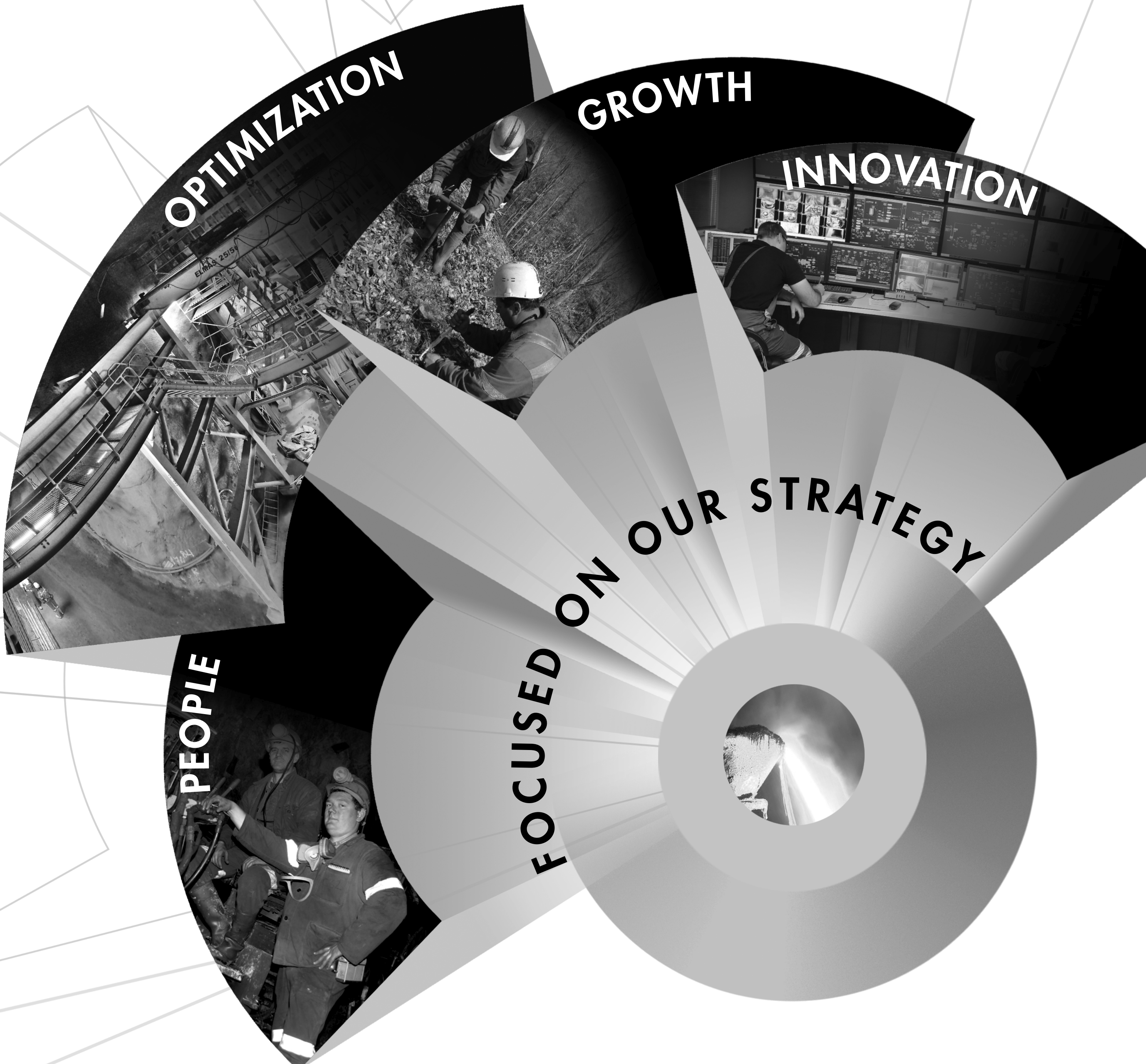
Dundee
PRECIOUS METALS INC.

2017 SECOND QUARTER REPORT
DUNDEE PRECIOUS METALS INC.



SECOND QUARTER REPORT – Q2 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations

for the Three and Six Months Ended June 30, 2017

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

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Dundee Precious Metals Inc. ("DPM" and, together with its consolidated subsidiaries, collectively referred to as the "Company") for the three and six months ended June 30, 2017. This MD&A should be read in conjunction with DPM's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017 prepared in accordance with International Financial Reporting Standards ("IFRS") and the MD&A for the year ended December 31, 2016. Additional Company information, including the Company's most recent annual information form ("AIF") and other continuous disclosure documents, can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and the Company's website at www.dundeeprecious.com. To the extent applicable, updated information contained in this MD&A supersedes older information contained in previously filed continuous disclosure documents. Capitalized terms used in this MD&A that have not been defined have the same meanings attributed to them in DPM's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017. Information contained on the Company's website is not incorporated by reference herein and does not form part of this MD&A. This MD&A contains forward looking statements that are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may vary materially from management's expectations. See the "Cautionary Note Regarding Forward Looking Statements" and "Risks and Uncertainties" sections later in this MD&A for further information.

The technical information in this MD&A, with respect to the Company's material mineral projects, has been prepared in accordance with Canadian regulatory requirements set out in National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") of the Canadian Securities Administrators and the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") Definition Standards for Mineral Resources and Mineral Reserves, and has been reviewed and approved by Richard Gosse, M.Sc. (Mineral Exploration), Senior Vice President, Exploration of DPM and Ross Overall, B.Sc. (Applied Geology), Corporate Senior Resource Geologist of DPM, who are Qualified Persons as defined under NI 43-101 ("QP"), and not independent of the Company.

This MD&A has been prepared as at July 27, 2017.

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.

Continuing operations:

DPM's principal subsidiaries include:

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

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

- 10.5% of Sabina Gold and Silver Corp. ("Sabina"), which is advancing its Back River project through the environmental assessment process and recently received a positive recommendation from the Nunavut Impact Review Board ("NIRB") to proceed to the licensing phase;
- 100% of Avala Resources Ltd. ("Avala"), which is focused on the exploration and development of the Lenovac project, the Timok gold project, the Tulare copper and gold project and other early stage projects in Serbia; and
- through an option agreement, the right to earn up to a 71% interest in Khalkos Exploration Inc.'s Malartic gold property located in the Archean Abitibi greenstone belt in the Malartic mining camp in Quebec.

Discontinued operations:

On April 28, 2016, DPM sold 100% of Dundee Precious Metals Kapan CJSC ("Kapan"), which owns and operates a gold, copper, zinc and silver mine in the town of Kapan, located south east of the capital city of Yerevan in southern Armenia (the "Kapan Disposition"). Cash proceeds from the Kapan Disposition of $24.8 million were received in the second quarter of 2016 and additional proceeds relating to a post-closing adjustment of $4.4 million were received in the first six months of 2017. A gain of $3.4 million was recognized in the twelve months ended December 31, 2016 and included in results from discontinued operations.

Key Operational and Financial Highlights

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

$ thousands, unless otherwise indicated	Three Months		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Financial Results				
Revenue[1]	**86,853**	72,470	**161,521**	142,638
Cost of sales[1]	**63,455**	64,966	**126,388**	121,982
Depreciation and amortization[1]	**15,605**	19,456	**31,500**	38,405
Other expense[1]	**(2,465)**	(2,947)	**(15,026)**	(10,061)
Earnings (loss) before income taxes[1]	**12,812**	(6,851)	**1,298**	(10,516)
Income tax expense[1]	**(1,850)**	(1,729)	**(2,908)**	(2,176)
Net earnings (loss) from continuing operations attributable to common shareholders	**11,039**	(8,935)	**(1,479)**	(12,692)
Net earnings (loss) attributable to common shareholders	**11,039**	(5,668)	**(1,479)**	(11,722)
Basic earnings (loss) per share from continuing operations	**0.06**	(0.06)	**(0.01)**	(0.09)
Basic earnings (loss) per share attributable to common shareholders	**0.06**	(0.04)	**(0.01)**	(0.08)
Adjusted EBITDA[1],[2]	**31,176**	17,782	**44,691**	39,292
Adjusted earnings (loss) before income taxes[1],[2]	**13,651**	(5,108)	**9,273**	(5,884)
Adjusted net earnings (loss)[1],[2]	**11,847**	(7,389)	**5,683**	(8,673)
Adjusted basic earnings (loss) per share[1],[2]	**0.07**	(0.05)	**0.03**	(0.06)
Cash provided from operating activities[1]	**17,098**	6,671	**51,664**	12,194
Cash provided from operating activities, before changes in non-cash working capital[1],[2]	**25,676**	15,685	**42,656**	46,375
Free cash flow[1],[2]	**2,353**	1,438	**13,606**	22,783
Capital expenditures incurred[1]:				
Growth[2]	**16,843**	8,949	**33,148**	16,061
Sustaining[2]	**3,922**	4,121	**9,601**	8,432
Total capital expenditures	**20,765**	13,070	**42,749**	24,493
Operational Highlights				
Payable metals in concentrate sold[1]:				
Gold *(ounces)*[3]	**37,659**	37,871	**81,137**	69,618
Copper *('000s pounds)*	**6,761**	9,061	**15,077**	17,584
Silver *(ounces)*	**36,324**	43,397	**78,753**	75,501
Cash cost per tonne of ore processed *($)*[2],[4]	**31.66**	33.72	**32.44**	33.88
Cash cost per ounce of gold sold, net of by-product credits *($)*[2],[5],[6],[7]	**578**	500	**580**	533
All-in sustaining cost per ounce of gold *($)*[2],[5],[7],[8]	**704**	607	**707**	661
Complex concentrate smelted at Tsumeb *(tonnes)*	**60,643**	44,545	**102,278**	101,967
Cash cost per tonne of complex concentrate smelted at Tsumeb, net of by-products credits *($)*[2],[9]	**417**	502	**472**	409

As at,	**June 30, 2017**	December 31, 2016
Financial Position		
Cash	**19,866**	11,757
Investments at fair value	**40,230**	19,216
Total assets	**766,237**	733,952
Debt[10]	**-**	41,110
Equity	**611,975**	552,027
Common shares outstanding *('000s)*	**178,451**	160,588
Share price (Cdn$ per share)	**2.42**	2.25

1) Information relates to continuing operations and excludes results from Kapan, which was sold in April 2016.

2) *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 GAAP. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS measures.*
3) *Includes payable gold in pyrite concentrate sold in the second quarter and first six months of 2017 of 7,889 ounces and 17,629 ounces, respectively, compared to 5,397 ounces and 15,110 ounces for the corresponding periods in 2016.*
4) *Cash cost per tonne of ore processed represents Chelopech related production expenses, including mining, processing, services, royalties and general and administrative, divided by tonnes of ore processed.*
5) *Includes payable gold in pyrite concentrate sold, and the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate of $6.1 million and $12.7 million in the second quarter and first six months of 2017, respectively, compared to $4.2 million and $11.9 million in the corresponding periods in 2016. Cash cost per ounce of gold sold, net of by-product credits, excluding payable gold in pyrite concentrate sold and related costs, in the second quarter and first six months of 2017 was $526 and $541, respectively, compared to $456 and $462 for the corresponding periods in 2016. All-in sustaining cost per ounce of gold, excluding payable gold in pyrite concentrate sold and related costs, in the second quarter and first six months of 2017 was $685 and $703, respectively, compared to $580 and $627 for the corresponding periods in 2016.*
6) *Cash cost per ounce of gold sold, net of by-product credits, represents cost of sales at Chelopech less depreciation, amortization and other non-cash expenses plus treatment charges, penalties, transportation and other selling costs less by-product copper and silver revenues, including realized losses and gains on copper swap contracts, divided by the payable gold in copper and pyrite concentrate sold.*
7) *Includes realized losses on copper swap contracts, entered to hedge a portion of projected payable production, of $1.3 million and $3.3 million during the second quarter and first six months of 2017, respectively, compared to realized gains of $1.1 million and $2.2 million for the corresponding periods in 2016.*
8) *All-in sustaining cost per ounce of gold represents cost of sales at Chelopech less depreciation, amortization and other non-cash items plus treatment charges, penalties, transportation and other selling costs, sustaining capital expenditures, rehabilitation related accretion expenses and an allocated portion of the Company's general and administrative expenses and corporate social responsibility expenses, less by-product revenues in respect of copper and silver, including realized losses and gains on copper swap contracts, divided by the payable gold in copper and pyrite concentrate sold.*
9) *Cash cost per tonne of complex concentrate smelted, net of by-product credits at Tsumeb represents cost of sales less depreciation and amortization, net of revenue related to the sale of acid and arsenic divided by the volumes of complex concentrate smelted.*
10) *Long-term debt, including current portion.*

REVIEW OF CONSOLIDATED RESULTS

Market Trends

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

The following table summarizes the average trading price for gold, copper and silver based on the London Bullion Market Association ("LBMA") for gold and silver, and the London Metal Exchange ("LME") for copper (Grade A) for the three and six months ended June 30, 2017 and 2016 and highlights the overall year over year strength in commodity prices.

Metal Market Prices (Average)	**Three Months**			**Six Months**		
Ended June 30,	**2017**	2016	**Change**	**2017**	2016	**Change**
LBMA gold *($/ounce)*	**1,257**	1,259	**0%**	**1,238**	1,219	**2%**
LME settlement copper *($/pound)*	**2.57**	2.15	**20%**	**2.61**	2.13	**23%**
LBMA spot silver *($/ounce)*	**17.26**	16.78	**3%**	**17.34**	15.81	**10%**

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**			**Six Months**		
Ended June 30,	**2017**	2016	**Change**	**2017**	2016	**Change**
US$/Cdn$	**1.3448**	1.2882	**4%**	**1.3339**	1.3312	**0%**
Euro/US$	**1.0996**	1.1293	**3%**	**1.0825**	1.1162	**3%**
US$/ZAR	**13.1834**	14.9919	**(12%)**	**13.1969**	15.3980	**(14%)**

The following table sets out the applicable closing foreign exchange rates as at June 30, 2017 and 2016 and the extent to which the U.S. dollar has strengthened (weakened) relative to each of the currencies.

Closing Foreign Exchange Rates Ended June 30,	**2017**	2016	**Change**
US$/Cdn$	**1.2977**	1.2917	**0%**
Euro/US$	**1.1423**	1.1104	**(3%)**
US$/ZAR	**13.0447**	14.7737	**(12%)**

Operational Highlights

Deliveries from continuing operations

In the second quarter of 2017, payable gold in concentrate sold of 37,659 ounces was comparable to the corresponding period in 2016, payable copper decreased by 25% to 6.8 million pounds and payable silver decreased by 16% to 36,324 ounces, in each case, relative to the corresponding period in 2016. The decrease in payable copper was due primarily to the decrease in copper concentrate production as a result of lower copper grades and the timing of deliveries.

In the first six months of 2017, payable gold in concentrate sold increased by 17% to 81,137 ounces, payable copper decreased by 14% to 15.1 million pounds and payable silver increased by 4% to 78,753 ounces, in each case, relative to the corresponding period in 2016. The increase in payable gold was due primarily to higher gold grades, partially offset by the decrease in copper concentrate deliveries. The decrease in payable copper was due primarily to the decrease in copper concentrate production as a result of lower copper grades and the timing of deliveries.

Complex concentrate smelted

Complex concentrate smelted during the second quarter of 2017 of 60,643 tonnes was 36% or 16,098 tonnes higher than the corresponding period in 2016 due primarily to improved performance of the Ausmelt furnace in the period and the timing of the maintenance shutdown. The Ausmelt furnace maintenance shutdown in 2017 was completed in the first quarter, whereas in 2016, the maintenance shutdown started on June 18, 2016 and the smelter returned to operation on July 16, 2016. Complex concentrate smelted during the first six months of 2017 of 102,278 tonnes was comparable to the corresponding period in 2016.

Financial Highlights

Revenue from continuing operations

Revenue during the second quarter of 2017 of $86.9 million was $14.4 million higher than the corresponding period in 2016 due primarily to higher volumes of complex concentrate smelted, higher toll rates at Tsumeb, reduced deductions for estimated metals exposure and higher market prices for all metals, partially offset by lower volumes of payable copper in concentrate sold and increased deductions related to slag mill concentrate returns. Revenue in the second quarter of 2017 excluded realized losses of $1.3 million (2016 – realized gains of $0.9 million) on copper and gold swap contracts related to payable copper and gold sold in the period, which were recorded in other expense in the condensed interim consolidated statements of earnings (loss).

Revenue during the first six months of 2017 of $161.5 million was $18.9 million higher than the corresponding period in 2016 due primarily to higher volumes of payable gold in concentrate sold, higher market prices for all metals and higher toll rates at Tsumeb, partially offset by higher deductions for treatment charges at Chelopech due to a greater proportion of concentrate delivered to Tsumeb and lower volumes of payable copper in concentrate sold. Revenue in the first six months of 2017 excluded realized losses of $3.3 million (2016 – realized gains of $2.4 million) on copper and gold swap contracts related to payable copper and gold sold in the period, which were recorded in other expense in the condensed interim consolidated statements of earnings (loss).

Included in revenue were unfavourable mark-to-market price adjustments on provisionally priced sales of $0.9 million (2016 – favourable adjustments of $2.0 million) and favourable adjustments of $3.1 million (2016 – $5.9 million) during the second quarter and first six months of 2017, respectively. These adjustments were offset by gains or losses on QP Hedges, defined below, which were recorded in other expense in the condensed interim consolidated statements of earnings (loss).

The average realized gold price, including realized hedging gains, for the second quarter and first six months of 2017 was $1,262 per ounce and $1,245 per ounce, respectively, compared to $1,254 per ounce and $1,233 per ounce in the corresponding periods in 2016. The average realized copper price, including realized hedging losses, for the second quarter and first six months of 2017 was $2.39 per pound and $2.40 per pound, respectively, up 3% and 4% compared to the corresponding periods in 2016. Average realized gold and copper prices are not defined measures under GAAP. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS.

Cost of sales from continuing operations

Cost of sales in the second quarter of 2017 of $63.5 million was $1.5 million lower than the corresponding period in 2016 due primarily to lower depreciation at Tsumeb following changes in the estimated useful lives for certain assets and the impairment charge taken in the fourth quarter of 2016 and lower operating expenses at Chelopech as a result of lower input costs for certain materials, lower electricity rates and the timing of maintenance activities, partially offset by higher operating expenses at Tsumeb related to electricity, contractors and labour and higher throughput. Cost of sales in the second quarter of 2017 excluded realized gains of $1.5 million (2016 – $0.9 million) on the forward point component of forward foreign exchange contracts entered to hedge a portion of the Company's foreign exchange exposure, which were recorded in other expense in the condensed interim consolidated statements of earnings (loss).

Cost of sales in the first six months of 2017 of $126.4 million was $4.4 million higher than the corresponding period in 2016 due primarily to higher cost per tonne copper concentrate sold as a result of lower copper grades, and higher operating expenses at Tsumeb related to electricity, contractors and labour, partially offset by lower depreciation. Cost of sales in the first half of 2017 excluded realized gains of $2.9 million (2016 – $1.5 million) on the forward point component of forward foreign exchange contracts entered to hedge a portion of the Company's foreign exchange exposure, which were recorded in other expense in the condensed interim consolidated statements of earnings (loss).

All-in sustaining cost per ounce of gold

All-in sustaining cost per ounce of gold in the second quarter of 2017 of $704 was $97 higher than the corresponding period in 2016. This increase was due primarily to lower by-product credits, as a result of lower volumes of payable copper in concentrate sold partially offset by higher realized copper prices, and higher cash outlays for sustaining capital expenditures.

All-in sustaining cost per ounce of gold in the first six months of 2017 of $707 was $46 higher than the corresponding period in 2016. This increase was due primarily to lower by-product credits, as a result of lower volumes of payable copper in concentrate sold partially offset by higher realized copper prices, higher treatment charges and higher cash outlays for sustaining capital expenditures, partially offset by higher volumes of payable gold 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 second quarter of 2017 of $417 was 17% lower than the corresponding period in 2016 due primarily to higher throughput, partially offset by higher operating expenses related to electricity, contractors and labour.

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the first six months of 2017 of $472 was 15% higher than the corresponding period in 2016 due primarily to higher operating expenses related to electricity, contractors and labour.

Other expense from continuing operations

Other expense is comprised of any realized gains or losses from the sales of certain publicly traded securities, foreign exchange translation gains or losses, unrealized gains or losses on Sabina special warrants, gains or losses on commodity swap and option contracts, gains or losses on the forward point component of the forward foreign exchange contracts and impairment charges on financial assets. The commodity swap and option contracts and the forward point component of the forward foreign exchange contracts, which are effective hedges from an economic perspective, are deemed not to be effective from an accounting perspective, and therefore do not receive hedge accounting treatment. As a result, unrealized gains or losses on these contracts are included in other expense.

The following table summarizes the items making up other expense:

$ thousands	Three Months		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Net gains on Sabina special warrants	**838**	349	**2,015**	804
Net losses on commodity swap and option contracts	**(1,061)**	(3,320)	**(14,069)**	(10,142)
Net (losses) gains on forward foreign exchange contracts	**(283)**	638	**597**	2,034
Impairment charges on publicly traded securities	**-**	(24)	**-**	(24)
Net foreign exchange losses	**(2,420)**	(584)	**(4,306)**	(2,060)
Interest income	**76**	63	**141**	111
Other income (expense), net	**385**	(69)	**596**	(784)
Total other expense	**(2,465)**	(2,947)	**(15,026)**	(10,061)

During the second quarter and first six months of 2017, the Company reported unrealized gains on commodity swap and option contracts of $1.4 million (2016 – unrealized losses of $3.0 million) and unrealized losses of $8.5 million (2016 – $10.1 million), respectively. The Company also reported realized losses on the settlement of certain commodity swap and option contracts of $2.5 million (2016 – $0.3 million) and $5.6 million (2016 – $0.03 million) during the second quarter and first six months of 2017, respectively.

Income tax expense

The effective tax rate of the Company can vary significantly from one period to the next based on a number of factors. For the three and six months ended June 30, 2017 and 2016, the Company's effective tax rate was impacted primarily by unrecognized tax benefits relating to the corporate operating, exploration and development costs and the Company's mix of foreign earnings and losses, which are subject to lower tax rates in certain jurisdictions.

$ thousands	Three Months		Six Months	
Ended June 30, 2017	**2017**	2016	**2017**	2016
Earnings (loss) before income taxes from continuing operations	**12,812**	(6,851)	**1,298**	(10,516)
Combined Canadian federal and provincial statutory income tax rates	**26.5%**	26.5%	**26.5%**	26.5%
Expected income tax expense (recovery)	**3,395**	(1,816)	**344**	(2,787)
Lower rates on foreign (earnings) losses	**(3,608)**	1,086	**(1,461)**	175
Unrecognized tax benefits relating to losses	**2,542**	2,807	**4,264**	4,996
Non-taxable portion of capital (gains) losses	**(728)**	236	**(1,022)**	(198)
Non-deductible share based compensation expense	**72**	101	**179**	248
Other, net	**177**	(685)	**604**	(258)
Income tax expense	**1,850**	1,729	**2,908**	2,176
Effective income tax rates	**14.4%**	(25.2%)	**224.0%**	(20.7%)

Net earnings (loss) attributable to common shareholders from continuing operations

In the second quarter of 2017, the Company reported net earnings attributable to common shareholders from continuing operations of $11.0 million compared to a net loss of $8.9 million in the corresponding period in 2016. The increase in net earnings was due primarily to improved results at Tsumeb reflecting higher volumes of complex concentrate smelted as a result of improved performance of the Ausmelt furnace and the timing of the maintenance shutdown, higher toll rates and lower depreciation, partially offset by higher operating expenses.

In the first six months of 2017, the Company reported a net loss attributable to common shareholders from continuing operations of $1.5 million compared to $12.7 million in the corresponding period in 2016. The reduced loss was due primarily to higher volumes of payable gold in concentrate sold as a result of higher gold grades, higher toll rates at Tsumeb, lower depreciation, higher realized metal prices and lower finance costs, partially offset by higher treatment charges at Chelopech due to a greater proportion of concentrate delivered to Tsumeb, lower volumes of payable copper in concentrate sold and higher cost per tonne copper concentrate sold, in each case, as a result of lower copper grades, and higher operating expenses at Tsumeb.

Net earnings (loss) attributable to common shareholders from continuing operations for the second quarter and first six months of 2017 were also impacted by net after-tax losses of $0.9 million (2016 – $1.5 million) and $7.2 million (2016 – $4.0 million), respectively, related to several items not reflective of the Company's underlying operating performance, including unrealized gains and losses on commodity swap and option contracts entered to hedge a portion of future production, unrealized losses and gains on the forward point component of forward foreign exchange contracts entered to hedge a portion of foreign denominated operating costs and capital expenditures, and net gains on Sabina special warrants, each of which are excluded from adjusted net earnings (loss).

Net earnings attributable to common shareholders from discontinued operations

Net earnings from discontinued operations were $3.3 million and $1.0 million in the second quarter and first six months of 2016, respectively.

Adjusted net earnings (loss)

Adjusted net earnings in the second quarter and first six months of 2017 were $11.9 million and $5.7 million, respectively, compared to adjusted net loss of $7.4 million and $8.7 million in the corresponding periods in 2016. Adjusted net earnings (loss) were impacted by the same factors affecting net earnings (loss) attributable to common shareholders from continuing operations, except for gains on Sabina special warrants, unrealized losses and gains on the forward point component of the forward foreign exchange contracts entered to hedge a portion of foreign denominated operating costs and capital expenditures, and unrealized gains and losses on commodity swap and option contracts entered to hedge a portion of future production, each of which are excluded from adjusted net earnings (loss) as these items are not reflective of the Company's underlying operating performance.

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

($ millions) **Ended June 30,**	**Three Months**	**Six Months**
Adjusted net loss - 2016	**(7.4)**	**(8.7)**
Higher volumes at Tsumeb	10.9	-
(Lower) higher volumes of metals sold	(1.2)	11.8
Higher toll rates at Tsumeb	4.5	8.3
Lower depreciation	4.0	7.1
Reduced deductions for estimated metals exposure	4.6	4.0
Higher metal prices(1)	-	2.9
Lower finance costs and general and administrative expenses	3.1	2.8
Lower (higher) treatment charges(2)	1.7	(3.6)
Other	(0.2)	(4.3)
Higher deductions for slag mill returns	(2.4)	(4.6)
Higher smelter operating costs(3)	(4.2)	(4.9)
Higher cost/tonne of concentrate sold(3)	(1.5)	(5.1)
Adjusted net earnings - 2017	**11.9**	**5.7**

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

Adjusted EBITDA

Adjusted EBITDA in the second quarter and first six months of 2017 was $31.2 million and $44.7 million, respectively, compared to $17.8 million and $39.3 million in the corresponding periods in 2016. These increases were due to the same factors affecting adjusted net earnings (loss), except for depreciation, interest and income taxes, which are excluded from adjusted EBITDA.

The following table shows the adjusted EBITDA by segment:

$ thousands	Three Months		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Chelopech	**26,123**	26,102	**52,690**	46,703
Tsumeb	**10,483**	(893)	**5,469**	6,356
Corporate & Other	**(5,430)**	(7,427)	**(13,468)**	(13,767)
Total adjusted EBITDA	**31,176**	17,782	**44,691**	39,292

The Corporate and Other Segment includes corporate general and administrative costs, corporate social responsibility expenses, exploration and development projects, and other income and cost items that do not pertain directly to an operating segment. Refer to the "Review of Operating Results by Segment from Continuing Operations" section of this MD&A for a more detailed discussion of Chelopech, Tsumeb and Corporate & Other results.

Cash provided from operating activities of continuing operations

Cash provided from operating activities in the second quarter of 2017 was $17.1 million compared to $6.7 million in the corresponding period in 2016. This increase was due primarily to improved results from Tsumeb. Cash provided from operating activities in the first six months of 2017 was $51.7 million compared to $12.2 million in the corresponding period in 2016. This increase was due primarily to favourable changes in non-cash working capital and better results from Chelopech, partially offset by the timing of payments from the settlement of derivative contracts.

The unfavourable change in non-cash working capital in the second quarter of 2017 of $8.6 million was due primarily to an increase in inventories as a result of the timing of concentrate deliveries and an increase in accounts receivable as a result of the timing of receipts from customers, partially offset by an increase in accounts payable. The unfavourable change in non-cash working capital in the second quarter of 2016 of $9.0 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers.

The favourable change in non-cash working capital in the first six months of 2017 of $9.0 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers. The unfavourable change in non-cash working capital in the first six months of 2016 of $34.2 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers, a decrease in accounts payable and accrued liabilities as a result of the timing associated with supplier payments and an increase in inventories as a result of the timing of concentrate deliveries.

Cash provided from operating activities, before changes in non-cash working capital, during the second quarter and first six months of 2017 was $25.7 million and $42.7 million, respectively, compared to $15.7 million and $46.4 million in the corresponding periods in 2016.

Free cash flow

Free cash flow in the second quarter of 2017 was $2.3 million compared to $1.4 million in the corresponding period in 2016. This increase was due primarily to improved results from Tsumeb, partially offset by higher term debt repayments following DPM's decision to prepay the final $8.2 million instalment of its Term Loans, which was originally due in December 2017.

Free cash flow in the first six months of 2017 was $13.6 million compared to $22.8 million in the corresponding period in 2016. This decrease was due primarily to the timing of payments from the settlement of derivative contracts and higher term debt repayments following DPM's decision to prepay the final $8.2 million instalment of its Term Loans, which was originally due in December 2017, partially offset by higher adjusted EBITDA.

Capital expenditures from continuing operations

Capital expenditures during the second quarter and first six months of 2017 totalled $20.7 million and $42.7 million, respectively, compared to $13.1 million and $24.5 million in the corresponding periods in 2016.

Growth capital expenditures during the second quarter and first six months of 2017 were $16.8 million and $33.1 million, respectively, compared to $9.0 million and $16.1 million in the corresponding periods in 2016. These increases were due primarily to the construction of the Krumovgrad gold project, which started in the fourth quarter of 2016, partially offset by the completion of the new copper converters at Tsumeb in the first quarter of 2016. Sustaining capital expenditures during the second quarter and first six months of 2017 were $3.9 million and $9.6 million, respectively, compared to $4.1 million and $8.4 million in the corresponding periods in 2016 and are in line with 2017 guidance.

2017 GUIDANCE

The information contained in this section of the MD&A contains forward looking statements that are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may vary materially from management's expectations. See the "Cautionary Note Regarding Forward Looking Statements" and "Risks and Uncertainties" sections later in this MD&A for further information.

2017 production and sales guidance for Chelopech has been increased to reflect higher metals production and payable metals in concentrate sold in the first half of 2017 and cost guidance has been reduced to reflect this change. Growth capital expenditure guidance has also been reduced to reflect the timing of certain expenditures related to the Krumovgrad gold project.

The Company's updated guidance for 2017 is set out in the following table:

$ millions, unless otherwise indicated	**Chelopech**	**Tsumeb**	**Updated Consolidated Guidance**	**Original Consolidated Guidance**
Ore mined/milled *('000s tonnes)*	2,040 – 2,200	-	2,040 – 2,200	2,040 – 2,200
Complex concentrate smelted *('000s tonnes)*	-	210 – 240	210 – 240	210 – 240
Metals contained in concentrate produced(1),(2)				
Gold *('000s ounces)*	173 - 187	-	173 – 187	157 – 174
Copper *(million pounds)*	35 – 39	-	35 – 39	33.7 – 37.0
Payable metals in concentrate sold(1)				
Gold *('000s ounces)*	147 – 163	-	147 – 163	135 – 150
Copper *(million pounds)*	33 – 36	-	33 – 36	32 – 35
Cash cost per tonne of ore processed *($)*(3),(4)	32 – 36	-	32 – 36	32 – 36
Cash cost per ounce of gold sold, net of by-product credits *($)*(3),(4),(5)	620 – 680	-	620 – 680	670 – 810
All-in sustaining cost per ounce of gold *($)*(3),(4),(5)	-	-	780 – 840	840 – 965
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*(3),(4)	-	400 – 485	400 – 485	400 – 485
General & administrative expenses(3),(6)	-	-	18 – 22	18 – 22
Exploration expenses(3)	-	-	7 – 9	7 – 9
Sustaining capital expenditures(3),(4)	13 – 15	12 – 17	25 – 32	25 – 32

1) Gold produced includes gold in pyrite concentrate produced of 46,000 to 50,000 ounces and payable gold sold includes payable gold in pyrite concentrate sold of 29,000 to 33,000 ounces.

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

3) Based on foreign exchange rates and, where applicable, metal prices that approximate current rates and prices. The assumed copper price reflects the impact of 92% of 2017 payable copper production being hedged at $2.40 per pound. The assumed Euro and ZAR exchange rates reflect the impact of the forward foreign exchange contracts.

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

5) Includes the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, and payable gold in pyrite concentrate sold. Cash cost per ounce of gold sold, net of by-product credits, excluding payable gold in pyrite concentrate sold and related costs, is expected to range between $580 and $650 in 2017. All-in sustaining cost per ounce of gold, excluding payable gold in pyrite concentrate sold and related costs, is expected to range between $790 and $850 in 2017.

6) Excludes mark-to-market adjustments on share-based compensation.

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

Gold production at the Chelopech mine during the second quarter benefited from gold grades being higher than anticipated in the zones mined while copper production was in line with the mine plan.

Smelter throughput in the quarter was at targeted levels with the smelter demonstrating improved stability and performance following the implementation of several operational initiatives, which more than offset reduced oxygen availability for 18 days with an unplanned outage of the high pressure oxygen plant. A new matte holding vessel was successfully commissioned during the quarter and is expected to provide additional operating stability and further enhance performance in the second half of 2017. For 2017, Tsumeb is on track to achieve the higher end of its production guidance with the next Ausmelt furnace relining expected in 2018.

For 2017, the majority of the Company’s growth capital expenditures are primarily focused on the construction of the Krumovgrad gold project and are expected to range between $103 million and $116 million. The decrease relative to the prior guidance of $116 million to $140 million is due primarily to the timing of certain expenditures related to the Krumovgrad gold project. The total estimated capital cost for the construction of the Krumovgrad gold project is unchanged at $178 million and the project remains on track for first concentrate production in the fourth quarter of 2018.

Chelopech – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	Three Months		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Operational Highlights				
Ore mined *(mt)*	**569,711**	560,376	**1,132,098**	1,115,973
Ore processed *(mt)*	**584,794**	560,694	**1,125,388**	1,105,285
Head grade / Recoveries in copper concentrate *(ore milled)*				
Gold *(g/mt) / %*	**3.74 / 53.9**	3.27 / 50.2	**3.76 / 52.0**	3.54 / 50.0
Copper *(%) / %*	**0.83 / 81.1**	0.97 / 80.3	**0.85 / 80.0**	1.03 / 80.7
Silver *(g/mt) / %*	**6.30 / 37.4**	7.50 /37.0	**7.32 / 36.2**	9.20 / 36.5
Copper concentrate produced *(mt)*	**23,727**	27,015	**47,237**	56,326
Metals contained in copper concentrate produced:				
Gold *(ounces)*	**37,949**	29,573	**70,622**	62,960
Copper *(pounds)*	**8,663,764**	9,640,922	**16,842,920**	20,218,953
Silver *(ounces)*	**44,278**	50,042	**95,913**	119,252
Cash cost per tonne of ore processed *($)*[(1),(3),(4)]	**31.66**	33.72	**32.44**	33.88
Cash cost per ounce of gold in copper concentrate produced *($)*[(1),(3),(5)]	**317**	392	**328**	359
Cash cost per pound of copper in copper concentrate produced *($)*[(1),(3),(5)]	**0.66**	0.67	**0.70**	0.64
Copper concentrate delivered *(mt)*	**20,087**	27,059	**45,603**	52,300
Payable metals in copper concentrate sold:				
Gold *(ounces)*[(6)]	**29,770**	32,474	**63,508**	54,508
Copper *(pounds)*[(6)]	**6,761,505**	9,061,127	**15,077,130**	17,583,836
Silver *(ounces)*[(6)]	**36,324**	43,397	**78,753**	75,501
Cash cost per ounce of gold sold, net of by-product credits *($)*[(2),(3),(7),(8)]	**578**	500	**580**	533
Cost per tonne of copper concentrate sold *($)*[(9)]	**1,206**	1,030	**1,165**	984
Pyrite concentrate produced *(mt)*	**68,486**	40,219	**125,243**	99,271
Gold contained in pyrite concentrate produced *(ounces)*	**15,525**	8,519	**29,223**	21,950
Pyrite concentrate delivered *(mt)*	**53,439**	39,188	**119,568**	104,897
Payable gold in pyrite concentrate sold *(ounces)*	**7,889**	5,397	**17,629**	15,110
Financial Highlights				
Net revenue[(10),(11)]	**42,980**	47,065	**95,018**	85,643
Cost of sales	**24,224**	27,859	**53,142**	51,482
Earnings before income taxes	**17,120**	14,714	**26,648**	21,862
Adjusted EBITDA[(3)]	**26,123**	26,102	**52,690**	46,703
Adjusted earnings before income taxes[(3)]	**16,990**	16,689	**34,333**	27,995
Depreciation	**9,035**	9,225	**18,127**	18,380
Capital expenditures incurred:				
Growth[(3)]	**960**	464	**1,720**	1,407
Sustaining[(3)]	**3,656**	1,173	**5,248**	3,244
Total capital expenditures	**4,616**	1,637	**6,968**	4,651

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 $6.1 million and $12.7 million in the second quarter and first six months of 2017, respectively, compared to $4.2 million and $11.9 million in the corresponding periods in 2016. Cash cost per ounce of gold sold, net of by-product credits, excluding payable gold in pyrite concentrate sold and related costs, in the second quarter and first six months of 2017 was $526 and $541, respectively, compared to $456 and $462 in the corresponding periods in 2016.*
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 $28.72 and $29.39 in the second quarter and first six months of 2017, respectively, compared to $30.76 and $30.97 in the corresponding periods in 2016.*
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 concentrate sold based on provisional invoices.*
7) *Cash cost per ounce of gold sold, net of by-product credits, represents cost of sales, less depreciation, amortization and other non-cash expenses, plus treatment charges, penalties, transportation and other selling costs, less by-product copper and silver revenues, including realized losses and gains on copper swap contracts, divided by the payable gold in copper and pyrite concentrate sold.*

8) *Includes realized losses on copper swap contracts, entered to hedge a portion of projected payable production, of $1.3 million and $3.3 million during the second quarter and first six months of 2017, respectively, compared to realized gains of $1.1 million and $2.2 million in the corresponding periods in 2016.*
9) *Represents cost of sales divided by volumes of copper concentrate delivered.*
10) *Net revenue includes the value of payable metals sold, deductions for treatment charges, penalties, transportation and other selling costs, and mark-to-market adjustments and final settlements to reflect any physical and cost adjustments on provisionally priced sales. Net favourable mark-to-market adjustments and final settlements of $0.8 million and $2.9 million were recognized during the second quarter and first six months of 2017, respectively, compared to net favourable mark-to-market adjustments and final settlements of $0.7 million and $6.2 million in the corresponding periods in 2016. Deductions during the second quarter and first six months of 2017 were $23.5 million and $49.8 million, respectively, compared to $22.2 million and $45.8 million in the corresponding periods in 2016.*
11) *Net revenue excludes realized and unrealized gains and losses on commodity swap and option contracts entered to hedge the mark-to-market impacts associated with provisionally priced sales and future production. Under IFRS, these gains and losses are reported in other expense.*

Operational Highlights – Chelopech

Ore mined

Ore mined in the second quarter and first six months of 2017 of 569,711 tonnes and 1,132,098 tonnes, respectively, was comparable to the corresponding periods in 2016.

Ore processed

Ore processed during the second quarter and first six months of 2017 of 584,794 tonnes and 1,125,388 tonnes was comparable to the corresponding periods in 2016.

Concentrate and metal production

Copper concentrate produced during the second quarter and first six months of 2017 of 23,727 tonnes and 47,237 tonnes, respectively, was 12% and 16% lower than the corresponding periods in 2016 due primarily to lower copper grades, consistent with the 2017 mine plan.

Pyrite concentrate produced during the second quarter and first six months of 2017 of 68,486 tonnes and 125,243 tonnes, respectively, was 70% and 26% higher than the corresponding periods in 2016 due primarily to higher pyrite mineral content in the ore treated.

In the second quarter of 2017, gold contained in copper concentrate produced increased by 28% to 37,949 ounces, copper production decreased by 10% to 8.6 million pounds and silver production decreased by 12% to 44,278 ounces, in each case, relative to the corresponding period in 2016. The increase in gold production was due primarily to higher gold grades and recoveries. The increase in gold recoveries was due primarily to different ore mineralogy and the benefits of various initiatives with a focus on improving recoveries. The decreases in copper and silver production were due primarily to lower grades.

In the first six months of 2017, gold contained in copper concentrate produced increased by 12% to 70,622 ounces, copper production decreased by 17% to 16.8 million pounds and silver production decreased by 20% to 95,913 ounces, in each case, relative to the corresponding period in 2016. The increase in gold production was due primarily to higher gold grades and recoveries. The decreases in copper and silver production were due primarily to lower grades, consistent with the 2017 mine plan.

Gold contained in pyrite concentrate produced during the second quarter and first six months of 2017 of 15,525 ounces and 29,223 ounces, respectively, was 82% and 33% higher than the corresponding periods in 2016 consistent with the increase in pyrite concentrate production.

Grades can and do vary period over period depending on the areas being mined. Gold production during the second quarter of 2017 benefitted from gold grades being higher than anticipated in the zones mined while copper production was in line with the 2017 mine plan.

Deliveries

Deliveries of copper concentrate during the second quarter and first six months of 2017 of 20,087 tonnes and 45,603 tonnes, respectively, were 26% and 13% lower than the corresponding periods in 2016 due primarily to lower copper concentrate production as a result of lower copper grades and the timing of deliveries. Deliveries of pyrite concentrate in the second quarter and first six months of 2017 of 53,439 tonnes and 119,568 tonnes, respectively, were 36% and 14% higher than the corresponding periods in 2016 consistent with the increase in pyrite concentrate production.

In the second quarter of 2017, payable gold in copper concentrate sold decreased by 8% to 29,770 ounces, payable copper decreased by 25% to 6.8 million pounds and payable silver decreased by 16% to 36,324 ounces, in each case, relative to the corresponding period in 2016. The decrease in payable gold was due primarily to the decrease in copper concentrate deliveries, partially offset by higher gold grades in the concentrate sold. The decrease in payable copper was consistent with the decrease in copper concentrate deliveries. Payable gold in pyrite concentrate sold in the second quarter of 2017 was 7,889 ounces compared to 5,397 ounces in the corresponding period in 2016 consistent with the increase in pyrite concentrate deliveries.

In the first six months of 2017, payable gold in copper concentrate sold increased by 17% to 63,508 ounces, payable copper decreased by 14% to 15.1 million pounds and payable silver increased by 4% to 78,753 ounces, in each case, relative to the corresponding period in 2016. The increase in payable gold was due primarily to higher gold grades, partially offset by the decrease in copper concentrate deliveries. The decrease in payable copper was consistent with the decrease in copper concentrate deliveries. Payable gold in pyrite concentrate sold in the first six months of 2017 was 17,629 ounces compared to 15,110 ounces in the corresponding period in 2016 consistent with the increase in pyrite concentrate deliveries.

Inventory

Copper concentrate inventory totaled 9,419 tonnes at June 30, 2017, up from 7,785 tonnes at December 31, 2016, reflecting the timing of deliveries.

Financial Highlights – Chelopech

Net revenue

Net revenue in the second quarter of 2017 of $43.0 million was $4.1 million lower than the corresponding period in 2016 due primarily to unfavourable metal price adjustments on provisionally priced sales and lower volumes of payable copper in concentrate sold, partially offset by higher market prices for all metals. Net revenue in the second quarter of 2017 excluded realized losses on copper and gold swap contracts related to payable metals sold in the period of $1.3 million (2016 – realized gains of $0.9 million), which were recorded in other expense in the condensed interim consolidated statements of earnings (loss).

Net revenue in the first six months of 2017 of $95.0 million was $9.4 million higher than the corresponding period in 2016 due primarily to higher volumes of payable gold in concentrate sold and higher market prices for all metals, partially offset by higher treatment charges as a result of a greater proportion of copper concentrate delivered to Tsumeb, lower volumes of payable copper in concentrate sold and a reduced favourable metal price adjustments on provisionally priced sales. Net revenue in the first six months of 2017 excluded realized losses on copper and gold swap contracts related to payable metals sold in the period of $3.3 million (2016 – realized gains of $2.4 million), which were recorded in other expense in the condensed interim consolidated statements of earnings (loss).

Included in revenue were unfavourable mark-to-market price adjustments on provisionally priced sales of $0.9 million (2016 – favourable adjustments of $2.0 million) and favourable adjustments of $3.1 million (2016 – $5.9 million) during the second quarter and first six months of 2017, respectively. These adjustments were offset by gains or losses on QP Hedges, which were recorded in other expense in the condensed interim consolidated statements of earnings (loss).

Cost of sales

Cost of sales in the second quarter of 2017 of $24.2 million was $3.7 million lower than the corresponding period in 2016 due primarily to lower input costs for certain materials and electricity rates and decreased maintenance activities, partially offset by higher royalties as a result of higher gold production.

Cost of sales in the first six months of 2017 of $53.1 million was comparable to the corresponding period in 2016.

Cash cost measures

Cash cost per tonne of ore processed in the second quarter of 2017 of $31.66 was 6% lower than the corresponding period in 2016 due primarily to lower input costs for certain materials and electricity rates, and the timing of maintenance activities, partially offset by higher royalties as a result of higher gold production.

Cash cost per tonne of ore processed in the first six months of 2017 of $32.44 was 4% lower than the corresponding period in 2016 due primarily to lower electricity rates and input costs for certain materials, partially offset by higher royalties as a result of higher copper and gold prices and higher gold production.

Cash cost per ounce of gold sold, net of by-product credits, during the second quarter of 2017 of $578 was $78 higher than the corresponding period in 2016. This increase was due primarily to lower by-product credits as a result of lower volumes of payable copper in concentrate sold, partially offset by higher realized copper prices.

Cash cost per ounce of gold sold, net of by-product credits, during the first six months of 2017 of $580 was $47 higher than the corresponding period in 2016. This increase was due primarily to higher treatment charges and lower by-product credits, partially offset by higher volumes of payable gold in concentrate sold.

Earnings before income taxes

Earnings before income taxes in the second quarter of 2017 of $17.1 million were $2.4 million higher than the corresponding period in 2016 due primarily to a decrease in unrealized losses on copper and gold swap contracts related to projected payable production.

Earnings before income taxes in the first six months of 2017 of $26.6 million were $4.8 million higher than the corresponding period in 2016 due primarily to higher volumes of payable gold in concentrate sold and higher realized gold and copper prices, partially offset by higher treatment charges and transportation costs, lower volumes of payable copper in concentrate sold, higher cost per tonne of concentrate sold and an increase in unrealized losses on copper and gold swap contracts related to projected payable production.

Unrealized gains on these copper and gold swap contracts related to projected payable production amounted to $0.1 million (2016 – unrealized losses of $1.9 million) and unrealized losses of $7.7 million (2016 – $6.0 million) in the second quarter and first six months of 2017, respectively.

Adjusted EBITDA

Adjusted EBITDA in the second quarter and first six months of 2017 was $26.1 million and $52.7 million, respectively, compared to $26.1 million and $46.7 million in the corresponding periods in 2016. Adjusted EBITDA was impacted by the same factors affecting earnings before income taxes, except for depreciation, and unrealized gains and losses on copper and gold swap contracts related to projected payable production that are not reflective of Chelopech's underlying operating performance, each of which were excluded from adjusted EBITDA.

Adjusted earnings before income taxes

Adjusted earnings before income taxes in the second quarter and first six months of 2017 were $17.0 million and $34.3 million, respectively, compared to $16.7 million and $28.0 million in the corresponding periods in 2016.

Unrealized gains of $0.1 million (2016 – unrealized losses of $1.9 million) and unrealized losses of $7.7 million (2016 – $6.0 million) in the second quarter and first six months of 2017, respectively, on copper and gold swap contracts related to projected payable production, which were included in earnings before income taxes, were excluded from adjusted earnings before income taxes.

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

($ millions) Ended June 30,	Three Months	Six Months
Adjusted earnings before income taxes - 2016	**16.7**	**28.0**
(Lower) higher volumes of metals sold	(1.2)	11.8
Higher metal prices(1)	-	2.9
Other	0.9	1.5
Lower (higher) transportation costs	0.4	(1.2)
Lower (higher) treatment charges(2)	1.7	(3.6)
Higher cost/tonne of concentrate sold(3)	(1.5)	(5.1)
Adjusted earnings before income taxes - 2017	**17.0**	**34.3**

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

Capital expenditures

Capital expenditures during the second quarter and first six months of 2017 of $4.6 million and $7.0 million, respectively, were $3.0 million and $2.4 million higher than the corresponding periods in 2016 due primarily to higher spending on sustaining capital related to the purchase of software and are in line with 2017 guidance.

Tsumeb – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	Three Months		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Operational Highlights				
Complex concentrate smelted *(mt)*:				
Chelopech	**23,099**	17,579	**37,705**	38,819
Third party	**37,544**	26,966	**64,573**	63,148
Total complex concentrate smelted	**60,643**	44,545	**102,278**	101,967
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*[(1),(2)]	**417**	502	**472**	409
Acid production (*mt*)	**60,959**	43,405	**99,757**	92,314
Acid deliveries (*mt*)	**65,780**	37,960	**92,379**	83,193
Financial Highlights				
Toll revenue	**38,155**	21,913	**57,932**	49,804
Acid revenue	**5,567**	3,215	**8,225**	6,502
Arsenic trioxide revenue	**151**	277	**346**	689
Total revenue	**43,873**	25,405	**66,503**	56,995
Cost of sales	**39,231**	37,107	**73,246**	70,500
Earnings (loss) before income taxes	**2,174**	(11,794)	**(10,565)**	(14,100)
Adjusted earnings (loss) before interest, taxes, depreciation and amortization[(2)]	**10,483**	(893)	**5,469**	6,356
Adjusted earnings (loss) before income taxes[(2)]	**3,538**	(11,702)	**(8,710)**	(14,821)
Depreciation	**6,239**	10,001	**12,766**	19,593
Capital expenditures incurred:				
Growth[(2)]	**607**	5,190	**1,338**	7,347
Sustaining[(2)]	**237**	3,168	**3,969**	5,236
Total capital expenditures	**844**	8,358	**5,307**	12,583

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

Operational Highlights – Tsumeb

Production & Acid Deliveries

Complex concentrate smelted during the second quarter of 2017 of 60,643 tonnes was 36% or 16,098 tonnes higher than the corresponding period in 2016 due primarily to improved performance of the Ausmelt furnace in the period and the timing of the maintenance shutdown. The Ausmelt furnace maintenance shutdown in 2017 was completed in the first quarter, whereas in 2016, the maintenance shutdown started on June 18, 2016 and the smelter returned to operation on July 16, 2016. Complex concentrate smelted during the first six months of 2017 of 102,278 tonnes was comparable to the corresponding period in 2016.

Smelter throughput in the second quarter of 2017 was at targeted levels with the smelter demonstrating improved stability and performance following the implementation of several operational initiatives, which more than offset reduced oxygen availability for 18 days with an unplanned outage of the high pressure oxygen plant. A new matte holding vessel was successfully commissioned during the period and is expected to provide additional operating stability and further enhance performance.

For 2017, Tsumeb is on track to achieve the higher end of its production guidance of 210,000 to 240,000 tonnes with the next Ausmelt furnace relining expected in 2018. Production in excess of this level will be limited due to the accumulation of secondary materials above normal operating levels that occurred during the construction and commissioning of the acid plant and copper converters, which, until reduced, will be a constraint on throughput as it is currently consuming approximately 10% to 20% of Tsumeb's existing smelting capacity. To expedite the reduction of these excess secondary materials, decrease future stockpile interest costs and free up furnace capacity, Tsumeb continued returning metals in the form of slag mill concentrate in addition to blister.

Acid production in the second quarter and first six months of 2017 of 60,959 tonnes and 99,757 tonnes, respectively, was 40% and 8% higher than the corresponding periods in 2016 consistent with the increase in complex concentrate smelted. Acid deliveries in the second quarter and first six months of 2017 of 65,780 tonnes and 92,379 tonnes, respectively, were 73% and 11% higher than the corresponding periods in 2016 consistent with the increase in acid production and the timing of deliveries.

Financial Highlights - Tsumeb

Net revenue

Net revenue in the second quarter of 2017 of $43.9 million was $18.5 million higher than the corresponding period in 2016 due primarily to higher volumes of complex concentrate smelted as a result of improved performance of the Ausmelt furnace and the timing of the maintenance shutdown, higher toll rates and reduced deductions for estimated metals exposure, partially offset by increased deductions related to slag mill concentrate returns.

Net revenue in the first six months of 2017 of $66.5 million was $9.5 million higher than the corresponding period in 2016 due primarily to higher toll rates and reduced deductions for estimated metals exposure, partially offset by increased deductions related to slag mill concentrate returns.

Cost of sales

Cost of sales in the second quarter of 2017 of $39.2 million was $2.1 million higher than the corresponding period in 2016 due primarily to higher operating expenses related to electricity, contractors and labour and increased throughput, partially offset by lower depreciation following changes in the estimated useful lives for certain assets and the impairment charge taken in the fourth quarter of 2016. Cost of sales in the second quarter of 2017 excluded realized gains of $1.6 million (2016 – $0.9 million) on the forward point component of forward foreign exchange contracts entered to hedge a portion of Tsumeb's foreign exchange exposure, which were recorded in other expense in the condensed interim consolidated statements of earnings (loss).

Cost of sales in the first six months of 2017 of $73.2 million was $2.7 million higher than the corresponding period in 2016 due primarily to higher operating expenses related to electricity, contractors and labour, partially offset by lower depreciation. Cost of sales in the first half of 2017 excluded realized gains of $3.1 million (2016 – $1.5 million) on forward point component of the forward foreign exchange contracts entered to hedge a portion of Tsumeb's foreign exchange exposure, which were recorded in other expense in the condensed interim consolidated statements of earnings (loss).

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 second quarter of 2017 of $417 was 17% lower than the corresponding period in 2016 due primarily to higher throughput, partially offset by higher operating expenses related to electricity, contractors and labour.

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the first six months of 2017 of $472 was 15% higher than the corresponding period in 2016 due primarily to higher operating expenses related to electricity, contractors and labour.

Earnings (loss) before income taxes

Earnings before income taxes in the second quarter of 2017 were $2.1 million compared to a loss before income taxes of $11.8 million in the corresponding period in 2016 due primarily to higher volumes of complex concentrate smelted, higher toll rates, lower depreciation and reduced deductions for estimated metals exposure, partially offset by higher deductions related to slag mill concentrate returns and higher operating expenses.

Loss before income taxes in the first six months of 2017 was $10.6 million compared to $14.1 million in the corresponding period in 2016. The reduced loss was due primarily to higher toll rates, lower depreciation and reduced deductions for estimated metals exposure, partially offset by higher deductions related to slag mill concentrate returns and higher operating expenses.

Earnings (loss) before income taxes during the second quarter and first six months of 2017 was also impacted by unrealized losses of $1.4 million (2016 – $0.1 million) and $1.9 million (2016 – unrealized gains of $0.7 million), respectively, on the forward point component of forward foreign exchange contracts that were entered to hedge a portion of Tsumeb's operating expenses.

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

Adjusted EBITDA in the second quarter of 2017 was $10.5 million compared to an adjusted loss before interest, taxes, depreciation and amortization of $0.9 million in the corresponding period in 2016. This increase was due primarily to the same factors affecting earnings (loss) before income taxes, except for depreciation, and unrealized losses and gains on the forward point component of the forward foreign exchange contracts that are not reflective of Tsumeb's underlying operating performance, each of which were excluded from adjusted earnings (loss) before interest, taxes, depreciation and amortization.

Adjusted EBITDA in the first six months of 2017 was $5.5 million compared to $6.4 million in the corresponding period in 2016. This decrease was due primarily to the same factors affecting earnings (loss) before income taxes, except for depreciation, and unrealized losses and gains on the forward point component of the forward foreign exchange contracts that are not reflective of Tsumeb's underlying operating performance, each of which were excluded from adjusted EBITDA.

Adjusted earnings (loss) before income taxes

Adjusted earnings before income taxes during the second quarter of 2017 were $3.5 million compared to an adjusted loss before income taxes of $11.7 million in the corresponding period in 2016. Adjusted loss before income taxes during the first six months of 2017 was $8.7 million compared to $14.8 million in the corresponding period in 2016.

Unrealized losses of $1.4 million (2016 – $0.1 million) and $1.9 million (2016 – unrealized gains of $0.7 million) on the forward point component of the forward foreign exchange contracts, which were included in earnings (loss) before income taxes in the second quarter and first six months of 2017, respectively, were excluded from adjusted earnings (loss) before income taxes as they are not reflective of Tsumeb's underlying operating performance.

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

($ millions) Ended June 30,	**Three Months**	**Six Months**
Loss before income taxes - 2016	**(11.7)**	**(14.8)**
Higher volumes	10.9	-
Higher toll rates	4.5	8.3
Lower depreciation	3.8	6.8
Reduced deductions for estimated metals exposure	4.6	4.0
Other	(2.0)	(3.5)
Higher deductions for slag mill returns	(2.4)	(4.6)
Higher operating costs(1)	(4.2)	(4.9)
Adjusted earnings (loss) before income taxes - 2017	**3.5**	**(8.7)**

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

Capital expenditures

Capital expenditures during the second quarter and first six months of 2017 of $0.9 million and $5.3 million, respectively, were $7.5 million and $7.3 million lower than the corresponding periods in 2016 due primarily to lower spending on growth projects and the timing of spending for sustaining capital. Tsumeb remains on track to meet its 2017 guidance.

REVIEW OF CORPORATE AND OTHER SEGMENT RESULTS

The corporate and other segment results include corporate administrative costs, corporate social responsibility expenses, exploration and development projects, and other income and cost items that do not pertain directly to an operating segment.

The following table summarizes the Company's corporate and other segment results:

$ thousands, unless otherwise indicated	Three Months		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Financial Highlights				
General and administrative expenses, excluding depreciation	**(2,908)**	(4,506)	**(9,403)**	(9,493)
Corporate social responsibility expenses	**(465)**	(455)	**(800)**	(665)
Exploration expenses	**(2,430)**	(2,462)	**(3,851)**	(3,268)
Other income (expense)(1)	**373**	(4)	**586**	(341)
Adjusted loss before interest, taxes, depreciation and amortization	**(5,430)**	(7,427)	**(13,468)**	(13,767)

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

General and administrative expenses

General and administrative expenses, excluding depreciation, of $2.9 million in the second quarter of 2017 were $1.6 million lower than the corresponding period in 2016 due primarily to mark-to-market adjustments related to share based compensation. General and administrative expenses, excluding depreciation, of $9.4 million in the first six months of 2017 were comparable to the corresponding period in 2016.

Exploration expenses

Exploration expenses during the second quarter and first six months of 2017 were $2.4 million and $3.8 million, respectively, compared to $2.5 million and $3.3 million in the corresponding periods in 2016. Refer to the "Exploration" section of this MD&A for a more detailed discussion of the Company's exploration activities.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2017, the Company had cash of $19.9 million, investments at fair value of $40.2 million, and an undrawn $275 million committed revolving credit facility ("RCF").

The Company's liquidity is impacted by several factors which include, but are not limited to, gold, copper and silver market prices, production levels, capital expenditures, operating cash costs, interest rates and foreign exchange rates. These factors are monitored by the Company on a regular basis. As at June 30, 2017, the Company's cash resources and available lines of credit under its RCF continue to provide sufficient liquidity and cash resources to meet its current operating and capital expenditure requirements, as well as all contractual commitments. The Company may, from time to time, raise additional capital to ensure it maintains its financial strength and has sufficient liquidity to support its discretionary growth capital projects and the overall needs of the business.

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

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

$ thousands	Three Months		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Cash provided from operating activities of continuing operations, before changes in non-cash working capital	**25,676**	15,685	**42,656**	46,375
Changes in non-cash working capital	**(8,578)**	(9,014)	**9,008**	(34,181)
Cash provided from operating activities of continuing operations	**17,098**	6,671	**51,664**	12,194
Cash (used in) provided from investing activities of continuing operations	**(14,643)**	14,178	**(31,103)**	1,715
Cash used in financing activities of continuing operations	**(18,137)**	(21,262)	**(12,452)**	(13,459)
(Decrease) increase in cash of continuing operations	**(15,682)**	(413)	**8,109**	450
Cash of continuing operations, beginning of period	**35,548**	24,258	**11,757**	23,395
Cash of continuing operations, end of period	**19,866**	23,845	**19,866**	23,845

Cash at June 30, 2017 of $19.9 million (December 31, 2016 - $11.8 million) was $8.1 million higher year-to-date. The primary factors impacting these cash flow movements are summarized below.

Operating Activities of Continuing Operations

Cash provided from operating activities in the second quarter of 2017 was $17.1 million compared to $6.7 million in the corresponding period in 2016. This increase was due primarily to improved results from Tsumeb. Cash provided from operating activities in the first six months of 2017 was $51.7 million compared to $12.2 million in the corresponding period in 2016. This increase was due primarily to favourable changes in non-cash working capital and better results from Chelopech, partially offset by the timing of payments from the settlement of derivative contracts.

The unfavourable change in non-cash working capital in the second quarter of 2017 of $8.6 million was due primarily to an increase in inventories as a result of the timing of concentrate deliveries and an increase in accounts receivable as a result of the timing of receipts from customers, partially offset by an increase in accounts payable. The unfavourable change in non-cash working capital in the second quarter of 2016 of $9.0 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers.

The favourable change in non-cash working capital in the first six months of 2017 of $9.0 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers. The unfavourable change in non-cash working capital in the first six months of 2016 of $34.2 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers, a decrease in accounts payable and accrued liabilities as a result of the timing associated with supplier payments and an increase in inventories as a result of the timing of concentrate deliveries.

Investing Activities of Continuing Operations

Cash used in investing activities in the second quarter and first six months of 2017 was $14.6 million and $31.1 million, respectively, compared to cash provided from investing activities of $14.2 million and $1.7 million in the corresponding periods in 2016.

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

$ thousands	Three Months		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Chelopech	**3,779**	1,855	**5,816**	5,003
Tsumeb	**3,198**	5,419	**6,443**	11,168
Krumovgrad	**12,072**	3,637	**22,868**	6,945
Other	**42**	(221)	**444**	55
Total cash capital expenditures	**19,091**	10,690	**35,571**	23,171

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

In the second quarter of 2016, proceeds of $24.8 million were received in respect of the Kapan Disposition. Additional proceeds relating to a post-closing adjustment of $4.4 million were received in the first six months of 2017.

Financing Activities of Continuing Operations

Net cash used in financing activities in the second quarter and first six months of 2017 was $18.1 million and $12.4 million, respectively, compared to $21.3 million and $13.5 million in the corresponding periods in 2016.

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

Repayments under the RCF in the second quarter and first six months of 2017 were $nil and $25.0 million, respectively, compared to $10.0 million and $nil in the corresponding periods in 2016.

Repayments of term-loan debt of $16.3 million in the second quarter and first six months of 2017 were $8.2 million higher than the corresponding periods in 2016 due to DPM's decision to prepay the final installment of its Term Loans, which was scheduled to be repaid in December 2017.

Interest paid of $1.4 million and $2.8 million during the second quarter and first six months of 2017, respectively, compared to $2.0 million and $3.9 million in the corresponding periods in 2016 as a result of lower debt levels in 2017.

Financial Position

$ thousands **As at,**	**June 30, 2017**	December 31, 2016	**Increase/ (Decrease)**
Cash	**19,866**	11,757	**8,109**
Accounts receivable, inventories and other current assets	**68,575**	79,849	**(11,274)**
Investments at fair value	**40,230**	19,216	**21,014**
Non-current assets, excluding investments at fair value	**637,566**	623,130	**14,436**
Total assets	**766,237**	733,952	**32,285**
Current liabilities	**51,393**	58,804	**(7,411)**
Non-current liabilities	**102,869**	123,121	**(20,252)**
Equity attributable to common shareholders	**611,801**	551,804	**59,997**
Non-controlling interests	**174**	223	**(49)**

Cash increased by $8.1 million to $19.9 million in the first six months of 2017 due primarily to cash provided from operating activities, partially offset by capital expenditures and repayments of long-term debt. Accounts receivable, inventories and other current assets decreased by $11.2 million to $68.6 million in the first six months of 2017 due primarily to a decrease in accounts receivable reflecting the timing of payments from customers. Investments at fair value increased by $21.0 million to $40.2 million in the first six months of 2017 due primarily to the increase in Sabina's share price. Non-current assets, excluding investments at fair value, increased by $14.5 million to $637.6 million in the first six months of 2017 due primarily to capital expenditures at Krumovgrad, Tsumeb and Chelopech, partially offset by depreciation expense.

Current liabilities decreased by $7.4 million to $51.4 million in the first six months of 2017 due primarily to repayments of long-term debt, partially offset by an increase in accounts payable and accrued liabilities as a result of increased capital expenditures at Krumovgrad following the start of construction in the fourth quarter of 2016. Non-current liabilities decreased by $20.2 million to $102.9 million in the first six months of 2017 due primarily to the repayment of $25.0 million under the RCF. Equity attributable to common shareholders increased by $60.0 million to $611.8 million in the first six months of 2017 due primarily to proceeds from the private placement with the EBRD and an increase in other comprehensive income related to unrealized gains on forward foreign exchange contracts designated as cash flow hedges and unrealized gains on publicly traded securities.

Contractual Obligations and Commitments

The Company has the following minimum contractual obligations and commitments as at June 30, 2017:

$ thousands	**up to 1 year**	**1 – 5 years**	**over 5 years**	**Total**
Finance lease obligations	2,998	10,982	7,495	**21,475**
Capital commitments	75,952	-	-	**75,952**
Purchase commitments	28,069	-	-	**28,069**
Operating lease payments	3,826	13,689	1,022	**18,537**
Other obligations	970	291	375	**1,636**
Total contractual obligations and commitments	**111,815**	**24,962**	**8,892**	**145,669**

As at June 30, 2017, Tsumeb had approximately $113 million (December 31, 2016 – $130 million) of recoverable third party in-process secondary materials, which it is obligated to process and return, generally in the form of blister, to Louis Dreyfus Company Metals Suisse ("LD") pursuant to a tolling agreement.

In July 2017, the Company and LD 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 of excess secondary materials representing approximately $90 million over a 3 ½ year period ending 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.

Debt

As at June 30, 2017, the Company's total outstanding debt was $nil. As at June 30, 2017, the Company's total debt, as a percentage of total capital, was nil (December 31, 2016 – 7%) and the Company's total debt, net of cash, as a percentage of total capital, was negative 3% (December 31, 2016 – 5%). As at June 30, 2017, the Company was in compliance with all of its debt covenants.

Term Loans

The original aggregate principal amount of DPM's Term Loans was $81.25 million. In June 2017, the Company repaid the remaining balance owing under the Term Loans. The Term Loans were repayable in 10 equal semi-annual installments, which commenced in June 2013, and bore interest at a rate equal to the three month U.S. Dollar LIBOR plus 2.80%. The Term Loans were secured by pledges of the Company's investments in Krumovgrad, Chelopech and Tsumeb and by guarantees from each of these subsidiaries.

Credit Agreements and Guarantees

Chelopech and Krumovgrad

Chelopech and Krumovgrad have a $16.3 million multi-purpose credit facility that matures on November 29, 2017. This credit facility is guaranteed by DPM. Advances under the multi-purpose revolving credit facility bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 3.25%. As at June 30, 2017, $4.2 million (December 31, 2016 – $4.2 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech and Krumovgrad also have a Euro 21.0 million ($24.0 million) credit facility to support their mine closure and rehabilitation plans. This credit facility matures on December 31, 2017 and is guaranteed by DPM. As at June 30, 2017, $16.6 million (December 31, 2016 - $15.3 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

DPM

DPM has a committed RCF with a consortium of banks. In March 2017, the RCF was amended to extend the terms of tranche A and tranche B by an additional year. As at June 30, 2017, the RCF is comprised of a $45.0 million tranche A maturing in February 2022, a $150.0 million tranche B maturing in February 2020, and an $80.0 million tranche C maturing in September 2021 that has quarterly availability reductions of $4.0 million beginning in the third quarter of 2018.

The RCF bears interest at a spread above LIBOR, which varies between 2.75% and 5.50% depending upon the tranche being drawn and the Company's funded net debt to adjusted EBITDA ("Debt Leverage Ratio"), as defined in the RCF agreement.

The RCF contains financial covenants that require DPM to maintain: (i) Debt Leverage Ratio below 4.0:1 during the construction of the Krumovgrad gold project (below 3.5:1 thereafter), (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 June 30, 2017, DPM was in compliance with all financial covenants and no amounts were drawn under the RCF.

Outstanding Share Data

DPM's common shares are traded on the TSX under the symbol DPM. As at July 27, 2017, 178,460,565 common shares were issued and outstanding.

DPM also has 5,736,152 stock options outstanding as of the date of this MD&A with exercise prices ranging from Cdn$2.05 to Cdn$8.54 per share (weighted average exercise price – Cdn$3.67 per share).

Normal Course Issuer Bid

On May 11, 2017, DPM announced that the TSX accepted its notice of intention to initiate a normal course issuer bid (the "Bid") to repurchase certain of its common shares ("Shares") through the facilities of the TSX. The number of Shares that can be purchased during the period of the Bid, which commenced on May 16, 2017 and terminates on May 15, 2018, will not exceed 8.9 million Shares, being approximately 5% of the 178.4 million outstanding Shares as of May 3, 2017 and is also subject to other requirements of the TSX. The actual timing and number of Shares that may be purchased pursuant to the Bid will be subject to DPM's ongoing capital requirements and management's view that, from time to time, DPM's Shares trade at prices well below the underlying value of the Company and during these periods the repurchase of Shares represents an excellent opportunity to enhance shareholder value.

As at July 27, 2017, the Company had not purchased any 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.

Investments at fair value

As at June 30, 2017, the Company's investments at fair value were $40.2 million, the vast majority of which related to the value of its investment in Sabina common shares and special warrants. Sabina is a well-financed, emerging precious metals company with district scale, undeveloped assets in Nunavut, Canada. Its 100% owned Back River project is advancing through the environmental assessment process with final hearings with the NIRB completed between May 31 and June 3, 2017. On July 18, 2017 Sabina received a positive recommendation from the NIRB to proceed to the licensing phase.

The fair value of the Sabina Series B special warrants, including significant assumptions, is detailed in note 3(a) to DPM's condensed interim consolidated financial statements for the three and six months ended June 30, 2017.

As at June 30, 2017, DPM held: (i) 23,539,713 common shares of Sabina or 10.5% of the outstanding common shares (fair value of Cdn$46.8 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 six months ended June 30, 2017, the estimated fair value of the special warrants increased by $2.0 million to $4.0 million (December 31, 2016 - $2.0 million). As a result, the Company recognized unrealized gains of $0.8 million (2016 – $0.3 million) and $2.0 million (2016 – $0.8 million) during the second quarter and first six months of 2017, respectively, in other expense in the condensed interim consolidated statements of earnings (loss).

Commodity swap and option contracts

The Company enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to eliminate or substantially reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales ("QP Hedges"). As at June 30, 2017, the Company had outstanding commodity swap contracts in respect of this exposure as summarized in the table below:

Commodity hedged	Volume hedged	Average fixed price of QP Hedges
Payable gold	7,200 ounces	$1,256.22 /ounce
Payable copper	981,056 pounds	$2.62 /pound
Payable silver	5,590 ounces	$17.49 /ounce

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

As at June 30, 2017, the Company had outstanding commodity swap contracts as summarized in the table below:

Year of projected production	Volume of copper hedged (pounds)	Average fixed price ($/pound)
Balance of 2017	16,271,194	2.40
2018	19,166,966	2.62
	35,438,160	**2.52**

As at June 30, 2017, the Company had outstanding commodity option contracts as summarized in the table below:

Year of projected production	Volume of gold hedged (ounces)	Call options sold average ceiling price ($/ounce)	Put options purchased floor price ($/ounce)
Balance of 2017	22,500	1,497	1,200

The fair value gain or loss on commodity swap contracts was calculated based on the corresponding LME forward copper prices and New York Commodity Exchange forward gold and silver prices, as applicable. The fair value gain or loss on commodity option contracts was calculated based on the option prices quoted on the Commodity Exchange (a part of the Chicago Mercantile Exchange). As at June 30, 2017, the net fair value loss on all outstanding commodity swap and option contracts was $6.3 million (December 31, 2016 – a net fair value gain of $2.3 million), of which $0.2 million (December 31, 2016 – $4.8 million) was included in other current assets, $5.6 million (December 31, 2016 – $4.7 million) in accounts payable and accrued liabilities, $nil (December 31, 2016 – $2.2 million) in other long-term assets, and $0.9 million (December 31, 2016 - $nil) in other long-term liabilities.

For the three and six months ended June 30, 2017, the Company reported unrealized gains on commodity swap and option contracts related to continuing operations of 1.4 million (2016 – unrealized losses of $3.0 million) and unrealized losses of $8.5 million (2016 – $10.1 million), respectively, in other expense. The Company also reported realized losses on the settlement of certain commodity swap and option contracts related to continuing operations of $2.5 million (2016 – $0.3 million) and $5.6 million (2016 – $0.03 million), respectively, in other expense for the three and six months ended June 30, 2017.

Approximately 83% and 56% of the Company's expected payable copper production for the balance of 2017 and full year 2018, respectively, has been hedged. Approximately 31% of the expected payable gold production for the balance of 2017 has been hedged. The Company's reported earnings (loss) are exposed to unrealized mark-to-market gains and losses from future price movements during the term of the forward sales contracts.

Forward foreign exchange contracts

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

As at June 30, 2017, the Company had outstanding forward foreign exchange contracts in respect of projected foreign denominated operating expenses and capital expenditures as summarized in the table below:

Year of projected operating expenses	Foreign currency hedged	Amount hedged in foreign currency	Average exchange rate Foreign currency/US$
Balance of 2017	Euro	5,400,000	1.1338
	ZAR	360,000,000	14.0997

Year of projected capital expenditures	Foreign currency hedged	Amount hedged in foreign currency	Average exchange rate Foreign currency/US$
Balance of 2017	Euro	50,039,000	1.1048
2018	Euro	43,045,000	1.1236
	Euro	**93,084,000**	**1.1135**

Euro operating expense hedges represent approximately 19% of projected Euro operating expenses for the balance of 2017. ZAR operating expense hedges represent approximately 51% of projected Namibian dollar operating expenses for the balance of 2017. The Euro capital expenditure hedges relate to projected Euro capital expenditures in respect of the construction of the Krumovgrad gold project, which have been substantially hedged.

The fair value gain or loss on these outstanding contracts was calculated based on the forward foreign exchange rates quoted in the market. As at June 30, 2017, the net fair value gain on all outstanding forward foreign exchange contracts was $5.4 million (December 31, 2016 – a net fair value loss of $2.0 million), of which $4.8 million (December 31, 2016 - $nil) was included in other current assets, $nil (December 31, 2016 - $2.0 million) in accounts payable and other accrued liabilities, and $0.6 million (December 31, 2016 - $nil) in other long-term assets.

For the three and six months ended June 30, 2017, the Company reported unrealized gains of $6.7 million (2016 – $2.4 million) and $9.6 million (2016 – $10.6 million), respectively, in other comprehensive income on the spot component of the outstanding forward foreign exchange contracts. The Company also reported realized losses of $0.5 million (2016 – $2.8 million) and $1.7 million (2016 – $6.3 million) for the three and six months ended June 30, 2017, respectively, in cost of sales on the spot component of settled contracts.

For the three and six months ended June 30, 2017, the Company reported unrealized losses of $1.8 million (2016 – $0.2 million) and $2.3 million (2016 – unrealized gains of $0.6 million), respectively, in other expense on the forward point component of the outstanding forward foreign exchange contracts. The Company also reported realized gains of $1.5 million (2016 – $0.9 million) and $2.9 million (2016 – $1.5 million) for the three and six months ended June 30, 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 forward foreign exchange contracts. These risks, which are monitored on a regular basis, are mitigated, in part, by entering into transactions with financially sound counterparties, and, where possible, ensuring contracts are governed by legally enforceable master agreements.

EXPLORATION

Chelopech Overview

In the second quarter of 2017, an intensive underground resource development diamond drilling program of 9,827 metres was completed, comprising of 2,717 metres of grade control drilling aimed to better define the shape and volume of existing ore bodies and 7,110 metres of extensional drilling, designed to replace and increase Mineral Resources and Mineral Reserves.

The key area explored was Zone 153, a new high-grade zone discovered as part of ongoing resource development drilling in ‘Upper Levels’ in the fourth quarter of 2016. The focus of this drilling is to define the shape and volume of the mineralized zone, improve confidence in the geological model and add additional resources in this area. Elsewhere, resource development drilling concentrated on the north-west part of the deposit, in particular Target 148, to permit conversion of Inferred Mineral Resources to higher confidence Mineral Resource categories. A detailed review of this drilling program is discussed below.

Central Area

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

Positive results received in the first quarter of 2017 from the Block 17 drilling program highlighted the need for additional drilling. This area was previously identified as having a high potential for delivering Mineral Reserves to the life of mine plan. In the second quarter of 2017, eleven infill drill holes were completed from location 19W-320-P2 on level 320 in southerly direction. As a result, the silica envelope of Block 17 was extended and the high grade zone expanded between 360 mRL and 280 mRL. Currently the boundary of economic mineralization to the east and down plunge remains open and requires further drill testing. Significant results are presented in the table below within holes “G17_320_04”, “G17_320_08”, “G17_320_09” and “G17_320_10”.

At the end of the period, an extensional drilling program was commenced from a new position, G31-505-DDC1, on level 505 aimed at testing the eastern boundary and upper parts of Block 18.

Grade control drilling in the Block 19 area was designed to check the continuity of mineralization in a northeasterly direction. Following the drilling of four holes from level 290, the final shape and volume of the economic mineralization in Block 19E was better defined between 300 mRL and 250 mRL in order to facilitate conversion of Mineral Resources to Mineral Reserves. Significant results are presented in the table below within holes “G19E_290_23” and “G19E_290_25”.

Another area of emphasis was the “Silica gap” area, located between the central and western part of the deposit. This area has been drilled using a wide-spaced drill pattern to date. Based on historic drilling results in combination with structural and geology models, it has been defined as a high potential target. The first extensional drill hole of this program, “EXT17_460_01”, was drilled from position TP-450-BP2 on level 450. This drill hole intersected a three metre wide mineralized interval in a new silica alteration zone 100 metres to the east of mineralized Zone 153. Drilling will continue in this region in the fourth quarter of 2017 in order to define economic mineralization and to improve the ongoing development of the geological model in this area. Significant results from the aforementioned drill hole are presented in the table below.

Western Area

Approximately 935 metres of extensional drilling was accomplished for the Block 103 program, from drill cuddy R20-450-405-DDC1 on 440 level. Drilling continued to test high grade zones situated close to the western boundary of Block 103 between 460mRL and 420mRL, which were defined during a previous exploration program. The outcome of the drilling was positive, resulting in the expansion of the ore contours in a westerly direction. Drill hole assays are still pending for two holes. Testing of this high potential area will continue in the third quarter of 2017 (significant intercepts are shown below from hole EXT103_440_01).

In the second quarter of 2017, Block 150 was drilled from two positions. Firstly, from the 225 level, two extensional drill holes were completed to test the north-eastern flank of Block 150 and were designed to check for a continuation of the mineralized contours. They delimited several small mineralized zones which will be included in future Mineral Resource updates (significant intercepts are shown from drill holes EXT150_225_08 and EXT150_225_11). Subsequently, 1,030 metres were drilled from platform R20-450-405-DDC1 on the 440 level. Drill hole EXT150_440_20 extended known economic mineralization in the upper part of Block 150 close to the eastern boundary of the silica envelope between 460 mRL and 430 mRL. Significant results are presented in the table below.

Target 148

Extensional drilling in the north-west section of deposit, in particular for Target 148, will continue in the third quarter of 2017 to further define the boundaries of mineralization. Target 148 is located south of Block 149 and displays an analogous style of stockwork mineralization, comprising pyrite, enargite and luzonite, hosted within a silica envelope. This area has been tested using only a wide-spaced drill pattern to date.

Due to positive results of holes drilled in the first quarter of 2017, the silica alteration envelope was redefined and a series of new, small high-grade zones were delimited in the Target 148 outline. Significant intercepts are reported in the table below from drill hole EXT148_225_19. Drilling continues to determine the continuity of mineralization with the goal of converting this discovery into Mineral Reserves.

Zone 153

Approximately 4,200 metres of extensional drilling was completed for the Zone 153 program from three positions on levels 440, 460 and 505. Drilling was designed to test the continuity of the advanced argillic alteration zone which encloses the mineralized body. As a result of this drilling, the south-eastern silica alteration boundary was extended between 550 mRL and 390 mRL and the contours of the mineralized zone defined.

Significant intercepts are reported in the table below from drill hole EXT153_460_01. Drilling will continue in the third quarter of 2017 to determine the continuity of mineralization and enabled conversion of Inferred Mineral Resource volumes to Measured and Indicated Mineral Resources.

Outlook

The medium term resource development strategy for Chelopech has been planned, focusing on drilling the southeast and northwest sections of the deposit, and the upper parts of Blocks 103 and 150. A high priority has been placed on drill holes within the Zone 153 program and drilling operations will continue in the third quarter of 2017. Drilling will mainly be conducted from the 505 level, with the aim of testing the higher elevations of Zone 153.

Additionally, there are plans to test the following targets:

- Extensional drilling in upper levels of Block 103, based on the positive results of holes drilled during the period from drill cuddy R20-450-405-DDC1 on the 440 level;
- Grade control drilling in a north-westerly direction from level 405 (405-P421-VOZDOL) targeting the upper levels of Blocks 150, 25 and 5 to expand the known ore body extents and convert Mineral Resources into Mineral Reserves;
- Grade control drilling to develop Target 148 from location 150-225-P2; and
- Extensional drilling in the areas close to Blocks 10 and 8 targeting the discovery of new ore bodies and the expansion of known ones. Historic drilling results in combination with structural and geology models indicate untested mineralization may be present in this area.

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

HOLE ID	EAST	NORTH	RL	AZ	DIP	FROM	TO	True Width (m)	AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)
EXT103_440_01	5759	29208	442	265.8	6.8	144.0	159.0	14.5	4.13	3.03	5.89	0.53
EXT103_440_01	5759	29208	442	265.8	6.8	186.0	196.5	10.5	7.49	2.49	18.46	2.42
EXT148_225_19	5644	29471	228	291.7	-12.1	208.5	228.0	19.5	5.13	4.16	5.38	0.47
EXT148_225_19	5644	29471	228	291.7	-12.1	235.5	252.0	16.5	3.97	3.09	5.35	0.43
EXT148_225_19	5644	29471	228	291.7	-12.1	271.5	289.5	18.0	6.53	3.52	8.94	1.47
EXT148_225_19	5644	29471	228	291.7	-12.1	295.5	313.5	18.0	3.27	2.27	4.92	0.49
EXT150_225_08	5650	29470	228	82.6	-7.9	64.5	88.5	23.5	3.85	3.26	2.27	0.29
EXT150_225_11	5650	29470	228	74.3	-4.3	61.5	94.5	31.0	7.25	5.72	3.47	0.74
EXT150_440_17	5765	29212	442	42.8	-1.3	129.0	135.0	6.0	7.39	3.94	5.80	1.68
EXT150_440_20	5761	29211	442	337.6	1.8	352.5	363.0	10.5	5.25	4.17	5.50	0.53
EXT153_460_01	5910	29302	451	312.3	-2.9	162.0	186.0	23.0	4.39	3.39	2.03	0.48
EXT153_460_01	5910	29302	451	312.3	-2.9	199.5	210.0	10.5	3.00	2.52	2.69	0.23
EXT17_460_01	5910	29302	451	5.2	-2.6	10.5	18.0	7.5	3.91	1.99	2.16	0.93
EXT17_460_01	5910	29302	451	5.2	-2.6	136.5	139.5	3.0	6.39	4.38	1.65	0.98
G103_270_38	5785	29068	279	79.1	-2.7	73.5	103.5	30.0	3.15	1.66	4.89	0.72
G17_320_04	5921	29780	318	172.2	6.4	90.0	103.5	13.5	4.45	2.51	2.69	0.94
G17_320_07	5921	29780	318	181.3	3.1	153.0	169.5	16.5	4.40	2.23	7.90	1.05
G17_320_08	5922	29780	319	149.9	15.2	91.5	100.5	9.0	3.14	1.52	6.53	0.78
G17_320_09	5921	29780	319	169.9	15.7	91.5	112.5	20.5	6.37	4.04	5.19	1.13
G17_320_10	5922	29780	317	148.2	-13.3	94.5	120.0	24.5	4.57	3.37	2.83	0.58
G19E_290_23	5898	29918	292	75.7	-3.0	135.0	154.5	19.5	5.80	3.14	8.70	1.29
G19E_290_23	5898	29918	292	75.7	-3.0	195.0	235.5	40.5	4.55	2.69	3.44	0.90
G19E_290_25	5898	29919	292	57.8	-6.3	115.5	129.0	13.5	4.07	2.56	7.86	0.73

1) *Significant intercepts are located within the Chelopech Mine Concession and proximal to the mine workings.*
2) *AuEq calculation is based on the following formula: Au g/t + 2.06xCu%.*
3) *Minimum downhole width reported is 1.5 metres with a maximum internal dilution of 4.5 metres.*

4) *Drill holes with prefix G indicate grade control drilling which is performed using BQ diamond drill core. All other holes are drilled with NQ diamond core.*
5) *Coordinates are in mine-grid.*
6) *No factors of material effect have hindered the accuracy and reliability of the data presented above.*
7) *No upper cuts applied.*
8) *For detailed information on drilling, sampling and analytical methodologies refer to the NI 43-101 Technical Report entitled "Mineral Reserve Update, Chelopech Project, Chelopech, Bulgaria" (the "Chelopech Technical Report") filed on SEDAR at www.sedar.com on March 28, 2016.*

Sampling and Analysis

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

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

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

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

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

Chelopech Brownfield Exploration

During the second quarter of 2017, brownfields exploration at Chelopech was focused on the continuation of the underground drill program at the South East Breccia Pipe Zone ("SEBPZ"). In addition, a major surface exploration program on the surrounding Sveta Petka and Brevene exploration licenses commenced in June 2017.

Three underground diamond drill holes totalling 1,030 metres were completed along the SEBPZ during April and May 2017. Although significant ore grades were not intersected in the new holes, the holes did encounter zones of brecciated diorite with intervals of advanced argillic alteration and weak copper-gold mineralization. Together with the underground and surface holes drilled at the SEBPZ in 2016, the new holes demonstrate the potential for significant mineralization to be hosted by or near the newly defined breccia pipes over a strike length of 1,500 metres. Large gaps remain between the drill sections and the SEBPZ is open to the northeast. Interpretation using multi-element and spectral data to vector towards higher grade mineralization is in progress. Underground exploration drilling at the SEBPZ is planned to resume during the fourth quarter of 2017.

Planned drilling at the Sharlo Dere prospect is on hold until permitting is completed. Permitting for drilling is also in progress for the Krasta target, a new area defined by a recent interpretation of results from state drill holes that were drilled between 1961 and 1972.

Surface exploration activities to identify additional gold and copper targets for drill testing in late 2017 and 2018 are underway on the Brevene and Sveta Petka exploration licenses. These include the continuation of geological mapping, soil sampling and ground geophysical surveys.

Krumovgrad, Bulgaria

In April and May 2017, a total of 1,594 metres of diamond drilling was completed in four holes to test gold targets defined during the geochemical, stratigraphic and structural review of the Kupel North prospect. Although no significant gold intercepts were achieved, the results confirm the presence of a large shallow hydrothermal system with low sulphidation silica–carbonate–sulphide–adularia vein zones.

During the second quarter of 2017, two research projects were initiated to improve the understanding of structural controls and vein textures. The results will be used in the construction of a 3D geological model of Kupel North to assist in identifying targets for drilling.

A program of geological mapping, soil sampling and ground magnetics at Krumovgrad and several recently granted exploration licenses in the region is in progress.

Krumovgrad Gold Project Grade Control Drilling

Grade control drilling commenced during June 2017 at the Krumovgrad gold project mine site. One RC (reverse circulation) drill rig and one diamond drill rig are currently operational. The RC drill rig is currently completing a close-spaced orientation grid, in order to allow the determination of the optimal drill hole spacing for the entire upper zone and wall zone at the Ada Tepe deposit. Upon receipt of the optimal drill hole spacing study, a ramp up of RC drilling operations is envisaged during the third quarter of 2017 to complete the drilling grid within the pushback one area, as defined within the life of mine schedule.

The surface diamond rig has been employed to improve the confidence of the geologic model in the upper zone, particularly on the flanks of the open pit area. In total, 3,000 metres of diamond drilling has been budgeted in 2017 at the Krumovgrad gold project mine site for this purpose.

Timok Gold Project, Serbia

Exploration activities at the Timok Gold Project during the second quarter of 2017 were focused on the resumption of drilling at the Korkan West prospect. A total of 3,622 metres of diamond drilling was completed at Korkan West (2,632 metres in 18 drill holes), several other near-resource drilling targets (903 metres in 6 drill holes) and a sedimentary-rock hosted target (in progress).

Most of the Korkan West drill holes were drilled to the southwest or northeast at dips of 45 to 60 degrees with the aim of testing northwest trending structures and blocks. The mineralization discovered in drill hole KWDD016 in November 2016 appears to extend for 100 metres to the southeast of drill hole KWDD021, which intersected 64 metres with an average grade of 1.15 g/t gold from surface. Two drill holes approximately 100 metres further to the southeast failed to intersect significant mineralization. To the northwest of KWDD016, mineralization appears to extend for at least 75 to 100 metres to drill hole KWDD024 (21 metres averaging 1.19 g/t gold from a depth of 24 metres) and channel KWCH004 (31 metres averaging 1.32 g/t gold). Wide spaced drilling a further 100 metres to the northwest failed to intersect mineralization, however, mineralization found in a road cut (KWCH002; 25 metres averaging 0.4 g/t gold) and multi-element geochemistry of soils suggests the mineralized zone could still be open to the northwest.

Mineralized intervals at Korkan West are both structurally and stratigraphically controlled with mineralization found along two sedimentary contacts within the clastic sedimentary rock sequence (S1 and S2 units). Almost all of the mineralized intervals shown in the following table of results are oxidized. True widths are difficult to estimate on a hole by hole basis due to almost all core being strongly weathered and broken.

A new zone of mineralization about 300 metres east of Korkan West, first found in drill hole KODD155 (9 metres averaging 1.31g/t Au from a depth of 15 metres) in November 2016, was intersected in drill holes KODD160 (about 50 metres south) and KODD161 (about 50 metres north).

Significant drill intersections during the second quarter of 2017 from the Timok Gold Project, Korkan West prospect. Note that true widths are not known.

HOLE ID	EAST	NORTH	RL	AZ	DIP	FINAL DEPTH	FROM	TO	INTERVAL (m)	Au (g/t)
KWDD021	569839	4899348	639	225	-60	118.9	0	64	64	1.15
KWDD022	569794	4899364	651	045	-60	151.1	0	47	47	0.58
including	569794	4899364	651	045	-60	151.1	3.2	12.2	9	1.10
KWDD023	569752	4899385	669	225	-50	131.0	36	93	57	1.21
including	569752	4899385	669	225	-50	131.0	45	68	23	2.05
and	569752	4899385	669	225	-50	131.0	78	81	3	2.97
KWDD024	569691	4899426	658	225	-60	143.1	24	45	21	1.19
KWDD026	569788	4899416	643	045	-45	158.6	0	12	12	0.54
including	569788	4899416	643	045	-45	158.6	0	4	4	1.02
KODD159	570114	4899209	651	225	-60	100.8	0	30	30	0.77
KODD160	570184	4899273	687	225	-60	125.8	19	25	6	1.45
KODD161	570139	4899381	656	225	-60	158.8	1	37	36	0.74
including	570139	4899381	656	225	-60	158.8	2.6	12.6	10	1.38
and	570139	4899381	656	225	-60	158.8	19	27	8	1.10

An extensive surface exploration program including mapping, soil sampling and trenching is in progress and is expected to continue throughout the third quarter of 2017. An Induced Polarization (“IP”) geophysical survey commenced in June. In addition to further drilling at Korkan West, scout drilling to explore for sedimentary-rock hosted and carbonate hosted gold mineralization within the Timok licenses is also planned for the second half of 2017.

Sampling and Analysis of Exploration Drill Core

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

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

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 quality assurance and quality control (“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 finish. Samples returning over 10,000 ppm for base metals are re-analyzed using high grade methods.

Other

On July 4, 2017, DPM entered into an option agreement with Khalkos Exploration Inc. to earn up to a 71% interest in their Malartic gold property located in the Archean Abitibi greenstone belt in the Malartic mining camp in Quebec. The Malartic property consists of 91 contiguous claims covering 35 square kilometres of prospective Abitibi geology. Under the terms of the option agreement, DPM can earn an initial 51% interest in Malartic in exchange for certain cash payments totalling Cdn$412,500, the issuance of an aggregate of 70,000 Shares and making expenditures on the property aggregating Cdn$2,500,000 within three years of the effective date of the option agreement. Thereafter, DPM will have a further option to increase its interest to 71% by incurring an additional Cdn$3,500,000 in expenditures on the property within three years. During the option period, DPM will be the operator of the project.

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

DEVELOPMENT AND OTHER MAJOR PROJECTS

Krumovgrad

The mine site is located at Ada Tepe, approximately three kilometres south of the town of Krumovgrad in southeastern Bulgaria. The project plan contemplates the construction of an open pit mining operation comprised of a process plant, which will employ conventional crushing, grinding and flotation processing for gold extraction, and the disposal of thickened tailings, together with mine rock waste, in an integrated mine waste facility ("IMWF"). The plant is designed to treat up to 840,000 tonnes of ore per year over an eight year mine life, including processing stockpiled low grade ore at the end of the project, which is consistent with existing permitting applications and environmental submissions. Following completion of a feasibility study in 2011, the "NI 43-101 Technical Report, Ada Tepe Deposit, Krumovgrad Project, Bulgaria" was filed on SEDAR at www.sedar.com on March 28, 2014 (the "Krumovgrad Technical Report").

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

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

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

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

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

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

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

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

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

The project underwent a national environmental impact assessment (“EIA”) in 2010 and an environmental permit was issued and entered into force in March 2013. Following an independent review of the EIA reports, the EBRD required a number of supplementary environmental and social studies and documents to meet the EBRD Performance Requirements (“PRs”) and international good practices. In addition to the EBRD PRs, certain lenders participating in the consortium refer to the Equator Principles and therefore the project also references the International Finance Corporation (“IFC”) Performance Standards (2012).

Approval of the main construction permit was received in August 2016, and earthworks on the project site commenced in the fourth quarter of 2016.

In July 2017, the Krumovgrad Municipal Council approved the redesignation of land on the new access road routing from forestry use to urbanized use, and also approved the Terms of Reference for the Detailed Development Plan for the waste water discharge pipeline. These approvals are important steps in the process to obtain construction permits for both items. Although later than anticipated, neither item is currently on the project critical path and are not expected to impact the fourth quarter of 2018 start-up date.

The main activity during the second quarter of 2017 was the ongoing execution of earthworks, which is proceeding in accordance with the project plan, with the first concrete pour occurring in April, as planned.

At the end of the second quarter of 2017, construction of the project was approximately 26% complete, based on installed quantities. Project completion remains on track for first concentrate production in the fourth quarter of 2018, at a final estimated cost of $178 million, of which $36.6 million has been incurred to date.

Forecasted progress against the project baseline schedule is set out below:

Milestone	Expected Completion
Commence main civil/mechanical/electrical construction	Q3 2017
Complete bulk earthworks	Q4 2017
Start cold commissioning	Q2 2018
Start hot commissioning	Q3 2018
First concentrate production	Q4 2018

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

Tsumeb – Capital Projects

Rotary Holding Furnace

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

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

Incremental fixed operating costs associated with the operation of the holding furnace are estimated to be approximately $6.0 million per year, excluding the variable costs associated with the processing of any additional tonnage. Work to secure the necessary permits to support this planned increase in production is ongoing. An Environmental and Social Impact Assessment is underway for the project. Public access to the draft Environmental and Social Impact Assessment documentation was provided during the second quarter of 2017. The Company is currently reviewing the comments received and is working to address them.

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

OFF BALANCE SHEET ARRANGEMENTS

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

SELECTED QUARTERLY INFORMATION

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

$ millions	**2017**		2016[1]				2015[1]	
except per share amounts	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue[2]	86.9	74.6	82.1	54.8	72.5	70.1	53.7	52.8
Net earnings (loss)	11.0	(12.6)	(110.1)	(30.4)	(5.3)	(6.4)	(48.6)	2.5
Net (loss) earnings attributable to:								
• Non-controlling interest	(0.0)	(0.1)	(0.1)	(0.5)	0.3	(0.3)	(0.1)	(0.2)
• Discontinued operations	-	-	(2.5)	(0.1)	3.3	(2.3)	(47.6)	(0.7)
• Continuing operations	11.0	(12.5)	(107.5)	(29.8)	(8.9)	(3.8)	(0.9)	3.4
Net (loss) earnings per share:								
• Discontinued operations	-	-	(0.02)	(0.00)	0.02	(0.01)	(0.34)	(0.01)
• Continuing operations	0.06	(0.07)	(0.67)	(0.19)	(0.06)	(0.03)	(0.01)	0.03
Net (loss) earnings diluted per share:								
• Discontinued operations	-	-	(0.02)	(0.00)	0.02	(0.01)	(0.34)	(0.01)
• Continuing operations	0.06	(0.07)	(0.67)	(0.19)	(0.06)	(0.03)	(0.01)	0.03
Adjusted net earnings (loss)[2]	11.9	(6.2)	5.7	(19.4)	(7.4)	(1.3)	(0.8)	4.5
Adjusted basic earnings (loss) per share[2]	0.07	(0.04)	0.04	(0.12)	(0.05)	(0.01)	(0.01)	0.03

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

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

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

	2017		2016				2015	
Average	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
London Bullion gold ($/oz)	**1,257**	1,219	1,219	1,335	1,259	1,180	1,105	1,124
LME settlement copper ($/lb)	**2.57**	2.65	2.40	2.17	2.15	2.12	2.22	2.38
LBMA spot silver ($/oz)	**17.26**	17.42	17.18	19.62	16.78	14.83	14.76	14.91

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The significant areas of estimation and uncertainty considered by management in preparing the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017 are the same as those described in the Company's MD&A for the year ended December 31, 2016.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards are not yet effective for the year ending December 31, 2017, and have not been applied when preparing the Company's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2017. The Company's assessment of the impact of these new standards is set out below.

IFRS 9, *Financial Instruments*

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

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

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

Upon adoption of IFRS 9, the effective portion of changes in fair value of commodity contracts relating to production hedges, which are currently recognized in other income or expense, would be recognized in other comprehensive income or loss and would be reclassified to profit or loss in the same periods as the underlying projected sales occur. In the case of forward foreign exchange contracts, the Company would continue to be able to designate the change in fair value of the spot element of the forward foreign exchange contract as the hedging instrument in the cash flow hedging relationship such that any unrealized fair value change would be initially recognized in other comprehensive income or loss and subsequently reclassified to profit or loss when realized in the same periods as the underlying projected operating expenditures. For hedges of capital expenditures, realized gains or losses would be included in the carrying value of assets when the capital expenditures occur.

Upon adoption of IFRS 9, the Company may also elect that the forward points in the forward foreign exchange contract be separately accounted for as a cost of hedging. This would result in any initial unrealized change in the fair value of the forward point component of the forward foreign exchange contracts being recognized in other comprehensive income or loss and accumulated as a cost of hedging within shareholders' equity. Accumulated gains and losses would be recognized in profit or loss for hedges of operating expenses and included in the carrying amount of assets for hedges of capital expenditures, when the contracts settle. The Company has not made a decision on this election.

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

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

IFRS 15, *Revenue from Contracts with Customers*

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

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is planning to adopt this standard effective January 1, 2018. IFRS 15 provides the choice for either full retrospective application or modified retrospective application whereby the cumulative effect of retrospectively applying IFRS 15 would apply only to those contracts that are not settled as at the date of adoption. The Company is in the process of completing the review of its revenue contracts with customers.

While the Company has not finalized its impact assessment, the Company may be required to recognize a financing expense in respect of its prepaid forward gold sales arrangement upon adoption of IFRS 15.

The Company has prepared a project plan for IFRS 9 and IFRS 15 and will provide an update on its assessments in the third quarter of 2017. The Company expects to complete its preparatory work in the fourth quarter of 2017 with implementation commencing on January 1, 2018.

IFRS 16, *Leases*

IFRS 16, issued in January 2016, replaces IAS 17, *Leases*. IFRS 16 results in most leases being reported on the balance sheet for lessees, eliminating the distinction between a finance lease and an operating lease. The standard is expected to impact the accounting for the Company's operating leases, which are currently reflected in the consolidated statements of 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. Early adoption is permitted for companies that also adopt IFRS 15. The Company does not intend to adopt IFRS 16 before its mandatory date. As a lessee, the Company can either apply the standard using a retrospective approach or a modified retrospective approach. The Company is currently assessing the impact of this standard and therefore has not yet determined the transition approach it intends to apply.

Certain financial measures referred to in this MD&A are not measures recognized under IFRS and are referred to as Non-GAAP measures. These measures have no standardized meanings under IFRS and may not be comparable to similar measures presented by other companies. The definitions established and calculations performed by DPM are based on management's reasonable judgment and are consistently applied. These measures are used by management and investors to assist with assessing the Company's performance, including its ability to generate sufficient cash flow to meet its return objectives and support its investing activities and debt service obligations. These measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS. Non-GAAP financial measures, together with other financial measures calculated in accordance with IFRS, are considered to be important factors that assist investors in assessing the Company's performance.

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

Cash cost per tonne of ore processed, cash cost per pound of copper in concentrate produced, cash cost per ounce of gold in concentrate produced, cash cost per ounce of gold sold, net of by-product credits, all-in sustaining cost per ounce of gold and cash cost per tonne of complex concentrate smelted, net of by-product credits, capture the important components of the Company's production and related costs. Management utilizes these metrics as an important tool to monitor cost performance at the Company's operations.

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

$ thousands, unless otherwise indicated **For the three months ended June 30, 2017**	**Chelopech**	**Tsumeb**	**Total**
Ore processed *(mt)*	**584,794**	**-**	
Metals contained in copper concentrate produced:			
Gold *(ounces)*	**37,949**	**-**	
Copper *(pounds)*	**8,663,764**	**-**	
Complex concentrate smelted *(mt)*	**-**	**60,643**	
Cost of sales	**24,224**	**39,231**	**63,455**
Add/(deduct):			
Depreciation, amortization & other	**(9,225)**	**(6,239)**	
Realized losses (gains) on forward foreign exchange contracts	**77**	**(1,648)**	
Change in concentrate inventory	**3,438**	**-**	
Total cash cost before by-product credits	**18,514**	**31,344**	
By-product credits	**(763)**	**(6,036)**	
Total cash cost after by-product credits	**17,751**	**25,308**	
Cash cost per tonne ore processed *($)*	**31.66**	**-**	
Cash cost per pound copper produced *($)*(1)	**0.66**	**-**	
Cash cost per ounce gold produced *($)*(1)	**317**	**-**	
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	**-**	**417**	

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 June 30, 2016**	**Chelopech**	**Tsumeb**	**Total**
Ore processed *(mt)*	560,694	-	
Metals contained in copper concentrate produced:			
Gold *(ounces)*	29,573	-	
Copper *(pounds)*	9,640,922	-	
Complex concentrate smelted *(mt)*	-	44,545	
Cost of sales	27,859	37,107	64,966
Add/(deduct):			
Depreciation, amortization & other	(9,226)	(10,001)	
Realized losses (gains) on forward foreign exchange contracts	34	(867)	
Change in concentrate inventory	238	-	
Total cash cost before by-product credits	18,905	26,239	
By-product credits	(838)	(3,869)	
Total cash cost after by-product credits	18,067	22,370	
Cash cost per tonne ore processed *($)*	33.72	-	
Cash cost per pound copper produced *($)*[(1)]	0.67	-	
Cash cost per ounce gold produced *($)*[(1)]	392	-	
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	-	502	

$ thousands, unless otherwise indicated **For the six months ended June 30, 2017**	**Chelopech**	**Tsumeb**	**Total**
Ore processed *(mt)*	**1,125,388**	**-**	
Metals contained in copper concentrate produced:			
Gold *(ounces)*	**70,622**	**-**	
Copper *(pounds)*	**16,842,920**	**-**	
Complex concentrate smelted *(mt)*	**-**	**102,278**	
Cost of sales	**53,142**	**73,246**	**126,388**
Add/(deduct):			
Depreciation, amortization & other	**(18,430)**	**(12,766)**	
Realized losses (gains) on forward foreign exchange contracts	**141**	**(3,077)**	
Change in concentrate inventory	**1,659**	**-**	
Total cash cost before by-product credits	**36,512**	**57,403**	
By-product credits	**(1,662)**	**(9,118)**	
Total cash cost after by-product credits	**34,850**	**48,285**	
Cash cost per tonne ore processed *($)*	**32.44**	**-**	
Cash cost per pound copper produced *($)*[(1)]	**0.70**	**-**	
Cash cost per ounce gold produced *($)*[(1)]	**328**	**-**	
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	**-**	**472**	

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 six months ended June 30, 2016**	**Chelopech**	**Tsumeb**	**Total**
Ore processed *(mt)*	1,105,285	-	
Metals contained in copper concentrate produced:			
Gold *(ounces)*	62,960	-	
Copper *(pounds)*	20,218,953	-	
Complex concentrate smelted *(mt)*	-	101,967	
Cost of sales	51,482	70,500	121,982
Add/(deduct):			
Depreciation, amortization & other	(18,449)	(19,593)	
Realized losses (gains) on forward foreign exchange contracts	60	(1,514)	
Change in concentrate inventory	4,348	-	
Total cash cost before by-product credits	37,441	49,393	
By-product credits	(1,874)	(7,660)	
Total cash cost after by-product credits	35,567	41,733	
Cash cost per tonne ore processed *($)*	33.88	-	
Cash cost per pound copper produced *($)*[(1)]	0.64	-	
Cash cost per ounce gold produced *($)*[(1)]	359	-	
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	-	409	

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**		**Six Months**	
Ended June 30,	**2017**	2016	**2017**	2016
Cost of sales[(1)]	**24,301**	27,893	**53,283**	51,542
Add/(deduct):				
Depreciation, amortization & other	**(9,225)**	(9,226)	**(18,430)**	(18,449)
Other charges, including freight[(2)]	**23,494**	22,173	**49,816**	45,766
By-product credits[(3)]	**(16,801)**	(21,911)	**(37,617)**	(41,774)
Cash cost of sales, net of by-product credits	**21,769**	18,929	**47,052**	37,085
Payable gold in copper and pyrite concentrate sold *(ounces)*[(4)]	**37,659**	37,871	**81,137**	69,618
Cash cost per ounce of gold sold, net of by-product credits *($)*	**578**	500	**580**	533

1) Includes realized losses on the forward point component of the forward foreign exchange contracts in the three and six months ended June 30, 2017 and 2016.

2) Includes treatment charges, transportation and other selling costs related to the sale of pyrite concentrate in the second quarter and first six months of 2017 of $6.1 million and $12.7 million, respectively, compared to $4.2 million and $11.9 million in the corresponding periods in 2016.

3) Includes realized losses on copper swap contracts, entered to hedge a portion of projected payable production of $1.3 million and $3.3 million during the second quarter and first six months of 2017, respectively, compared to realized gains of $1.1 million and $2.2 million in the corresponding periods in 2016.

4) Includes payable gold in pyrite concentrate sold in the second quarter and first six months of 2017 of 7,889 ounces and 17,629 ounces, respectively, compared to 5,397 ounces and 15,110 ounces in the corresponding periods in 2016.

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

$ thousands, unless otherwise indicated	Three Months		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Cost of sales(1)	**24,301**	27,893	**53,283**	51,542
Add/(deduct):				
Depreciation, amortization & other	**(9,225)**	(9,226)	**(18,430)**	(18,449)
Other charges, including freight	**17,380**	18,042	**37,102**	33,887
By-product credits(2)	**(16,801)**	(21,911)	**(37,617)**	(41,774)
Cash cost of sales, net of by-product credits	**15,655**	14,798	**34,338**	25,206
Payable gold in copper concentrate sold *(ounces)*	**29,770**	32,474	**63,508**	54,508
Cash cost per ounce of gold sold, net of by-product credits *($)*	**526**	456	**541**	462

1) Includes realized losses on the forward point component of the forward foreign exchange contracts in the three and six months ended June 30, 2017 and 2016.
2) Includes realized losses on copper swap contracts, entered to hedge a portion of projected payable production of $1.3 million and $3.3 million during the second quarter and first six months of 2017, respectively, compared to realized gains of $1.1 million and $2.2 million in the corresponding periods in 2016.

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

$ thousands, unless otherwise indicated	Three Months		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Cash cost of sales, net of by-product credits(1)	**21,769**	18,929	**47,052**	37,085
Accretion expenses(1)	**71**	97	**141**	187
General and administrative expenses(2)	**1,786**	2,758	**6,024**	5,652
Cash outlays for sustaining capital(1)	**2,870**	1,196	**4,169**	3,111
All-in sustaining costs	**26,496**	22,980	**57,386**	46,035
Payable gold in copper and pyrite concentrate sold *(ounces)(3)*	**37,659**	37,871	**81,137**	69,618
All-in sustaining cost per ounce of gold *($)*	**704**	607	**707**	661

1) Represents the cash cost of sales, net of by-product credits, accretion expenses and cash sustaining capital expenditures that are specific to Chelopech.
2) Represents an allocated portion of DPM's general and administrative expenses, including share-based remuneration, and excluding depreciation and expenses related to Avala and Krumovgrad, based on Chelopech proportion of total revenue.
3) Includes payable gold in pyrite concentrate sold in the second quarter and first six months of 2017 of 7,889 ounces and 17,629 ounces, respectively, compared to 5,397 ounces and 15,110 ounces in the corresponding periods in 2016.

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

$ thousands, unless otherwise indicated	Three Months		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Cash cost of sales, net of by-product credits(1)	**15,655**	14,798	**34,338**	25,206
Accretion expenses(1)	**71**	97	**141**	187
General and administrative expenses(2)	**1,786**	2,758	**6,024**	5,652
Cash outlays for sustaining capital(1)	**2,870**	1,196	**4,169**	3,111
All-in sustaining costs	**20,382**	18,849	**44,672**	34,156
Payable gold in copper concentrate sold *(ounces)*	**29,770**	32,474	**63,508**	54,508
All-in sustaining cost per ounce of gold *($)*	**685**	580	**703**	627

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

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

- impairment charges or reversals thereof;
- unrealized gains or losses on commodity swap and option contracts related to projected payable production;
- unrealized gains or losses on the forward point component of the forward foreign exchange contracts;
- unrealized and realized gains or losses related to investments carried at fair value;
- significant tax adjustments not related to current period earnings (loss); and
- non-recurring or unusual income or expenses that are either not related to the Company's operating segments or unlikely to occur on a regular basis.

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

$ thousands, except per share amounts	**Three Months**		**Six Months**	
Ended June 30,	**2017**	2016	**2017**	2016
Net earnings (loss) from continuing operations attributable to common shareholders	**11,039**	(8,935)	**(1,479)**	(12,692)
Add/(deduct) after-tax adjustments:				
Unrealized (gains) losses on commodity swap and option contracts, net of income tax expense of $11 (2016 – income tax recovery of $187) and income tax recovery of $772 (2016 – income tax recovery of $599)	**(99)**	1,687	**6,949**	5,393
Unrealized losses (gains) on the forward point component of forward foreign exchange contracts net of income tax recovery of $42 (2016 – $10) and $41 (2016 – $14)	**1,745**	184	**2,228**	(594)
Net gains related to Sabina special warrants, net of income tax expense of $nil for all periods	**(838)**	(349)	**(2,015)**	(804)
Impairment charges on publicly traded securities, net of income tax recovery of $nil for all periods	**-**	24	-	24
Adjusted net earnings (loss)	**11,847**	(7,389)	**5,683**	(8,673)
Basic earnings (loss) per share from continuing operations	**0.06**	(0.06)	**(0.01)**	(0.09)
Adjusted basic earnings (loss) per share	**0.07**	(0.05)	**0.03**	(0.06)

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

- impairment charges or reversals thereof;
- unrealized gains or losses on commodity swap and option contracts related to projected payable production;
- unrealized gains or losses on the forward point component of the forward foreign exchange contracts;
- unrealized and realized gains or losses related to investments carried at fair value; and
- non-recurring or unusual income or expenses that are either not related to the Company's operating segments or unlikely to occur on a regular basis.

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

$ thousands	Three Months		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Earnings (loss) before income taxes from continuing operations	**12,812**	(6,851)	**1,298**	(10,516)
Add/(deduct) adjustments:				
Unrealized (gains) losses on commodity swap and option contracts	**(110)**	1,874	**7,721**	5,992
Unrealized losses (gains) on the forward point component of forward foreign exchange contracts	**1,787**	194	**2,269**	(580)
Net gains related to Sabina special warrants	**(838)**	(349)	**(2,015)**	(804)
Impairment charges on publicly traded securities	**-**	24	-	24
Adjusted earnings (loss) before income taxes	**13,651**	(5,108)	**9,273**	(5,884)

Adjusted EBITDA

Adjusted EBITDA is used by management and investors to measure the underlying operating performance of the Company's operating segments. Adjusted EBITDA excludes the following from earnings (loss) before income taxes from continuing operations:

- depreciation and amortization;
- interest income;
- finance cost;
- impairment charges or reversals thereof;
- unrealized gains or losses on commodity swap and option contracts related to projected payable production;
- unrealized gains or losses on the forward point component of the forward foreign exchange contracts;
- unrealized and realized gains or losses related to investments carried at fair value; and
- non-recurring or unusual income or expenses that are either not related to the Company's operating segments or unlikely to occur on a regular basis.

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

$ thousands	Three Months		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Earnings (loss) before income taxes from continuing operations	**12,812**	(6,851)	**1,298**	(10,516)
Add/(deduct):				
Depreciation and amortization	**15,605**	19,456	**31,500**	38,405
Finance cost	**1,996**	3,497	**4,059**	6,882
Interest income	**(76)**	(63)	**(141)**	(111)
Net gains related to Sabina special warrants	**(838)**	(349)	**(2,015)**	(804)
Unrealized (gains) losses on commodity swap and option contracts	**(110)**	1,874	**7,721**	5,992
Unrealized losses (gains) on the forward point component of forward foreign exchange contracts	**1,787**	194	**2,269**	(580)
Impairment charges on publicly traded securities	**-**	24	**-**	24
Adjusted EBITDA	**31,176**	17,782	**44,691**	39,292

Free cash flow

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

The following table provides a reconciliation of free cash flow:

$ thousands	Three Months		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Cash provided from operating activities of continuing operations	**17,098**	6,671	**51,664**	12,194
Add (deduct) changes in non-cash working capital	**8,578**	9,014	**(9,008)**	34,181
Cash provided from operating activities of continuing operations, excluding changes in non-cash working capital	**25,676**	15,685	**42,656**	46,375
Cash outlays for sustaining capital	**(5,350)**	(3,678)	**(9,285)**	(10,826)
Prepayments and mandatory principal repayments related to debt	**(16,250)**	(8,125)	**(16,250)**	(8,125)
Principal repayments related to finance leases	**(376)**	(417)	**(752)**	(771)
Interest payments	**(1,347)**	(2,027)	**(2,763)**	(3,870)
Free cash flow	**2,353**	1,438	**13,606**	22,783

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		Six Months	
Ended June 30,	**2017**	2016	**2017**	2016
Total Revenue	**86,853**	72,470	**161,521**	142,638
(Deduct) add :				
Tsumeb revenue	**(43,873)**	(25,405)	**(66,503)**	(56,995)
Treatment charges and other deductions	**23,494**	22,173	**49,816**	45,766
Realized hedging (losses) gains on Production Hedges	**(1,360)**	853	**(3,322)**	2,402
Favourable mark-to-market adjustments and final settlements	**(801)**	(678)	**(2,887)**	(6,212)
Silver revenue	**(635)**	(824)	**(1,380)**	(1,401)
Revenue from gold and copper	**63,678**	68,589	**137,245**	126,198
Revenue from gold	**47,512**	47,500	**101,008**	85,824
Payable gold in concentrate sold *(ounces)*	**37,659**	37,871	**81,137**	69,618
Average realized gold price per ounce *($/oz)*	**1,262**	1,254	**1,245**	1,233
Revenue from copper	**16,166**	21,089	**36,237**	40,374
Payable copper in concentrate sold *('000s pounds)*	**6,761**	9,061	**15,077**	17,584
Average realized copper price per pound *($/lb)*	**2.39**	2.33	**2.40**	2.30

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

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

Company's operating segments prior to any changes in non-cash working capital, which at times can distort performance.

Growth Capital Expenditures

Growth capital expenditures are generally defined as capital expenditures from continuing operations that expand existing capacity, increase life of assets and/or increase future earnings. This measure is used by management and investors to assess the extent of discretionary capital spending being undertaken by the Company each period.

Sustaining Capital Expenditures

Sustaining capital expenditures are generally defined as expenditures from continuing operations that support the ongoing operation of the asset or business without any associated increase in capacity, life of assets or future earnings. This measure is used by management and investors to assess the extent of non-discretionary capital spending being incurred by the Company each period.

RISKS AND UNCERTAINTIES

The operating results and financial condition of the Company are subject to a number of inherent risks and uncertainties associated with its business activities, which include the acquisition, financing, exploration, development, construction and operation of its mine, mill and concentrate processing facilities. The operating results and financial condition are also subject to numerous external factors, which include economic, geo-political, regulatory, legal, tax and market risks impacting, among other things, supply and demand for supplies and product, commodity prices, toll rates, foreign exchange rates, inflation and the availability and cost of capital to fund the capital requirements of the business. Each of these risks could have a material adverse effect on the Company's future business, results of operations and financial condition, and could cause actual results to differ materially from those described in any forward looking statements contained in this MD&A. The Company endeavors to manage these risks and uncertainties in a balanced manner with a view to mitigate risk while maximizing total shareholder returns. It is the responsibility of senior management, and the functional head of each business, to identify and to effectively manage the risks of each business. This includes developing appropriate risk management strategies, policies, processes and systems. There can be no assurance that the Company has been or will be successful in identifying all risks or that any risk-mitigating strategies adopted to reduce or eliminate risk will be successful. These risks should be considered when evaluating the Company and its guidance.

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Company's management, under the supervision of the CEO and the CFO, has evaluated its DC&P and ICFR and concluded that, as of June 30, 2017, they have been designed effectively to provide reasonable assurance regarding required disclosures and the reliability of financial reporting and the preparation of financial statements for external purposes.

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

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

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

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

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

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

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

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

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

Cash cost per tonne of complex concentrate smelted, net of by-product credits: assumes complex concentrate smelted is consistent with the guidance provided; acid prices are at or around current levels; acid production and operating expenses are at planned levels; and foreign exchange rates remain at or around current levels. Subject to a number of risks, the more significant of which are: complex concentrate smelted and acid production are lower than anticipated; acid prices are lower than anticipated; strengthening of the ZAR relative to the U.S. dollar; and higher than anticipated operating and transportation costs due to a variety of factors, including higher than anticipated inflation, labour and other operating costs.

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

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

Forward looking statements are based on the opinions and estimates of management as of the date such statements are made and they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any other future results, performance or achievements expressed or implied by the forward looking statements. In addition to factors already discussed in this document, such factors include, among others: the uncertainties with respect to actual results of current exploration activities, actual results of current reclamation activities, conclusions of economic evaluations and economic studies; changes in project parameters as plans continue to be refined; possible variations in ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; uncertainties inherent with conducting business in foreign jurisdictions where corruption, civil unrest, political instability and uncertainties with the rule of law may impact the Company's activities; fluctuations in metal and acid prices, toll rates and foreign exchange rates; unanticipated title disputes; claims or litigation; limitation on insurance coverage; cyber attacks; as well as those risk factors discussed or referred to in any other documents (including without limitation the Company's most recent AIF) filed from time to time with the securities regulatory authorities in all provinces and territories of Canada and available on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Unless required by securities laws, the Company undertakes no obligation to update forward looking statements if circumstances or management's estimates or opinion should change. Accordingly, readers are cautioned not to place undue reliance on forward looking statements.

Cautionary Note to United States Investors Concerning Estimates of Measured, Indicated and Inferred Resources

This MD&A uses the terms “Measured”, “Indicated” and “Inferred” Mineral Resources. United States investors are advised that while such terms are recognized and required by Canadian regulations, the U.S. Securities and Exchange Commission (“SEC”) does not recognize them. “Inferred Mineral Resources” have a great amount of uncertainty as to their existence and as to their economic and legal feasibility. It cannot be assumed that all or any part of an Inferred Mineral Resource will ever be upgraded to a higher category. Under Canadian rules, estimates of Inferred Mineral Resources may not form the basis of feasibility or pre-feasibility studies. **United States investors are cautioned not to assume that all or any part of Measured or Indicated Mineral Resources will ever be converted into Mineral Reserves. United States investors are also cautioned not to assume that all or any part of an Inferred Mineral Resource exists, or is economically or legally mineable.**

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2017 and December 31, 2016

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

	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash	**19,866**	11,757
Accounts receivable	**31,163**	45,131
Inventories	**30,742**	28,335
Other current assets *((note 3(c)) & 3(d))*	**6,670**	6,383
	88,441	91,606
Non-Current Assets		
Investments at fair value *(note 3(a) &3(b))*	**40,230**	19,216
Mine properties	**231,308**	203,547
Property, plant & equipment	**370,707**	384,920
Intangible assets	**23,168**	22,754
Deferred income tax assets	**7,156**	5,255
Other long-term assets	**5,227**	6,654
	677,796	642,346
TOTAL ASSETS	**766,237**	733,952
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**46,685**	40,545
Income tax liabilities	**2,541**	119
Current portion of long-term debt *(note 4)*	**-**	16,110
Current portion of long-term liabilities	**2,167**	2,030
	51,393	58,804
Non-Current Liabilities		
Long-term debt *(note 4)*	**-**	25,000
Deferred revenue	**50,000**	50,000
Rehabilitation provisions *(note 5)*	**33,808**	30,296
Share based compensation plans *(note 6)*	**4,356**	3,654
Other long-term liabilities	**14,705**	14,171
	102,869	123,121
TOTAL LIABILITIES	**154,262**	181,925
EQUITY		
Share capital	**515,413**	482,656
Contributed surplus	**11,465**	10,890
Retained earnings	**55,419**	56,898
Accumulated other comprehensive income	**29,504**	1,360
Equity attributable to common shareholders of the Company	**611,801**	551,804
Non-controlling interests	**174**	223
TOTAL EQUITY	**611,975**	552,027
TOTAL LIABILITIES AND EQUITY	**766,237**	733,952

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the three and six months ended June 30, 2017 and 2016

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Continuing Operations				
Revenue	**86,853**	72,470	**161,521**	142,638
Costs and expenses				
Cost of sales	**63,455**	64,966	**126,388**	121,982
General and administrative expenses	**3,062**	4,672	**9,712**	9,832
Corporate social responsibility expenses	**465**	455	**800**	665
Exploration expenses	**2,598**	2,784	**4,238**	3,732
Finance cost	**1,996**	3,497	**4,059**	6,882
Other expense *(note 7)*	**2,465**	2,947	**15,026**	10,061
Earnings (loss) before income taxes	**12,812**	(6,851)	**1,298**	(10,516)
Current income tax expense	**2,521**	2,195	**4,826**	3,574
Deferred income tax recovery	**(671)**	(466)	**(1,918)**	(1,398)
Net earnings (loss) from continuing operations	**10,962**	(8,580)	**(1,610)**	(12,692)
Discontinued Operations				
Net earnings from discontinued operations	**-**	3,267	**-**	970
Net earnings (loss)	**10,962**	(5,313)	**(1,610)**	(11,722)
Net earnings (loss) attributable to:				
Common shareholders of the Company				
From continuing operations	**11,039**	(8,935)	**(1,479)**	(12,692)
From discontinued operations	**-**	3,267	**-**	970
Non-controlling interests	**(77)**	355	**(131)**	-
Net earnings (loss)	**10,962**	(5,313)	**(1,610)**	(11,722)
Basic and diluted earning (loss) per share attributable to common shareholders of the Company *(note 8)*				
From continuing operations	**0.06**	(0.06)	**(0.01)**	(0.09)
From discontinued operations	**-**	0.02	**-**	0.01
Basic and diluted earnings (loss) per share	**0.06**	(0.04)	**(0.01)**	(0.08)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three and six months ended June 30, 2017 and 2016

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Net earnings (loss)	**10,962**	(5,313)	**(1,610)**	(11,722)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Unrealized gains (losses) on forward foreign exchange contracts designated as cash flow hedges, net of income tax expense (recovery) of $542 (2016 - $(49)) and $557 (2016 - $58), respectively	**5,681**	(258)	**7,401**	4,283
Realized losses on forward foreign exchange contracts, transferred to net earnings (loss), net of income tax expense of $60 (2016 - $8) and $53 (2016 - $11), respectively	**565**	2,795	**1,744**	6,305
Unrealized gains on publicly traded securities, net of income tax expense of $nil (2016 - $nil) and $nil (2016 - $nil), respectively	**8,850**	3,894	**18,999**	7,781
Impairment charges on publicly traded securities, transferred to net loss, net of income tax recovery of $nil (2016 - $nil) and $nil (2016 - $nil), respectively	**-**	24	**-**	24
Currency translation adjustments	**-**	(4)	**-**	13
	15,096	6,451	**28,144**	18,406
Comprehensive income, net of income taxes	**26,058**	1,138	**26,534**	6,684
Comprehensive income (loss) attributable to:				
Common shareholders of the Company				
From continuing operations	**26,135**	(2,476)	**26,665**	5,714
From discontinued operations	**-**	3,267	**-**	970
Non-controlling interests	**(77)**	347	**(131)**	-
Comprehensive income, net of income taxes	**26,058**	1,138	**26,534**	6,684

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2017 and 2016

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
OPERATING ACTIVITIES				
Earnings (loss) before income taxes from continuing operations	**12,812**	(6,851)	**1,298**	(10,516)
Items not affecting cash and other adjustments *(note 10(a))*	**18,204**	28,273	**48,588**	58,955
Changes in non-cash working capital *(note 10(b))*	**(8,578)**	(9,014)	**9,008**	(34,181)
(Payments for) proceeds from settlement of derivative contracts	**(2,911)**	(4,365)	**(4,670)**	1,150
Income taxes paid	**(2,429)**	(1,372)	**(2,560)**	(3,214)
Cash provided from operating activities of continuing operations	**17,098**	6,671	**51,664**	12,194
Cash used in operating activities of discontinued operations	**-**	(1,253)	**-**	(861)
INVESTING ACTIVITIES				
Proceeds from Kapan Disposition	**4,372**	24,778	**4,372**	24,778
Proceeds from disposal of mine properties and property, plant and equipment	**76**	90	**96**	108
Expenditures on exploration and evaluation assets	**-**	(1,825)	**-**	(2,811)
Expenditures on mine properties	**(13,197)**	(3,123)	**(25,398)**	(6,577)
Expenditures on property, plant and equipment	**(4,268)**	(5,742)	**(8,208)**	(13,613)
Expenditures on intangible assets	**(1,626)**	-	**(1,965)**	(170)
Cash (used in) provided from investing activities of continuing operations	**(14,643)**	14,178	**(31,103)**	1,715
Cash used in investing activities of discontinued operations	**-**	(400)	**-**	(2,314)
FINANCING ACTIVITIES				
Proceeds from shares issued *(note 11(a))*	**-**	-	**33,196**	-
Share issuance costs	**(164)**	-	**(493)**	-
Repayments under revolving credit facility *(note 4(b))*	**-**	(10,000)	**(25,000)**	-
Repayments of term loans *(note 4(a))*	**(16,250)**	(8,125)	**(16,250)**	(8,125)
Financing fees on debt	**-**	(693)	**(390)**	(693)
Finance lease obligation	**(376)**	(417)	**(752)**	(771)
Interest paid	**(1,347)**	(2,027)	**(2,763)**	(3,870)
Cash used in financing activities of continuing operations	**(18,137)**	(21,262)	**(12,452)**	(13,459)
(Decrease) increase in cash of continuing operations	**(15,682)**	(413)	**8,109**	450
Decrease in cash of discontinued operations	**-**	(1,653)	**-**	(3,175)
Cash of continuing operations, beginning of period	**35,548**	24,258	**11,757**	23,395
Cash of discontinued operations, beginning of period	**-**	1,653	**-**	3,175
Cash of continuing operations, end of period	**19,866**	23,845	**19,866**	23,845
Cash of discontinued operations, end of period	**-**	-	**-**	-

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended June 30, 2017 and 2016

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

	June 30, 2017		June 30, 2016	
	Number	**Amount**	Number	Amount
Share Capital				
Authorized				
Unlimited common and preference shares with no par value				
Issued				
Fully paid common shares with one vote per share				
Balance at beginning of period	**160,588,112**	**482,656**	140,575,783	439,736
Shares issued on financing *(note 11(a))*	**17,843,120**	**33,176**	-	-
Share issuance costs *(note 11(a))*	**-**	**(493)**	-	-
Shares issued on option agreement	**10,000**	**17**		
Shares issued upon Avala acquisition	**-**	**-**	956,329	1,608
Shares issued on exercise of stock options *(note 6)*	**9,466**	**37**	-	-
Transferred from contributed surplus on exercise of stock options	**-**	**20**	-	-
Balance at end of period	**178,450,698**	**515,413**	141,532,112	441,344
Contributed surplus				
Balance at beginning of period		**10,890**		9,695
Share based compensation expense		**677**		936
Transferred to share capital on exercise of stock options		**(20)**		-
Other changes in contributed surplus		**(82)**		530
Balance at end of period		**11,465**		11,161
Retained earnings				
Balance at beginning of period		**56,898**		208,450
Net loss attributable to common shareholders of the Company		**(1,479)**		(11,722)
Balance at end of period		**55,419**		196,728
Accumulated other comprehensive income (loss) *(note 11 (b))*				
Balance at beginning of period		**1,360**		(20,424)
Other comprehensive income		**28,144**		16,924
Balance at end of period		**29,504**		(3,500)
Total equity attributable to common shareholders of the Company		**611,801**		645,733
Non-controlling interests				
Balance at beginning of period		**223**		656
Net loss attributable to non-controlling interests		**(131)**		-
Other changes in non-controlling interests		**82**		(656)
Balance at end of period		**174**		-
Total equity at end of period		**611,975**		645,733

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

1. CORPORATE INFORMATION

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

As at June 30, 2017, DPM's condensed interim consolidated financial statements include DPM and its subsidiary companies (collectively, the "Company").

Continuing operations:

DPM's principal subsidiaries include:

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

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

- 10.5% of Sabina Gold and Silver Corp. ("Sabina"), which is advancing its Back River project through the environmental assessment process and recently received a positive recommendation from the Nunavut Impact Review Board to proceed to the licensing phase;
- 100% of Avala Resources Ltd. ("Avala"), which is focused on the exploration and development of the Lenovac project, the Timok gold project, the Tulare copper and gold project and other early stage projects in Serbia; and
- through an option agreement, the right to earn up to a 71% interest in Khalkos Exploration Inc.'s Malartic gold property located in the Archean Abitibi greenstone belt in the Malartic mining camp in Quebec.

Discontinued operations:

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

2.1 BASIS OF PREPARATION

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

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

These condensed interim consolidated financial statements were approved by the Board of Directors on July 27, 2017.

2.2 CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of the Company's condensed interim 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 condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The significant areas of estimation and uncertainty considered by management in preparing the condensed interim consolidated financial statements for the three and six months ended June 30, 2017 are the same as those described in the Company's annual consolidated financial statements for the year ended December 31, 2016.

2.3 NEW STANDARDS NOT YET ADOPTED

The following new standards are not yet effective for the year ending December 31, 2017, and have not been applied when preparing the Company's condensed interim consolidated financial statements for the three and six months ended June 30, 2017. The Company's assessment of the impact of these new standards is set out below.

IFRS 9, *Financial Instruments*

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

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

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

Upon adoption of IFRS 9, the effective portion of changes in fair value of commodity contracts relating to production hedges, which are currently recognized in other income or expense, would be recognized in other comprehensive income or loss and would be reclassified to profit or loss in the same periods as the underlying projected sales occur. In the case of forward foreign exchange contracts, the Company would continue to be able to designate the change in fair value of the spot element of the forward foreign exchange contract as the hedging instrument in the cash flow hedging relationship such that any unrealized fair value change would be initially recognized in other comprehensive income or loss and subsequently reclassified to profit or loss when realized in the same periods as the underlying projected operating expenditures. For hedges of capital expenditures, realized gains or losses would be included in the carrying value of assets when the capital expenditures occur.

Upon adoption of IFRS 9, the Company may also elect that the forward points in the forward foreign exchange contract be separately accounted for as a cost of hedging. This would result in any initial unrealized change in the fair value of the forward point component of the forward foreign exchange contracts being recognized in other comprehensive income or loss and accumulated as a cost of hedging within shareholders' equity. Accumulated gains and losses would be recognized in profit or loss for hedges of operating expenses and included in the carrying amount of assets for hedges of capital expenditures, when the contracts settle. The Company has not made a decision on this election.

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

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

IFRS 15, *Revenue from Contracts with Customers*

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

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is planning to adopt this standard effective January 1, 2018. IFRS 15 provides the choice for either full retrospective application or modified retrospective application whereby the cumulative effect of retrospectively applying IFRS 15 would apply only to those contracts that are not settled as at the date of adoption. The Company is in the process of completing the review of its revenue contracts with customers.

While the Company has not finalized its impact assessment, the Company may be required to recognize a financing expense in respect of its prepaid forward gold sales arrangement upon adoption of IFRS 15.

The Company has prepared a project plan for IFRS 9 and IFRS 15 and will provide an update on its assessments in the third quarter of 2017. The Company expects to complete its preparatory work in the fourth quarter of 2017 with implementation commencing on January 1, 2018.

IFRS 16, *Leases*

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

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

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

3. FINANCIAL INSTRUMENTS

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

	Financial instrument classification	Carrying Amount June 30, 2017	Carrying Amount December 31, 2016
Financial assets			
Cash	Loans and receivables	**19,866**	11,757
Accounts receivable	Loans and receivables	**31,163**	45,131
Restricted cash	Loans and receivables	**2,285**	2,216
Sabina special warrants *(a)*	Held for trading	**4,023**	2,008
Publicly traded securities *(b)*	Available for sale	**36,207**	17,208
Commodity swap and option contracts *(c)*	Derivatives held for trading	**244**	6,941
Forward foreign exchange contracts *(d)*	Derivatives for cash flow hedges	**5,425**	-
Financial liabilities			
Accounts payable and accrued liabilities	Other financial liabilities	**41,063**	33,905
Debt *(note 4)*	Other financial liabilities	**-**	41,110
Commodity swap and option contracts *(c)*	Derivatives held for trading	**6,503**	4,685
Forward foreign exchange contracts *(d)*	Derivatives for cash flow hedges	**-**	1,955

The carrying values of all the financial assets and liabilities approximate their fair values as at June 30, 2017 and December 31, 2016.

(a) Sabina special warrants

As at June 30, 2017, DPM held: (i) 23,539,713 common shares of Sabina; and (ii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the Back River project or upon the occurrence of certain other events. Each of the special warrants is exercisable into one common share until 2044.

The fair value of the special warrants was based on the fair value of the Sabina common shares, which was determined based on the closing bid prices as at June 30, 2017 and December 31, 2016.

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

For the three and six months ended June 30, 2017, the Company reported unrealized gains on the Sabina special warrants of $0.8 million (2016 – $0.3 million) and $2.0 million (2016 – $0.8 million), respectively, in other expense *(note 7)* in the condensed interim consolidated statements of earnings (loss).

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

(b) Publicly traded securities

Publicly traded securities include a portfolio of equity investments in publicly traded mining and exploration companies, comprised primarily of Sabina common shares. For the three and six months ended June 30, 2017, the Company reported unrealized gains on these publicly traded securities of $8.9 million (2016 – $3.9 million) and $19.0 million (2016 – $7.8 million), respectively, in other comprehensive income.

(c) Commodity swap and option contracts

The Company enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to eliminate or substantially reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales ("QP Hedges"). As at June 30, 2017, the Company had outstanding commodity swap contracts in respect of this exposure as summarized in the table below:

Commodity hedged	Volume hedged	Average fixed price of QP Hedges
Payable gold	7,200 ounces	$1,256.22/ounce
Payable copper	981,056 pounds	$2.62/pound
Payable silver	5,590 ounces	$17.49/ounce

The Company also enters into cash settled commodity swap and option contracts from time to time to reduce its future metal price exposures ("Production Hedges"). The commodity swap contracts were entered to swap future contracted monthly average copper prices for fixed prices. The commodity option contracts were entered to provide price protection below a specified "floor" price and price participation up to a specified "ceiling" price. These option contracts are comprised of a series of call options and put options (which when combined create a price "collar") that were structured so as to provide for a zero upfront cash cost. As at June 30, 2017 the Company had outstanding commodity swap contracts as summarized in the table below:

Year of projected production	Volume of copper hedged (pounds)	Average fixed price ($/pound)
Balance of 2017	16,271,194	2.40
2018	19,166,966	2.62
	35,438,160	**2.52**

As at June 30, 2017, the Company had outstanding commodity option contracts as summarized in the table below:

Year of projected production	Volume of gold hedged (ounces)	Call options sold Average ceiling price ($/ounce)	Put options purchased Floor price ($/ounce)
Balance of 2017	22,500	1,497	1,200

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 June 30, 2017, the net fair value loss on all outstanding commodity swap and option contracts was $6.3 million (December 31, 2016 – a net fair value gain of $2.3 million), of which $0.2 million (December 31, 2016 – $4.8 million) was included in other current assets, $5.6 million (December 31, 2016 – $4.7 million) in accounts payable and accrued liabilities, $nil (December 31, 2016 – $2.2 million) in other long-term assets, and $0.9 million (December 31, 2016 – $nil) in other long-term liabilities.

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

For the three and six months ended June 30, 2017, the Company reported unrealized gains on the commodity swap and option contracts related to continuing operations of $1.4 million (2016 – unrealized losses of $3.0 million) and unrealized losses of $8.5 million (2016 - $10.1 million), respectively, in other expense *(note 7)*. The Company also reported realized losses on the settlement of certain commodity swap and option contracts related to continuing operations of $2.5 million (2016 – $0.3 million) and $5.6 million (2016 – $0.03 million), respectively, in other expense *(note 7)* for the three and six months ended June 30, 2017.

For the three and six months ended June 30, 2016, the Company reported unrealized gains of $0.5 million and unrealized losses of $0.5 million, respectively, on commodity swap contracts related to discontinued operations in net loss from discontinued operations. The Company also reported realized losses on the settlement of certain commodity swap contracts related to discontinued operations of $1.0 million and $1.1 million, respectively, in net loss from discontinued operations for the three and six months ended June 30, 2016.

(d) Forward foreign exchange contracts

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

As at June 30, 2017, the Company had outstanding forward foreign exchange contracts in respect of projected foreign denominated operating expenses and capital expenditures as summarized in the table below:

Year of projected operating expenses	**Foreign currency hedged *(i)***	**Amount hedged in foreign currency**	**Average exchange rate Foreign currency/US$**
Balance of 2017	Euro	5,400,000	1.1338
	South African rand	360,000,000	14.0997

Year of projected capital expenditures	**Foreign currency hedged *(i)***	**Amount hedged in foreign currency**	**Average exchange rate Foreign currency/US$**
Balance of 2017	Euro	50,039,000	1.1048
2018	Euro	43,045,000	1.1236
	Euro	**93,084,000**	**1.1135**

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

The fair value gain or loss on these outstanding contracts was calculated based on the forward foreign exchange rates quoted in the market. As at June 30, 2017, the net fair value gain on all outstanding forward foreign exchange contracts was $5.4 million (December 31, 2016 – a net fair value loss of $2.0 million), of which $4.8 million (December 31, 2016 – $nil) was included in other current assets, $nil (December 31, 2016 – $2.0 million) in accounts payable and accrued liabilities, and $0.6 million (December 31, 2016 – $nil) in other long-term assets.

For the three and six months ended June 30, 2017, the Company reported unrealized gains of $6.7 million (2016 – $2.4 million) and $9.6 million (2016 – $10.6 million), respectively, in other comprehensive income on the spot component of the outstanding forward foreign exchange contracts. The Company also reported realized losses of $0.5 million (2016 – $2.8 million) and $1.7 million (2016 – $6.3 million) for the three and six months ended June 30, 2017, respectively, in cost of sales on the spot component of the settled contracts.

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

For the three and six months ended June 30, 2017, the Company reported unrealized losses of $1.8 million (2016 – $0.2 million) and $2.3 million (2016 – unrealized gains of $0.6 million), respectively, in other expense *(note 7)* on the forward point component of the outstanding forward foreign exchange contracts. The Company also reported realized gains of $1.5 million (2016 – $0.9 million) and $2.9 million (2016 – $1.5 million) for the three and six months ended June 30, 2017, respectively, in other expense *(note 7)* on the forward point component of the settled contracts.

Fair value hierarchy

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

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2017 and December 31, 2016:

				As at June 30, 2017
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Sabina special warrants	**-**	**-**	**4,023**	**4,023**
Publicly traded securities	**36,207**	**-**	**-**	**36,207**
Commodity swap and option contracts	**-**	**244**	**-**	**244**
Forward foreign exchange contracts	**-**	**5,425**	**-**	**5,425**
Financial liabilities				
Commodity swap and option contracts	**-**	**6,503**	**-**	**6,503**

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

During the six months ended June 30, 2017 and the year ended December 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

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

The following table reconciles level 3 fair value measurements from January 1, 2016 to June 30, 2017:

Balance as at January 1, 2016	1,451
Unrealized gains included in net loss	557
Balance as at December 31, 2016	2,008
Unrealized gains included in net loss *(note 7)*	**2,015**
Balance as at June 30, 2017	**4,023**

4. DEBT

	June 30, 2017	December 31, 2016
Current portion of debt		
Term loans *(a)*	-	16,110
Long-term portion of debt		
Revolving credit facility *(b)*	-	25,000
Total debt	-	41,110

(a) Term Loans

The original aggregate principal amount of DPM's secured term loans ("Term Loans") was $81.25 million. In June 2017, the Company repaid the remaining balance owing under the Term Loans. The Term Loans were repayable in 10 equal semi-annual instalments, which commenced in June 2013, and bore interest at a rate equal to the three month U.S. Dollar LIBOR plus 2.80%. The Term Loans were secured by pledges of the Company's investments in Krumovgrad, Chelopech and Tsumeb and by guarantees from each of these subsidiaries.

(b) Credit agreements and guarantees

Chelopech and Krumovgrad

Chelopech and Krumovgrad have a $16.3 million multi-purpose credit facility that matures on November 29, 2017. This credit facility is guaranteed by DPM. Advances under the multi-purpose revolving credit facility bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 3.25%. As at June 30, 2017, $4.2 million (December 31, 2016 – $4.2 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech and Krumovgrad also have a Euro 21.0 million ($24.0 million) credit facility to support their mine closure and rehabilitation plans. This credit facility matures on December 31, 2017 and is guaranteed by DPM. As at June 30, 2017, $16.6 million (December 31, 2016 – $15.3 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

DPM

DPM has a committed revolving credit facility ("RCF") with a consortium of banks. In March 2017, the RCF was amended to extend the terms of tranche A and tranche B by an additional year. As at June 30, 2017, the RCF is comprised of a $45.0 million tranche A maturing in February 2022, a $150.0 million tranche B maturing in February 2020, and an $80.0 million tranche C maturing in September 2021 that has quarterly availability reductions of $4.0 million beginning in the third quarter of 2018.

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

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 contains financial covenants that require DPM to maintain: (i) a Debt Leverage Ratio below 4.0:1 during the construction of the Krumovgrad gold project (below 3.5:1 thereafter), (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 June 30, 2017, DPM was in compliance with all financial covenants and no amounts were drawn under the RCF.

5. REHABILITATION PROVISIONS

The rehabilitation provisions represent the present value of rehabilitation costs relating to the Chelopech, Tsumeb and Krumovgrad sites, which are expected to be incurred between 2017 and 2041.

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

	June 30, 2017	December 31, 2016
Discount period		
Chelopech	**2018 - 2029**	2017 - 2029
Tsumeb	**2017 - 2039**	2017 - 2039
Krumovgrad	**2019 - 2041**	2019 - 2041
Local discount rate		
Chelopech/Krumovgrad	**1.7%**	1.8%
Tsumeb	**10.2%**	10.0%
Local inflation rate		
Chelopech/Krumovgrad	**2.0%**	2.0%
Tsumeb	**5.0%**	5.0%

Changes to rehabilitation provisions were as follows:

	Chelopech	**Tsumeb**	**Krumovgrad**	**Kapan**	**Total**
Balance as at January 1, 2016	14,582	15,524	-	5,021	35,127
Change in cost estimate	-	(4,753)	306	-	(4,447)
Remeasurement of provisions *(a)*	341	2,167	-	813	3,321
Accretion expense	358	1,771	-	287	2,416
Kapan Disposition	-	-	-	(6,121)	(6,121)
Balance as at December 31, 2016	15,281	14,709	306	-	30,296
Change in cost estimate	**-**	**-**	**1,139**	**-**	**1,139**
Remeasurement of provisions *(a)*	**1,420**	**138**	**(58)**	**-**	**1,500**
Accretion expense	**141**	**727**	**5**	**-**	**873**
Balance as at June 30, 2017	**16,842**	**15,574**	**1,392**	**-**	**33,808**

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

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

6. SHARE BASED COMPENSATION PLANS

Restricted Share Unit

DPM has a Restricted Share Unit 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 restricted share units ("RSUs")

These RSUs vest equally over a three year period and are paid in cash based on the market value of DPM's publicly traded common shares on the entitlement date or dates, which should not be later than December 31 of the year that is three years after the year of service for which the RSUs are granted, as determined by the Board of Directors in its sole discretion.

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

	Number of RSUs	Amount
Balance as at January 1, 2016	1,939,129	965
RSUs granted	1,824,700	3,138
RSUs redeemed	(920,012)	(1,560)
RSUs forfeited	(83,837)	(55)
Mark-to-market adjustments	-	(2)
Balance as at December 31, 2016	2,759,980	2,486
RSUs granted	**1,635,150**	**1,640**
RSUs redeemed	**(1,190,339)**	**(2,453)**
RSUs forfeited	**(168,336)**	**(204)**
Mark-to-market adjustments	**-**	**534**
Balance as at June 30, 2017	**3,036,455**	**2,003**

As at June 30, 2017, there was $3.8 million (December 31, 2016 – $2.0 million) of expenses remaining to be charged to net earnings in future periods relating to these RSUs.

(b) Performance share units ("PSUs")

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

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

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

	Number of PSUs	Amount
Balance as at January 1, 2016	369,800	79
PSUs granted	854,500	592
PSUs forfeited	(62,500)	(25)
Mark-to-market adjustments	-	(6)
Balance as at December 31, 2016	1,161,800	640
PSUs granted	**645,100**	**453**
PSUs forfeited	**(33,700)**	**(31)**
Mark-to-market adjustments	**-**	**21**
Balance as at June 30, 2017	**1,773,200**	**1,083**

As at June 30, 2017, there was $2.1 million (December 31, 2016 – $1.2 million) of expenses remaining to be charged to net earnings in future periods relating to these PSUs.

Deferred Share Unit ("DSU") Plan

DPM has a DSU Plan for directors and certain employees.

Under the employee DSU Plan, grants to employees of the Company are determined by the Board of Directors, or the compensation committee, in lieu of a cash bonus. The DSUs are redeemable in cash based on the market value of DPM's publicly traded common shares on the date the employee ceases to be employed by DPM or a subsidiary thereof.

Under the director DSU Plan, directors may receive a portion of their annual compensation in the form of DSUs. The DSUs are redeemable in cash based on the market value of DPM's publicly traded common shares at any time before the end of the year following the year in which the director ceases to be a director of DPM or a subsidiary thereof.

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

	Number of DSUs	Amount
Balance as at January 1, 2016	1,122,020	1,049
DSUs granted	254,750	500
DSUs redeemed	(121,383)	(225)
Mark-to-market adjustments	-	755
Balance as at December 31, 2016	1,255,387	2,079
DSUs granted	**128,360**	**256**
Mark-to-market adjustments	**-**	**346**
Balance as at June 30, 2017	**1,383,747**	**2,681**

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

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 six months ended June 30, 2017, the Company granted 931,947 (2016 – 1,231,364) stock options with a fair value of $1.1 million (2016 – $1.1 million). The estimated value of the options granted will be recognized as an expense in the condensed interim consolidated statements of earnings (loss) and an addition to contributed surplus in the condensed interim consolidated statements of changes in shareholders' equity over the vesting period. The Company recorded a stock option expense of $0.3 million (2016 – $0.3 million) and $0.7 million (2016 - $0.9 million), respectively, for the three and six months ended June 30, 2017 under this stock option plan.

As at June 30, 2017, there was $1.3 million (December 31, 2016 – $0.9 million) of share based compensation cost remaining to be charged to net earnings in future periods relating to stock option grants. The fair value of options granted was estimated using the Black-Scholes option pricing model. The expected volatility is estimated based on the historic average share price volatility. The inputs used in the measurement of the fair values at the time the options were granted were as follows:

	June 30, 2017	June 30, 2016
Five year risk free interest rate	**1.0%**	0.5%
Expected life in years	**4.75**	4.75
Expected volatility	**68.5%**	64.8%
Dividends per share	**-**	-

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

	Number of options	**Weighted average exercise price per share (Cdn$)**
Balance as at January 1, 2016	6,126,937	6.03
Options granted	1,262,584	2.21
Options forfeited	(103,735)	2.64
Options expired	(1,638,133)	8.81
Balance as at December 31, 2016	5,647,653	4.44
Options granted	**931,947**	**2.83**
Options exercised	**(19,333)**	**2.58**
Options forfeited	**(46,333)**	**2.73**
Options expired	**(777,782)**	**8.31**
Balance as at June 30, 2017	**5,736,152**	**3.67**

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

The following lists the options outstanding and exercisable as at June 30, 2017:

	Options outstanding			Options exercisable	
Range of exercise prices per share (Cdn$)	**Number of options outstanding**	**Weighted average remaining years**	**Weighted average exercise price per share (Cdn$)**	**Number of options exercisable**	**Weighted average exercise price per share (Cdn$)**
2.05 - 3.96	4,963,552	3.08	3.01	2,738,633	3.31
7.71 - 7.84	682,600	0.73	7.84	682,600	7.84
8.34 - 8.54	90,000	0.44	8.42	90,000	8.42
2.05 - 8.54	**5,736,152**	**2.76**	**3.67**	**3,511,233**	**4.32**

7. OTHER EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Net gains on Sabina special warrants *(note 3(a))*	**838**	349	**2,015**	804
Net losses on commodity swap and option contracts *(note 3(c))*	**(1,061)**	(3,320)	**(14,069)**	(10,142)
Net (losses) gains on forward foreign exchange contracts *(note 3(d))*	**(283)**	638	**597**	2,034
Impairment charges on publicly traded securities *(note 3(b))*	**-**	(24)	**-**	(24)
Net foreign exchange losses	**(2,420)**	(584)	**(4,306)**	(2,060)
Interest income	**76**	63	**141**	111
Other income (expense), net	**385**	(69)	**596**	(784)
	(2,465)	(2,947)	**(15,026)**	(10,061)

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

8. EARNINGS (LOSS) PER SHARE

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Net earnings (loss) attributable to common shareholders				
From continuing operations	**11,039**	(8,935)	**(1,479)**	(12,692)
From discontinued operations	**-**	3,267	**-**	970
Net earnings (loss)	**11,039**	(5,668)	**(1,479)**	(11,722)
Basic weighted average number of common shares	**178,441,132**	141,448,039	**176,082,352**	141,011,911
Effect of stock options	**151,552**	244,953	**-**	125,220
Diluted weighted average number of common shares	**178,592,684**	141,692,992	**176,082,352**	141,137,131
Basic and diluted earnings (loss) per share attributable to common shareholders of the Company				
From continuing operations	**0.06**	(0.06)	**(0.01)**	(0.09)
From discontinued operations	**-**	0.02	**-**	0.01
Basic and diluted earnings (loss) per share	**0.06**	(0.04)	**(0.01)**	(0.08)

9. KEY MANAGEMENT REMUNERATION

The Company's related parties include its key management. Key management includes directors (executive and non-executive), the Chief Executive Officer ("CEO") and the Executive and Senior Vice Presidents reporting directly to the CEO.

The remuneration of the key management of the Company recognized in the condensed interim consolidated statements of earnings (loss) for the three and six months ended June 30, 2017 and 2016 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Salaries, management bonuses and director fees	**1,156**	1,136	**2,330**	2,208
Other benefits	**94**	93	**193**	182
Share based compensation	**511**	1,916	**2,332**	3,609
Total remuneration	**1,761**	3,145	**4,855**	5,999

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

10. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Items not affecting cash and other adjustments

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
Depreciation and amortization	**15,605**	19,456	**31,500**	38,405
Net interest expense	**1,474**	2,902	**3,045**	5,748
Accretion expense related to rehabilitation provisions	**446**	532	**873**	1,023
Share based compensation expense	**275**	379	**677**	936
Net gains on Sabina special warrants	**(838)**	(349)	**(2,015)**	(804)
Net losses on commodity swap and option contracts	**1,061**	3,320	**14,069**	10,142
Net losses on forward foreign exchange contracts	**790**	2,148	**1,096**	4,260
Impairment charges on publicly traded securities	**-**	24	**-**	24
Other, net	**(609)**	(139)	**(657)**	(779)
	18,204	28,273	**48,588**	58,955

(b) Changes in non-cash working capital

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	**2017**	2016
(Increase) decrease in accounts receivable and other assets	**(6,636)**	(9,167)	**8,984**	(21,713)
Increase in inventories	**(4,092)**	(570)	**(2,407)**	(5,512)
Increase (decrease) in accounts payable and accrued liabilities	**2,424**	53	**1,242**	(9,079)
(Decrease) increase in other liabilities	**(274)**	670	**1,189**	2,123
	(8,578)	(9,014)	**9,008**	(34,181)

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

11. 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.

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

	Six months ended June 30,	
	2017	2016
Unrealized gains (losses) on forward foreign exchange contracts designated as cash flow hedges		
Balance at beginning of period	**(6,924)**	(25,405)
Unrealized gains on forward foreign exchange contracts designated as cash flow hedges, net of income taxes	**7,401**	4,283
Realized losses on forward foreign exchange contracts transferred to net loss, net of income taxes	**1,744**	6,305
Balance at end of period	**2,221**	(14,817)
Unrealized gains on publicly traded securities		
Balance at beginning of period	**10,867**	6,095
Unrealized gains on publicly traded securities, net of income taxes	**18,999**	7,781
Impairment charges on publicly traded securities transferred to net loss, net of income taxes	**-**	24
Balance at end of period	**29,866**	13,900
Accumulated currency translation adjustments		
Balance at beginning of period	**(2,583)**	(1,114)
Currency translation adjustments	**-**	(1,469)
Balance at end of period	**(2,583)**	(2,583)
Accumulated other comprehensive income (loss)	**29,504**	(3,500)

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

12. COMMITMENTS AND OTHER CONTINGENCIES

(a) Commitments

The Company had the following minimum contractual commitments as at June 30, 2017:

	up to 1 year	1 - 5 years	over 5 years	Total
Capital commitments	75,952	-	-	**75,952**
Purchase commitments	28,069	-	-	**28,069**
Operating lease payments	3,826	13,689	1,022	**18,537**
Total commitments	**107,847**	**13,689**	**1,022**	**122,558**

As at June 30, 2017, Tsumeb had approximately $113 million (December 31, 2016 – $130 million) of recoverable third party in-process secondary materials, which it is obligated to process and return, generally in the form of blister, to Louis Dreyfus Company Metals Suisse ("LD") pursuant to a tolling agreement.

In July 2017, the Company and LD 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 of excess secondary materials representing approximately $90 million over a 3 ½ year period ending 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.

(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.

13. OPERATING SEGMENT INFORMATION

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

The Company has two operating segments from continuing operations – Chelopech in Bulgaria and Tsumeb in Namibia. The nature of their operations and products and services are described in *note 1, Corporate Information*. These segments are organized predominantly by the products and services provided to customers and geography of the businesses. The Corporate and Other segment includes corporate, exploration and development projects, and other income and cost items that do not pertain directly to an operating segment. There are no significant inter-segment transactions that have not been eliminated on consolidation.

The operating results of Kapan have been presented as discontinued operations as a result of the Kapan Disposition.

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

The following table summarizes the relevant information from continuing operations by segment for the three and six months ended June 30, 2017 and 2016:

				Three months ended June 30, 2017
	Chelopech	**Tsumeb**	**Corporate & Other**	**Total**
Continuing Operations				
Revenue *(a)*	**42,980**	**43,873**	**-**	**86,853**
Earnings (loss) before income taxes	**17,120**	**2,174**	**(6,482)**	**12,812**
Capital expenditures	**4,616**	**844**	**15,305**	**20,765**

				Three months ended June 30, 2016
	Chelopech	Tsumeb	Corporate & Other	Total
Continuing Operations				
Revenue *(a)*	47,065	25,405	-	72,470
Earnings (loss) before income taxes	14,714	(11,794)	(9,771)	(6,851)
Capital expenditures	1,637	8,358	3,075	13,070

				Six months ended June 30, 2017
	Chelopech	**Tsumeb**	**Corporate & Other**	**Total**
Continuing Operations				
Revenue *(a)*	**95,018**	**66,503**	**-**	**161,521**
Earnings (loss) before income taxes	**26,648**	**(10,565)**	**(14,785)**	**1,298**
Capital expenditures	**6,968**	**5,307**	**30,474**	**42,749**

				Six months ended June 30, 2016
	Chelopech	Tsumeb	Corporate & Other	Total
Continuing Operations				
Revenue *(a)*	85,643	56,995	-	142,638
Earnings (loss) before income taxes	21,862	(14,100)	(18,278)	(10,516)
Capital expenditures	4,651	12,583	7,259	24,493

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

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

The following table summarizes the total assets and total liabilities by segment as at June 30, 2017 and December 31, 2016:

				As at June 30, 2017
	Chelopech	**Tsumeb**	**Corporate & Other**	**Total**
Total current assets	**45,566**	**23,985**	**18,890**	**88,441**
Total non-current assets	**212,131**	**254,637**	**211,028**	**677,796**
Total assets	**257,697**	**278,622**	**229,918**	**766,237**
Total liabilities	**38,568**	**43,500**	**72,194**	**154,262**

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

CORPORATE INFORMATION

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Peter Nixon[2,3]
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Marie-Anne Tawil[1,3]
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Anthony P. Walsh[1,2]
Vancouver, British Columbia, Canada

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

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

Officers

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Executive Chairman

Richard Howes
President and Chief Executive Officer

Hume Kyle
Executive Vice President and Chief Financial Officer

David Rae
Executive Vice President and Chief Operating Officer

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

Michael Dorfman
Senior Vice President, Corporate Development

Richard Gosse
Senior Vice President, Exploration

Nikolay Hristov
Senior Vice President, Sustainable Business Development

John Lindsay
Senior Vice President, Projects

Paul Proulx
Senior Vice President, Corporate Services

Mark Crawley
Vice President, Commercial

Iliya Garkov
Vice President and General Manager, Bulgaria

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

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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.

Registrar

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