the underlying hedged item.

Set out below is a summary of effects of hedge accounting on the Company's consolidated statements of financial position by risk category for its fair value and cash flow hedges:

	2018	2017
Commodity swap contracts designated as fair value hedges *(i)*		
Carrying amount		
Assets included in other current assets	**197**	-
Liability included in accounts payable and accrued liabilities	**(60)**	-
	137	-
Notional amount	**23,665**	-
Changes in fair value used for measuring ineffectiveness		
Hedging instruments	**206**	-
Hedged items	**(399)**	-
Foreign exchange forward and option contracts designated as cash flow hedges		
Carrying amount		
Assets included in other current assets	**351**	6,326
Liability included in accounts payable and accrued liabilities	**(922)**	-
	(571)	6,326
Notional amount		
Euro (in 000's)	**15,650**	56,045
South African Rand (in 000's)	**1,444,980**	475,682
Changes in fair value used for measuring ineffectiveness		
Hedging instruments	**903**	1,932
Hedged items	**(903)**	(1,932)

(i) The carrying value of the hedged item, accounts receivable on provisionally priced sales, was $7.9 million as at December 31, 2018.

See *note 23(b)* for the effects of hedge accounting on the consolidated statements of earnings (loss) and the consolidated statements of comprehensive income (loss).

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, 2018 and 2017:

			As at December 31, 2018	
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Accounts receivable on provisionally priced sales	**-**	**7,921**	**-**	**7,921**
Sabina special warrants	**-**	**-**	**2,617**	**2,617**
Publicly traded securities	**27,380**	**-**	**-**	**27,380**
Commodity swap and option contracts	**-**	**197**	**-**	**197**
Foreign exchange forward and option contracts	**-**	**351**	**-**	**351**
Financial liabilities				
Commodity swap and option contracts	**-**	**60**	**-**	**60**
Foreign exchange forward and option contracts	**-**	**922**	**-**	**922**

			As at December 31, 2017	
	Level 1	Level 2	Level 3	Total
Financial assets				
Accounts receivable on provisionally priced sales	-	7,678	-	7,678
Sabina special warrants	-	-	5,239	5,239
Publicly traded securities	43,172	-	-	43,172
Foreign exchange forward contracts	-	6,326	-	6,326
Financial liabilities				
Commodity swap and option contracts	-	15,018	-	15,018

During the years ended December 31, 2018 and 2017, 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, 2017 to December 31, 2018:

	December 31, 2018	December 31, 2017
Balance at beginning of year	**5,239**	2,008
Purchase of other warrants	**2**	216
Unrealized gains (losses) included in net earnings (loss) *(note 18)*	**(2,624)**	3,015
Balance at end of year	**2,617**	5,239

7. MINE PROPERTIES

	Producing Mines	Mine under Construction *(a)*	Total
Cost:			
Balance as at January 1, 2017	154,361	119,306	273,667
Additions *(a)*	4,976	69,832	74,808
Capitalized depreciation	527	358	885
Change in rehabilitation provisions	274	2,593	2,867
Disposals	(22)	-	(22)
Balance as at December 31, 2017	160,116	192,089	352,205
Impact of adoption of IFRS 15 *(note 2.2)*	-	4,536	**4,536**
Balance as at January 1, 2018	**160,116**	**196,625**	**356,741**
Additions *(a)*	**4,432**	**67,279**	**71,711**
Capitalized depreciation	**489**	**580**	**1,069**
Change in rehabilitation provisions	**(195)**	**2,650**	**2,455**
Disposals	**(21)**	**-**	**(21)**
Balance as at December 31, 2018	**164,821**	**267,134**	**431,955**
Accumulated depletion and impairment:			
Balance as at January 1, 2017	70,120	-	70,120
Depletion	12,488	-	12,488
Balance as at December 31, 2017	82,608	-	82,608
Depletion	**12,325**	**-**	**12,325**
Balance as at December 31, 2018	**94,933**	**-**	**94,933**
Net book value:			
As at December 31, 2017	77,508	192,089	269,597
As at December 31, 2018	**69,888**	**267,134**	**337,022**

(a) Mine under Construction represents the Krumovgrad gold project.

(b) Included in additions were capitalized borrowing costs amounting to $5.6 million (2017 – $0.4 million) for the year ended December 31, 2018, at a weighted average interest rate of 6.28% (2017 – 3.93%).

The depletion expense for producing mines has been charged to cost of sales in the consolidated statements of earnings (loss) for the years ended December 31, 2018 and 2017.

8. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Construction Work-in-Progress	Total
Cost:				
Balance as at January 1, 2017	49,693	505,244	12,810	567,747
Additions	970	7,091	9,365	17,426
Acquisition of MineRP *(note 3)*	-	307	-	307
Disposals	(4)	(4,763)	-	(4,767)
Change in rehabilitation provisions	521	2,866	-	3,387
Transfers	1,055	9,512	(10,567)	-
Balance as at December 31, 2017	52,235	520,257	11,608	584,100
Additions	**155**	**14,267**	**19,928**	**34,350**
Currency translation adjustment	**-**	**-**	**3**	**3**
Disposals	**-**	**(3,508)**	**-**	**(3,508)**
Impairment reversal *(a)*	**-**	**2,410**	**-**	**2,410**
Change in rehabilitation provisions	**(985)**	**(3,379)**	**-**	**(4,364)**
Transfers	**177**	**8,646**	**(8,823)**	**-**
Balance as at December 31, 2018	**51,582**	**538,693**	**22,716**	**612,991**
Accumulated depreciation and impairment:				
Balance as at January 1, 2017	10,471	172,356	-	182,827
Depreciation expense	2,644	42,919	-	45,563
Capitalized depreciation	159	700	-	859
Currency translation adjustment	-	-	-	-
Depreciation relating to disposals	-	(4,413)	-	(4,413)
Balance as at December 31, 2017	13,274	211,562	-	224,836
Depreciation expense	**2,625**	**39,141**	**-**	**41,766**
Capitalized depreciation	**159**	**910**	**-**	**1,069**
Currency translation adjustment	**-**	**(26)**	**-**	**(26)**
Depreciation relating to disposals	**-**	**(2,429)**	**-**	**(2,429)**
Impairment reversal *(a)*	**-**	**(47)**	**-**	**(47)**
Balance as at December 31, 2018	**16,058**	**249,111**	**-**	**265,169**
Net book value:				
As at December 31, 2017	38,961	308,695	11,608	359,264
As at December 31, 2018	**35,524**	**289,582**	**22,716**	**347,822**

(a) For the year ended December 31, 2018, the Company recognized a $2.4 million impairment reversal related to certain equipment that Chelopech did not expect to use. The Company has entered into a definitive agreement to sell these equipment and expects to complete the sale in early 2019.

Of the total depreciation expense, $40.8 million (2017 – $45.0 million) was charged to cost of sales and $0.9 million (2017 – $0.6 million) was charged to general and administrative expenses for the year ended December 31, 2018.

The carrying value of equipment held under finance leases as at December 31, 2018 was $15.5 million (December 31, 2017 – $11.3 million). Leased assets are pledged as security for the related finance lease obligations.

9. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
Cost:			
Balance as at January 1, 2017	-	28,447	28,447
Additions	-	3,745	3,745
Acquisition of MineRP *(note3)*	22,749	7,087	29,836
Currency translation adjustment	3,064	480	3,544
Disposals	-	(14)	(14)
Balance as at December 31, 2017	25,813	39,745	65,558
Additions	**-**	**1,389**	**1,389**
Currency translation adjustment	**(3,835)**	**(639)**	**(4,474)**
Impairment charge *(a)*	**-**	**(4,000)**	**(4,000)**
Balance as at December 31, 2018	**21,978**	**36,495**	**58,473**
Accumulated amortization and impairment:			
Balance as at January 1, 2017	-	5,693	5,693
Amortization	-	3,800	3,800
Capitalized amortization	-	26	26
Currency translation adjustment	-	16	16
Amortization relating to disposals	-	(4)	(4)
Balance as at December 31, 2017	-	9,531	9,531
Amortization	**-**	**4,855**	**4,855**
Currency translation adjustment	**-**	**26**	**26**
Impairment charge *(a)*	**-**	**(1,654)**	**(1,654)**
Balance as at December 31, 2018	**-**	**12,758**	**12,758**
Net book value:			
As at December 31, 2017	25,813	30,214	56,027
As at December 31, 2018	**21,978**	**23,737**	**45,715**

(a) As at December 31, 2018, intangible assets included a $5.5 million net smelter royalty (December 31, 2017 – $8.7 million). In January 2019, the Company sold this asset for gross proceeds of $5.5 million resulting in an impairment charge of $2.3 million being recognized in other expense (*note 18*) for the year ended December 31, 2018. The Company also recorded a $0.8 million (2017 – $0.5 million) amortization expense on this intangible asset for the year ended December 31, 2018.

Intangible assets also included $5.3 million (December 31, 2017 – $7.1 million) related to a toll processing contract in respect of Tsumeb. For the year ended December 31, 2018, the Company recorded a $1.8 million (2017 – $2.4 million) amortization expense on this intangible asset. The remaining useful life of this intangible asset is expected to be four years from the reporting date.

Of the total intangible asset amortization expense, $3.0 million (2017 – $3.1 million) was charged to cost of sales, $0.8 (2017 – $0.5 million) was charged to other expense *(note 18)*, and $1.8 million (2017 – $0.2 million) was charged to general and administrative expenses for the year ended December 31, 2018.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2018	December 31, 2017
Accounts payable	**13,783**	19,123
Accrued liabilities	**52,341**	40,355
Commodity swap and option contracts *(note 6(c))*	**60**	15,018
Foreign exchange forward and option contracts *(note 6(d))*	**922**	-
Other payables	**179**	644
	67,285	75,140

11. DEBT

(a) DPM Revolving Credit Facility ("RCF")

DPM has a committed RCF with a consortium of banks. In April 2018, the RCF was amended to extend the terms of tranche B by an additional year. As at December 31, 2018, the RCF is comprised of a $45.0 million tranche A maturing in February 2022, a $150.0 million tranche B maturing in February 2021, and a $72.0 million tranche C maturing in September 2021 that contains quarterly availability reductions of $4.0 million that commenced in the third quarter of 2018.

The RCF bears interest at a spread above LIBOR, which varies between 2.75% and 5.50% depending upon the tranche being drawn and the Company's funded net debt to adjusted earnings before interest, taxes, depreciation and amortization ("Debt Leverage Ratio"), as defined in the RCF agreement. The RCF is secured by pledges of the Company's investments in Krumovgrad, Chelopech and Tsumeb and by guarantees from each of these subsidiaries.

The RCF contains financial covenants that require DPM to maintain: (i) a Debt Leverage Ratio below 3.5:1, (ii) a current ratio (including the addition of any unutilized credit within tranche B to current assets) of greater than 1.5:1, and (iii) a minimum net worth of $500.0 million plus (minus) 50% of ongoing annual net earnings (losses).

As at December 31, 2018, DPM was in compliance with all financial covenants and $29.0 million (December 31, 2017 – $23.0 million) was drawn under the RCF.

(b) Tsumeb overdraft facility

In April 2018, Tsumeb entered into a Namibian $50.0 million ($3.5 million) demand overdraft facility that is guaranteed by DPM. This facility bears interest at a rate equal to the Namibian Prime Lending Rate minus 0.50%. As at December 31, 2018, $nil was drawn from this facility.

(c) Other credit agreements and guarantees

Chelopech and Krumovgrad have a $16.0 million multi-purpose credit facility that matures on November 30, 2019. This credit facility is guaranteed by DPM. As at December 31, 2018, $4.8 million (December 31, 2017 – $5.5 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech and Krumovgrad also have a Euro 21.0 million ($24.0 million) credit facility to support mine closure and rehabilitation obligations. This credit facility matures on November 30, 2019 and is guaranteed by DPM. As at December 31, 2018, $24.0 million (December 31, 2017 – $23.0 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

Krumovgrad has a $5.3 million multi-purpose credit facility that matures on November 30, 2019. This credit facility is guaranteed by DPM. As at December 31, 2018, $0.1 million (December 31, 2017 – $0.1 million) had been utilized against this multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Advances under these facilities bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 2.5%. The letters of credit and guarantee bear a fee of 0.6% based on the amounts issued.

12. DEFERRED REVENUE

In September 2016, the Company entered into a prepaid forward gold sales arrangement with several of DPM's existing lenders whereby the Company will deliver 45,982 ounces of gold on specified dates over a 21-month period commencing in May 2019 in exchange for an upfront cash prepayment of $50.0 million. Deliveries of gold will be in the form of unallocated gold credits sourced from any of the Company's own mines in 21 monthly instalments during 2019 and 2020. The cash prepayment of $50.0 million was recorded as deferred revenue in the consolidated statements of financial position, and will be recognized as revenue when deliveries are made under the prepaid forward gold sales arrangement.

Upon adoption of IFRS 15, the Company recognized a deemed financing expense in respect of its prepaid forward gold sales arrangement. As a result, mine properties and deferred revenue each increased by $3.6 million during the year ended December 31, 2018. See *note 2.2* – changes in accounting policies.

As at December 31, 2018, $21.8 million of deferred revenue was expected to be settled within the next 12 months and was included in the current portion of long-term liabilities.

13. REHABILITATION PROVISIONS

The rehabilitation provisions represent the present value of rehabilitation costs relating to the Chelopech, Tsumeb and Krumovgrad sites, which are expected to be incurred between 2019 and 2041.

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

	December 31, 2018	December 31, 2017
Discount period		
Chelopech	**2019 - 2037**	2018 - 2029
Tsumeb	**2021 - 2039**	2021 - 2039
Krumovgrad	**2019 - 2041**	2019 - 2041
Local discount rate		
Chelopech/Krumovgrad	**2.4%**	2.4%
Tsumeb	**10.3%**	10.1%
Local inflation rate		
Chelopech/Krumovgrad	**2.6%**	2.3%
Tsumeb	**5.6%**	7.0%

Changes to rehabilitation provisions were as follows:

	Chelopech	Tsumeb	Krumovgrad	Total
Balance as at January 1, 2017	15,281	14,709	306	30,296
Change in cost estimate	-	-	2,773	2,773
Remeasurement of provisions *(a)*	1,824	1,515	(180)	3,159
Accretion expense *(note 17)*	288	1,504	21	1,813
Balance as at December 31, 2017	17,393	17,728	2,920	38,041
Change in cost estimate	**(1,664)**	**-**	**2,581**	**917**
Remeasurement of provisions *(a)*	**(706)**	**(2,190)**	**70**	**(2,826)**
Accretion expense *(note 17)*	**400**	**1,766**	**90**	**2,256**
Balance as at December 31, 2018	**15,423**	**17,304**	**5,661**	**38,388**

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

14. OTHER LONG-TERM LIABILITIES

	December 31, 2018	December 31, 2017
Finance leases *(a)*	**17,571**	14,028
Environmental commitment	**602**	602
Other liabilities	**1,219**	2,068
	19,392	16,698
Less: Current portion	**(3,183)**	(2,184)
	16,209	14,514

(a) Tsumeb has a long-term lease agreement for the supply of oxygen. The 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	2,605	10,397	4,569	**17,571**
Finance charges	1,396	3,598	317	**5,311**
Present value of minimum lease payments	**4,001**	**13,995**	**4,886**	**22,882**

15. 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 this 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, 2017	2,759,980	2,486
RSUs granted	1,667,400	3,189
RSUs redeemed	(1,190,339)	(2,453)
RSUs forfeited	(241,604)	(275)
Mark-to-market adjustments		1,194
Balance as at December 31, 2017	2,995,437	4,141
RSUs granted	**1,692,200**	**3,634**
RSUs redeemed	**(1,368,098)**	**(3,413)**
RSUs forfeited	**(109,433)**	**(104)**
Mark-to-market adjustments		**729**
Balance as at December 31, 2018	**3,210,106**	**4,987**

As at December 31, 2018, there was $2.5 million (December 31, 2017 – $2.2 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, and (ii) determine the entitlement date or dates of such PSUs. These PSUs vest after three years and are paid in cash based on the Market Price of DPM's publicly traded common shares, subject to established performance criteria, on the entitlement date or dates, which shall not be later than December 31 of the year that is three years after the year of service for which the PSUs were granted, as determined by the Board of Directors in its sole discretion.

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

	Number of PSUs	Amount
Balance as at January 1, 2017	1,161,800	640
PSUs granted	654,850	1,007
PSUs forfeited	(104,300)	(83)
Mark-to-market adjustments		88
Balance as at December 31, 2017	1,712,350	1,652
PSUs granted	**589,500**	**1,373**
PSUs redeemed	**(331,400)**	**(691)**
Mark-to-market adjustments		**2,538**
Balance as at December 31 2018	**1,970,450**	**4,872**

As at December 31, 2018, there was $1.5 million (December 31, 2017 – $1.5 million) of expenses remaining to be charged to net earnings in future periods relating to these PSUs.

DSU plans

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, 2017	1,255,387	2,079
DSUs granted	263,524	565
DSUs redeemed	(178,875)	(363)
Mark-to-market adjustments		919
Balance as at December 31, 2017	1,340,036	3,200
DSUs granted	**270,948**	**659**
DSUs redeemed	**(72,990)**	**(176)**
Mark-to-market adjustments		**330**
Balance as at December 31, 2018	**1,537,994**	**4,013**

DPM stock option plan

The Company has established an incentive stock option plan for the directors, selected employees and consultants. Pursuant to the plan, the exercise price of the option cannot be less than the market price of DPM's common shares on the trading date preceding the effective date of the option grant. The aggregate number of shares that can be issued from treasury under this plan is 12,500,000. Options granted vest equally over a three-year period and expire five years from the date of grant.

During the year ended December 31, 2018, the Company granted 811,903 (2017 – 996,065) stock options with a fair value of $1.1 million (2017 – $1.2 million). The estimated value of the options granted will be recognized as an expense in the consolidated statements of earnings (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 $1.1 million (2017 – $1.2 million) for the year ended December 31, 2018 under this stock option plan.

As at December 31, 2018, there was $0.7 million (December 31, 2017 – $0.8 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:

	2018	2017
Five year risk free interest rate	**1.9% - 2.0%**	1.0% - 1.6%
Expected life in years	**4.75**	4.75
Expected volatility	**65.9% - 68.2%**	68.4% - 69.4%
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, 2017	5,647,653	4.44
Options granted	996,065	2.82
Options exercised	(51,334)	2.63
Options forfeited	(122,199)	2.69
Options expired	(1,004,782)	7.71
Balance as at December 31, 2017	5,465,403	3.60
Options granted	**811,903**	**3.28**
Options exercised	**(40,073)**	**2.50**
Options expired	**(776,500)**	**7.26**
Balance as at December 31, 2018	**5,460,733**	**3.03**

The following lists the options outstanding and exercisable as at December 31, 2018:

	Options outstanding			Options exercisable	
Range of exercise prices per share (Cdn$)	Number of options outstanding	Weighted average remaining years	Weighted average exercise price per share (Cdn$)	Number of options exercisable	Weighted average exercise price per share (Cdn$)
2.05 - 2.97	3,461,430	2.07	2.68	2,442,930	2.72
3.09 - 3.96	1,999,303	1.86	3.64	1,187,400	3.89
2.05 - 3.96	**5,460,733**	**2.00**	**3.03**	**3,630,330**	**3.10**

16. EXPENSES BY NATURE

The operating costs, including cost of sales, general and administrative expenses, and exploration and evaluation expenses, as reported in the consolidated statements of earnings (loss), have been regrouped by the nature of the expenses as follows:

	2018	2017
Raw materials, consumables and spare parts	**73,659**	72,343
Staff costs	**86,496**	63,651
Service costs	**61,555**	68,970
Share based compensation expense	**11,717**	7,804
Royalties	**7,153**	7,089
Drilling, assaying and other exploration and evaluation expenses	**6,105**	4,182
Insurance	**2,608**	2,084
Net losses on foreign exchange forward contracts *(note 6(d))*	**2,662**	4,399
Depletion of mine properties *(note 7)*	**12,325**	12,488
Depreciation of property, plant and equipment *(note 8)*	**41,382**	45,563
Amortization of intangible assets *(note 9)*	**4,049**	3,251
Other costs	**5,765**	6,456
Total operating costs	**315,476**	298,280

17. FINANCE COST

	2018	2017
Interest on borrowings *(a)*	**3,439**	4,169
Finance charges under finance leases	**1,529**	1,588
Accretion expense related to rehabilitation provisions *(note 13)*	**2,256**	1,813
	7,224	7,570

(a) Interest on borrowings for the years ended December 31, 2018 and 2017 was net of interest capitalized to mine properties (*note 7(a)*).

18. OTHER EXPENSE

	2018	2017
Net (gains) losses on Sabina special warrants *(note 6(a))*	**2,624**	(3,015)
Net losses on commodity swap and option contracts *(note 6(c))*	**-**	32,567
Net gains on foreign exchange forward contracts *(note 6(d))*	**-**	(878)
Impairment reversal on property, plant & equipment *(note 8)*	**(2,457)**	-
Impairment charges on intangible assets *(note 9)*	**2,346**	-
Net foreign exchange losses	**2,242**	8,600
Interest income	**(327)**	(294)
Other (income) expense, net	**4,097**	(690)
	8,525	36,290

19. INCOME TAXES

The major components of income tax expense recognized in net earnings (loss) were as follows:

	2018	2017
Current income tax expense on earnings	**9,404**	9,607
Deferred income tax recovery related to origination and reversal of temporary differences	**(2,162)**	(4,397)
Income tax expense	**7,242**	5,210

The reconciliation of the combined Canadian federal and provincial government statutory income tax rates to the effective tax rate was as follows:

	2018	2017
Earnings before income taxes	**44,414**	4,849
Combined Canadian federal and provincial statutory income tax rates	**26.5%**	26.5%
Expected income tax expense	**11,770**	1,285
Lower rates on foreign earnings	**(22,413)**	(3,852)
Unrecognized tax benefit relating to losses	**13,476**	9,448
Non-taxable portion of capital (gains) losses	**3,509**	(1,617)
Non-deductible share based compensation expense	**303**	318
Other, net	**597**	(372)
Income tax expense	**7,242**	5,210

Income taxes recognized in other comprehensive income (loss) for the year ended December 31, 2018 was $1.5 million (2017 – $1.4 million) relating to the deferred income tax expense on gains on cash flow hedges and a $1.2 million recovery (2017 – a $1.2 million expense) related to deferred income tax on gains (losses) on publicly traded securities**.**

The significant components of the Company's deferred income taxes as at December 31, 2018 and 2017 were as follows:

	December 31, 2018	December 31, 2017
Deferred income tax assets		
Non-capital losses	**52,086**	44,866
Cumulative Canadian exploration expenses	**1,700**	1,700
Depreciable property, plant and equipment	**8,651**	6,445
Investments	**2,306**	1,502
Share based compensation expense	**2,110**	1,570
Financing costs	**1,664**	290
Rehabilitation provisions	**1,575**	1,472
Other	**1,236**	1,450
Gross deferred income tax assets	**71,328**	59,295
Unrecognized tax benefit relating to tax losses	**(58,728)**	(48,645)
Total deferred income tax assets	**12,600**	10,650
Deferred income tax liabilities		
Depreciable property, plant and equipment	**97**	37
Investments	**5**	1,639
Other	**1,512**	1,032
Total deferred income tax liabilities	**1,614**	2,708
Net deferred income tax assets	**10,986**	7,942

As at December 31, 2018, the Company had $11.0 million (December 31, 2017 – $9.0 million) of net deferred income tax assets and $nil (December 31, 2017 – $1.0 million) of net deferred income tax liabilities after offsetting deferred income tax assets and liabilities incurred by the same legal entities in the same jurisdictions in its consolidated statements of financial position.

Of the total deferred income tax assets recognized in 2018, $11.8 million (2017 – $8.8 million) is expected to be recovered after more than 12 months. Of the total deferred income tax liabilities recognized in 2018, $1.4 million (2017 – $1.3 million) is expected to be payable after more than 12 months.

As at December 31, 2018, the Company had Canadian non-capital losses of $176.3 million (December 31, 2017 – $144.8 million) expiring between 2028 and 2038, and Serbian non-capital losses of $17.4 million (December 31, 2017 – $33.0 million) expiring between 2019 and 2023, for which no deferred income tax assets had been recognized.

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, 2018 and 2017, no provisions have been made in the consolidated financial statements for potential tax liabilities relating to such assessments and interpretations.

20. EARNINGS PER SHARE

	2018	2017
Net earnings attributable to common shareholders	**38,113**	217
Basic weighted average number of common shares	**178,512,585**	177,277,989
Effect of stock options	**546,969**	212,605
Diluted weighted average number of common shares	**179,059,554**	177,490,594
Basic and diluted earnings per share	**0.21**	0.00

21. RELATED PARTY TRANSACTIONS

(a) 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 earnings (loss) for the years ended December 31, 2018 and 2017 was as follows:

	2018	2017
Salaries, management bonuses and director fees	**4,525**	5,339
Other benefits	**315**	403
Share based compensation *(i)*	**4,971**	5,273
Total remuneration	**9,811**	11,015

(i) Included in share based compensation for the year ended December 31, 2017 were MineRP stock options of $0.6 million granted to certain directors of the Company relating to MineRP transaction costs *(note 3)*.

(b) Transaction with a director

In January 2018, the Company purchased 2,200,000 common shares of Sabina from a director of the Company at the market price of $1.81 (Cdn$2.26) per share for a total cost of $4.0 million (Cdn$5.0 million) to maintain its ownership interest in Sabina *(note 6(a))*.

22. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Items not affecting cash and other adjustments:

	2018	2017
Depreciation and amortization	**58,944**	61,851
Net interest expense	**4,641**	5,463
Accretion expense related to rehabilitation provisions	**2,256**	1,813
Share based compensation expense	**1,127**	1,791
Net (gains) losses on Sabina special warrants	**2,624**	(3,015)
Net (gains) losses on commodity swap and option contracts	**(9,415)**	32,567
Net losses on foreign exchange forward and option contracts	**2,662**	3,521
Impairment reversal on property, plant & equipment	**(2,457)**	-
Impairment charges on intangible assets	**2,346**	-
Other, net	**(201)**	1,238
	62,527	105,229

(b) Changes in non-cash working capital:

	2018	2017
Decrease in accounts receivable and other assets	**2,402**	7,534
(Increase) decrease in inventories	**(6,008)**	242
Increase in accounts payable and accrued liabilities	**12,507**	8,911
Increase in other liabilities	**2,467**	3,331
	11,368	20,018

23. SUPPLEMENTARY SHAREHOLDERS' EQUITY INFORMATION

(a) Equity financing

On January 24, 2017, the Company completed a non-brokered private placement with the European Bank for Reconstruction and Development, pursuant to which the Company issued 17,843,120 common shares of the Company at a price of Cdn$2.45 per share for gross proceeds of $33.2 million (Cdn$43.7 million) and total share issuance costs of $0.5 million which were included in financing activities in the consolidated statements of cash flows for the year ended December 31, 2017.

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

	2018	2017
Cash flow hedge reserves		
Foreign exchange forward and option contracts		
Balance at beginning of year	**5,966**	(6,924)
Unrealized gains (losses), net of income taxes	**(6,243)**	12,635
Realized losses transferred to cost of sales, net of income taxes	**4,812**	4,441
Realized gains transferred to Mine Properties, net of income taxes	**(3,648)**	(4,186)
Balance at end of year	**887**	5,966
Commodity swap and option contracts		
Balance at beginning of year	**-**	-
Unrealized gains, net of income taxes	**6,126**	-
Realized gains transferred to revenue, net of income taxes	**(5,851)**	-
Balance at end of year	**275**	-
Deferred cost of hedging reserves		
Foreign exchange forward and option contracts		
Balance at beginning of year	**-**	-
Impact of adoption of IFRS 9 *(note 2.2)*	**(36)**	-
Adjusted balance at beginning of year	**(36)**	-
Deferred cost of hedging, net of income taxes	**(611)**	-
Cost of hedging transferred to cost of sales, net of income taxes	**(2,151)**	-
Cost of hedging transferred to Mine Properties, net of income taxes	**1,314**	-
Balance at end of year	**(1,484)**	-
Commodity swap and option contracts		
Balance at beginning of year	**-**	-
Deferred cost of hedging, net of income taxes	**1,325**	-
Cost of hedging transferred to revenue, net of income taxes	**(1,601)**	-
Balance at end of year	**(276)**	-
Unrealized gains on publicly traded securities		
Balance at beginning of year	**35,457**	10,867
Impact of adoption of IFRS 9 *(note 2.2)*	**(20,645)**	-
Adjusted balance at beginning of year	**14,812**	10,867
Unrealized gains (losses), net of income taxes	**(23,005)**	24,590
Balance at end of year	**(8,193)**	35,457
Accumulated currency translation adjustments		
Balance at beginning of year	**397**	(2,583)
Currency translation adjustments	**(3,258)**	2,980
Balance at end of year	**(2,861)**	397
Accumulated other comprehensive income (loss)	**(11,652)**	**41,820**

24. COMMITMENTS AND OTHER CONTINGENCIES

(a) Commitments

The Company had the following minimum contractual commitments as at December 31, 2018:

	up to 1 year	1 - 5 years	over 5 years	Total
Capital commitments	35,340	-	-	**35,340**
Purchase commitments	13,220	8,047	-	**21,267**
Operating lease payments	1,534	2,285	548	**4,367**
Total commitments	**50,094**	**10,332**	**548**	**60,974**

As at December 31, 2018, Tsumeb had approximately $62.1 million (December 31, 2017 – $112.2 million) of recoverable third party in-process secondary materials, which it is obligated to process and return, generally in the form of blister, to IXM S.A. ("IXM"), formerly Louis Dreyfus Company Metals Suisse, pursuant to a tolling agreement.

In July 2017, the Company and IXM agreed to amend the existing tolling agreement to provide for, among other things, lower stockpile interest deductions on excess secondary materials, specified quarterly targeted reductions designed to eliminate excess secondary materials representing at that time approximately $90.0 million over a period that extends to December 31, 2020, the purchase of secondary materials in excess of established quarterly targeted levels, and the extension of the tolling agreement by one year. In 2018, no purchase of secondary materials was required. As at December 31, 2018, the value of excess secondary materials was approximately $39.0 million (December 31, 2017 – $86.0 million).

(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.

25. 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 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 earnings (loss) and shareholders' equity, where applicable. Financial instruments affected by market risk include cash, accounts receivable, investments at fair value, commodity swap and option contracts, foreign exchange forward and option 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 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 and silver are major factors influencing the Company's business, results of operations and financial condition. The Company regularly enters into commodity swap 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 and options contracts to reduce the price exposure associated with projected payable copper production. The Company also selectively enters into commodity swap and options contracts to reduce its price exposure applicable to projected payable gold contained in Chelopech's pyrite concentrate production.

The Company's board approved risk management policy requires provisional concentrate sales to be fully hedged and permits hedging up to 90%, 85% and 80% of its projected payable copper production in the subsequent 1, 2, and 3 year reporting periods, respectively.

As at December 31, 2018, the impact of a 5% increase or decrease in metal prices impacting the Company's accounts receivable and outstanding commodity swap and options contracts, with all other variables held constant, would decrease or increase earnings before income taxes by $0.8 million (2017 – $3.5 million). The impact on equity is the same as the impact on net earnings (loss).

The following table demonstrates the effect on 2018 and 2017 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 earnings (loss).

Effect of a 5% increase in metal prices on earnings before income taxes

	2018	2017
Gold	**10,395**	10,872
Copper	**4,960**	4,878
Silver	**131**	156
Total increase on earnings before income taxes	**15,486**	15,906

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, 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, 2018, 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 $0.2 million (2017 – $0.3 million), excluding a $0.3 million (2017 – $0.2 million) increase or decrease related to capitalized interest. The impact on equity is the same as the impact on net earnings (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. The Company also entered into foreign exchange forward and option contracts in order to reduce the foreign exchange exposure associated with projected operating expenses and capital expenditures denominated in foreign currencies.

The Company's board approved risk management policy permits up to 85%, 80% and 75% of its projected operating expenses denominated in foreign currency to be hedged in the subsequent 1, 2, and 3 year reporting periods, respectively. The policy also permits projected capital expenditures denominated in foreign currency to be fully hedged.

The following table demonstrates the effect on 2018 and 2017 earnings before income taxes and equity of a 5% appreciation of the U.S. dollar relative to the Company's key foreign currencies on the Company's outstanding foreign exchange forward and option contracts, with all other variables held constant.

	Effect of a 5% appreciation of the U.S. dollar on			
	Earnings before income taxes		**Equity**	
	2018	2017	**2018**	2017
Euro	**-**	(36)	**(900)**	(3,398)
South African Rand	**-**	51	**754**	(1,782)
Total increase (decrease)	**-**	15	**(146)**	(5,180)

The effect of a 5% depreciation of the U.S. dollar relative to these foreign currencies on the Company's outstanding foreign exchange forward and option contracts, with all other variables held constant, would be to decrease earnings before income taxes and increase equity by equivalent amounts.

The following table demonstrates the effect on 2018 and 2017 earnings before income taxes and equity of a 5% appreciation of the U.S. dollar relative to the Company's key foreign currencies on the Company's outstanding financial assets and liabilities denominated in foreign currencies, excluding the impact of any outstanding foreign exchange forward and option contracts and with all other variables held constant.

	Effect of a 5% appreciation of the U.S. dollar on			
	Earnings before income taxes		**Equity**	
	2018	2017	**2018**	2017
Euro	**1,166**	280	**266**	280
Namibian Dollar	**618**	618	**1,372**	618
Canadian Dollar	**608**	371	**(696)**	(1,684)
Total increase (decrease)	**2,392**	1,269	**942**	(786)

The effect of a 5% depreciation of the U.S. dollar relative to these foreign currencies on the Company's outstanding foreign denominated financial assets and liabilities, excluding the impact of any outstanding foreign exchange forward and option contracts and with all other variables held constant, would be to decrease earnings before income taxes and increase (decrease) equity by equivalent amounts.

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 2018, the Company had contracts with 12 customers in connection with its mining and smelting operations, one of whom accounted for approximately 74% (2017 – 79%) of the Company's revenue. Under the terms of the Company's concentrate sales contracts, the purchasers make an initial advance payment equal to 70% to 95% 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, 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 and long-term debt, currently in the form of a 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, 2018	
	up to 1 year	**1 - 5 years**	**over 5 years**	**Total**
Accounts payable and accrued liabilities	**66,303**	**-**	**-**	**66,303**
Commodity swap and option contracts	**60**	**-**	**-**	**60**
Foreign exchange forward and option contracts	**922**	**-**	**-**	**922**
Long term debt	**-**	**29,000**	**-**	**29,000**
Finance lease obligations	**4,001**	**13,995**	**4,886**	**22,882**
Other obligations	**938**	**624**	**60**	**1,622**
	72,224	**43,619**	**4,946**	**120,789**

			As at December 31, 2017	
	up to 1 year	1 - 5 years	over 5 years	Total
Accounts payable and accrued liabilities	60,122	-	-	60,122
Commodity swap and option contracts	15,018	-	-	15,018
Long term debt	-	23,000	-	23,000
Finance lease obligations	3,063	11,329	6,161	20,553
Other obligations	475	535	22	1,032
	78,678	34,864	6,183	119,725

Capital management

The Company's objective for capital management is to: (i) maintain sufficient levels of liquidity to fund and support its exploration and evaluation, 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 12* 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, 2018, the Company was in compliance with all loan covenants and its net debt as a percentage of total capital was 2% (December 31, 2017 – negative 1%).

26. OPERATING SEGMENT INFORMATION

Operating segments are components of an entity whose operating results are regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance and for which separate financial information is available.

The Company has two operating segments – Chelopech in Bulgaria and Tsumeb in Namibia. The nature of their operations, 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, development projects, the results of MineRP and other income and cost items that do not pertain directly to an operating segment. There are no significant inter-segment transactions that have not been eliminated on consolidation.

The accounting policies of the segments are the same as those described in *note 2.3, Significant Accounting Policies*. 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, 2018 and 2017:

	Year ended December 31, 2018			
	Chelopech	**Tsumeb**	**Corporate & Other**	**Total**
Revenue *(a)*	**213,650**	**152,348**	**11,113**	**377,111**
Costs and expenses				
Cost of sales	**110,169**	**151,709**	**10,985**	**272,863**
General and administrative expenses	**-**	**-**	**30,036**	**30,036**
Corporate social responsibility expenses	**-**	**-**	**1,472**	**1,472**
Exploration and evaluation expenses	**2,435**	**-**	**10,142**	**12,577**
Finance cost	**626**	**3,198**	**3,400**	**7,224**
Other (income) expense	**(1,911)**	**2,630**	**7,806**	**8,525**
Earnings (loss) before income taxes	**102,331**	**(5,189)**	**(52,728)**	**44,414**
Income tax expense (recovery)	**10,014**	**-**	**(2,772)**	**7,242**
Net earnings (loss)	**92,317**	**(5,189)**	**(49,956)**	**37,172**
Other disclosures				
Depreciation and amortization	**30,887**	**25,278**	**2,779**	**58,944**
Impairment charges (reversal) (*note 8 & 9*)	**(2,457)**	**-**	**2,346**	**(111)**
Capital expenditures *(b)*	**13,415**	**17,882**	**76,153**	**107,450**

	Year ended December 31, 2017			
	Chelopech	Tsumeb	Corporate & Other	Total
Revenue *(a)*	206,253	140,690	1,812	348,755
Costs and expenses				
Cost of sales	113,703	153,297	123	267,123
General and administrative expenses	-	-	21,906	21,906
Corporate social responsibility expenses	-	-	1,766	1,766
Exploration and evaluation expenses	1,074	-	8,177	9,251
Finance cost	493	3,054	4,023	7,570
Other (income) expense	34,875	3,045	(1,630)	36,290
Earnings (loss) before income taxes	56,108	(18,706)	(32,553)	4,849
Income tax expense (recovery)	5,859	-	(649)	5,210
Net earnings (loss)	50,249	(18,706)	(31,904)	(361)
Other disclosures				
Depreciation and amortization	35,453	25,082	1,316	61,851
Capital expenditures *(b)*	16,486	8,607	70,886	95,979

(a) Chelopech's revenues were generated from the sale of concentrate, Tsumeb's revenues were generated from processing concentrate, and revenues for Corporate and Other were generated from sale of software licenses and delivery of consulting services by MineRP. For the year ended December 31, 2018, revenues from the sale of concentrate of $140.9 million or 66% (2017 – $153.6 million or 74%) and revenues from processing concentrate of $129.3 million (2017 – $120.9 million) or 83% (2017 – 86%) were derived from a single external customer. Revenues from the sale of concentrate of $19.5 million or 9% (2017 – $40.6 million or 20%) were also derived from another single external customer.

(b) Capital expenditures represent cash and non-cash additions to mine properties *(note 7)*, property, plant and equipment *(note 8)* and intangible assets *(note 9)* except those assets that were acquired as part of the MineRP acquisition *(note 3)*.

The following table summarizes the Company's revenue recognized for the year ended December 31, 2018:

	2018	2017
Revenue recognized at a point in time		
Sale of concentrate *(a)*	**215,025**	202,791
Processing concentrate	**152,348**	140,690
Sale of software licenses	**1,562**	388
Mark-to-market price adjustments on provisionally priced sales	**(1,375)**	3,462
Revenue recognized over time		
Software services	**9,551**	1,424
	377,111	348,755

(a) For the year ended December 31, 2018, the Company's revenue from sale of concentrate included a $1.3 million (2017 – $2.9 million) adjustment in connection with the final determination of prior year provisional sales.

The following table summarizes the total assets and total liabilities by segment as at December 31, 2018 and 2017:

			As at December 31, 2018	
	Chelopech	**Tsumeb**	**Corporate & Other**	**Total**
Total current assets	**35,272**	**26,086**	**22,875**	**84,233**
Total non-current assets	**188,443**	**236,723**	**350,186**	**775,352**
Total assets	**223,715**	**262,809**	**373,061**	**859,585**
Total liabilities	**35,054**	**45,195**	**141,155**	**221,404**

			As at December 31, 2017	
	Chelopech	Tsumeb	Corporate & Other	Total
Total current assets	45,101	23,693	29,783	98,577
Total non-current assets	206,537	247,235	292,934	746,706
Total assets	251,638	270,928	322,717	845,283
Total liabilities	51,245	44,533	116,017	211,795

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, 2018 and 2017 are summarized below:

			Year ended December 31, 2018	
	Canada	**Europe**	**Africa**	**Total**
Revenue	**-**	**213,650**	**163,461**	**377,111**

			Year ended December 31, 2017	
	Canada	Europe	Africa	Total
Revenue	-	206,253	142,502	348,755

Assets by geographic location as at December 31, 2018 and 2017 are summarized below:

			As at December 31, 2018	
	Canada	**Europe**	**Africa**	**Total**
Total current assets	**7,743**	**48,462**	**28,028**	**84,233**
Financial assets	**29,997**	**197**	**1,888**	**32,082**
Deferred income tax assets	**-**	**10,176**	**816**	**10,992**
Other non-current assets	**7,566**	**461,576**	**263,136**	**732,278**
Total assets	**45,306**	**520,411**	**293,868**	**859,585**

			As at December 31, 2017	
	Canada	Europe	Africa	Total
Total current assets	7,711	63,144	27,722	98,577
Financial assets	48,411	2,423	5,692	56,526
Deferred income tax assets	-	8,962	-	8,962
Other non-current assets	11,375	395,356	274,487	681,218
Total assets	67,497	469,885	307,901	845,283

CORPORATE INFORMATION

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3 Corporate Governance and Nominating Committee
4 Health, Safety and Environment Committee
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Stock Listing and Symbol

The Toronto Stock Exchange
DPM – Common Shares

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

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