2016

SECOND QUARTER REPORT

Dundee Precious Metals

MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations

for the Three and Six Months Ended June 30, 2016

(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, 2016. 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, 2016 prepared in accordance with International Financial Reporting Standards ("IFRS") and the MD&A for the year ended December 31, 2015. 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, 2016. 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 28, 2016.

OVERVIEW

Our Business

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

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 focused on the development of a gold property located in south eastern Bulgaria, near the town of Krumovgrad; and
- 100% of Dundee Precious Metals Tsumeb (Proprietary) Limited ("Tsumeb"), which owns and operates a custom smelter located in Tsumeb, Namibia.

DPM also owns 100% of Avala Resources Ltd. ("Avala"), which is incorporated in British Columbia and focused on the exploration and development of the Lenovac project, the Timok gold project, the Tulare copper and gold project and other early stage projects in Serbia. In April 2016, the Company acquired all of the issued and outstanding shares of Avala not already owned by DPM.

Discontinued operations:

- Prior to the completion of the sale of Dundee Precious Metals Kapan CJSC ("Kapan") on April 28, 2016, DPM owned 100% of 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 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.

Recent Developments

On July 11, 2016, DPM closed its previously announced bought deal financing with a syndicate of investment dealers, led by RBC Capital Markets, and including CIBC Capital Markets, Dundee Securities Ltd., GMP Securities L.P., Paradigm Capital Inc., Scotia Capital Inc., and BMO Capital Markets (collectively, the "Underwriters"), pursuant to which the Company issued 18,216,000 common shares of the Company (each, a "Share") at a price of Cdn$3.00 per Share, for aggregate gross proceeds of Cdn$54.6 million (the "Offering"). Concurrent with the Offering, the Company has also closed its previously announced non-brokered private placement ("Non-Brokered Private Placement") of 840,000 Shares of the Company at a price of Cdn$3.00 per share, for additional gross proceeds of Cdn$2.5 million. Total net proceeds from the Offering and the Non-Brokered Private Placement, after deducting the Underwriters' fee and estimated issuance costs, were Cdn$53.9 million. The Company plans to use the net proceeds from the Offering and the Non-Brokered Private Placement to reduce drawdowns under its revolving credit facility ("RCF"), support advancing its growth initiatives and for general corporate purposes.

In March 2016, the Company entered into a definitive agreement with Polymetal International Plc ("Polymetal") for the sale of its interest in Kapan through the disposition of all of the issued and outstanding shares of Kapan (the "Kapan Disposition"). The Kapan Disposition was completed on April 28, 2016. Under the Kapan Disposition, the Company received consideration consisting of (i) $10 million in cash from the buyer, (ii) a working capital adjustment estimated at $7.3 million, which is expected to be finalized in the third quarter of 2016, (iii) $15.2 million in Polymetal ordinary shares, which were subsequently sold for net proceeds of $14.8 million, and (iv) a 2% net smelter royalty on future production from the Kapan property having an estimated value of $9.5 million. As a result, a gain of $6.0 million was recognized in the second quarter of 2016.

As a result of the Kapan Disposition, the operating results and cash flows of Kapan have been presented as discontinued operations in the consolidated statements of (loss) earnings and cash flows for the three and six months ended June 30, 2016 and 2015. Refer to the “Review of Operating Results from Discontinued Operations” section of this MD&A for a more detailed discussion of the Kapan Disposition and results of discontinued operations.

In April 2016, the Company acquired all of the issued and outstanding shares of Avala not already owned by DPM for consideration of 0.044 of a DPM common share for each Avala share outstanding. As a result, DPM issued 956,329 common shares valued at $1.6 million. As this transaction does not result in a change of control, the acquired assets and liabilities will remain at their carrying values with a corresponding reduction in contributed surplus of $1.1 million, representing the excess of the fair value of the consideration paid over the carrying value of the assets and liabilities acquired.

KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS

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

$ thousands, unless otherwise indicated	Three Months		Six Months	
Ended June 30,	**2016**	2015[13]	**2016**	2015[13]
Operational Highlights				
Payable metals in concentrate sold from continuing operations:				
Gold *(ounces)*[1]	**37,871**	33,977	**69,618**	72,627
Copper *('000s pounds)*	**9,061**	9,613	**17,584**	19,240
Silver *(ounces)*	**43,397**	51,682	**75,501**	99,617
Payable metals in concentrate sold from continuing and discontinued operations:				
Gold *(ounces)*	**42,771**	40,646	**76,922**	81,923
Copper *('000s pounds)*	**9,667**	10,394	**18,421**	20,270
Zinc *('000s pounds)*	**746**	3,075	**2,688**	5,083
Silver (ounces)	**125,238**	166,566	**195,783**	262,313
Cash cost per tonne of ore processed *($)*[3],[4],[12]	**33.72**	35.09	**33.88**	35.76
Cash cost per ounce of gold sold, net of by-product credits *($)*[2],[3],[5],[6],[12]	**456**	374	**462**	357
Cash cost per ounce of gold sold in pyrite concentrate *($)*[3],[9]	**765**	907	**786**	944
All-in sustaining cost per ounce of gold *($)*[2],[3],[6],[8],[12]	**580**	499	**627**	498
Complex concentrate smelted at Tsumeb *(tonnes)*	**44,545**	53,721	**101,967**	96,822
Cash cost per tonne of complex concentrate smelted at Tsumeb, net of by-products credits *($)*[3],[10]	**502**	376	**409**	429
Financial Results				
Revenue[12]	**72,470**	58,573	**142,638**	118,629
Gross profit[7],[12]	**7,504**	3,783	**20,656**	5,506
Depreciation and amortization[12]	**19,456**	15,023	**38,405**	30,310
Adjusted EBITDA[3],[12]	**17,782**	19,307	**39,292**	39,047
Other (expense) income[12]	**(2,947)**	6,921	**(10,061)**	14,505
(Loss) earnings before income taxes from continuing operations	**(6,851)**	2,159	**(10,516)**	2,672
Income tax expense[12]	**(1,729)**	(647)	**(2,176)**	(3,028)
Net (loss) earnings attributable to common shareholders from continuing operations	**(8,935)**	1,826	**(12,692)**	284
Net (loss) earnings attributable to common shareholders	**(5,668)**	1,831	**(11,722)**	(1,226)
Basic (loss) earnings per share from continuing operations *($/share)*	**(0.06)**	0.01	**(0.09)**	0.00
Basic (loss) earnings per share attributable to common shareholders *($/share)*	**(0.04)**	0.01	**(0.08)**	(0.01)
Adjusted (loss) earnings before income taxes from continuing operations[3]	**(5,108)**	1,969	**(5,884)**	4,015
Adjusted net (loss) earnings from continuing operations[3]	**(7,389)**	1,417	**(8,673)**	1,355
Adjusted basic (loss) earnings per share from continuing operations *($/share)*[3]	**(0.05)**	0.01	**(0.06)**	0.01
Cash provided from operating activities of continuing operations	**6,671**	37,382	**12,194**	34,720
Cash provided from operating activities of continuing operations, before changes in non-cash working capital[3]	**15,685**	17,631	**46,375**	35,785

Free cash flow of continuing operations(3)	**1,438**	4,626	**22,783**	16,182
Capital expenditures incurred from continuing operations:				
Growth(3)	**8,949**	14,488	**16,061**	26,994
Sustaining(3)	**4,121**	3,172	**8,432**	7,146
Total capital expenditures	**13,070**	17,660	**24,493**	34,140

As at,	**June 30, 2016**	December 31, 2015
Financial Position		
Cash and cash equivalents	**23,845**	26,570
Investments at fair value	**22,496**	13,911
Total assets	**889,274**	906,151
Debt(11)	**139,096**	147,035
Equity	**645,733**	638,113
Common shares outstanding *('000s)*	**141,532**	140,576
Share price *(Cdn$ per share)*	**3.08**	1.28

1) *Includes payable gold in pyrite concentrate sold in the second quarter and first six months of 2016 of 5,397 ounces and 15,110 ounces, respectively, compared to 8,972 ounces and 16,308 ounces for the corresponding periods in 2015.*
2) *Excludes metals in pyrite concentrate sold, and where applicable, the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, which is reported separately. Cash cost per ounce of gold sold, net of by-product credits, including payable gold in pyrite concentrate sold, in the second quarter and first six months of 2016 was $500 and $533, respectively, compared to $515 and $489 for the corresponding periods in 2015. All-in sustaining cost per ounce of gold, including payable gold in pyrite concentrate sold, in the second quarter and first six months of 2016 was $607 and $661, respectively, compared to $607 and $598 for the corresponding periods in 2015.*
3) *Cash cost per tonne of ore processed, cash cost per ounce of gold sold, net of by-product credits; cash cost per ounce of gold sold in pyrite concentrate; all-in sustaining cost per ounce of gold; cash cost per tonne of complex concentrate smelted, net of by-product credits; adjusted EBITDA; adjusted (loss) earnings before income taxes; adjusted net (loss) earnings; adjusted basic (loss) earnings per share; cash provided from operating activities, before changes in non-cash working capital; free cash flow; and growth and sustaining capital expenditures are not defined measures under GAAP. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS.*
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) *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 gains on copper swap contracts, divided by the payable gold in copper concentrate sold.*
6) *Includes realized gains on copper derivative contracts, entered to hedge a portion of projected payable production, of $1.1 million and $2.2 million during the second quarter and first six months of 2016, respectively, compared with $4.3 million and $9.6 million for the corresponding periods in 2015.*
7) *Gross profit is regarded as an additional GAAP measure and is presented in the Company's consolidated statements of loss. Gross profit represents revenue less cost of sales and is one of several measures used by management and investors to assess the underlying operating profitability of a business.*
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 gains on copper swap contracts, divided by the payable gold in copper concentrate sold.*
9) *Cash cost per ounce of gold sold in pyrite concentrate represents treatment charges and freight costs associated with the sale of pyrite concentrate divided by the payable gold in pyrite concentrate sold.*
10) *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.*
11) *Long-term debt, including current portion.*
12) *Information relates to continuing operations.*
13) *Certain comparative figures have been reclassified as a consequence of several expenses previously classified as general and administrative expenses being classified as operating costs and included in cost of sales to better reflect the operating results of each segment.*

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 Armenian dram ("AMD"), the Namibian dollar, which is tied to the South African rand ("ZAR") on a 1:1 basis, and the Canadian dollar ("Cdn$") can also impact the Company's results of operations and financial condition.

The following table summarizes the average trading price for gold, copper, zinc and silver based on the London Bullion Market Association ("LBMA") for gold and silver, the London Metal Exchange ("LME") for copper (Grade A) and the LME special high grade ("SHG") for zinc for the three and six months ended June 30, 2016 and 2015 and highlights the overall year over year strength (weakness) in commodity prices.

Metal Market Prices (Average)	Three Months			Six Months		
Ended June 30,	**2016**	2015	**Change**	**2016**	2015	**Change**
LBMA gold *($/ounce)*	**1,259**	1,193	**6%**	**1,219**	1,206	**1%**
LME settlement copper *($/pound)*	**2.15**	2.75	**(22%)**	**2.13**	2.69	**(21%)**
LME settlement SHG zinc *($/pound)*	**0.87**	1.00	**(13%)**	**0.81**	0.97	**(16%)**
LBMA spot silver *($/ounce)*	**16.78**	16.41	**2%**	**15.81**	16.56	**(5%)**

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,	**2016**	2015	**Change**	**2016**	2015	**Change**
US$/Cdn$	**1.2882**	1.2291	**5%**	**1.3312**	1.2351	**8%**
Euro/US$	**1.1293**	1.1057	**(2%)**	**1.1162**	1.1171	**0%**
US$/AMD	**479**	476	**1%**	**484**	477	**1%**
US$/ZAR	**14.9919**	12.0784	**24%**	**15.3980**	11.9032	**29%**

The following table sets out the applicable closing foreign exchange rates as at June 30, 2016 and 2015 and the extent to which the U.S. dollar has strengthened relative to each of the currencies.

Closing Foreign Exchange Rates			
As at June 30,	**2016**	2015	**Change**
US$/Cdn$	**1.2917**	1.2490	**3%**
Euro/US$	**1.1104**	1.1094	**0%**
US$/AMD	**477**	473	**1%**
US$/ZAR	**14.7737**	12.2773	**20%**

Operational Highlights

Production from continuing operations

Copper concentrate produced from continuing operations during the second quarter of 2016 of 27,015 tonnes was 4% lower than the corresponding period in 2015 due primarily to lower copper grades, partially offset by higher volumes of ore mined and processed. Copper concentrate produced from continuing operations during the first six months of 2016 of 56,326 tonnes was 9% higher than the corresponding period in 2015 due primarily to higher copper grades and higher volumes of ore mined and processed. Pyrite concentrate produced during the second quarter and first six months of 2016 of 40,219 tonnes and 99,271 tonnes, respectively, was 34% and 8% lower than the corresponding periods in 2015. These results were in line with the mine plan.

In the second quarter of 2016, gold contained in copper and pyrite concentrates produced decreased by 6% to 38,092 ounces, copper production decreased by 3% to 9.6 million pounds and silver production decreased by 17% to 50,042 ounces, in each case, relative to the corresponding period in 2015. The decrease in gold production was due primarily to lower gold recoveries to pyrite concentrate and lower gold grades, partially offset by higher recoveries to copper concentrate and higher volumes of ore mined and processed. The decrease in copper production was due primarily to lower copper grades, partially offset by higher volumes of ore mined and processed. The decrease in silver production was due primarily to lower silver grades, partially offset by higher volumes of ore mined and processed and higher silver recoveries.

In the first six months of 2016, gold contained in copper and pyrite concentrates produced increased by 6% to 84,910 ounces, copper production increased by 12% to 20.2 million pounds and silver production increased by 7% to 119,252 ounces. These increases were due primarily to higher volumes of ore mined and processed, higher recoveries for all metals and higher copper grades.

In accordance with the mine plan, second quarter Chelopech copper and gold production decreased by approximately 10% over the first quarter due to lower copper and gold grades. It is currently expected that gold production in the second half of 2016 will be 20% lower than the first half as a result of lower grade zones in the mining sequence. Metals production in 2016 is expected to exceed the guidance issued in February 2016 and has been updated accordingly.

Complex concentrate smelted during the second quarter of 2016 of 44,545 tonnes was 17% lower than the corresponding period in 2015 due primarily to the annual maintenance shutdown and oxygen constraints in May 2016. The annual maintenance shutdown commenced on June 18, 2016 and the smelter returned to operation on July 16, 2016. In 2015, the annual maintenance shutdown took place in the first quarter. Complex concentrate smelted during the first six months of 2016 of 101,967 tonnes was 5% higher than the corresponding period in 2015 due primarily to increased availability of the Ausmelt furnace and the timing of the annual maintenance shutdown.

Subsequent to a power blackout in Namibia on July 22, 2016, cooling water entered the Ausmelt furnace as a result of the back-up systems for power and cooling water not operating as expected, which compromised the integrity of the refractory lining. The repairs are expected to take three weeks to complete, resulting in a reduction in 2016 throughput of approximately 20,000 tonnes. Complex concentrate smelted in 2016 is now expected to range between 200,000 and 220,000 tonnes.

Production from discontinued operations

Copper concentrate produced from the discontinued Kapan operation in the first six months of 2016 was 1,586 tonnes compared to 2,671 tonnes in the corresponding period in 2015. Zinc concentrate produced in the first six months of 2016 of was 2,132 tonnes compared to 4,478 tonnes in the corresponding period in 2015. The Kapan Disposition was completed on April 28, 2016.

In the first six months of 2016, gold contained in concentrate produced decreased by 46% to 6,317 ounces, copper production decreased by 45% to 0.7 million pounds, silver production decreased by 48% to 111,279 ounces and zinc production decreased by 53% to 2.8 million pounds, in each case, relative to the corresponding period in 2015.

Deliveries from continuing operations

Deliveries of copper concentrate during the second quarter and first six months of 2016 of 27,059 tonnes and 52,300 tonnes, respectively, were 7% and 11% lower than the corresponding periods in 2015 due primarily to the timing of deliveries. Deliveries of pyrite concentrate in the second quarter of 2016 of 39,188 tonnes were 25% lower than the corresponding period in 2015 due primarily to lower pyrite concentrate produced. Deliveries of pyrite concentrate in the first six months of 2016 of 104,897 tonnes were 8% higher than the corresponding period in 2015 due primarily to the timing of deliveries.

In the second quarter of 2016, payable gold in copper and pyrite concentrates sold increased by 11% to 37,871 ounces, payable copper in copper concentrate sold decreased by 6% to 9.1 million pounds and payable silver in copper concentrate sold decreased by 16% to 43,397 ounces, in each case, relative to the corresponding period in 2015. The increase in payable gold was due primarily to higher gold grades in copper concentrate sold. The decrease in payable copper was consistent with the decrease in copper concentrate deliveries.

In the first six months of 2016, payable gold in copper and pyrite concentrates sold decreased by 4% to 69,618 ounces, payable copper in copper concentrate sold decreased by 9% to 17.6 million pounds and payable silver in copper concentrate sold decreased by 24% to 75,501 ounces, in each case, relative to the corresponding period in 2015. The decrease in payable gold was due primarily to lower deliveries of copper concentrate, partially offset by higher first quarter gold grades in copper concentrate that was sold in the second quarter of 2016. The decrease in payable copper was consistent with the decrease in copper concentrate deliveries, partially offset by higher copper grades.

Deliveries from discontinued operations

Deliveries of concentrate from the discontinued Kapan operation in the second quarter and first six months of 2016 were 2,340 tonnes and 4,690 tonnes, respectively, compared to 4,472 tonnes and 6,891 tonnes in the corresponding periods in 2015 primarily as a result of the Kapan Disposition.

Relative to the second quarter of 2015, payable gold in concentrate sold in the second quarter of 2016 decreased by 27% to 4,900 ounces, payable copper in concentrate sold decreased by 22% to 0.6 million pounds, payable silver in concentrate sold decreased by 29% to 81,841 ounces and payable zinc in concentrate sold decreased by 76% to 0.7 million pounds. Relative to the first six months of 2015, payable gold in concentrate sold in the first six months of 2016 decreased by 21% to 7,304 ounces, payable copper in concentrate sold decreased by 19% to 0.8 million pounds, payable silver in concentrate sold decreased by 26% to 120,282 ounces and payable zinc in concentrate sold decreased by 47% to 2.7 million pounds. These decreases were all primarily as a result of the Kapan Disposition.

Cash cost per ounce of gold sold from continuing operations

Cash cost per ounce of gold sold, net of by-product credits, during the second quarter of 2016 was $456 compared to $374 during the corresponding period in 2015 due primarily to lower by-product prices, partially offset by lower treatment charges and higher volumes of payable gold in concentrate sold.

Cash cost per ounce of gold sold, net of by-product credits, in the first six months of 2016 was $462 compared to $357 in the corresponding period in 2015. This increase was due primarily to lower by-product prices and lower volumes of payable metals, partially offset by lower treatment charges and a lower per tonne cost as a result of higher ore mined and processed and higher grades.

All-in sustaining cost per ounce of gold from continuing operations

All-in sustaining cost per ounce of gold in the second quarter and first six months of 2016 was $580 and $627, respectively, compared to $499 and $498 in the corresponding periods in 2015. These increases were due primarily to the same factors affecting cash cost per ounce of gold 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 2016 of $502 was 34% higher than the corresponding period in 2015 due primarily to lower volumes of complex concentrate smelted as a result of the annual maintenance shutdown, which commenced on June 18, 2016 and was completed on July 16, 2016, oxygen constraints in May 2016, and higher local operating costs related to contractors, consumables, labour and electricity, partially offset by a weaker ZAR.

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the first six months of 2016 of $409 was 5% lower than the corresponding period in 2015 due primarily to higher volumes of complex concentrate smelted, net cash generated from the sale of sulphuric acid, a by-product of the smelting operation, and a weaker ZAR, partially offset by higher local operating costs related to contractors, consumables, labour and electricity.

Financial Highlights

Revenue from continuing operations

Revenue during the second quarter of 2016 of $72.5 million was $13.9 million higher than the corresponding period in 2015 due primarily to higher volumes of payable gold in concentrate sold as a result of higher gold grades in copper concentrate sold, favourable metal price adjustments on provisionally priced sales, lower treatment charges and transportation costs at Chelopech, the sale of acid with the commencement of commercial production in the fourth quarter of 2015 and higher market gold prices. These favourable variances were partially offset by lower volumes of complex concentrate smelted as a result of the planned annual maintenance shutdown of the Ausmelt furnace, lower market copper prices and lower volumes of payable copper in concentrate sold. Revenue in the second quarter of 2016 excluded realized gains of $0.9 million (2015 - $4.6 million) on copper and gold derivative contracts related to payable copper and gold sold in the period, which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

Revenue during the first six months of 2016 of $142.6 million was $24.0 million higher than the corresponding period in 2015 due primarily to higher volumes of complex concentrate smelted and toll rates at Tsumeb, the sale of acid with the commencement of commercial production in the fourth quarter of 2015, favourable metal price adjustments on provisionally priced sales, lower treatment charges and transportation costs at Chelopech, higher market gold prices and reduced deductions for estimated metals exposure. These favourable variances were partially offset by lower market copper prices and lower volumes of payable metals in concentrate sold as a result of the timing of deliveries, which was partially offset by higher first quarter grades in copper concentrate that was sold in the second quarter of 2016. Revenue in the first six months of 2016 excluded realized gains of $2.4 million (2015 – $9.8 million) on copper and gold derivative contracts related to payable copper and gold sold in the period, which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

Included in revenue were favourable metal price adjustments on provisionally priced sales of $2.0 million (2015 – unfavourable adjustments of $3.0 million) and $5.9 million (2015 – unfavourable adjustments of $5.8 million) during the second quarter and first six months of 2016, respectively. These adjustments were offset by hedge losses or gains on cash settled derivative contracts entered to mitigate the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales ("QP Hedges"). These hedge losses or gains were recorded in other expense (income) in the consolidated statements of (loss) earnings.

The average market price for gold during the second quarter and first six months of 2016 increased by 6% and 1%, respectively, compared to the corresponding periods in 2015. The average market price for copper during the second quarter and first six months of 2016 decreased by 22% and 21%, respectively, compared to the corresponding periods in 2015. The average realized gold price, including realized hedging losses and gains, for the second quarter and first six months of 2016 was $1,254 per ounce and $1,233 per ounce, respectively, up 5% and 2% compared to the corresponding periods in 2015. The average realized copper price, including realized hedging gains, for the second quarter and first six months of 2016 was $2.33 per pound and $2.30 per pound, respectively, down 27% and 28% compared to the corresponding periods in 2015.

Cost of sales from continuing operations

Cost of sales in the second quarter and first six months of 2016 of $65.0 million and $122.0 million, respectively, was $10.2 million and $8.9 million higher than the corresponding periods in 2015 due primarily to higher local currency operating expenses at Tsumeb, higher depreciation and additional expenses related to the acid plant, partially offset by the favourable impact of stronger U.S. dollar and a lower cost per tonne at Chelopech as a result of increased mine production and higher grades in concentrate sold.

Gross profit from continuing operations

Gross profit in the second quarter of 2016 of $7.5 million was $3.7 million higher than the corresponding period in 2015. This increase was driven by increased revenue and a stronger U.S. dollar, partially offset by higher depreciation and local currency operating expenses at Tsumeb, and additional expenses related to the acid plant. Gross profit in the second quarter of 2016 excluded realized gains of $0.9 million (2015 - $4.6 million) on copper and gold derivative contracts related to payable copper and gold sold in the period, which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

Gross profit in the first six months of 2016 of $20.6 million was $15.1 million higher than the corresponding period in 2015. This increase was due primarily to the same factors affecting the quarter and a lower cost per tonne at Chelopech as a result of increased mine production and higher grades in concentrate sold. Gross profit in the first six months of 2016 excluded realized gains of $2.4 million (2015 – $9.8 million) on copper and gold derivative contracts related to payable copper and gold sold in the period, which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

Included in gross profit were favourable metal price adjustments on provisionally priced sales of $2.0 million (2015 – unfavourable adjustments of $3.0 million) and $5.9 million (2015 – unfavourable adjustments of $5.8 million) during the second quarter and first six months of 2016, respectively. These adjustments were offset by losses or gains on QP Hedges, which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

The following table shows the gross profit (loss) from continuing operations by segment:

$ thousands	**Three Months**		**Six Months**	
Ended June 30,	**2016**	2015	**2016**	2015
Chelopech	**19,206**	4,701	**34,161**	16,786
Tsumeb	**(11,702)**	(918)	**(13,505)**	(11,280)
Total gross profit	**7,504**	3,783	**20,656**	5,506

Adjusted EBITDA from continuing operations

Adjusted EBITDA in the second quarter of 2016 was $17.8 million compared to $19.3 million in the corresponding period in 2015. This decrease was due primarily to lower copper prices, higher local currency operating expenses at Tsumeb, lower volumes of complex concentrate smelted as a result of the planned annual maintenance shutdown of the Ausmelt furnace and higher general and administrative and exploration expenses. These unfavourable variances were partially offset by higher volumes of payable gold in concentrate sold, higher gold prices, a stronger U.S. dollar, and lower treatment charges and transportation costs at Chelopech.

Adjusted EBITDA in the first six months of 2016 was $39.3 million compared to $39.0 million in the corresponding period in 2015. This small increase was due primarily to higher volumes of concentrate smelted and toll rates at Tsumeb, lower treatment charges and transportation costs at Chelopech, a stronger U.S. dollar, the favourable impact of higher first quarter grades in copper concentrate that was sold in the second quarter of 2016, reduced deductions for estimated metals exposure and higher gold prices. There favourable variances were offset by lower copper prices, higher local currency operating expenses at Tsumeb and higher general and administrative and exploration expenses.

The following table shows the adjusted EBITDA (loss) from continuing operations by segment:

$ thousands	Three Months		Six Months	
Ended June 30,	**2016**	2015	**2016**	2015
Chelopech	**26,102**	23,528	**46,703**	52,827
Tsumeb	**(893)**	3,756	**6,356**	(480)
Corporate & Other	**(7,427)**	(7,977)	**(13,767)**	(13,300)
Total adjusted EBITDA	**17,782**	19,307	**39,292**	39,047

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.

Other (expense) income from continuing operations

Other (expense) income is comprised of any realized gains or losses from the sales of certain publicly traded securities, foreign exchange translation gains or losses, unrealized gains or losses on Sabina Gold and Silver Corp. ("Sabina") special warrants, gains or losses on commodity swap and option contracts, gains or losses on the forward point component of the forward foreign exchange contracts and impairment losses. 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) income.

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

$ thousands	Three Months		Six Months	
Ended June 30,	**2016**	2015	**2016**	2015
Net gains (losses) on Sabina special warrants	**349**	183	**804**	(281)
Net (losses) gains on commodity swap and option contracts	**(3,320)**	5,530	**(10,142)**	12,954
Net gains on forward foreign exchange contracts	**638**	-	**2,034**	-
Net gains on equity settled warrants	**-**	2,124	**-**	2,171
Impairment losses on publicly traded securities	**(24)**	(48)	**(24)**	(628)
Net foreign exchange (losses) gains	**(584)**	(358)	**(2,060)**	905
Interest income	**63**	52	**111**	107
Other expense, net	**(69)**	(562)	**(784)**	(723)
Total other (expense) income	**(2,947)**	6,921	**(10,061)**	14,505

During the second quarter and first six months of 2016, the Company reported unrealized losses on commodity swap and option contracts related to continuing operations of $3.0 million (2015 – $1.1 million) and $10.1 million (2015 – $2.9 million), respectively. The Company also reported realized losses on the settlement of certain commodity swap contracts related to continuing operations of $0.3 million (2015 – realized gains of $6.7 million) and $0.03 million (2015 – realized gains of $15.9 million) during the second quarter and first six months of 2016, respectively.

Income tax expense

The effective tax rate of the Company can vary significantly from quarter to quarter based on a number of factors. For the three and six months ended June 30, 2016 and 2015, the Company's effective tax rate was impacted primarily by unrecognized tax benefits relating to 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,	**2016**	2015	**2016**	2015
(Loss) earnings before income taxes from continuing operations	**(6,851)**	2,159	**(10,516)**	2,672
Combined Canadian federal and provincial statutory income tax rates	**26.5%**	26.5%	**26.5%**	26.5%
Expected income tax (recovery) expense	**(1,816)**	572	**(2,787)**	708
Lower rates on foreign loss (earnings)	**1,086**	(1,281)	**175**	(1,411)
Unrecognized tax benefits relating to losses	**2,807**	2,038	**4,996**	3,542
Non-taxable portion of capital losses (gains)	**236**	(24)	**(198)**	37
Non-deductible share based compensation expense	**101**	145	**248**	306
Other, net	**(685)**	(803)	**(258)**	(154)
Income tax expense	**1,729**	647	**2,176**	3,028
Effective income tax rates	**(25.2%)**	30.0%	**(20.7%)**	113.3%

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

In the second quarter of 2016, the Company reported a net loss attributable to common shareholders from continuing operations of $8.9 million compared to net earnings of $1.9 million in the corresponding period in 2015. This loss was due primarily to lower copper prices, higher local currency operating expenses and depreciation at Tsumeb, lower volumes of complex concentrate smelted as a result of the timing of the planned annual maintenance shutdown of the Ausmelt furnace, and higher general and administrative and exploration expenses. These unfavourable variances were partially offset by higher volumes of payable gold in concentrate sold, higher gold prices, lower treatment charges and transportation costs at Chelopech, and a stronger U.S. dollar.

In the first six months of 2016, the Company reported a net loss attributable to common shareholders of $12.7 million compared to net earnings of $0.3 million in the corresponding period in 2015. This loss was due primarily to lower copper prices, higher local currency operating expenses and depreciation at Tsumeb and higher general and administrative and exploration expenses. These unfavourable variances were partially offset by higher volumes of concentrate smelted and toll rates at Tsumeb, the favourable impact of higher first quarter grades in copper concentrate that was sold in the second quarter of 2016, lower treatment charges and transportation costs at Chelopech, a stronger U.S. dollar, reduced deductions for estimated metals exposure and higher gold prices.

Net loss attributable to common shareholders from continuing operations for the second quarter and first six months of 2016 was impacted by net after-tax losses of $1.5 million (2015 – net after-tax gains of $0.4 million) and $4.0 million (2015 – $1.1 million), respectively, related to several items not reflective of the Company's underlying operating performance, including unrealized losses on commodity swap and option contracts entered into to hedge a portion of future production, unrealized gains and losses on the forward point component of the forward foreign exchange contracts entered to hedge a portion of foreign denominated operating costs, net gains and losses on Sabina special warrants and impairment losses, each of which are excluded from adjusted net (loss) earnings.

Adjusted net (loss) earnings from continuing operations

Adjusted net loss from continuing operations in the second quarter and first six months of 2016 was $7.4 million and $8.7 million, respectively, compared to adjusted net earnings of $1.4 million and $1.3 million in the corresponding periods in 2015. Adjusted net (loss) earnings from continuing operations was impacted by the same factors affecting net (loss) earnings attributable to common shareholders from continuing operations, except for net gains and losses on Sabina special warrants, unrealized gains and losses on the forward point component of the forward foreign exchange contracts entered to hedge a portion of foreign denominated operating costs, unrealized losses on commodity swap and option contracts entered to hedge a portion of future production and impairment losses, each of which are excluded from adjusted net loss from continuing operations.

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

($ millions) **Ended June 30,**	**Three Months**	**Six Months**
Adjusted net earnings from continuing operations - 2015	**1.4**	**1.3**
Lower metal prices (1)	(6.1)	(14.9)
Higher depreciation	(4.4)	(8.1)
Higher smelter local currency operating costs (2)	(5.3)	(7.2)
Income taxes & other	(3.2)	(2.3)
Higher G&A and exploration	(1.7)	(1.7)
Lower transportation costs and treatment charges for Chelopech (3)	3.0	7.1
(Lower) higher smelter volumes & toll rates	(3.9)	6.5
Stronger U.S. dollar	1.9	4.2
Impact of higher grades in concentrate sold (4)	10.2	4.1
Reduced deductions for metals exposure	0.7	2.3
Adjusted net loss from continuing operations - 2016	**(7.4)**	**(8.7)**

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 related to provisionally priced sales.*
2) *Excludes impact of depreciation and foreign exchange.*
3) *Reflects lower freight rates, and increased copper concentrate deliveries to Xiangguang Copper Co. ("XGC") and lower deliveries to Tsumeb in the second quarter and first six months of 2016 relative to the corresponding periods in 2015, resulting in lower overall treatment charges at Chelopech.*
4) *Includes the favourable impact of higher grades in concentrate sold in the second quarter and first six months of 2016 as a result of the timing of deliveries of high grade concentrate produced in the first quarter of 2016.*

Net earnings (loss) from discontinued operations

Net earnings from the discontinued Kapan operation in the second quarter and first six months of 2016 of $3.3 million and $1.0 million, respectively, compared to $nil and a net loss of $1.5 million in the corresponding periods in 2015. Refer to the "Review of Operating Results from Discontinued Operations" section of this MD&A for a more detailed discussion of the Kapan Disposition and results of discontinued operations.

Cash provided from operating activities of continuing operations

Cash provided from operating activities in the second quarter of 2016 was $6.7 million compared to $37.4 million in the corresponding period in 2015. This decrease was due primarily to unfavourable changes in non-cash working capital and the timing of the settlement of derivative contracts. Cash provided from operating activities in the first six months of 2016 was $12.2 million compared to $34.7 million in the corresponding period in 2015. This decrease was due primarily to unfavourable changes in non-cash working capital, lower copper prices and the timing of the settlement of derivative contracts, partially offset by higher smelter volumes and toll rates, and higher gold prices.

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, which is expected to reverse in the third quarter of 2016. The favourable change in non-cash working capital in the second quarter of 2015 of $19.7 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers and a decrease in inventories, partially offset by a decrease in accounts payable and accrued liabilities as a result of the timing associated with supplier payments.

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 deliveries. The unfavourable change in non-cash working capital in the first six months of 2015 of $1.1 million was due primarily to a decrease in accounts payable and accrued liabilities as a result of the timing associated with supplier payments, partially offset by a decrease in accounts receivable as a result of the timing of receipts from customers and a decrease in inventories.

Cash provided from operating activities, before changes in non-cash working capital, during the second quarter and first six months of 2016 was $15.7 million and $46.4 million, respectively, compared to $17.7 million and $35.8 million in the corresponding periods in 2015.

Free cash flow from continuing operations

Free cash flow in the second quarter and first six months of 2016 was $1.5 million and $22.8 million, respectively, compared to $4.6 million and $16.2 million in the corresponding periods in 2015 due primarily to the same factors affecting adjusted EBITDA and reduced proceeds from the settlements of derivative contracts.

Capital expenditures from continuing operations

Capital expenditures during the second quarter and first six months of 2016 totaled $13.1 million and $24.5 million, respectively, compared to $17.7 million and $34.2 million in the corresponding periods in 2015.

Growth capital expenditures during the second quarter and first six months of 2016 were $8.9 million and $16.1 million, respectively, compared to $14.5 million and $27.0 million in the corresponding periods in 2015. These decreases were due primarily to lower spending on the acid plant and new copper converters at Tsumeb compared to the corresponding periods in 2015. Sustaining capital expenditures during the second quarter and first six months of 2016 were $4.1 million and $8.4 million, respectively, compared to $3.2 million and $7.2 million in the corresponding periods in 2015.

2016 GUIDANCE

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

In May 2016, the Company revised its guidance for Kapan to reflect only four months of operation as a result of the Kapan Disposition occurring on April 28, 2016 and revised its consolidated production guidance accordingly. Guidance for Chelopech has been increased to reflect higher production in the first half of 2016. Tsumeb guidance has been updated to reflect the reduced 2016 throughput as a result of damage sustained to the refractory lining of the Ausmelt and the associated repair, which is expected to take approximately three weeks to complete.

The Company's guidance for 2016 is set out in the following table:

U.S. millions, unless otherwise indicated	**Chelopech**	**Tsumeb**	**Kapan(5)**	**Consolidated Guidance(6)**
Ore mined/milled *('000s tonnes)*	2,030 - 2,250	-	131	2,161 - 2,381
Complex concentrate smelted *('000s tonnes)*	-	200 - 220	-	200 - 220
Metals contained in copper and zinc concentrates produced(1),(2)				
Gold *('000s ounces)*	108 - 118	-	6	114 - 124
Copper *(million pounds)*	35.0 – 39.0	-	0.7	35.7 – 39.7
Zinc *(million pounds)*	-	-	2.8	2.8
Silver *('000s ounces)*	204 - 234	-	111	315 - 345
Payable gold in pyrite concentrate sold *('000s ounces)*	26 - 40	-	-	26 - 40
Cash cost per tonne of ore processed *($)*(3),(4)	32 - 36	-	81	32 - 36
Cash cost per ounce of gold sold, net of by-product credits *($)*(1),(3),(4)	550 - 650	-	1,136	550 - 650
All-in sustaining cost per ounce of gold *($)*(1),(3),(4)	-	-	-	750 - 850
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*(3),(4)	-	380 - 425	-	380 - 425
Cash cost per ounce of gold sold in pyrite concentrate *($)*(4)	750 - 850	-	-	750 - 850
General & administrative expenses(3)	-	-	-	17 - 21
Exploration expenses(3)	-	-	-	5 - 6
Sustaining capital expenditures(3)	10 - 12	12 - 16	3	22 - 28

1) *Excludes metals in pyrite concentrate and, where applicable, the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, which is reported separately. Cash cost per ounce of gold sold, net of by-product credits, including payable gold in pyrite concentrate sold, is expected to range between $600 and $690 in 2016. All-in sustaining cost per ounce of gold, including payable gold in pyrite concentrate sold, is expected to range between $750 and $850 in 2016.*
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 67% of 2016 copper production being hedged at $2.32 per pound.*
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, cash cost per tonne of complex concentrate smelted, net of by-product credits and cash cost per ounce of gold sold in pyrite concentrate have no standardized meaning under GAAP. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS.*
5) *As a result of the Kapan Disposition, which closed on April 28, 2016, Kapan's operating results have been treated as a discontinued operation and its production and cost guidance reflects actual performance for the period January 1 – April 28, 2016.*
6) *Consolidated guidance for ore mined/milled and metals production includes results from the discontinued Kapan operation. Consolidated guidance for 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 capital expenditures pertains to continuing operations.*

The 2016 guidance for Chelopech and Tsumeb is not expected to occur evenly throughout the year. The estimated metals contained in concentrate produced and volumes of complex concentrate smelted are expected to vary from quarter to quarter depending on the areas being mined, the timing of concentrate deliveries and planned outages. Also, the rate of capital expenditures is expected to vary from quarter to quarter based on the schedule for, and execution of, each capital project and, where applicable, the receipt of necessary permits and approvals.

Chelopech 2016 ore production is expected to continue at a rate 10% higher than 2015 through the balance of 2016, while copper and gold grades are expected to be 13% and 11% lower than 2015, respectively, consistent with the current mine plan. Production for the balance of 2016 is expected to come from gold zones with grades at the reserve average. Metals production in 2016 is expected to exceed the guidance issued in February 2016 and has been updated accordingly.

Subsequent to a power blackout in Namibia on July 22, 2016, cooling water entered the Ausmelt furnace as a result of the back-up systems for power and cooling water not operating as expected, which compromised the integrity of the refractory lining. The repairs are expected to take three weeks to complete, resulting in a reduction in 2016 throughput of approximately 20,000 tonnes.

For 2016, the majority of the Company's growth capital expenditures related to continuing operations have been focused on the completion of the new copper converters at Tsumeb, and securing the remaining permits and completing the detailed engineering to support moving forward with the construction of the Krumovgrad project in the second half of 2016. In aggregate, these expenditures are expected to be between $27 million and $31 million. The growth capital forecast for 2016 is expected to be updated following the receipt of the approved construction permit for Krumovgrad and DPM's board of directors' authorization to proceed to the construction phase of the project in the third quarter, as planned.

REVIEW OF OPERATING RESULTS BY SEGMENT FROM CONTINUING OPERATIONS

Chelopech – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	Three Months		Six Months	
Ended June 30,	**2016**	2015[11]	**2016**	2015[11]
Operational Highlights				
Ore mined *(mt)*	**560,376**	519,012	**1,115,973**	1,025,364
Ore processed *(mt)*	**560,694**	519,579	**1,105,285**	1,024,892
Head grade / Recoveries in copper concentrate *(ore milled)*				
Gold *(g/mt) / %*	**3.27 / 50.2**	3.60 / 44.0	**3.54 / 50.0**	3.57 / 47.3
Copper *(%) / %*	**0.97 / 80.3**	1.08 / 80.7	**1.03 / 80.7**	1.00 / 79.8
Silver *(g/mt) / %*	**7.50 /37.0**	10.70 / 33.7	**9.20 / 36.5**	9.70 / 35.0
Copper concentrate produced *(mt)*	**27,015**	28,171	**56,326**	51,489
Metals contained in copper concentrate produced[1]:				
Gold *(ounces)*	**29,573**	26,432	**62,960**	55,647
Copper *(pounds)*	**9,640,922**	9,945,523	**20,218,953**	18,028,443
Silver *(ounces)*	**50,042**	60,310	**119,252**	111,947
Cash cost per tonne of ore processed *($)*[2],[4],[5]	**33.72**	35.09	**33.88**	35.76
Cash cost per ounce of gold in copper concentrate produced *($)*[1],[2],[3],[4]	**392**	351	**359**	362
Cash cost per pound of copper in copper concentrate produced *($)*[2],[3],[4]	**0.67**	0.80	**0.64**	0.81
Copper concentrate delivered *(mt)*	**27,059**	28,985	**52,300**	58,581
Payable metals in copper concentrate sold:				
Gold *(ounces)*[1],[6]	**32,474**	25,005	**54,508**	56,319
Copper *(pounds)*[6]	**9,061,127**	9,612,919	**17,583,836**	19,239,628
Silver *(ounces)*[6]	**43,397**	51,682	**75,501**	99,617
Cash cost per ounce of gold sold, net of by-product credits *($)*[1],[4],[7],[8]	**456**	374	**462**	357
Pyrite concentrate produced *(mt)*	**40,219**	60,562	**99,271**	108,180
Gold contained in pyrite concentrate produced *(ounces)*	**8,519**	14,010	**21,950**	24,766
Pyrite concentrate delivered *(mt)*	**39,188**	52,381	**104,897**	96,875
Payable gold in pyrite concentrate sold *(ounces)*	**5,397**	8,972	**15,110**	16,308
Cash cost per ounce of gold sold in pyrite concentrate *($)*[4]	**765**	907	**786**	944
Financial Highlights				
Net revenue[9],[10]	**47,065**	32,904	**85,643**	75,783
Gross profit	**19,206**	4,701	**34,161**	16,786
Adjusted EBITDA[4]	**26,102**	23,528	**46,703**	52,827
Adjusted earnings before income taxes[4]	**16,689**	14,319	**27,995**	34,196
Depreciation	**9,225**	9,003	**18,380**	18,163
Capital expenditures incurred:				
Growth[4]	**464**	1,504	**1,407**	2,779
Sustaining[4]	**1,173**	1,493	**3,244**	4,122
Total capital expenditures	**1,637**	2,997	**4,651**	6,901

1) *Excludes metals in pyrite concentrate produced and/or sold, and where applicable, the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, which is reported separately. Cash cost per ounce of gold sold, net of by-product credits, including payable gold in pyrite concentrate sold and related costs, in the second quarter and first six months of 2016 was $500 and $533, respectively, compared to $515 and $489 in the corresponding periods in 2015.*
2) *Cash costs are reported in U.S. dollars, although the majority of costs incurred are denominated in non-U.S. dollars, and consist of all production related expenses including mining, processing, services, royalties and general and administrative.*
3) *Gold and copper are accounted for as co-products. Total cash costs are net of by-product silver sales revenue.*
4) *Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of these non-GAAP measures.*
5) *Cash cost per tonne of ore processed, excluding royalties, was $30.76 and $30.97 in the second quarter and first six months of 2016, respectively, compared to $31.95 and $32.70 in the corresponding periods in 2015.*
6) *Represents payable metals in copper concentrate sold based on provisional invoices.*
7) *Cash cost per ounce of gold sold, net of by-product credits, represents cost of sales, less depreciation, amortization and other non-cash expenses, plus treatment charges, penalties, transportation and other selling costs, less by-product copper and silver revenues, including realized gains on copper swap contracts, divided by the payable gold in copper concentrate sold.*
8) *Includes realized gains on copper swap contracts, entered to hedge a portion of projected payable production, of $1.1 million and $2.2 million during the second quarter and first six months of 2016, respectively, compared to $4.3 million and $9.6 million in the corresponding periods in 2015.*

9) *Net revenue includes the value of payable metals sold, deductions for treatment charges, penalties, transportation and other selling costs, and mark-to-market adjustments and final settlements to reflect any physical and cost adjustments on provisionally priced sales. Net favourable mark-to-market adjustments and final settlements of $0.7 million and $6.2 million were recognized during the second quarter and first six months of 2016, respectively, compared to net unfavourable mark-to-market adjustments and final settlements of $4.9 million and $7.1 million in the corresponding periods in 2015. Deductions during the second quarter and first six months of 2016 were $22.2 million and $45.8 million, respectively, compared to $29.7 million and $57.6 million in the corresponding periods in 2015.*
10) *Net revenue excludes realized and unrealized gains and losses on commodity swap and option contracts entered to hedge the mark-to-market impacts associated with provisionally priced sales and future production. Under IFRS, these gains and losses are reported in other expense (income).*
11) *Certain comparative figures have been reclassified as a consequence of several expenses previously classified as general and administrative expenses being classified as operating costs and included in cost of sales to better reflect the operating results of each segment*

Operational Highlights – Chelopech

Ore mined

Ore mined in the second quarter and first six months of 2016 of 560,376 tonnes and 1,115,973 tonnes, respectively, was 8% and 9% higher than the corresponding periods in 2015 due to an increased production rate.

Ore processed

Ore processed during the second quarter and first six months of 2016 of 560,694 tonnes and 1,105,285 tonnes, respectively, was each 8% higher than the corresponding periods in 2015 as a result of increased ore mined.

Concentrate and metal production

Copper concentrate produced during the second quarter of 2016 of 27,015 tonnes was 4% lower than the corresponding period in 2015 due primarily to lower copper grades, partially offset by higher volumes of ore mined and processed. Copper concentrate produced during the first six months of 2016 of 56,326 tonnes was 9% higher than the corresponding period in 2015 due primarily to higher copper grades and higher volumes of ore mined and processed. Pyrite concentrate produced during the second quarter and first six months of 2016 of 40,219 tonnes and 99,271 tonnes, respectively, was 34% and 8% lower than the corresponding periods in 2015. These results were in line with the mine plan.

Relative to the second quarter of 2015, gold contained in copper concentrate produced in the second quarter of 2016 increased by 12% to 29,573 ounces, copper production decreased by 3% to 9.6 million pounds and silver production decreased by 17% to 50,042 ounces. The increase in gold production was due primarily to higher gold recoveries and higher volumes of ore mined and processed, partially offset by lower grades. The decrease in copper production was due primarily to lower copper grades, partially offset by higher volumes of ore mined and processed. The decrease in silver production was due primarily to lower silver grades, partially offset by higher volumes of ore mined and processed and higher silver recoveries.

Relative to the first six months of 2015, gold contained in copper concentrate produced in the first six months of 2016 increased by 13% to 62,960 ounces, copper production increased by 12% to 20.2 million pounds and silver production increased by 7% to 119,252 ounces. These increases were due primarily to higher volumes of ore mined and processed, higher recoveries for all metals and higher copper grades.

Gold contained in pyrite concentrate produced during the second quarter and first six months of 2016 was 8,519 ounces and 21,950 ounces, respectively, compared to 14,010 ounces and 24,766 ounces in the corresponding periods in 2015. These decreases were due primarily to the decrease in pyrite concentrate production.

In accordance with the mine plan, second quarter Chelopech copper and gold production decreased by approximately 10% over the first quarter due to lower copper and gold grades mined. It is currently expected that gold production in the second half of 2016 will be 20% lower than the first half as a result of lower grade zones in the mining sequence. Both gold and copper production are expected to exceed 2016 guidance issued in February 2016.

Grades can vary period over period depending on the areas being mined. Overall grades achieved in the first six months of 2016 were consistent with the expected grades contained in the mine plan.

Deliveries

Deliveries of copper concentrate during the second quarter and first six months of 2016 of 27,059 tonnes and 52,300 tonnes, respectively, were 7% and 11% lower than the corresponding periods in 2015 due primarily to the timing of deliveries.

Deliveries of pyrite concentrate in the second quarter of 2016 of 39,188 tonnes were 25% lower than the corresponding period in 2015 due primarily to lower pyrite concentrate produced. Deliveries of pyrite concentrate in the first six months of 2016 of 104,897 tonnes were 8% higher than the corresponding period in 2015 due primarily to the timing of deliveries.

In the second quarter of 2016, payable gold in copper concentrate sold increased by 30% to 32,474 ounces, payable copper decreased by 6% to 9.1 million pounds and payable silver decreased by 16% to 43,397 ounces, in each case, relative to the corresponding period in 2015. The increase in payable gold was due primarily to higher gold grades in copper 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 2016 of 5,397 ounces was 40% lower than the corresponding period in 2015 consistent with lower pyrite concentrate produced and delivered.

In the first six months of 2016, payable gold in copper concentrate sold decreased by 3% to 54,508 ounces, payable copper decreased by 9% to 17.6 million pounds and payable silver decreased by 24% to 75,501 ounces, in each case, relative to the corresponding period in 2015. The decrease in payable gold was due primarily to lower deliveries of copper concentrate, partially offset by higher first quarter gold grades in copper concentrate that was sold in the second quarter of 2016. The decrease in payable copper was consistent with the decrease in copper concentrate deliveries, which was partially offset by higher copper grades. Payable gold in pyrite concentrate sold in the first six months of 2016 of 15,110 ounces was 7% lower than the corresponding period in 2015 due primarily to lower gold recoveries in pyrite concentrate produced in 2016.

Inventory

Copper concentrate inventory totaled 11,455 tonnes at June 30, 2016, up from 7,429 tonnes at December 31, 2015, reflecting the timing of deliveries.

Financial Highlights – Chelopech

Net revenue

Net revenue in the second quarter of 2016 of $47.0 million was $14.1 million higher than the corresponding period in 2015 due primarily to higher volumes of payable gold in concentrate sold as a result of higher gold grades in copper concentrate sold, favourable metal price adjustments on provisionally priced sales, higher market gold prices and lower treatment charges and transportation costs, partially offset by lower market copper prices and lower volumes of payable copper in concentrate sold. Net revenue in the second quarter of 2016 excluded realized gains on copper and gold derivative contracts related to payable metals sold in the period of $0.9 million (2015 - $4.6 million), which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

Net revenue of $85.6 million in the first six months of 2016 was $9.8 million higher than the corresponding period in 2015 due primarily to favourable metal price adjustments on provisionally priced sales, lower treatment charges and transportation costs, and higher market gold prices, partially offset by lower market copper prices and lower volumes of payable metals in concentrate sold as a result of the timing of deliveries, which was partially offset by higher first quarter grades in copper concentrate that was sold in the second quarter of 2016. Net revenue in the first six months of 2016 excluded realized gains on copper and gold derivative contracts related to payable metals sold in the period of $2.4 million (2015 - $9.8 million), which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

Included in revenue were favourable mark-to-market price adjustments on provisionally priced sales of $2.0 million (2015 – unfavourable adjustments of $3.0 million) and $5.9 million (2015 – unfavourable adjustments of $5.8 million) during the second quarter and first six months of 2016, respectively. These adjustments were offset by losses or gains on QP Hedges, which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

Cash cost measures

Cash cost per tonne of ore processed in the second quarter of 2016 of $33.72 was 4% lower than the corresponding cash cost in 2015 of $35.09 due primarily to higher volumes of ore mined and processed, partially offset by higher employment costs, a stronger Euro relative to the U.S. dollar, higher electricity rates and increased backfill activities.

Cash cost per tonne of ore processed in the first six months of 2016 of $33.88 was 5% lower than the corresponding cash cost in 2015 of $35.76 due primarily to higher volumes of mined and processed and a weaker Euro relative to the U.S. dollar, partially offset by higher employment costs, higher input costs for certain materials and supplies and increased backfill activities.

Cash cost per ounce of gold sold, net of by-product credits, during the second quarter of 2016 was $456 compared to $374 during the corresponding period in 2015 due primarily to lower by-product prices, partially offset by lower treatment charges and higher volumes of payable gold in concentrate sold.

Cash cost per ounce of gold sold, net of by-product credits, in the first six months of 2016 was $462 compared to $357 in the corresponding period in 2015. This increase was due primarily to lower by-product prices and lower volumes of payable metals, partially offset by lower treatment charges and a lower per tonne cost as a result of higher ore mined and processed and higher grades.

Cash cost per ounce of gold sold in pyrite concentrate in the second quarter and first six months of 2016 was $765 and $786, respectively, compared to $907 and $944 in the corresponding periods in 2015. These decreases were due primarily to lower overall treatment charges and transportation costs.

Gross profit

Gross profit in the second quarter of 2016 of $19.2 million was $14.5 million higher than the corresponding period in 2015 due primarily to higher volumes of payable gold in concentrate sold as a result of higher gold grades in concentrate sold, favourable metal price adjustments on provisionally priced sales, higher market gold prices and lower treatment charges and transportation costs, partially offset by lower market copper prices. Gross profit excluded realized gains on copper and gold derivative contracts related to payable metals sold in the second quarter of 2016 of $0.9 million (2015 - $4.6 million), which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

Gross profit in the first six months of 2016 of $34.2 million was $17.4 million higher than the corresponding period in 2015 due primarily to favourable metal price adjustments on provisionally priced sales, the favourable impact of higher first quarter grades in copper concentrate that was sold in the second quarter of 2016, higher market gold prices and lower treatment charges and transportation costs, partially offset by lower market copper prices. Gross profit in the first six months of 2016 excluded realized gains on copper and gold derivative contracts related to payable metals sold in the period of 2016 of $2.4 million (2015 - $9.8 million), which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

Gross profit during the second quarter and first six months of 2016 and 2015 was also impacted by metal price adjustments, as noted in the revenue section, that were offset by losses and/or gains on QP Hedges recorded in other expense (income) in the consolidated statements of (loss) earnings.

Adjusted EBITDA

Adjusted EBITDA in the second quarter of 2016 was $26.1 million, up from $23.5 million in the corresponding period in 2015. This increase was due to the same factors affecting gross profit except for depreciation, which is excluded from adjusted EBITDA, losses and gains on QP Hedges, which are included in adjusted EBITDA and serve to offset the mark-to-market price adjustments recorded in revenue, and realized gains on copper and gold derivative contracts related to payable metals sold in the second quarter of 2016 of $0.9 million (2015 - $4.6 million), which are also included in adjusted EBITDA.

Adjusted EBITDA in the first six months of 2016 was $46.7 million, down from $52.8 million in the corresponding period in 2015. This decrease was due to the same factors affecting gross profit except for depreciation, which is excluded from adjusted EBITDA, losses and gains on QP Hedges, which are included in adjusted EBITDA and serve to offset the mark-to-market price adjustments recorded in revenue, and realized gains on copper and gold derivative contracts related to payable metals sold in the first six months of 2016 of $2.4 million (2015 - $9.8 million), which are also included in adjusted EBITDA.

Unrealized losses of $1.9 million (2015 – $2.1 million) and $6.0 million (2015 – $2.6 million) in the second quarter and first six months of 2016, respectively, on copper and gold derivative contracts related to projected payable production, which were included in earnings before income taxes, were excluded from adjusted EBITDA.

Adjusted earnings before income taxes

Adjusted earnings before income taxes in the second quarter and first six months of 2016 were $16.7 million and $28.0 million, respectively, compared to $14.3 million and $34.2 million in the corresponding periods in 2015.

Unrealized losses of $1.9 million (2015 – $2.1 million) and $6.0 million (2015 – $2.6 million) in the second quarter and first six months of 2016, respectively, on copper and gold derivative 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 - 2015	**14.3**	**34.2**
Lower metal prices (1)	(6.1)	(14.9)
Other	(3.3)	(3.8)
Impact of higher grades in concentrate sold (2)	10.2	4.1
Lower transportation costs (3)	1.4	4.1
Lower treatment charges (4)	1.6	3.0
(Higher) lower cost/tonne of concentrate sold (5)	(1.2)	1.2
(Stronger) weaker Euro	(0.2)	0.1
Adjusted earnings before income taxes - 2016	**16.7**	**28.0**

1) *Includes gains and losses on commodity swap contracts, except unrealized losses on commodity swap and option contracts related to projected payable production, and metal price adjustments on provisionally priced sales.*
2) *Includes the favourable impact of higher grades in concentrate sold in the second quarter and first six months of 2016 as a result of the timing of deliveries of high grade concentrate produced in the first quarter of 2016.*
3) *Reflects lower freight rates.*
4) *Reflects increased copper concentrate deliveries to XGC and lower deliveries to Tsumeb in the second quarter and first six months of 2016 relative to the corresponding periods in 2015, resulting in lower overall treatment charges.*
5) *Excludes impact of foreign exchange and depreciation.*

Capital expenditures

Capital expenditures during the second quarter and first six months of 2016 of $1.6 million and $4.6 million, respectively, were $1.4 million and $2.3 million lower than the corresponding periods in 2015 due primarily to the completion of major projects in 2015.

Tsumeb – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	Three Months		Six Months	
Ended June 30,	**2016**	2015[3]	**2016**	2015[3]
Operational Highlights				
Complex concentrate smelted *(mt)*:				
Chelopech	**17,579**	19,380	**38,819**	37,453
Third party	**26,966**	34,341	**63,148**	59,369
Total complex concentrate smelted	**44,545**	53,721	**101,967**	96,822
Cash cost per tonne of complex concentrate smelted, net of by-product credits ($)[(1),(2)]	**502**	376	**409**	429
Acid production (*mt*)	**43,405**	-	**92,314**	-
Acid deliveries (*mt*)	**37,960**	-	**83,193**	-
Financial Highlights				
Toll revenue	**21,913**	25,330	**49,804**	42,203
Acid revenue	**3,215**	-	**6,502**	-
Arsenic trioxide revenue	**277**	339	**689**	643
Total revenue	**25,405**	25,669	**56,995**	42,846
Gross loss	**(11,702)**	(918)	**(13,505)**	(11,280)
Adjusted (loss) earnings before interest, taxes, depreciation and amortization[(2)]	**(893)**	3,756	**6,356**	(480)
Adjusted loss before income taxes[(2)]	**(11,702)**	(2,967)	**(14,821)**	(14,048)
Depreciation	**10,001**	5,834	**19,593**	11,776
Capital expenditures incurred:				
Growth[(2)]	**5,190**	8,697	**7,347**	17,734
Sustaining[(2)]	**3,168**	871	**5,236**	2,168
Total capital expenditures	**8,358**	9,568	**12,583**	19,902

1) *Cash cost per tonne of 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.*
3) *Certain comparative figures have been reclassified as a consequence of several expenses previously classified as general and administrative expenses being classified as operating costs and included in cost of sales to better reflect the operating results of each segment.*

Operational Highlights – Tsumeb

Production

Complex concentrate smelted during the second quarter of 2016 of 44,545 tonnes was 17% lower than the corresponding period in 2015 due primarily to the annual maintenance shutdown and oxygen constraints in May 2016. The annual maintenance shutdown commenced on June 18, 2016 and the smelter returned to operation on July 16, 2016. In 2015, the annual maintenance shutdown took place in the first quarter. Complex concentrate smelted during the first six months of 2016 of 101,967 tonnes was 5% higher than the corresponding period in 2015 due primarily to increased availability of the Ausmelt furnace and the timing of the annual maintenance shutdown.

Subsequent to a power blackout in Namibia on July 22, 2016, cooling water entered the Ausmelt furnace as a result of the back-up systems for power and cooling water not operating as expected, which compromised the integrity of the refractory lining. The repairs are expected to take three weeks to complete, resulting in a reduction in 2016 throughput of approximately 20,000 tonnes. Complex concentrate smelted in 2016 is now expected to range between 200,000 and 220,000 tonnes.

The acid plant operated as planned in the first six months of 2016. The two new larger copper converters, together with their associated off-gas system and tie-ins to the acid plant, which formed part of the scope of the acid plant project, were commissioned in the first quarter of 2016, and are now in operation. All off-gases that contain sulphur dioxide are now captured and routed to the acid plant, resulting in significant reductions in SO_2 emissions being recorded in the smelter and surrounding areas. Further improvements are expected as the new converters ramp-up to design capacity.

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 2016 of $502 was 34% higher than the corresponding period in 2015 due primarily to lower volumes of complex concentrate smelted as a result of the annual maintenance shutdown, which commenced on June 18, 2016 and was completed on July 16, 2016, and oxygen constraints in May 2016, and higher local operating costs related to contractors, consumables, labour and electricity, partially offset by a weaker ZAR.

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the first six months of 2016 of $409 was 5% lower than the corresponding period in 2015 due primarily to higher volumes of complex concentrate smelted, net cash generated from the sale of sulphuric acid, a by-product of the smelting operation, and a weaker ZAR, partially offset by higher local operating costs related to contractors, consumables, labour and electricity.

Financial Highlights - Tsumeb

Net revenue

Net revenue in the second quarter of 2016 of $25.4 million was $0.3 million lower than the corresponding period in 2015 due primarily to lower volumes of complex concentrate smelted related to the timing of the annual maintenance shutdown, partially offset by acid revenue from the new acid plant, reduced deductions for estimated metals exposure and higher toll rates. Deliveries of acid in the second quarter of 2016 generated revenue of $3.2 million (2015 - $nil).

Net revenue in the first six months of 2016 of $57.0 million was $14.1 million higher than the corresponding period in 2015 due primarily to higher volumes of complex concentrate smelted as a result of increased furnace availability, higher toll rates and reduced deductions for estimated metals exposure. Deliveries of acid in the first six months of 2016, which generated revenue of $6.5 million (2015 - $nil), also contributed to the increase.

The operation of the new copper converters stabilized during the second quarter of 2016, contributing to a decrease in the secondary materials that accumulated during the construction and commissioning of the new acid plant and converters, as well as reduced variability in estimated deductions for metals exposure. Secondary material levels are expected to continue to decline in the second half of 2016 and in 2017, resulting in reduced variability and deductions for metals exposure and stockpile interest.

Gross loss

Gross loss in the second quarter of 2016 was $11.7 million compared to $0.9 million in the corresponding period in 2015. The higher loss was due to lower volumes of complex concentrate smelted and higher local currency operating expenses and depreciation, partially offset by a weaker ZAR.

Gross loss in the first six months of 2016 was $13.5 million compared to $11.3 million in the corresponding period in 2015. The higher loss was due primarily to higher depreciation and local currency operating expenses, partially offset by higher volumes of complex concentrate smelted, a weaker ZAR, reduced deductions for estimated metals exposure and higher toll rates.

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

Adjusted loss before interest, taxes, depreciation and amortization in the second quarter of 2016 was $0.9 million compared to adjusted EBITDA of $3.7 million in the corresponding period in 2015 due primarily to the same factors affecting gross profit, except for depreciation which is excluded from adjusted EBITDA. Adjusted EBITDA in the first six months of 2016 was $6.4 million compared to an adjusted loss before interest, taxes, depreciation and amortization of $0.5 million in the corresponding period in 2015 due primarily to the same factors affecting gross profit, except for depreciation which is excluded from adjusted EBITDA.

Unrealized losses of $0.1 million and unrealized gains of $0.7 million on the forward point component of the forward foreign exchange contracts, which were recognized in loss before income taxes in the second quarter and the first six months of 2016, respectively, were excluded from adjusted (loss) EBITDA.

Adjusted loss before income taxes

Adjusted loss before income taxes during the second quarter and first six months of 2016 was $11.7 million and $14.8 million, respectively, compared to $2.9 million and $14.0 million in the corresponding periods in 2015.

Unrealized losses of $0.1 million and unrealized gains of $0.7 million on the forward point component of the forward foreign exchange contracts, which were recognized in loss before income taxes in the second quarter and the first six months of 2016, respectively, were excluded from adjusted loss before income taxes.

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

($ millions) **Ended June 30,**	**Three Months**	**Six Months**
Adjusted loss before income taxes - 2015	**(3.0)**	**(14.1)**
(Lower) higher volumes	(4.4)	4.3
Weaker ZAR [(1)]	2.1	4.1
Reduced deductions for metals exposure	0.7	2.3
Higher toll rates	0.5	2.2
Other	1.9	1.4
Higher operating expenses [(2)]	(5.3)	(7.2)
Higher depreciation	(4.2)	(7.8)
Adjusted loss before income taxes - 2016	**(11.7)**	**(14.8)**

1) *Includes net realized losses on forward foreign exchange contracts.*
2) *Excludes impact of foreign exchange and depreciation.*

Capital expenditures

Capital expenditures during the second quarter and first six months of 2016 were $8.4 million and $12.6 million, respectively, compared to $9.6 million and $19.9 million in the corresponding periods in 2015. These decreases were due primarily to lower spending on the acid plant and the new copper converters compared to the corresponding periods in 2015. Refer to the "Development and Other Major Projects" section of this MD&A for a more detailed discussion of Tsumeb's major capital projects.

REVIEW OF CORPORATE AND OTHER SEGMENT RESULTS

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

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

$ thousands	**Three Months**		**Six Months**	
Ended June 30,	**2016**	2015[(2)]	**2016**	2015[(2)]
Financial Highlights				
General and administrative expenses, excluding depreciation	**(4,506)**	(4,118)	**(9,493)**	(8,619)
Corporate social responsibility expenses	**(455)**	(300)	**(665)**	(690)
Exploration expenses	**(2,462)**	(1,294)	**(3,268)**	(2,282)
Other income (expense)[(1)]	**(4)**	(2,265)	**(341)**	(1,709)
Adjusted loss before interest, taxes, depreciation and amortization	**(7,427)**	(7,977)	**(13,767)**	(13,300)

1) *Excludes impairment losses, net gains and losses on Sabina special warrants, unrealized losses on commodity swap and option contracts entered to hedge a portion of future production and unrealized gains and losses on forward foreign exchange contracts.*
2) *Certain comparative figures have been reclassified as a consequence of several expenses previously classified as general and administrative expenses being classified as operating costs and included in cost of sales to better reflect the operating results of each segment.*

General and administrative expenses

General and administrative expenses, excluding depreciation, of $4.5 million and $9.5 million during the second quarter and first six months of 2016, respectively, were $0.4 million and $0.9 million higher than the corresponding periods in 2015 due primarily to mark-to-market adjustments related to share based compensation.

Exploration expenses

Exploration expenses during the second quarter and first six months of 2016 of $2.5 million and $3.3 million, respectively, were $1.2 million and $1.0 million higher than the corresponding periods in 2015. Refer to the "Exploration" section of this MD&A for a more detailed discussion of the Company's exploration activities.

REVIEW OF OPERATING RESULTS FROM DISCONTINUED OPERATIONS

Kapan – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	Three Months		Six Months	
Ended June 30,	**2016**	2015[5]	**2016**	2015[5]
Operational Highlights				
Ore mined *(mt)*	**26,723**	104,767	**130,982**	210,400
Ore processed *(mt)*	**25,789**	107,641	**129,521**	211,053
Head grade / Recoveries *(ore milled)*				
Gold *(g/mt) / %*	**1.61 /83.5**	2.11 / 85.9	**1.85 /81.9**	2.06 / 84.2
Copper *(%) / %*	**0.27 /89.7**	0.31 / 90.6	**0.28 / 89.0**	0.31 / 90.1
Zinc *(%) / %*	**1.22 / 85.3**	1.51 / 84.3	**1.16 /83.7**	1.48 / 86.2
Silver (g/mt) / %	**30.19 / 84.6**	36.41 / 85.8	**32.15 / 83.1**	37.70 / 84.0
Concentrate produced *(mt)*				
Copper	**287**	1,331	**1,586**	2,671
Zinc	**431**	2,239	**2,132**	4,478
Metals contained in concentrate produced:				
Gold *(ounces)*	**1,111**	6,267	**6,317**	11,795
Copper *(pounds)*	**136,706**	667,622	**712,358**	1,283,658
Zinc *(pounds)*	**592,645**	3,014,363	**2,784,359**	5,943,566
Silver *(ounces)*	**21,178**	108,068	**111,279**	214,972
Cash cost per tonne of ore processed *($)*[4]	**96.28**	81.46	**80.96**	76.39
Concentrate delivered *(mt)*				
Copper	**1,676**	1,777	**2,235**	2,372
Zinc	**664**	2,695	**2,455**	4,519
Payable metals in concentrate sold:				
Gold *(ounces)*[1]	**4,900**	6,669	**7,304**	9,296
Copper *(pounds)*[1]	**605,963**	781,038	**837,599**	1,030,530
Zinc *(pounds)*[1]	**745,746**	3,075,519	**2,687,889**	5,083,213
Silver *(ounces)*[1]	**81,841**	114,884	**120,282**	162,696
Cash cost per ounce of gold sold, net of by-product credits *($)*[4]	**966**	770	**1,136**	775
Financial Highlights				
Net revenue[2],[3]	**9,023**	12,549	**14,380**	17,446
Cost of sales	**7,260**	12,610	**13,045**	19,398
Gross profit (loss)	**1,763**	(61)	**1,335**	(1,952)
Gain on Kapan Disposition	**5,989**	-	**5,989**	-
Net earnings (loss) from discontinued operations	**3,267**	5	**970**	(1,510)
Capital expenditures incurred	**692**	2,947	**2,684**	4,869

1) *Represents payable metals in concentrate sold based on provisional invoices.*
2) *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 $0.3 million and $0.9 million were recorded during the second quarter and first six months of 2016, respectively, compared to unfavourable mark-to-market adjustments and final settlements of $0.6 million and $1.2 million in the corresponding periods in 2015. Deductions during the second quarter and first six months of 2016 were $0.8 million and $1.7 million, respectively, compared to $1.8 million and $2.7 million in the corresponding periods in 2015.*
3) *Net revenue excludes realized and unrealized gains and losses on commodity swap contracts entered to hedge the mark-to-market impacts associated with provisionally priced sales and future production.*
4) *Refer to the "Non-GAAP Financial Measures" of this MD&A for reconciliations of these non-GAAP measures.*
5) *Certain comparative figures have been reclassified as a consequence of several expenses previously classified as general and administrative expenses being classified as operating costs and included in cost of sales to better reflect the operating results of each segment.*

Kapan Disposition

In March 2016, the Company entered into a definitive agreement with Polymetal for the sale of its interest in Kapan through the disposition of all of the issued and outstanding shares of Kapan. Under the Kapan Disposition, the Company received on April 28, 2016 consideration consisting of (i) $10 million in cash from the buyer, (ii) a working capital adjustment estimated at $7.3 million, which is expected to be finalized in the third quarter of 2016, (iii) $15.2 million in ordinary shares of Polymetal, which were subsequently sold for net proceeds of $14.8 million and (iv) a 2% net smelter royalty on future production from the Kapan property having an estimated value of $9.5 million. As a result, a gain of $6.0 million was recognized in the second quarter of 2016 and was included in the results from discontinued operations. The Kapan Disposition was subject to customary representations, warranties, covenants and indemnities for a transaction of this nature.

As a result of the Kapan Disposition, the operating results and cash flows of Kapan have been presented as discontinued operations in the consolidated statements of (loss) earnings and cash flows for the three and six months ended June 30, 2016 and 2015.

Operational Highlights – Kapan

Ore mined and processed

Ore mined during the second quarter and first six months of 2016 of 26,723 tonnes and 130,982 tonnes, respectively, was 74% and 38% lower than the corresponding periods in 2015, primarily as a result of the Kapan Disposition. Ore processed during the second quarter and first six months of 2016 of 25,789 tonnes and 129,521 tonnes, respectively, was also 76% and 39% lower than the corresponding periods in 2015.

Concentrate and metal production

Copper concentrate production in the second quarter and first six months of 2016 was 287 tonnes and 1,586 tonnes, respectively, compared to 1,331 tonnes and 2,671 tonnes in the corresponding periods in 2015, primarily as a result of the Kapan Disposition. Zinc concentrate production in the second quarter and first six months of 2016 was 431 tonnes and 2,132 tonnes, respectively, compared to 2,239 tonnes and 4,478 tonnes in the corresponding periods in 2015, due primarily to lower zinc grades and recoveries and the Kapan Disposition.

In the second quarter of 2016, gold contained in concentrate produced decreased by 82% to 1,111 ounces, copper production decreased by 80% to 0.1 million pounds, silver production decreased by 80% to 21,178 ounces and zinc production decreased by 80% to 0.6 million pounds, in each case, relative to the corresponding period in 2015. These decreases were due primarily to lower grades for all metals and the Kapan Disposition.

In the first six months of 2016, gold contained in concentrate produced decreased by 46% to 6,317 ounces, copper production decreased by 45% to 0.7 million pounds, silver production decreased by 48% to 111,279 ounces and zinc production decreased by 53% to 2.8 million pounds, in each case, relative to the corresponding period in 2015. These decreases were due primarily to lower grades for all metals and the Kapan Disposition.

Deliveries

Deliveries of concentrate in the second quarter and first six months of 2016 were 2,340 tonnes and 4,690 tonnes, respectively, compared to 4,472 tonnes and 6,891 tonnes in the corresponding periods in 2015.

Relative to the second quarter of 2015, payable gold in concentrate sold in the second quarter of 2016 decreased by 27% to 4,900 ounces, payable copper in concentrate sold decreased by 22% to 0.6 million pounds, payable silver in concentrate sold decreased by 29% to 81,841 ounces and payable zinc in concentrate sold decreased by 76% to 0.7 million pounds. Relative to the first six months of 2015, payable gold in concentrate sold in the first six months of 2016 decreased by 21% to 7,304 ounces, payable copper in concentrate sold decreased by 19% to 0.8 million pounds, payable silver in concentrate sold decreased by 26% to 120,282 ounces and payable zinc in concentrate sold decreased by 47% to 2.7 million pounds. These decreases were all primarily as a result of the Kapan Disposition.

Financial Highlights – Kapan

Net revenue from discontinued operations

Net revenue during the second quarter and first six months of 2016 of $9.0 million and $14.4 million, respectively, was $3.5 million and $3.1 million lower than the corresponding periods in 2015 due primarily to lower volumes of payable metals in concentrate sold as a result of the Kapan Disposition.

Included in revenue were favourable metal price adjustments on provisionally priced sales of $0.3 million (2015 – unfavourable adjustments of $0.2 million) and $1.2 million (2015 – unfavourable adjustments of $0.1 million) on provisionally priced sales during the second quarter and first six months of 2016, respectively. These adjustments were offset by losses or gains on QP Hedges.

Cash cost measures

Cash cost per ounce of gold sold, net of by-product credits, in the second quarter and first six months of 2016 was $966 and $1,136, respectively, compared to a cash cost of $770 and $775 in the corresponding periods in 2015. These increases were due primarily to lower by-product prices and lower volumes of payable metals in concentrate sold.

Gross profit (loss) from discontinued operations

Gross profit in the second quarter of 2016 was $1.7 million compared to a gross loss of $0.1 million in the corresponding period in 2015 due primarily to lower depreciation and favourable metal price adjustments of provisionally priced sales, partially offset by lower volumes of payable metals in concentrate sold as a result of the Kapan Disposition.

Gross profit in the first six months of 2016 was $1.3 million compared to a gross loss of $2.0 million in the corresponding period in 2015 due to the same factors affecting the quarter.

Net earnings (loss) from discontinued operations

Net earnings from discontinued operations in the second quarter and first six months of 2016 were $3.3 million and $1.0 million, respectively, compared to $nil and a net loss of $1.5 million in the corresponding periods in 2015. A gain on the Kapan Disposition of $6.0 million was recognized in the second quarter of 2016.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2016, the Company had cash and cash equivalents of $23.8 million, investments at fair value of $22.5 million, and $160 million of undrawn lines of credit under its $275 million committed RCF.

The Company's liquidity is impacted by several factors which include, but are not limited to, gold, copper and silver market prices, production levels, capital expenditures, operating cash costs, interest rates and foreign exchange rates. These factors are monitored by the Company on a regular basis. At June 30, 2016, the Company's cash resources and available lines of credit under its RCF continue to provide sufficient liquidity and cash resources to meet its current operating requirements, as well as all contractual commitments, mandatory principal repayments and non-discretionary capital expenditures. The Company may, from time to time, raise additional capital to ensure it maintains its financial strength and has sufficient liquidity to support its discretionary growth capital projects and the overall needs of the business. On July 11, 2016, the Company closed a previously announced equity financing pursuant to which the Company issued an aggregate of 19,056,000 common shares at a price of Cdn$3.00 per Share, which generated gross proceeds of Cdn$57.1 million (Cdn$53.9 million of net proceeds after deducting the Underwriters' fee and estimated issuance costs).

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

$ thousands	Three Months		Six Months	
Ended June 30,	**2016**	2015	**2016**	2015
Cash provided from operating activities of continuing operations, before changes in non-cash working capital	**15,685**	17,631	**46,375**	35,785
Changes in non-cash working capital	**(9,014)**	19,751	**(34,181)**	(1,065)
Cash provided from operating activities of continuing operations	**6,671**	37,382	**12,194**	34,720
Cash provided from (used in) investing activities of continuing operations	**14,178**	(14,241)	**1,715**	(29,104)
Cash used in financing activities of continuing operations	**(21,262)**	(10,888)	**(13,459)**	(14,146)
(Decrease) increase in cash and cash equivalents of continuing operations	**(413)**	12,253	**450**	(8,530)
Cash and cash equivalents of continuing operations, beginning of period	**24,258**	13,964	**23,395**	34,747
Cash and cash equivalents of continuing operations, end of period	**23,845**	26,217	**23,845**	26,217

Cash and cash equivalents balance of continuing operations as at June 30, 2016 of $23.8 million was $2.4 million lower than the corresponding period in 2015. 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 2016 was $6.7 million compared to $37.4 million in the corresponding period in 2015. This decrease was due primarily to unfavourable changes in non-cash working capital and the timing of the settlement of derivative contracts. Cash provided from operating activities in the first six months of 2016 was $12.2 million compared to $34.7 million in the corresponding period in 2015. This decrease was due primarily to unfavourable changes in non-cash working capital, lower copper prices and the timing of the settlement of derivative contracts, partially offset by higher smelter volumes and toll rates, and higher gold prices.

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, which is expected to reverse in the third quarter of 2016. The favourable change in non-cash working capital in the second quarter of 2015 of $19.7 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers and a decrease in inventories, partially offset by a decrease in accounts payable and accrued liabilities as a result of the timing associated with supplier payments.

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 deliveries. The unfavourable change in non-cash working capital in the first six months of 2015 of $1.1 million was due primarily to a decrease in accounts payable and accrued liabilities as a result of the timing associated with supplier payments, partially offset by a decrease in accounts receivable as a result of the timing of receipts from customers and a decrease in inventories.

Cash provided from operating activities, before changes in non-cash working capital, during the second quarter and first six months of 2016 was $15.7 million and $46.4 million, respectively, compared to $17.7 million and $35.8 million in the corresponding periods in 2015.

Investing Activities of Continuing Operations

Cash provided from investing activities in the second quarter and first six months of 2016 was $14.2 million and $1.7 million, respectively, compared to cash used in investing activities of $14.2 million and $29.1 million in the corresponding periods in 2015. Proceeds from the Kapan Disposition, which was closed on April 28, 2016, of $24.8 million were received in the second quarter of 2016.

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

$ thousands	**Three Months**		**Six Months**	
Ended June 30,	**2016**	2015	**2016**	2015
Chelopech	**1,855**	2,755	**5,003**	6,008
Tsumeb	**5,419**	7,835	**11,168**	18,429
Krumovgrad	**3,637**	3,589	**6,945**	4,685
Other	**(221)**	77	**55**	125
Total cash capital expenditures of continuing operations	**10,690**	14,256	**23,171**	29,247

Cash outlays for capital expenditures in the second quarter and first six months of 2016 were lower than the corresponding periods in 2015 due primarily to lower spending on the acid plant and copper converters at Tsumeb, partially offset by higher spending at Krumovgrad related to the land re-designation and purchase.

Financing Activities of Continuing Operations

Net cash used in financing activities in the second quarter and first six months of 2016 was $21.3 million and $13.5 million, respectively, compared to $10.9 and $14.1 million in the corresponding periods in 2015.

Repayments under the RCF in the second quarter and first six months of 2016 were $10.0 million and $nil, respectively, compared to $nil in the corresponding periods in 2015.

Repayments of debt of $8.1 million in the second quarter and first six months of 2016 were comparable to the corresponding periods in 2015.

Interest paid of $2.0 million and $3.9 million during the second quarter and first six months of 2016, respectively, compared to $2.4 million and $4.7 million in the corresponding periods in 2015.

Repayments of finance lease obligations of $0.4 million and $0.8 million during the second quarter and first six months of 2016, respectively, compared to $0.4 million and $0.9 million in the corresponding periods in 2015.

Cash Flows from Discontinued Operations

The following table summarizes the cash flow activities of discontinued operations:

$ thousands	**Three Months**		**Six Months**	
Ended June 30,	**2016**	2015	**2016**	2015
Cash (used in) provided from operating activities of discontinued operations	**(1,253)**	3,485	**(861)**	6,762
Cash used in investing activities of discontinued operations	**(400)**	(2,339)	**(2,314)**	(4,548)
(Decrease) increase in cash and cash equivalents of discontinued operations	**(1,653)**	1,146	**(3,175)**	2,214
Cash and cash equivalents of discontinued operations, beginning of period	**1,653**	2,613	**3,175**	1,545
Cash and cash equivalents of discontinued operations, end of period	**-**	3,759	**-**	3,759

Financial Position

$ thousands **As at,**	**June 30, 2016**	December 31, 2015	**Increase/ (Decrease)**
Cash and cash equivalents	**23,845**	26,570	**(2,725)**
Accounts receivable, inventories and other current assets	**76,843**	80,147	**(3,304)**
Investments at fair value	**22,496**	13,911	**8,585**
Non-current assets, excluding investments at fair value	**766,090**	785,523	**(19,433)**
Total assets	**889,274**	906,151	**(16,877)**
Current liabilities	**63,026**	72,738	**(9,712)**
Non-current liabilities	**180,515**	195,300	**(14,785)**
Equity attributable to common shareholders	**645,733**	637,457	**8,276**
Non-controlling interests	**-**	656	**(656)**

Cash and cash equivalents decreased by $2.7 million to $23.8 million in the first six months of 2016 due primarily to lower realized copper prices, unfavourable non-cash working capital changes and repayments of debt and of drawdowns under the RCF, partially offset by proceeds from the Kapan Disposition, higher smelter volumes and toll rates, lower spending on capital expenditures and the favourable impact of a stronger U.S. dollar. Accounts receivable, inventories and other current assets decreased by $3.3 million to $76.8 million due primarily to the Kapan Disposition, partially offset by an increase in accounts receivable and inventories of continuing operations, reflecting the timing of payments from customers and deliveries. Non-current assets, excluding investments at fair value, decreased by $19.4 million to $776.1 million due primarily to the Kapan Disposition and depreciation, partially offset by capital expenditures at Chelopech, Tsumeb and Krumovgrad.

Current liabilities decreased by $9.7 million to $63.0 million in the first six months of 2016 due primarily to the Kapan Disposition and a reduced fair value loss on outstanding forward foreign exchange contracts. Non-current liabilities decreased by $14.8 million to $180.5 million in the first six months of 2016 due primarily to the Kapan Disposition and scheduled repayment of Term Loans.

Contractual Obligations

The Company has the following minimum contractual obligations as at June 30, 2016:

$ thousands	**up to 1 year**	**1 – 5 years**	**over 5 years**	**Total**
Debt	16,250	123,125	-	**139,375**
Finance lease obligations	3,105	11,106	10,126	**24,337**
Capital commitments	7,935	-	-	**7,935**
Purchase obligations	11,021	-	-	**11,021**
Operating lease obligations	3,508	11,076	1,605	**16,189**
Other obligations	1,892	1,066	67	**3,025**
Total contractual obligations	**43,711**	**146,373**	**11,798**	**201,882**

Debt

As at June 30, 2016, the Company's total debt was $139.4 million, of which $24.4 million related to the Company's secured term loans ("Term Loans") and $115.0 million to the Company's RCF. As at June 30, 2016, the Company's total debt, as a percentage of total capital, was 18% (December 31, 2015 – 19%). The Company's total debt, net of cash and cash equivalents, as a percentage of total capital, was 15% (December 31, 2015 – 16%). As at June 30, 2016, the Company was in compliance with all of its debt covenants.

Term Loans

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

The Term Loans contain financial covenants (the "Financial Covenants") that require DPM to maintain: (i) a debt leverage ratio (funded net debt to adjusted EBITDA, as defined in the Term Loans agreement) below

3.5:1 (below 4.0:1 during any period in which Krumovgrad construction is in progress), (ii) a current ratio (including the unutilized credit within the $150.0 million tranche of the RCF in current assets and excluding equity settled warrants from current liabilities) of greater than 1.5:1, and (iii) a minimum net worth of $500.0 million plus (minus) 50% of ongoing annual net earnings (losses).

As at June 30, 2016, the Term Loans had an outstanding balance of $24.4 million.

Credit Agreements and Guarantees

Chelopech

Chelopech has a $16.0 million multi-purpose credit facility that matures on November 30, 2016. This credit facility is guaranteed by DPM. Advances under the multi-purpose revolving credit facility bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 3.25%. As at June 30, 2016, $3.5 million (December 31, 2015 – $4.1 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech also has a Euro 21.0 million ($23.3 million) credit facility to support the Chelopech mine closure and rehabilitation plan. This credit facility matures on November 15, 2016 and is guaranteed by DPM. As at June 30, 2016, $15.5 million (December 31, 2015 - $22.9 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 February 2015, the RCF was amended to extend the term of two of its tranches by an additional year. As at June 30, 2016, the RCF is comprised of a $45.0 million tranche A maturing in February 2020, a $150.0 million tranche B maturing in February 2018, and an $80.0 million tranche C maturing in July 2019 that has quarterly availability reductions of $4.0 million beginning in the third quarter of 2016. In April 2016, the RCF was further amended to extend the term of tranche A and tranche B by another year to February 2021 and February 2019, respectively.

The RCF bears interest at a spread above LIBOR, which varies between 2.75% and 5.50% depending upon the tranche being drawn and the Company's debt leverage ratio (funded net debt to adjusted EBITDA), as defined in the RCF agreement. The RCF contains the same Financial Covenants and shares in the same security package as the Term Loans. As at June 30, 2016, DPM was in compliance with all financial covenants and $115.0 million was drawn under the RCF.

Outstanding Share Data

DPM's common shares are traded on the TSX under the symbol DPM. As at July 28, 2016, 160,588,112 common shares were issued and outstanding.

DPM also has 5,714,568 stock options outstanding as of the date of this MD&A with exercise prices ranging from Cdn$2.21 to Cdn$10.33 per share (weighted average exercise price – Cdn$4.45 per share).

Other

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

FINANCIAL INSTRUMENTS

Investments at fair value

As at June 30, 2016, the Company's investments at fair value were $22.5 million, the vast majority of which related to the value of its investment in Sabina common shares and special warrants.

The fair value of the Sabina Series B special warrants, including significant assumptions, is detailed in note 5(a) to DPM's condensed interim consolidated financial statements for the three and six months ended June 30, 2016.

As at June 30 2016, DPM held: (i) 23,539,713 common shares of Sabina or 10.7% of the outstanding common shares (fair value of Cdn$26.1 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 for a period of 35 years into one common share.

As at June 30, 2016, the estimated fair value of the special warrants was $2.3 million (December 31, 2015 - $1.5 million). Refer to the "Risks and Uncertainties" section of the Company's MD&A for the year ended December 31, 2015 for a discussion on the risks related to the Company's investment portfolio.

For the three and six months ended June 30, 2016, the Company recognized unrealized gains on the Sabina special warrants of $0.3 million (2015 – $0.2 million) and $0.8 million (2015 – unrealized losses of $0.3 million), respectively, in other expense (income) in the condensed interim consolidated statements of (loss) earnings.

For the three and six months ended June 30, 2016, the Company recognized impairment losses of $0.02 million (2015 – $0.05 million) and $0.02 million (2015 – $0.6 million), respectively, on its publicly traded securities, relating primarily to Sabina common shares, due to the significant and prolonged decline in the fair value of these publicly traded securities.

Commodity swap 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 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, 2016, 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	34,525 ounces	$1,254/ounce
Payable copper	15,101,647 pounds	$2.17/pound
Payable silver	67,480 ounces	$15.91/ounce

The Company also enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to reduce its by-product metals price exposure ("Production Hedges"). As at June 30, 2016, the Company had outstanding commodity swap contracts in respect of this exposure as summarized in the table below:

Year of projected payable copper production	**Volume hedged (pounds)**	**Average fixed price of Production Hedges ($/pound)**
Balance of 2016	12,632,473	2.32
2017	14,550,492	2.17
	27,182,965	**2.24**

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

As at June 30, 2016, the Company had outstanding commodity swap contracts as summarized in the table below:

Year of projected payable gold production	Volume hedged (ounces)	Average fixed price of gold production swaps ($/ounce)
Balance of 2016	4,020	1,150

As at June 30, 2016, the Company had outstanding commodity option contracts as summarized in the table below:

Year of projected payable gold production	Volume hedged (ounces)	Call options sold Average ceiling price ($/ounce)	Put options purchased Floor price ($/ounce)
Balance of 2016	6,600	1,484	1,200
2017	45,000	1,497	1,200
	51,600	**1,495**	**1,200**

The fair value gain or loss on commodity swap contracts was calculated based on the corresponding LME forward copper and zinc 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, 2016, the net fair value loss on all outstanding commodity swap and option contracts was $3.1 million (December 31, 2015 – a net fair value gain of $7.5 million), of which $0.9 million (December 31, 2015 – $7.1 million) was included in other current assets, $3.5 million (December 31, 2015 – $nil) in accounts payable and accrued liabilities, $nil (December 31, 2015 – $0.4 million) in other long-term assets, and $0.5 million (December 31, 2015 – $nil) in other long-term liabilities.

For the three and six months ended June 30, 2016, the Company reported unrealized losses on the commodity swap and option contracts related to continuing operations of $3.0 million (2015 – $1.1 million) and $10.1 million (2015 - $2.9 million), respectively, in other expense (income). The Company also reported realized losses on the settlement of certain of these commodity swap contracts related to continuing operations of $0.3 million (2015 – realized gains $6.7 million) and $0.03 million (2015 – realized gains of $15.9 million), respectively, in other expense (income) for the three and six months ended June 30, 2016.

For the three and six months ended June 30, 2016, the Company reported unrealized gains of $0.5 million (2015 – $0.03 million) and unrealized losses of $0.5 million (2015 - $0.2 million), respectively, on commodity swap contracts related to discontinued operations in net earnings (loss) from discontinued operations. The Company also reported realized losses on the settlement of certain of these commodity swap contracts related to discontinued operations of $1.0 million (2015 – realized gains of $0.3 million) and $1.1 million (2015 – realized gains of $0.8 million), respectively, in net earnings (loss) from discontinued operations for the three and six months ended June 30, 2016.

Approximately 73% and 38% of the Company’s expected copper production for the balance of 2016 and 2017, respectively, has been hedged. Approximately 16% of the expected payable gold production, including pyrite, for the balance of 2016 has been hedged and approximately 30% of the expected payable gold production, including pyrite, for 2017 has been hedged. The Company’s reported earnings are exposed to unrealized mark-to-market gains and losses from future price movements during the term of the forward sales contracts.

Forward foreign exchange contracts

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

As at June 30, 2016, the Company had outstanding forward foreign exchange contracts in respect of projected foreign denominated operating expenses as summarized in the table below:

Year of projected operating expenses	Foreign currency hedged	Amount hedged in foreign currency	Average exchange rate Foreign currency/US$
Balance of 2016	Euro	5,850,000	1.1146
	South African rand	378,000,000	13.2279
2017	Euro	10,800,000	1.1287
	South African rand	720,000,000	13.8699
Total	**Euro**	**16,650,000**	**1.1237**
	South African rand	**1,098,000,000**	**13.6420**

Euro hedges represent approximately 22% and 21% of projected Euro operating expenses for the balance of 2016 and all of 2017, respectively. South African rand hedges represent approximately 65% and 62% of projected Namibian dollar, which is tied to the South African rand, operating expenses for the balance of 2016 and all of 2017, respectively.

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, 2016, the net fair value loss on all outstanding forward foreign exchange contracts was $10.1 million (December 31, 2015 - $21.3 million), of which $6.2 million (December 31, 2015 - $10.1 million) was included in accounts payable and accrued liabilities and $3.9 million (December 31, 2015 - $11.2 million) in other long-term liabilities.

For the three and six months ended June 30, 2016, the Company recognized unrealized gains of $2.4 million (2015 – $0.9 million) and $10.6 million (2015 – $0.9 million), respectively, in other comprehensive (loss) income on the spot component of the outstanding forward foreign exchange contracts. The Company also recognized realized losses of $2.8 million (2015 – realized gains of $0.1 million) and $6.3 million (2015 – realized gains of $0.1 million) for the three and six months ended June 30, 2016, respectively, in cost of sales on the spot component of those contracts which have been settled.

For the three and six months ended June 30, 2016, the Company reported unrealized losses of $0.2 million (2015 - $nil) and unrealized gains of $0.6 million (2015 - $nil), respectively, in other expense (income) on the forward point component of the outstanding forward foreign exchange contracts. The Company also reported realized gains of $0.9 million (2015 - $nil) and $1.5 million (2015 - $nil) for the three and six months ended June 30, 2016, respectively, in other expense (income) on the forward point component of those contracts which have been settled.

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

In the second quarter of 2016, a total of 10,738 metres of underground resource development diamond drilling was completed. Of those, extensional drilling was 4,221 metres, focusing primarily on confirming and adding resources on the upper levels of Blocks 19 and 103 from the following locations: 17-395 in Block 19 and R20-450-405-DDC2 in Block 103.

The north-west part of the deposit, in particular Block 149 and an area south of it, was targeted as an area of interest for new Mineral Resources in the first quarter of 2016. Three exploration holes of an initial wide space drilling program were completed at Target 148 and Block 149 South, which confirmed the presence of additional mineralization outside the current Mineral Resource inventory (significant intercepts are shown in holes EXT148_225_09, 11). Furthermore, the southeast part of Block 10 was defined as a high potential target for extending the known mineralization outlines and discovering new mineralized zones.

A total of 6,517 metres of grade control drilling was completed in the period. The majority of grade control drilling was conducted in Block 19 from Levels 210, 230, 290 and 350. The drilling programs were designed to improve the resource confidence in order to deliver reserves to the life of mine plan.

Grade control drilling was completed in Block 103 in preparation for production mining that is shortly commencing in the block, aiming to better define the boundaries and the shape of the ore body between 270 mRL and 240 mRL.

Central Area

The main focus of the underground resource development drilling in the Central area of the mine was to replace and to reclassify Mineral Resources as well as to extend known economical mineralization on the upper levels of Block 19, in the zones around and down plunge of Block 10, and Block 17.

In the first quarter of 2016, five exploration holes were drilled for Block 19, in an initial wide space drilling program from 17-395 level, which planned to explore the upper levels of Block 19 in a north-west direction. In the second quarter of 2016, following positive results, drilling continues to the northwest on the upper levels in proximity to historical sub-level caving zones in order to define mineralization extents and allow a geotechnical assessment to better understand risk in cave zones before consideration for conversion to Mineral Reserves.

Approximately 2,983 metres were drilled in Block 19 from 17-395. As a result, the contour of economical mineralization of Block 19W was extended between 440 mRL and 390 mRL in a northwest direction and further minor mineralized zones were added to the silica envelope. Closed-space drilling was designed to improve the resource confidence and convert the resources to reserves (significant intercepts are shown in hole EXT19W_400_05/09/14).

Holes drilled above Level 400 near historical cave zones were subject to a geotechnical assessment to understand the ground conditions for future mining. In addition, detailed modelling of alteration assemblages was completed in the west part of the block (from 440mRL to 390mRL) based on new exploration data. The drilling defined the south-southwest silica boundary of Block 19. Currently the boundary of economic mineralization to the north-west remains open, which requires further drilling.

Twenty-seven grade control holes were drilled from four locations in Block 19 during the second quarter of 2016. From this program, drill hole G19W_210_16 collared from location 19W-210-RA extended the orebody in a northerly direction. Further drilling will be required to better understand the magnitude of this extension.

Subsequently, five holes with a total length of 570 metres were completed from location 19E-230-SD. Designed in the west part of the block, they extend the silica envelope and defined several small mineralized zones which will be included in future Mineral Resource updates.

Drilling from location 19E-290-P14 was designed to check the continuity of mineralization in a north-northeasterly direction from Block 19E. The first hole extended the orebody and re-defined the silica envelope boundary. Drillhole assays are still pending for certain portions of these holes. Drilling from this location will continue and the remaining data from the outstanding drillholes is expected in the third quarter of 2016.

As a result of five holes drilled from Level 350 in Block 19 (1,156 metres), Block 19W was extended in a northwest direction between 430 mRL and 310 mRL. This high grade area still remains open and additional drilling is being planned to determine the extent of the mineralization. Notably for the geologic model, a new fault zone was defined, which is a potential mineralization control, in the western periphery of the block. Significant results are presented in the table below within hole “G19W_350_09” and “G19W_350_11”.

Extensional drillhole EXT19W_400_14 was drilled from location 17-395 in a southerly direction towards Block 17. It identified mineralization of the style typical of orebodies within the central area of the Chelopech deposit. A significant intercept of 25.5 metres at 2.13% Cu and 1.99 g/t Au is shown in the table below within drillhole “EXT19W_400_14”, which was intercepted within a zone that has seen limited exploration to date. It may genetically be related to the Block 17 mineralization, which is 30 metres above the intercept between 390mRL and 370mRL. This mineralized zone is a favorable target for future exploration and remains open in a north-east and south-west direction. Drilling will continue in the third quarter of 2016.

For the Block 10 drilling program, a total of seven holes with a cumulative length of 1,959 metres were completed in the period. The objective was to further explore Block 10 and test for new orebodies nearby. The ore zone has been extended as a result this program (significant intercepts are shown in holes EXT10_555_01, EXT10_555_02 and EXT10_555_03) and drilling will continue over the third quarter of 2016 to further delineate this ore zone.

Western Area

Extensional and grade control drilling for Block 103 was completed from three drilling positions in the second quarter of 2016. Drilling from location R20-450-405-DDC2 had the objective to explore the east part of the block and extend the orebody in the upper part between 440 mRL and 390 mRL. Four holes with a total length of 978 metres were drilled in the period. The most significant intercept was observed in EXT103_450_39 and is presented in the table below.

Grade control drilling in Block 103 was conducted from two positions: 103-270-P13 and 103-270-P1. Drilling from 103-270-P13 aimed to verify the north-northeastern contact of the block and increase the ore body in size (three holes with a combined total length of 119 metres). Eleven grade control holes were drilled from 103-270-P1, which expanded the known mineralization contours (see drillholes G103_270_32 and G103_270_34 in the table below).

Block 149-South & Target 148

Drilling from location 149-220-RA-DDC was completed in the second quarter of 2016. The three extensional holes drilled totaling 581 metres, extended the silica envelope and the mineralized zone of Block 149-South in a north-west direction. A further three extensional drillholes (935 metres in total) directed in a west to south-westerly direction, returned several ore intersects extending the mineralized zone of Target 148. The advanced exploration of Target 148 will continue into the next quarter.

The medium term resource development strategy for Chelopech is focused on drilling the northeast part of the deposit, the northwest zone and the upper parts of Blocks 19 and 17 with the objective of increasing Mineral Resources. Additionally, there are plans to test the following targets within the remainder of 2016:

- extensional drilling in a southerly direction between blocks 17 and 18 is planned based on results of drillhole EXT19W_400_14 and recent re-interpretation in both ore blocks;
- advanced exploration and grade control drilling in Target 148;
- extensional drilling in an east-southeasterly direction from Level 405 (405-P421-VOZDOL) into an area with little or no drilling, which is situated between the central and western parts of the deposit. A single high Cu/Au intersection may indicate the presence of potential economic mineralization;
- grade control drilling in a northwesterly direction from Level 405 (405-P421-VOZDOL) on the upper levels of Block 150 above Level 405, to expand the known orebody and convert Mineral Resources into Mineral Reserves;
- extensional drilling in the vicinity of Blocks 5 and 25, which have been defined as areas of high potential for discovering additional economic mineralization;
- based on old drilling results in combination with structural and geology models, extensional drilling in the areas close to Blocks 10 and 8 targeting the discovery of new, and expansion of known, orebodies;
- grade control drilling under stope 150-225-35 from 150-225-P27VH;
- extensional drilling is scheduled from location 150-225-P2 in the north-east part of Block 150, where high-grade intercepts have been returned in the past; and
- extensional drilling from the Block 103 area from location R20-450-405-DDC1 in a north-northeasterly direction. This area has been designated as high potential for new discoveries based on the presence of numerous advanced argillic alteration zones, some bearing ore-grade mineralization, between 420mRL and 240mRL.

Significant intercepts (gold equivalent ("AuEq") cut-off grade of 3g/t) received during the second quarter of 2016:

HOLE ID	EAST	NORTH	RL	AZ	DIP	FROM	TO	True Width (m)	AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)
EXT10_555_01	6635	30025	558	226.6	-32.6	177.00	192.00	12.30	4.13	2.59	3.71	0.75
EXT10_555_02	6635	30026	558	218.5	-37.6	186.00	229.50	34.50	9.06	7.26	8.24	0.87
EXT10_555_03	6635	30026	558	216.8	-45.8	228.00	241.50	9.40	5.71	4.68	4.31	0.50
EXT103_450_39	5800	29194	448	249.9	5.1	160.50	199.50	38.00	3.47	2.01	2.30	0.71
EXT103_450_39	5800	29194	448	249.9	5.1	217.50	234.00	16.00	3.9	2.10	4.01	0.87
EXT148_225_09	5530	29668	227	303.1	4.7	145.50	160.50	14.50	7.59	5.69	12.28	0.92
EXT148_225_11	5530	29664	227	263.9	4.9	40.50	55.50	14.80	4.72	2.55	9.05	1.05
EXT19W_400_05	5988	29698	399	303.0	-0.1	247.20	270.00	22.70	16.95	2.76	31.40	6.88
EXT19W_400_09	5988	29698	399	316.2	0.4	292.50	322.50	29.40	3.69	1.94	7.03	0.85
EXT19W_400_14	5987	29692	399	201.1	-9.2	102.00	127.50	25.70	6.39	1.99	13.05	2.13
G103_270_32	5662	29179	277	81.0	-33.6	1.50	66.00	30.00	4.23	1.77	3.84	1.19
G103_270_34	5662	29178	277	72.0	-24.0	22.50	49.50	24.00	4.2	2.03	5.31	1.05
G19E_230_02	6072	29802	231	55.8	-23.2	0.00	19.50	18.00	6.46	5.22	9.56	0.60
G19W_350_09	5916	29944	355	252.2	-10.9	136.70	157.50	13.90	7.58	5.46	14.96	1.03
G19W_350_11	5915	29945	357	257.0	17.7	96.00	111.00	14.00	3.35	1.93	6.14	0.69
G19W_350_11	5915	29945	357	257.0	17.7	142.50	159.00	16.50	3.66	2.06	9.98	0.78

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" 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, a full suite of field and laboratory duplicates and replicates along with internationally accredited standards are submitted with each batch of samples. Diamond drill core is prepared and assayed at the SGS managed laboratory at Chelopech in Bulgaria. Samples are routinely assayed for copper, gold, silver, sulphur, arsenic, lead and zinc.

Sample tickets are entered into the bags with a numbering system, which reconciles sample and assayed results in the acQuire database. The average core recovery within the modeled resource constraints is 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.

Brownfields Exploration - Chelopech Concession and Sveta Petka Exploration Licence

Modelling of re-logged drill core has defined a new target area known as the SE Breccia Pipe Zone located between and to the southeast of Blocks 10 and 103. The SE Breccia Pipe Zone is approximately 650-700 metres in length, 100-150 metres in width and is separated from the main Chelopech diatreme by a 250-

600 metre screen of coherent diorite (at the 400 level). The target area was defined using the new geological model, described in detail in the 2015 AIF, in which the ore-hosting magmatic environment at Chelopech is controlled by a diatreme-maar system within a multi-phase intrusive complex. Alteration and metal zoning patterns around Chelopech suggest the system is still open and untested below the Chelopech thrust in the area of the SE Breccia Pipe Zone. Drilling to test the SE breccia with underground and surface drill holes is expected to start in September 2016.

Also during the second quarter of 2016, two diamond drill holes were drilled at the Sharlo Dere prospect located approximately 900 metres east of the Central ore blocks. Both holes intersected intervals with clasts and blocks of mineralization in a sedimentary breccia that is interpreted to overlie the intrusive complex. One of the holes intersected a zone within the breccia that averages 0.31% copper and 1.23 g/t gold over 35 metres from a down hole depth of 616 metres (400 metres from surface) including 7.0 metres averaging 0.73% copper and 2.13 g/t gold from 621 metres. It is not known if the mineralized clasts at Sharlo Dere are derived from the upper parts of known ore blocks at Chelopech or were sourced from elsewhere.

Krumovgrad

At Krumovgrad, three follow up diamond drill holes were completed at the Kupel North prospect. Kupel North, located about two kilometres east of Ada Tepe, was discovered in drill hole KPDD009 (12.0 metres at 12.8 g/t gold and 4.9 g/t silver) in December 2015. Drill hole KPDD012, located 170 metres south of KPDD009, intersected 5.0 metres with an average grade of 17.35 g/t gold and 7.0 g/t silver. The true width is estimated to be between two and three metres. Drill hole KPDD011, located 350 metres south of KPDD009, intersected one metre with a grade of 14.79 g/t gold and 2.6 g/t silver. Interpretation is ongoing and further follow up drilling is planned for later in the year. Complete assays are pending for four drill holes that tested other targets in the Krumovgrad project area during the second quarter of 2016.

Serbia

At the Timok Gold Project (comprising a number of contiguous licenses in the west of the Timok magmatic complex), a total of 1,519 metres were drilled during the first quarter of 2016, intersecting gold and base metal mineralization, and including 8.0 metres of 1.86 g/t gold and 1.68% copper from 348 metres in drill hole BIDD052. The mineralization was hosted in clastic sediments, down dip from base metal mineralization encountered during the 2015 trenching program. A single follow up hole of 665 metres, collared to the northeast of BIDD052, was completed during the second quarter of 2016, and assay results are pending. Exploration activities are focused on the evaluation of additional targets close to existing Inferred and Indicated Resources through a variety of geochemical and geophysical methods, with additional drilling planned later in the year.

The Company has received approval for the renewal of its exploration tenure over the southern extent of the Timok Gold Project area (the “Umka” license) and expanded its coverage to include additional ground to the east of the sediment packages in an area recently made available within the Timok magmatic complex.

At the Lenovac joint venture project, a ground magnetics and gravity survey was completed over the property, and an additional deep resistivity survey is being carried out over selected areas. In consultation with the joint venture partner, Rio Tinto Mining & Exploration Limited, further work will be planned for the remainder of the year once all geophysical survey results are assessed.

The Company continues to assess and develop targets on licenses over the Lece Volcanic Complex in the south of Serbia.

Other

Fieldwork commenced during the second quarter of 2016 on the Company’s joint venture projects in Armenia, which are held under option agreements signed in June 2015. DPM has also continued to conduct reviews of projects and prospective belts in other parts of the world.

Sampling and Analysis of Exploration Drill Core

Most of the exploration diamond drill holes are collared with PQ size, but continued with HQ, and rarely 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 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 kg, depending on the size of core, rock type, and recovery. A numbered tag is placed into each sample bag, and the samples are grouped into batches for laboratory submissions.

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

Drill core samples submitted to the laboratory are dried at 105˚C for a minimum of 12 hours and then jaw crushed to about 6 mm. Sample preparation duplicates are created by riffle splitting crushed samples on a 1 in 20 basis. Larger samples are riffle split prior to pulverizing, whereas, smaller samples are pulverized entirely. Pulverizing specifications are approximately 90% passing 70 microns. Gold analyses are done using a conventional 50 gram fire assay and AAS finish. Multi-element analyses comprising 49 elements, including Cu, Mo, As, Bi, Pb, Sb, and Zn, are done using a four-acid or an aqua regia digestion, and an ICP finish. Samples returning over 10,000 ppm for base metals are re-analyzed using high grade methods.

DEVELOPMENT AND OTHER MAJOR PROJECTS

Krumovgrad

The proposed mine site is located at Ada Tepe, approximately three kilometres south of the town of Krumovgrad in southeastern Bulgaria. The project plan contemplates the construction of an open-pit mining operation comprised of a process plant, which will employ conventional crushing, grinding and flotation processing for gold extraction, and the disposal of thickened tailings, together with mine rock waste, in an integrated mine waste facility (“IMWF”). The plant is designed to treat up to 840,000 tonnes of ore per annum over an eight year mine life, including processing stockpiled low grade ore at the end of the project, which is consistent with existing permitting applications and environmental submissions. Following completion of a Feasibility Study (“FS”) 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”)

During the second quarter of 2016, DPM completed a capital and operating cost update of the project. The updated initial project capital cost estimate of $178 million reflects all construction, direct and indirect, costs and commissioning, including contingency (P50) of $12.4 million, and excludes escalation, financing and sunk costs. Detailed engineering was substantially completed in the first quarter of 2016 and the final equipment and material quantities were incorporated into the updated capital cost estimate.

The table below is a summary of the updated 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.

UPDATED 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

Differences in capital cost estimate, compared with the previous estimate of $164 million disclosed in March 2014, were due primarily to higher levels of definition resulting from the substantial completion of detailed engineering during the first quarter of 2016, and detailed operation readiness planning, as noted below:

- earthworks quantities resulting from improved scope definition following the completion of detailed engineering and higher rates;
- operational readiness costs following more detailed scope definition and planning; and
- better definition of construction management costs, as a result of detailed construction execution planning.

The effect of these increases in initial capital have been partially offset by the savings associated with leasing the mine fleet, which has also resulted in a significant decrease in the estimated sustaining capital requirements, compared with previous estimates.

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**(3)
Mining costs	15.03
Processing costs	19.39
Tailings treatment & IMWF costs(2)	1.88
General & administration	5.33
Royalty	3.78
Total Annual Operating Costs	**45.41**

(1) Expressed as Q4 2015 US$.
(2) Integrated Mine Waste Facility.
(3) Average cash cost over eight years.

Annual operating costs on a per tonne basis remained relatively unchanged from previous estimates, as the additional leasing costs for the mine fleet have been offset by a favourable variance in the US$/Euro exchange rate, compared with previous estimates.

Based on the Mineral Reserves and Mineral Resources contained in the Krumovgrad Technical Report, as well as the updated 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 European Bank for Reconstruction and Development ("EBRD") required a number of supplementary environmental and social studies and documents to meet the EBRD Performance Requirements ("PRs") and international good practices. In addition to the EBRD PRs, certain lenders participating in the consortium refer to the Equator Principles and therefore the project also references the International Finance Corporation ("IFC") Performance Standards (2012). The final package of supplementary environmental and social documents was approved by EBRD's Board in April 2015, following completion of the public disclosure and shareholder consultation process.

Following the final approval of the Detailed Development Plan ("DDP"), the Company submitted an application to the Executive Forestry Agency ("EFA") in November 2015 for final re-designation of the land from forestry land to industrial land. This final approval was received in March 2016 and the land purchase process and formal transfer of land ownership to DPM were completed in May 2016. The Company submitted the construction permit application to the Krumovgrad Municipality in early June 2016, with receipt of the permit expected in mid-2016.

The archaeological field survey within the main DDP boundaries was finalized in December 2015 and the final archaeology report was approved by the expert committee, with receipt of the final archaeological protocol occurring in December 2015. Work on processing and storage of artifacts is expected to continue through 2016 and 2017.

Main activities in the third quarter of 2016 will be focused on:

- initiation of the early works program, including tree clearing on the site;
- receipt of the construction permit;
- mobilization of the project team to Krumovgrad; and
- mobilization and set up of the earthworks contractor at the site.

The current project baseline schedule contemplates the following milestones:

Milestone	**Actual/Expected Completion**
Municipal approval of main detailed development plan	Q4 2015 (complete)
Detailed project execution plan	Q1 2016 (complete)
Updated capital cost estimate and baseline project schedule	Q1 2016 (complete)
Land re-designation	Q1 2016 (complete)
Detailed engineering	Q1 2016 (complete)
Land purchase	Q2 2016 (complete)
Approval of technical packages	Q2 2016 (complete)
Construction permit	Mid 2016
DPM board approval for full release	Q3 2016
Mobilize earthworks contractor to site	Q3 2016
Commence construction on site	Q3 2016
Commence main civil/mechanical/electrical construction	Q2 2017
Commissioning and start up	Q2/Q3 2018
First concentrate production	H2 2018

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

Tsumeb - Capital Projects

Sulphuric Acid Plant and Copper Converters

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

Construction of two new larger copper converters, together with their associated off-gas system and tie-ins to the acid plant, was completed and commissioned in the first quarter of 2016 and are now in the process of ramping up to design capacity. All off-gases that contain sulphur dioxide are now captured and routed to the acid plant, resulting in significant reductions in SO_2 emissions being recorded in the smelter and surrounding areas. Further improvements are expected as the new converters ramp-up to design capacity.

Pursuant to a definitive supply agreement with Rössing Uranium Limited ("Rössing"), 225,000 tonnes of sulphuric acid is to be sold to Rössing on an annual basis.

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

Tsumeb also has an agreement with Weatherly International ("WTI") for the supply of acid to WTI's Tschudi copper project. The agreements with Rössing and WTI provide for the sale of all acid production over the next five years.

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

The final forecasted capital cost for the construction of the acid plant and new copper converters remains approximately $243 million. As at June 30, 2016, the Company had spent $239.7 million on this project.

Holding Furnace

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

OFF BALANCE SHEET ARRANGEMENTS

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

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	**2016**		2015[(1)]				2014[(1)]	
except per share amounts	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue from continuing operations	**72.5**	70.1	53.7	52.8	58.6	60.0	75.8	55.1
Net (loss) earnings	**(5.3)**	(6.4)	(48.6)	2.5	1.5	(3.4)	21.0	(11.8)
Net earnings (loss) attributable to:								
• Non-controlling interest	**0.3**	(0.3)	(0.1)	(0.2)	(0.4)	(0.3)	(0.5)	(1.1)
• Discontinued operations	**3.3**	(2.3)	(47.6)	(0.7)	0.0	(1.5)	(0.9)	(3.5)
• Continuing operations	**(8.9)**	(3.8)	(0.9)	3.4	1.9	(1.6)	22.4	(7.2)
Net earnings (loss) per share:								
• Discontinued operations	**0.02**	(0.01)	(0.34)	0.00	0.00	(0.01)	(0.01)	(0.03)
• Continuing operations	**(0.06)**	(0.03)	(0.01)	0.02	0.01	(0.01)	0.16	(0.05)
Adjusted net (loss) earnings from continuing operations	**(7.4)**	(1.3)	(0.9)	4.4	1.4	(0.1)	16.6	(5.5)
Adjusted basic (loss) earnings per share from continuing operations	**(0.05)**	(0.01)	(0.01)	0.03	0.01	(0.00)	0.12	(0.04)

(1) 2015 and 2014 results have been restated to reflect Kapan as discontinued operations as a result of the Kapan Disposition, which closed on April 28, 2016.

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

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

	2016		2015				2014	
Average	**Q2**	Q1	Q4	Q3	Q2	Q1	Q4	Q3
London Bullion gold ($/oz)	**1,259**	1,180	1,105	1,124	1,193	1,220	1,200	1,283
LME settlement copper ($/lb)	**2.15**	2.12	2.22	2.38	2.75	2.64	3.00	3.17
LME settlement SHG zinc ($/lb)	**0.87**	0.76	0.73	0.84	1.00	0.94	1.01	1.05
LBMA spot silver ($/oz)	**16.78**	14.83	14.76	14.91	16.41	16.72	16.47	19.74

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The 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, 2016 are the same as those described in the Company's MD&A for the year ended December 31, 2015.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards are not yet effective for the year ending December 31, 2016, 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, 2016. 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. This standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company continues to assess the full impact of this standard.

IFRS 15, *Revenue from Contracts with Customers*
IFRS 15, issued in May 2014, establishes the principles that an entity shall apply to report the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 replaces IAS 11, *Construction contracts*, IAS 18, *Revenue*, International Financial Reporting Interpretation Committee ("IFRIC") 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standard Interpretations Committee interpretation 31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the impact of this standard.

IFRS 16, *Leases*
IFRS 16, issued in January 2016, replaces IAS 17, *Leases*. IFRS 16 results in most leases being reported on the balance sheet for lessees, eliminating the distinction between a finance lease and an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for companies that also adopt IFRS 15. The Company is currently assessing the impact of this standard.

NON-GAAP FINANCIAL MEASURES

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

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

Cash cost per tonne of ore processed, cash cost per pound of copper in concentrate produced, cash cost per ounce of gold in concentrate produced, cash cost per ounce of gold sold, net of by-product credits, cash cost per ounce of gold sold in pyrite concentrate, all-in sustaining cost per ounce of gold 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 from continuing operations:

$ thousands, unless otherwise indicated **For the quarter 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 quarter ended June 30, 2015**	**Chelopech**	**Tsumeb**	**Total**
Ore processed *(mt)*	519,579	-	
Metals contained in copper concentrate produced:			
Gold *(ounces)*	26,432	-	
Copper *(pounds)*	9,945,523	-	
Complex concentrate smelted *(mt)*	-	53,721	
Cost of sales	28,203	26,587	54,790
Add/(deduct):			
Depreciation, amortization & other	(8,914)	(5,834)	
Realized losses (gains) on forward foreign exchange contracts	4	(25)	
Change in concentrate inventory	(1,063)	-	
Total cash cost before by-product credits	18,230	20,728	
By-product credits	(994)	(503)	
Total cash cost after by-product credits	17,236	20,225	
Cash cost per tonne ore processed *($)*	35.09	-	
Cash cost per pound copper produced *($)*[(1)]	0.80	-	
Cash cost per ounce gold produced *($)*[(1)]	351	-	
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	-	376	

(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**	

$ thousands, unless otherwise indicated **For the six months ended June 30, 2015**	**Chelopech**	**Tsumeb**	**Total**
Ore processed *(mt)*	1,024,892	-	
Metals contained in copper concentrate produced:			
Gold *(ounces)*	55,647	-	
Copper *(pounds)*	18,028,443	-	
Complex concentrate smelted *(mt)*	-	96,822	
Cost of sales	58,997	54,126	113,123
Add/(deduct):			
Depreciation, amortization & other	(18,255)	(11,776)	
Realized losses (gains) on forward foreign exchange contracts	4	(25)	
Change in concentrate inventory	(4,100)	-	
Total cash cost before by-product credits	36,646	42,325	
By-product credits	(1,857)	(807)	
Total cash cost after by-product credits	34,789	41,518	
Cash cost per tonne ore processed *($)*	35.76	-	
Cash cost per pound copper produced *($)*(1)	0.81	-	
Cash cost per ounce gold produced *($)*(1)	362	-	
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	-	429	

(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, to its cost of sales:

$ thousands, unless otherwise indicated	Three Months		Six Months	
Ended June 30,	**2016**	2015	**2016**	2015
Cost of sales(1)	**27,893**	28,203	**51,542**	59,001
Add/(deduct):				
Depreciation, amortization & other	**(9,226)**	(8,914)	**(18,449)**	(18,255)
Other charges, including freight(2)	**18,042**	21,577	**33,887**	42,228
By-product credits(3)	**(21,911)**	(31,514)	**(41,774)**	(62,843)
Cash cost of sales, net of by-product credits	**14,798**	9,352	**25,206**	20,131
Payable gold in concentrate sold *(ounces)*(4)	**32,474**	25,005	**54,508**	56,319
Cash cost per ounce of gold sold, net of by-product credits *($)*	**456**	374	**462**	357

1) *Includes realized losses on the forward point component of the forward foreign exchange contracts in the three and six months ended June 30, 2016 and 2015.*
2) *Excludes treatment charges, transportation and other selling costs related to the sale of pyrite concentrate in the three and six months ended June 30, 2016 and 2015.*
3) *Includes realized gains on copper derivative contracts, entered to hedge a portion of projected payable production, of $1.1 million and $2.2 million, respectively, during the second quarter and first six months of 2016, compared to $4.3 million and $9.6 million in the corresponding periods in 2015.*
4) *Excludes payable gold in pyrite concentrate sold in the three and six months ended June 30, 2016 and 2015.*

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

$ thousands, unless otherwise indicated	Three Months		Six Months	
Ended June 30,	**2016**	2015	**2016**	2015
Cash cost of sales, net of by-product credits(1)	**14,798**	9,352	**25,206**	20,131
Accretion expenses(1)	**97**	151	**187**	320
General and administrative expenses(2)	**2,758**	1,743	**5,652**	4,851
Cash outlays for sustaining capital(1)	**1,196**	1,232	**3,111**	2,735
All-in sustaining costs	**18,849**	12,478	**34,156**	28,037
Payable gold in copper concentrate sold *(ounces)*	**32,474**	25,005	**54,508**	56,319
All-in sustaining cost per ounce of gold *($)*	**580**	499	**627**	498

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, excluding revenue related to pyrite concentrate.*

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

$ thousands, unless otherwise indicated	Three Months		Six Months	
Ended June 30,	**2016**	2015	**2016**	2015
Treatment charges and refining costs	**1,428**	4,310	**5,059**	7,911
Transportation costs	**2,703**	3,824	**6,820**	7,489
Cash cost of sales related to pyrite concentrate sold	**4,131**	8,134	**11,879**	15,400
Payable gold in pyrite concentrate sold *(ounces)*	**5,397**	8,972	**15,110**	16,308
Cash cost of sales per ounce of gold sold in pyrite concentrate *($)*	**765**	907	**786**	944

The following table provides, for the periods indicated, a reconciliation of the discontinued Kapan operation cash cost per tonne of ore processed to its cost of sales:

$ thousands, unless otherwise indicated	**Three Months**		**Six Months**	
Ended June 30,	**2016**	2015	**2016**	2015
Cost of sales	**7,260**	12,610	**13,045**	19,398
Add/(deduct):				
Depreciation, amortization & other	**-**	(1,885)	**(332)**	(3,781)
Change in concentrate inventory	**(4,777)**	(1,957)	**(2,227)**	505
Total cash cost of production	**2,483**	8,768	**10,486**	16,122
Ore processed *(tonnes)*	**25,789**	107,641	**129,521**	211,053
Cash cost per tonne of ore processed *($)*	**96.28**	81.46	**80.96**	76.39

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

$ thousands, unless otherwise indicated	**Three Months**		**Six Months**	
Ended June 30,	**2016**	2015	**2016**	2015
Cost of sales	**7,260**	12,610	**13,045**	19,398
Add/(deduct):				
Depreciation, amortization & other	**-**	(1,885)	**(332)**	(3,781)
Other charges, including freight	**845**	1,780	**1,738**	2,711
By-product credits[1]	**(3,370)**	(7,370)	**(6,151)**	(11,127)
Cash cost of sales, net of by-product credits	**4,735**	5,135	**8,300**	7,201
Payable gold in concentrate sold *(ounces)*	**4,900**	6,669	**7,304**	9,296
Cash cost per ounce of gold sold, net of by-product credits *($)*	**966**	770	**1,136**	775

1) Includes realized gains on copper derivative contracts, entered to hedge a portion of projected payable production, of $nil and $0.1 million during the second quarter and first six months of 2016, respectively, compared to $0.3 million and $0.7 million in the corresponding periods in 2015.

Adjusted (loss) earnings before income taxes from continuing operations, adjusted (loss) earnings from continuing operations and adjusted basic (loss) earnings per share from continuing operations

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

Adjusted net (loss) earnings from continuing operations is defined as net (loss) earnings 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 provisions 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 equity settled warrants;
- unrealized and realized gains or losses related to investments carried at fair value;
- significant tax adjustments not related to current period loss; and
- non-recurring or unusual income or expenses that are either not related to the Company's operating segments or unlikely to occur on a regular basis.

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

$ thousands, except per share amounts **Ended June 30,**	**Three Months**		**Six Months**	
	2016	2015	**2016**	2015
Net (loss) earnings from continuing operations attributable to common shareholders	**(8,935)**	1,826	**(12,692)**	284
Add/(deduct) after-tax adjustments:				
Unrealized losses on commodity swap and option contracts	**1,687**	1,892	**5,393**	2,375
Unrealized losses (gains) on the forward point component of forward foreign exchange contracts	**184**	(42)	**(594)**	(42)
Net (gains) losses related to Sabina special warrants	**(349)**	(183)	**(804)**	281
Net gains on equity settled warrants	**-**	(2,124)	**-**	(2,171)
Impairment losses on publicly traded securities	**24**	48	**24**	628
Adjusted net (loss) earnings from continuing operations	**(7,389)**	1,417	**(8,673)**	1,355
Basic (loss) earnings per share from continuing operations	**(0.06)**	0.01	**(0.09)**	0.00
Adjusted basic (loss) earnings per share from continuing operations	**(0.05)**	0.01	**(0.06)**	0.01

Adjusted (loss) earnings before income taxes from continuing operations are defined as (loss) earnings 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 provisions 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 equity settled warrants;
- unrealized and realized gains or losses related to investments carried at fair value; and
- non-recurring or unusual income or expenses that are either not related to the Company's operating segments or unlikely to occur on a regular basis.

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

$ thousands, except per share amounts **Ended June 30,**	**Three Months**		**Six Months**	
	2016	2015	**2016**	2015
(Loss) earnings before income taxes from continuing operations	**(6,851)**	2,159	**(10,516)**	2,672
Add/(deduct) adjustments:				
Unrealized losses on commodity swap and option contracts	**1,874**	2,103	**5,992**	2,639
Unrealized losses (gains) on the forward point component of forward foreign exchange contracts	**194**	(34)	**(580)**	(34)
Net (gains) losses related to Sabina special warrants	**(349)**	(183)	**(804)**	281
Net gains on equity settled warrants	**-**	(2,124)	**-**	(2,171)
Impairment losses on publicly traded securities	**24**	48	**24**	628
Adjusted (loss) earnings before income taxes from continuing operations	**(5,108)**	1,969	**(5,884)**	4,015

Adjusted EBITDA from continuing operations

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

- depreciation and amortization;
- interest income;
- finance cost;
- impairment provisions or reversals thereof;
- unrealized gains or losses on commodity swap 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 equity settled warrants;
- unrealized and realized gains or losses related to investments carried at fair value; and
- non-recurring or unusual income or expenses that are either not related to the Company's operating segments or unlikely to occur on a regular basis.

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

$ thousands	**Three Months**		**Six Months**	
Ended June 30,	**2016**	2015	**2016**	2015
(Loss) earnings before income taxes from continuing operations	**(6,851)**	2,159	**(10,516)**	2,672
Add/(deduct):				
Depreciation and amortization	**19,456**	15,023	**38,405**	30,310
Finance cost	**3,497**	2,367	**6,882**	4,829
Interest income	**(63)**	(52)	**(111)**	(107)
Net (gains) losses related to Sabina special warrants	**(349)**	(183)	**(804)**	281
Unrealized losses on commodity swap and option contracts	**1,874**	2,103	**5,992**	2,639
Unrealized losses (gains) on the forward point component of forward foreign exchange contracts	**194**	(34)	**(580)**	(34)
Net gains on equity settled warrants	**-**	(2,124)	**-**	(2,171)
Impairment losses on publicly traded securities	**24**	48	**24**	628
Adjusted EBITDA from continuing operations	**17,782**	19,307	**39,292**	39,047

Free cash flow from continuing operations

Free cash flow from continuing operations is defined as cash provided from operating activities from 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 from continuing operations:

$ thousands	Three Months		Six Months	
Ended June 30,	**2016**	2015	**2016**	2015
Cash provided from operating activities of continuing operations, before changes in non-cash working capital	**15,685**	17,631	**46,375**	35,785
Cash outlays for sustaining capital	**(3,678)**	(2,117)	**(10,826)**	(5,847)
Mandatory principal repayments related to debt	**(8,125)**	(8,125)	**(8,125)**	(8,125)
Principal repayments related to finance leases	**(417)**	(377)	**(771)**	(910)
Interest payments	**(2,027)**	(2,386)	**(3,870)**	(4,721)
Free cash flow from continuing activities	**1,438**	4,626	**22,783**	16,182

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 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 from Continuing Operations

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

Sustaining Capital Expenditures from Continuing Operations

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

RISKS AND UNCERTAINTIES

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

A comprehensive discussion of the risks faced by the Company can be found in the Company's 2015 Annual MD&A, the AIF and other disclosure documents filed by the Company on SEDAR at www.sedar.com. These risks should be considered when evaluating the Company and its guidance.

In addition, the Company presents in this MD&A estimates with respect to capital costs, operating costs and other project economics with respect to the Krumovgrad Project. The Company's actual costs, production, returns, payback and other financial and economic performance metrics for the Krumovgrad project are dependent on a number of factors, including currency exchange rates, the price of gold and by-product metals, the cost of inputs used in mining development and operations, timing of obtaining all required permits and approvals, timing of obtaining all necessary financing and events that impact cost and production levels that are not in the Company's control. DPM's actual costs may vary from estimates for a variety of reasons, including changing waste-to-ore ratios, ore grade metallurgy, labour and other input costs, commodity prices, general inflationary pressures and currency exchange rates. Failure to achieve cost estimates or other economic performance metrics or material increases in costs could have an adverse impact on DPM's future cash flows, profitability, results of operations and financial condition. As a result of the substantial expenditures involved in development projects, development projects are prone to material cost overruns versus budget. The capital expenditures and time required to develop new mines are considerable and changes in cost or construction schedules can significantly increase both the time and capital required to build the project. Krumovgrad project development schedules are also dependent on obtaining the governmental approvals and permits necessary for operation of a project. The timeline to obtain these government approvals and permits is often beyond the control of the Company. It is not unusual in the mining industry, especially in a jurisdiction like Bulgaria, for new mining operations to experience construction challenges or delays and unexpected problems during the start-up phase, resulting in delays and requiring more capital than anticipated. Given the inherent risks and uncertainties associated with the development of a new mine, there can be no assurance that the construction will continue in accordance with current expectations or at all, or that construction costs will be consistent with the budget, or that the mine will operate as planned.

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, 2016, 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 2016.

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 other project economics with respect to Krumovgrad, the timing of permitting activities, construction and development and commissioning at Krumovgrad and further optimization work at Tsumeb, the future price of gold, copper and silver, the estimation of Mineral Reserves and Mineral Resources, the realization of such mineral estimates, the timing and amount of estimated future production and output, LOM, costs of production, cash costs and other cost measures, capital expenditures, costs and timing of the development of new deposits, the results of economic studies, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, success of permitting activities, environmental risks, reclamation expenses, the potential or anticipated outcome of title disputes or claims and timing and possible outcome of pending litigation. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the use of forward looking terminology such as “plans”, “expects”, or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “outlook”, “intends”, “anticipates”, or “does not anticipate”, or “believes”, or variations of such words and phrases or that state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Without limitation to the foregoing, the following section outlines certain specific forward looking statements contained in the “2016 Guidance” of this MD&A, unless otherwise noted, and provides certain material assumptions used to develop such forward looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements (which are provided without limitation to the additional general risk factors discussed herein):

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

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

All-in sustaining costs from continuing operations: assumes that metals contained in concentrate produced from continuing operations, cash cost per ounce of gold sold, net of by-product credits, from continuing operations, general and administrative expenses and sustaining capital expenditures of continuing operations 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; unanticipated issues related to the commissioning of the new copper converters; lower than anticipated equipment availability; and disruptions to or changes in the supply of complex concentrate.

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

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

Liquidity (see comments contained in "2016 Guidance" and "Liquidity and Capital Resources" sections): assumes the operating and cost performance at Chelopech and Tsumeb are consistent with current expectations; metal prices and foreign exchange rates remain at or around current levels; concentrate and acid sales agreements, and smelter toll terms are consistent with current terms and/or forecast levels; progress of capital projects is consistent with current expectations; and DPM's RCF remains in place. Subject to a number of risks, the more significant of which are: lower than anticipated metals production at Chelopech, complex concentrate throughput and acid production at Tsumeb, deliveries of concentrate and metal prices; weaker U.S. dollar relative to local operating currencies; changes in contractual sales and/or toll terms; 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 prices 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, 2016 and December 31, 2015

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

	June 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	**23,845**	26,570
Accounts receivable	**43,541**	29,903
Inventories	**30,723**	41,663
Other current assets *(note 5(c) & 5(d))*	**2,579**	8,581
	100,688	106,717
Non-Current Assets		
Investments at fair value *(note 5(a) &5(b))*	**22,496**	13,911
Exploration and evaluation assets	**104,457**	101,166
Mine properties	**91,338**	99,711
Property, plant & equipment	**532,632**	555,595
Intangible assets	**29,136**	21,632
Deferred income tax assets	**4,242**	2,891
Other long-term assets	**4,285**	4,528
	788,586	799,434
TOTAL ASSETS	**889,274**	906,151
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**42,515**	53,225
Income tax liabilities	**2,214**	1,343
Current portion of long-term debt *(note 6)*	**16,250**	16,250
Current portion of long-term liabilities	**2,047**	1,920
	63,026	72,738
Non-Current Liabilities		
Long-term debt *(note 6)*	**122,846**	130,785
Rehabilitation provisions *(note 7)*	**33,809**	35,127
Share based compensation plans *(note 8)*	**4,079**	1,456
Deferred income tax liabilities	**13**	13
Other long-term liabilities	**19,768**	27,919
	180,515	195,300
TOTAL LIABILITIES	**243,541**	268,038
EQUITY		
Share capital	**441,344**	439,736
Contributed surplus	**11,161**	9,695
Retained earnings	**196,728**	208,450
Accumulated other comprehensive loss	**(3,500)**	(20,424)
Equity attributable to common shareholders of the Company	**645,733**	637,457
Non-controlling interests	**-**	656
TOTAL EQUITY	**645,733**	638,113
TOTAL LIABILITIES AND EQUITY	**889,274**	906,151

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

For the three and six months ended June 30, 2016 and 2015

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Continuing Operations				
Revenue	**72,470**	58,573	**142,638**	118,629
Cost of sales	**64,966**	54,790	**121,982**	113,123
Gross profit	**7,504**	3,783	**20,656**	5,506
General and administrative expenses	**4,672**	4,307	**9,832**	8,992
Corporate social responsibility expenses	**455**	300	**665**	690
Exploration expenses	**2,784**	1,571	**3,732**	2,828
Finance cost	**3,497**	2,367	**6,882**	4,829
Other expense (income) *(note 9)*	**2,947**	(6,921)	**10,061**	(14,505)
(Loss) earnings before income taxes	**(6,851)**	2,159	**(10,516)**	2,672
Current income tax expense	**2,195**	1,121	**3,574**	3,681
Deferred income tax recovery	**(466)**	(474)	**(1,398)**	(653)
Net (loss) earnings from continuing operations	**(8,580)**	1,512	**(12,692)**	(356)
Discontinued Operations *(note 3)*				
Net earnings (loss) from discontinued operations	**3,267**	5	**970**	(1,510)
Net (loss) earnings	**(5,313)**	1,517	**(11,722)**	(1,866)
Net (loss) earnings attributable to:				
Common shareholders of the Company				
From continuing operations	**(8,935)**	1,826	**(12,692)**	284
From discontinued operations	**3,267**	5	**970**	(1,510)
Non-controlling interests	**355**	(314)	**-**	(640)
Net (loss) earnings	**(5,313)**	1,517	**(11,722)**	(1,866)
Basic (loss) earnings per share attributable to common shareholders of the Company *(note 10)*				
From continuing operations	**(0.06)**	0.01	**(0.09)**	0.00
From discontinued operations	**0.02**	0.00	**0.01**	(0.01)
Basic (loss) earnings per share	**(0.04)**	0.01	**(0.08)**	(0.01)
Diluted (loss) earnings per share attributable to common shareholders of the Company *(note 10)*				
From continuing operations	**(0.06)**	0.01	**(0.09)**	0.00
From discontinued operations	**0.02**	0.00	**0.01**	(0.01)
Diluted (loss) earnings per share	**(0.04)**	0.01	**(0.08)**	(0.01)

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, 2016 and 2015

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

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Net (loss) earnings	**(5,313)**	1,517	**(11,722)**	(1,866)
Other comprehensive (loss) income				
Items that may be reclassified subsequently to profit or loss:				
Unrealized (losses) gains on forward foreign exchange contracts designated as cash flow hedges, net of income tax (recovery) expense of $(49) (2015 - $76) and $58 (2015 - $76), respectively	**(258)**	871	**4,283**	871
Realized losses on forward foreign exchange contracts, transferred to net (loss) earnings, net of income tax expense of $8 (2015 - $nil) and $11 (2015 - $nil), respectively	**2,795**	-	**6,305**	-
Unrealized gains on publicly traded securities, net of income tax expense of $nil (2015 - $nil) and $nil (2015 - $nil), respectively	**3,894**	1,233	**7,781**	653
Impairment loss on publicly traded securities, transferred to net (loss) earnings, net of income tax recovery of $nil (2015 - $nil) and $nil (2015 - $nil), respectively	**24**	48	**24**	628
Currency translation adjustments	**(4)**	53	**13**	(282)
	6,451	2,205	**18,406**	1,870
Comprehensive income, net of income taxes	**1,138**	3,722	**6,684**	4
Comprehensive (loss) income attributable to:				
Common shareholders of the Company				
From continuing operations	**(2,476)**	4,004	**5,714**	2,294
From discontinued operations	**3,267**	5	**970**	(1,510)
Non-controlling interests	**347**	(287)	**-**	(780)
Comprehensive income, net of income taxes	**1,138**	3,722	**6,684**	4

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, 2016 and 2015

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

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
OPERATING ACTIVITIES				
(Loss) earnings before income taxes from continuing operations	**(6,851)**	2,159	**(10,516)**	2,672
Items not affecting cash and other adjustments *(note 12(a))*	**28,273**	10,264	**58,955**	21,266
Changes in non-cash working capital *(note 12(b))*	**(9,014)**	19,751	**(34,181)**	(1,065)
(Payments for) proceeds from settlement of derivative contracts	**(4,365)**	8,312	**1,150**	16,411
Income taxes paid	**(1,372)**	(3,104)	**(3,214)**	(4,564)
Cash provided from operating activities of continuing operations	**6,671**	37,382	**12,194**	34,720
Cash (used in) provided from operating activities of discontinued operations	**(1,253)**	3,485	**(861)**	6,762
INVESTING ACTIVITIES				
Proceeds from Kapan Disposition *(note 3)*	**24,778**	-	**24,778**	-
Proceeds from disposal of mine properties and property, plant and equipment	**90**	15	**108**	143
Expenditures on exploration and evaluation assets	**(1,825)**	(3,589)	**(2,811)**	(4,650)
Expenditures on mine properties	**(3,123)**	(1,046)	**(6,577)**	(2,317)
Expenditures on property, plant and equipment	**(5,742)**	(9,544)	**(13,613)**	(21,988)
Expenditures on intangible assets	**-**	(77)	**(170)**	(292)
Cash provided from (used in) investing activities of continuing operations	**14,178**	(14,241)	**1,715**	(29,104)
Cash used in investing activities of discontinued operations	**(400)**	(2,339)	**(2,314)**	(4,548)
FINANCING ACTIVITIES				
(Repayments) drawdowns, net under revolving credit facility *(note 6(b))*	**(10,000)**	-	**-**	-
Repayments of term loans *(note 6(a))*	**(8,125)**	(8,125)	**(8,125)**	(8,125)
Financing fees on debt	**(693)**	-	**(693)**	(390)
Finance lease obligation	**(417)**	(377)	**(771)**	(910)
Interest paid	**(2,027)**	(2,386)	**(3,870)**	(4,721)
Cash used in financing activities of continuing operations	**(21,262)**	(10,888)	**(13,459)**	(14,146)
(Decrease) increase in cash and cash equivalents of continuing operations	**(413)**	12,253	**450**	(8,530)
(Decrease) increase in cash and cash equivalents of discontinued operations	**(1,653)**	1,146	**(3,175)**	2,214
Cash and cash equivalents of continuing operations, beginning of period	**24,258**	13,964	**23,395**	34,747
Cash and cash equivalents of discontinued operations, beginning of period	**1,653**	2,613	**3,175**	1,545
Cash and cash equivalents of continuing operations, end of period	**23,845**	26,217	**23,845**	26,217
Cash and cash equivalents of discontinued operations, end of period	**-**	3,759	**-**	3,759

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, 2016 and 2015

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

	June 30, 2016		June 30, 2015	
	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	**140,575,783**	**439,736**	140,575,783	439,736
Shares issued upon Avala acquisition *(note 4)*	**956,329**	**1,608**	-	-
Balance at end of period	**141,532,112**	**441,344**	140,575,783	439,736
Contributed surplus				
Balance at beginning of period		**9,695**		7,723
Share based compensation expense		**936**		1,161
Other changes in contributed surplus		**530**		(2)
Balance at end of period		**11,161**		8,882
Retained earnings				
Balance at beginning of period		**208,450**		255,439
Net loss attributable to common shareholders of the Company		**(11,722)**		(1,226)
Balance at end of period		**196,728**		254,213
Accumulated other comprehensive (loss) income *(note 13)*				
Balance at beginning of period		**(20,424)**		(888)
Other comprehensive income		**16,924**		2,010
Balance at end of period		**(3,500)**		1,122
Total equity attributable to common shareholders of the Company		**645,733**		703,953
Non-controlling interests				
Balance at beginning of period		**656**		1,896
Net loss attributable to non-controlling interests		**-**		(640)
Other comprehensive loss attributable to non-controlling interests		**-**		(140)
Other changes in non-controlling interests		**(656)**		2
Balance at end of period		**-**		1,118
Total equity at end of period		**645,733**		705,071

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.

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 focused on the development of a gold property located in south eastern Bulgaria, near the town of Krumovgrad; and
- 100% of Dundee Precious Metals Tsumeb (Proprietary) Limited ("Tsumeb"), which owns and operates a custom smelter located in Tsumeb, Namibia.

DPM also owns 100% of Avala Resources Ltd. ("Avala"), which is incorporated in British Columbia, Canada and focused on the exploration and development of the Lenovac project, the Timok gold project, the Tulare copper and gold project and other early stage projects in Serbia. In April 2016, the Company acquired all of the issued and outstanding shares of Avala not already owned by DPM (*note 4*).

Discontinued operations *(note 3)*:

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

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Chartered Professional Accountants of Canada Handbook – Accounting applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for full financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2015, 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, 2015.

These condensed interim consolidated financial statements were approved by the Board of Directors on July 28, 2016.

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

3. KAPAN DISPOSITION AND DISCONTINUED OPERATIONS

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

Kapan Disposition

Consideration received:	
Cash and cash equivalents	**10,000**
Working capital adjustment *(i)*	**7,329**
Polymetal ordinary shares *(ii)*	**15,214**
Net smelter royalty *(iii)*	**9,500**
Total consideration received	**42,043**
Less: transaction costs	**(584)**
Net consideration received	**41,459**
Net assets disposed of:	
Cash and cash equivalents	**960**
Accounts receivable	**11,880**
Inventories	**12,023**
Other current assets	**155**
Mine properties	**11,827**
Property, plant & equipment	**8,613**
Total assets disposed of	**45,458**
Accounts payable and accrued liabilities	**3,867**
Rehabilitation provisions	**6,121**
Total liabilities disposed of	**9,988**
Net assets disposed of	**35,470**
Gain on Kapan Disposition included in net earnings (loss) from discontinued operations	**5,989**

(i) The working capital adjustment following closing is based on management's best estimate as at June 30, 2016 and is expected to be finalized in the third quarter of 2016.

(ii) The Polymetal ordinary shares were sold subsequent to the closing for net cash proceeds of $14.8 million, which was included in the proceeds from Kapan Disposition in the condensed interim consolidated statements of cash flows for the three and six months ended June 30, 2016.

(iii) The estimated fair value of the net smelter royalty component of the total consideration received was based on management's estimated future pre-tax cash flows of Kapan utilizing the latest information available, including metal prices, available Mineral Resources, ore mined, grades, recoveries, certain operating costs, capital expenditures and foreign exchange rates. These projected cash flows were prepared in current dollars and discounted using a real discount rate of 10% representing the estimated pre-tax real weighted average cost of capital. This rate was estimated based on the Capital Asset Pricing Model where the cost of equity and debt were built up based on estimated risk free interest rates, market returns on equity and debt, volatility, debt-to-equity ratios and risks specific to the Company and mining sector.

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

Management's estimate of the fair value of the net smelter royalty was classified as level 3 in the fair value hierarchy. The assumed metal prices used to determine the fair value of the net smelter royalty at the time of disposition were as follows:

Metal	Price
Gold ($/ounce)	1,150 – 1,250
Copper ($/pound)	2.20 – 2.80
Silver ($/ounce)	14.80 – 17.35
Zinc ($/pound)	0.79 – 1.00

The estimated fair value of the net smelter royalty was recognized as an intangible asset in the condensed interim consolidated statements of financial position as at June 30, 2016 and will be amortized based on the unit-of-production method over the estimated economic life of the Kapan mine, which corresponds with timing when the net smelter royalty income is expected to be recognized. The net smelter royalty income and the amortization expense were both recorded in other expense (income) *(note 9)* in the condensed interim consolidated statements of (loss) earnings.

Discontinued operations

The following table summarizes the operating results of Kapan which have been aggregated and presented as discontinued operations for the three and six months ended June 30, 2016 and 2015:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Revenue	**9,023**	12,549	**14,380**	17,446
Cost of sales	**7,260**	12,610	**13,045**	19,398
Gross profit (loss)	**1,763**	(61)	**1,335**	(1,952)
Exploration expenses	**13**	129	**97**	279
Finance cost	**77**	204	**287**	374
Other expense (income)	**4,241**	(470)	**5,606**	(823)
(Loss) earnings before income taxes	**(2,568)**	76	**(4,655)**	(1,782)
Current income tax expense	**154**	-	**364**	83
Deferred income tax expense (recovery)	**-**	71	**-**	(355)
Net (loss) earnings from discontinued operations before gain on Kapan Disposition	**(2,722)**	5	**(5,019)**	(1,510)
Gain on Kapan Disposition	**5,989**	-	**5,989**	-
Net earnings (loss) from discontinued operations	**3,267**	5	**970**	(1,510)

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

4. SIGNIFICANT TRANSACTIONS

Avala

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

As at June 30, 2016, DPM held a 100% (December 31, 2015 – 50.1%) ownership interest in Avala. The non–controlling interests' share of Avala's net loss resulting from its exploration activities for the three and six months ended June 30, 2015 was $0.3 million and $0.6 million, respectively. The non-controlling interests' share of Avala's net assets as at December 31, 2015 was $0.7 million.

5. FINANCIAL INSTRUMENTS

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

		Carrying Amount	
	Financial instrument classification	**June 30, 2016**	December 31, 2015
Financial assets			
Cash and cash equivalents	Loans and receivables	**23,845**	26,570
Accounts receivable	Loans and receivables	**43,541**	29,903
Restricted cash	Loans and receivables	**2,099**	2,026
Sabina special warrants *(a)*	Held for trading	**2,255**	1,451
Publicly traded securities *(b)*	Available for sale	**20,241**	12,460
Commodity swap and option contracts *(c)*	Derivatives held for trading	**916**	7,548
Financial liabilities			
Accounts payable and accrued liabilities	Other financial liabilities	**32,751**	43,108
Debt *(note 6)*	Other financial liabilities	**139,096**	147,035
Commodity swap and option contracts *(c)*	Derivatives held for trading	**4,012**	-
Forward foreign exchange contracts *(d)*	Derivatives for cash flow hedges	**10,130**	21,345

The carrying values of all the financial assets and liabilities approximate their fair values as at June 30, 2016 and December 31, 2015.

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

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

As at June 30, 2016, DPM held: (i) 23,539,713 common shares of Sabina; and (ii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the Back River project or upon the occurrence of certain other events. Each of the special warrants is exercisable for a period of 35 years into one common share.

The fair value of the special warrants was based on the fair value of the Sabina common shares, which was determined based on the closing bid prices as at June 30, 2016 and December 31, 2015.

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, 2016, the Company recorded unrealized gains on the Sabina special warrants of $0.3 million (2015 – $0.2 million) and $0.8 million (2015 – unrealized losses of $0.3 million), respectively, in other expense (income) *(note 9)* in the condensed interim consolidated statements of (loss) earnings.

(b) Publicly traded securities

Publicly traded securities include a portfolio of equity investments in publicly traded mining and exploration companies, comprised primarily of Sabina common shares. These investments are measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the condensed interim consolidated statements of comprehensive income (loss). When an investment is sold or considered to be impaired due to a significant and prolonged decline in fair value, the cumulative gain or loss is removed from accumulated other comprehensive income or loss and recognized in other expense (income) in the condensed interim consolidated statements of earnings (loss). Any further unrealized loss below the new impaired cost on the investment is recognized as an impairment charge in other expense while any future unrealized gain is recognized in other comprehensive income.

For the three and six months ended June 30, 2016, the Company recognized unrealized gains on these publicly traded securities of $3.9 million (2015 – $1.3 million) and $7.8 million (2015 - $0.7 million), respectively, in other comprehensive (loss) income. Unrealized losses in respect of publicly traded securities considered to be impaired of $0.02 million (2015 - $0.05 million) and $0.02 million (2015 - $0.6 million) for the three and six months ended June 30, 2016, respectively, were transferred to other expense (income) *(note 9)*.

(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 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, 2016, 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	34,525 ounces	$1,254/ounce
Payable copper	15,101,647 pounds	$2.17/pound
Payable silver	67,480 ounces	$15.91/ounce

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

The Company also enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to reduce its by-product metals price exposure ("Production Hedges"). As at June 30, 2016, the Company had outstanding commodity swap contracts in respect of this exposure as summarized in the table below:

Year of projected payable copper production	Volume hedged (pounds)	Average fixed price of Production Hedges ($/pound)
Balance of 2016	12,632,473	2.32
2017	14,550,492	2.17
	27,182,965	**2.24**

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

As at June 30, 2016, the Company had outstanding commodity swap contracts as summarized in the table below:

Year of projected payable gold production	Volume hedged (ounces)	Average fixed price of gold production swaps ($/ounce)
Balance of 2016	4,020	1,150

As at June 30, 2016, the Company had outstanding commodity option contracts as summarized in the table below:

Year of projected payable gold production	Volume hedged (ounces)	Call options sold Average ceiling price ($/ounce)	Put options purchased Floor price ($/ounce)
Balance of 2016	6,600	1,484	1,200
2017	45,000	1,497	1,200
	51,600	**1,495**	**1,200**

The fair value gain or loss on commodity swap contracts was calculated based on the corresponding London Metal Exchange forward copper and zinc 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, 2016, the net fair value loss on all outstanding commodity swap and option contracts was $3.1 million (December 31, 2015 – a net fair value gain of $7.5 million), of which $0.9 million (December 31, 2015 – $7.1 million) was included in other current assets, $3.5 million (December 31, 2015 – $nil) in accounts payable and accrued liabilities, $nil (December 31, 2015 – $0.4 million) in other long-term assets, and $0.5 million (December 31, 2015 – $nil) in other long-term liabilities.

For the three and six months ended June 30, 2016, the Company reported unrealized losses on the commodity swap and option contracts related to continuing operations of $3.0 million (2015 – $1.1 million) and $10.1 million (2015 - $2.9 million), respectively, in other expense (income) *(note 9)*. The Company also reported realized losses on the settlement of certain of these commodity swap contracts related to continuing operations of $0.3 million (2015 – realized gains of $6.7 million) and $0.03 million (2015 – realized gains of $15.9 million), respectively, in other expense (income) *(note 9)* for the three and six months ended June 30, 2016.

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

For the three and six months ended June 30, 2016, the Company reported unrealized gains of $0.5 million (2015 – $0.03 million) and unrealized losses of $0.5 million (2015 - $0.2 million), respectively, on commodity swap contracts related to discontinued operations in net earnings (loss) from discontinued operations. The Company also reported realized losses on the settlement of certain of these commodity swap contracts related to discontinued operations of $1.0 million (2015 – realized gains of $0.3 million) and $1.1 million (2015 – realized gains of $0.8 million), respectively, in net earnings (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 denominated in foreign currencies. All forward foreign exchange contracts the Company has entered into are related to continuing operations.

As at June 30, 2016, the Company had outstanding forward foreign exchange contracts in respect of projected foreign denominated operating expenses as summarized in the table below:

Year of projected operating expenses	Foreign currency hedged	Amount hedged in foreign currency	Average exchange rate Foreign currency/US$
Balance of 2016	Euro	5,850,000	1.1146
	South African rand	378,000,000	13.2279
2017	Euro	10,800,000	1.1287
	South African rand	720,000,000	13.8699
Total	**Euro**	**16,650,000**	**1.1237**
	South African rand	**1,098,000,000**	**13.6420**

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, 2016, the net fair value loss on all outstanding forward foreign exchange contracts was $10.1 million (December 31, 2015 – $21.3 million), of which $6.2 million (December 31, 2015 – $10.1 million) was included in accounts payable and accrued liabilities and $3.9 million (December 31, 2015 – $11.2 million) in other long-term liabilities.

For the three and six months ended June 30, 2016, the Company recognized unrealized gains of $2.4 million (2015 – $0.9 million) and $10.6 million (2015 - $0.9 million), respectively, in other comprehensive (loss) income on the spot component of the outstanding forward foreign exchange contracts. The Company also recognized realized losses of $2.8 million (2015 – realized gains of $0.1 million) and $6.3 million (2015 – realized gains of $0.1 million) for the three and six months ended June 30, 2016, respectively, in cost of sales on the spot component of those contracts which have been settled.

For the three and six months ended June 30, 2016, the Company reported unrealized losses of $0.2 million (2015 – $nil) and unrealized gains of $0.6 million (2015 - $nil), respectively, in other expense (income) *(note 9)* on the forward point component of the outstanding forward foreign exchange contracts. The Company also reported realized gains of $0.9 million (2015 – $nil) and $1.5 million (2015 - $nil) for the three and six months ended June 30, 2016, respectively, in other expense (income) *(note 9)* on the forward point component of those contracts which have been settled.

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

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, 2016 and December 31, 2015:

				As at June 30, 2016
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Sabina special warrants	**-**	**-**	**2,255**	**2,255**
Publicly traded securities	**20,241**	**-**	**-**	**20,241**
Commodity swap and option contracts	**-**	**916**	**-**	**916**
Financial liabilities				
Commodity swap and option contracts	**-**	**4,012**	**-**	**4,012**
Forward foreign exchange contracts	**-**	**10,130**	**-**	**10,130**

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

During the six months ended June 30, 2016 and the year ended December 31, 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The following table reconciles level 3 fair value measurements from January 1, 2015 to June 30, 2016:

Balance as at January 1, 2015	1,173
Unrealized gains included in net loss	278
Balance as at December 31, 2015	1,451
Unrealized gains included in net loss *(note 9)*	**804**
Balance as at June 30, 2016	**2,255**

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

6. DEBT

	June 30, 2016	December 31, 2015
Current portion of debt		
Term loans *(a)*	**16,250**	16,250
	16,250	16,250
Long-term portion of debt		
Term loans *(a)*	**7,846**	15,785
Revolving credit facility *(b)*	**115,000**	115,000
	122,846	130,785
Total debt	**139,096**	147,035

(a) Term Loans

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

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

As at June 30, 2016, the Term Loans had an outstanding balance of $24.4 million and DPM was in compliance with all financial covenants.

(b) Credit agreements and guarantees

Chelopech

Chelopech has a $16.0 million multi-purpose credit facility that matures on November 30, 2016. This credit facility is guaranteed by DPM. Advances under the multi-purpose revolving credit facility bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 3.25%. As at June 30, 2016, $3.5 million (December 31, 2015 – $4.1 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech also has a Euro 21.0 million ($23.3 million) credit facility to support the Chelopech mine closure and rehabilitation plan. This credit facility matures on November 15, 2016 and is guaranteed by DPM. As at June 30, 2016, $15.5 million (December 31, 2015 – $22.9 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

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

DPM

DPM has a committed RCF with a consortium of banks. In February 2015, the RCF was amended to extend the term of two of its tranches by an additional year. As at June 30, 2016, the RCF is comprised of a $45.0 million tranche A maturing in February 2020, a $150.0 million tranche B maturing in February 2018, and an $80.0 million tranche C maturing in July 2019 that has quarterly availability reductions of $4.0 million beginning in the third quarter of 2016. In April 2016, the RCF was further amended to extend the term of tranche A and tranche B by another year to February 2021 and February 2019, respectively.

The RCF bears interest at a spread above LIBOR, which varies between 2.75% and 5.50% depending upon the tranche being drawn and the Company's debt leverage ratio (funded net debt to adjusted EBITDA), as defined in the RCF agreement. The RCF contains the same financial covenants and shares in the same security package as the Term Loans. As at June 30, 2016, DPM was in compliance with all financial covenants and $115.0 million was drawn under the RCF.

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

	Payments Due by Period		
	up to 1 year	**1 - 5 years**	**Total**
Term loans	16,250	8,125	**24,375**
Revolving credit facility	-	115,000	**115,000**
	16,250	**123,125**	**139,375**
Unamortized deferred financing costs			**(279)**
Total debt			**139,096**

7. REHABILITATION PROVISIONS

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

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

	June 30, 2016	December 31, 2015
Discount period		
Chelopech	**2017 - 2029**	2017 - 2029
Tsumeb	**2017 - 2039**	2016 - 2039
Kapan	**N/A**	2025 - 2027
Discount rate		
Chelopech	**2.4%**	2.4%
Tsumeb	**9.9%**	10.7%
Kapan	**N/A**	16.9%
Inflation rate		
Chelopech	**2.0%**	2.0%
Tsumeb	**5.5%**	5.5%
Kapan	**N/A**	4.0%

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

Changes to rehabilitation provisions were as follows:

	Chelopech	Tsumeb	Kapan	Total
Balance as at January 1, 2015	24,953	22,939	5,893	53,785
Change in cost estimate *(a)*	(9,902)	-	-	(9,902)
Remeasurement of provisions *(b)*	(1,079)	(9,360)	(1,697)	(12,136)
Accretion expense	610	1,945	825	3,380
Balance as at December 31, 2015	14,582	15,524	5,021	35,127
Remeasurement of provisions *(b)*	**271**	**2,409**	**813**	**3,493**
Accretion expense	**187**	**836**	**287**	**1,310**
Disposed of due to Kapan Disposition *(note 3)*	**-**	**-**	**(6,121)**	**(6,121)**
Balance as at June 30, 2016	**15,040**	**18,769**	**-**	**33,809**

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

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

8. SHARE BASED COMPENSATION PLANS

Restricted Share Unit ("RSU") plan

DPM has an RSU plan for directors, certain employees and eligible contractors of DPM and its wholly-owned subsidiaries in consideration of past services to the Company. The Board of Directors administers the RSU plan and determines the grants.

(a) Non-performance based RSUs

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

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

	Number of RSUs	Amount
Balance as at January 1, 2015	1,761,474	2,101
RSUs granted	1,080,650	2,768
RSUs redeemed	(747,358)	(1,762)
RSUs forfeited	(155,637)	(122)
Mark-to-market adjustments		(2,020)
Balance as at December 31, 2015	1,939,129	965
RSUs granted	**1,824,700**	**1,862**
RSUs redeemed	**(920,012)**	**(1,560)**
RSUs forfeited	**(35,435)**	**(12)**
Mark-to-market adjustments		**731**
Balance as at June 30, 2016	**2,808,382**	**1,986**

As at June 30, 2016, there was $3.3 million (December 31, 2015 – $1.7 million) of expenses remaining to be charged to net earnings in future periods relating to these RSUs.

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

(b) Performance share units ("PSUs")

Under the RSU plan, the Board of Directors may, at its sole discretion, (i) grant RSUs with a performance-based component, referred to as PSUs, subject to performance conditions to be achieved by the Company and (ii) determine the entitlement date or dates of such PSUs.

During the six months ended June 30, 2016, the Company granted 854,500 (2015 – 380,200) PSUs with a fair value of $1.5 million (2015 – $0.9 million). These PSUs vest after three years and are paid in cash based on the market value of DPM's publicly traded common shares, subject to performance criteria based on total shareholder return relative to a peer group established for this purpose, on the entitlement date or dates, which shall not be later than December 31 of the year that is three years after the year of service for which the PSUs were granted, as determined by the Board of Directors in its sole discretion.

As at June 30, 2016, there was $1.6 million (December 31, 2015 – $0.5 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, 2015	826,411	1,850
DSUs granted	295,609	452
Mark-to-market adjustments		(1,253)
Balance as at December 31, 2015	1,122,020	1,049
DSUs granted	**131,288**	**253**
DSUs redeemed	**(121,383)**	**(225)**
Mark-to-market adjustments		**1,597**
Balance as at June 30, 2016	**1,131,925**	**2,674**

DPM Stock option plan

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

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

During the six months ended June 30, 2016, the Company granted 1,231,364 (2015 – 1,660,754) stock options with a fair value of $1.1 million (2015 – $2.0 million). The estimated value of the options granted will be recognized as an expense in the condensed interim consolidated statements of (loss) earnings 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 (2015 – $0.6 million) and $0.9 million (2015 - $1.2 million), respectively, for the three and six months ended June 30, 2016 under this stock option plan.

As at June 30, 2016, there was $1.5 million (December 31, 2015 – $1.1 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, 2016	June 30, 2015
Five year risk free interest rate	**0.5%**	0.5%
Expected life in years	**4.75**	4.75
Expected volatility	**64.8%**	59.6%
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, 2015	5,977,802	6.56
Options granted	1,660,754	2.97
Options forfeited	(73,867)	3.74
Options expired	(1,437,752)	4.82
Balance as at December 31, 2015	6,126,937	6.03
Options granted	**1,231,364**	**2.21**
Options forfeited	**(29,600)**	**2.21**
Options expired	**(1,614,133)**	**8.81**
Balance as at June 30, 2016	**5,714,568**	**4.45**

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

The following lists the options outstanding and exercisable as at June 30, 2016:

	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$)**
2.21 - 3.96	4,219,518	3.69	3.06	1,472,327	3.55
6.56 - 7.84	717,850	1.69	7.82	717,850	7.82
8.34 - 10.33	777,200	0.79	8.89	777,200	8.89
2.21 - 10.33	**5,714,568**	**3.04**	**4.45**	**2,967,377**	**5.98**

9. OTHER (EXPENSE) INCOME

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Net gains (losses) on Sabina special warrants *(note 5(a))*	**349**	183	**804**	(281)
Net (losses) gains on commodity swap and option contracts *(note 5(c))*	**(3,320)**	5,530	**(10,142)**	12,954
Net gains on forward foreign exchange contracts *(note 5(d))*	**638**	-	**2,034**	-
Impairment losses on publicly traded securities *(note 5(b))*	**(24)**	(48)	**(24)**	(628)
Net foreign exchange (losses) gains	**(584)**	(358)	**(2,060)**	905
Interest income	**63**	52	**111**	107
Other (expense) income, net	**(69)**	1,562	**(784)**	1,448
	(2,947)	6,921	**(10,061)**	14,505

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

10. (LOSS) EARNINGS PER SHARE

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Net (loss) earnings attributable to common shareholders of the Company				
From continuing operations	**(8,935)**	1,826	**(12,692)**	284
From discontinued operations	**3,267**	5	**970**	(1,510)
Net (loss) earnings	**(5,668)**	1,831	**(11,722)**	(1,226)
Basic weighted average number of common shares	**141,448,039**	140,575,783	**141,011,911**	140,575,783
Effect of stock options	**244,953**	-	**125,220**	-
Diluted weighted average number of common shares	**141,692,992**	140,575,783	**141,137,131**	140,575,783
Basic (loss) earnings per share attributable to common shareholders of the Company				
From continuing operations	**(0.06)**	0.01	**(0.09)**	0.00
From discontinued operations	**0.02**	0.00	**0.01**	(0.01)
Basic (loss) earnings per share	**(0.04)**	0.01	**(0.08)**	(0.01)
Diluted (loss) earnings per share attributable to common shareholders of the Company				
From continuing operations	**(0.06)**	0.01	**(0.09)**	0.00
From discontinued operations	**0.02**	0.00	**0.01**	(0.01)
Diluted (loss) earnings per share	**(0.04)**	0.01	**(0.08)**	(0.01)

11. KEY MANAGEMENT REMUNERATION

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

The remuneration of the key management of the Company recognized in the condensed interim consolidated statements of (loss) earnings for the three and six months ended June 30, 2016 and 2015 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Salaries, management bonuses and director fees	**1,136**	1,210	**2,208**	2,410
Other benefits	**93**	110	**182**	200
Share based compensation	**1,916**	629	**3,609**	1,531
Total remuneration	**3,145**	1,949	**5,999**	4,141

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

12. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Items not affecting cash and other adjustments

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
Depreciation and amortization	**19,456**	15,023	**38,405**	30,310
Net interest expense	**2,902**	1,664	**5,748**	3,398
Accretion expense related to rehabilitation provisions	**532**	651	**1,023**	1,325
Share based compensation expense	**379**	555	**936**	1,161
Net (gains) losses on Sabina special warrants	**(349)**	(183)	**(804)**	281
Net losses (gains) on commodity swap and option contracts	**3,320**	(5,530)	**10,142**	(12,954)
Net losses on forward foreign exchange contracts	**2,148**	-	**4,260**	-
Impairment losses on publicly traded securities	**24**	48	**24**	628
Other, net	**(139)**	(1,964)	**(779)**	(2,883)
	28,273	10,264	**58,955**	21,266

(b) Changes in non-cash working capital

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	**2016**	2015
(Increase) decrease in accounts receivable and other assets	**(9,167)**	21,123	**(21,713)**	2,565
(Increase) decrease in inventories	**(570)**	1,609	**(5,512)**	5,336
Increase (decrease) in accounts payable and accrued liabilities	**53**	(3,351)	**(9,079)**	(9,516)
Increase in other liabilities	**670**	370	**2,123**	550
	(9,014)	19,751	**(34,181)**	(1,065)

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

13. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

	Six months ended June 30, 2016	2015
Unrealized (losses) gains on forward foreign exchange contracts designated as cash flow hedges		
Balance at beginning of period	**(25,405)**	-
Unrealized gains on forward foreign exchange contracts designated as cash flow hedges, net of income taxes	**4,283**	871
Realized losses on forward foreign exchange contracts transferred to net (loss) earnings, net of income taxes	**6,305**	-
Balance at end of period	**(14,817)**	871
Unrealized gains on publicly traded securities		
Balance at beginning of period	**6,095**	35
Unrealized gains on publicly traded securities, net of income taxes	**7,781**	653
Impairment loss on publicly traded securities transferred to net (loss) earnings, net of income taxes	**24**	628
Balance at end of period	**13,900**	1,316
Accumulated currency translation adjustments		
Balance at beginning of period	**(1,114)**	(923)
Currency translation adjustments	**(1,469)**	(142)
Balance at end of period	**(2,583)**	(1,065)
Accumulated other comprehensive (loss) income	**(3,500)**	1,122

14. COMMITMENTS AND CONTINGENCIES

(a) Commitments

The Company had the following commitments as at June 30, 2016:

	up to 1 year	1 - 5 years	over 5 years	Total
Capital commitments	7,935	-	-	**7,935**
Purchase obligations	11,021	-	-	**11,021**
Operating lease obligations	3,508	11,076	1,605	**16,189**
Total commitments	**22,464**	**11,076**	**1,605**	**35,145**

(b) Contingencies

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.

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

15. 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 a discontinued operation as a result of the Kapan Disposition *(note 3).*

The following table summarizes the relevant information from continuing operations by segment for the three and six months ended June 30, 2016 and 2015:

	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**

	Three months ended June 30, 2015			
	Chelopech	Tsumeb	Corporate & Other	Total
Continuing Operations				
Revenue *(a)*	32,904	25,669	-	58,573
Earnings (loss) before income taxes	12,139	(2,854)	(7,126)	2,159
Capital expenditures	2,997	9,568	5,095	17,660

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

				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**

				Six months ended June 30, 2015
	Chelopech	Tsumeb	Corporate & Other	Total
Continuing Operations				
Revenue	75,783	42,846	-	118,629
Earnings (loss) before income taxes	31,479	(13,935)	(14,872)	2,672
Capital expenditures	6,901	19,902	7,337	34,140

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

The following table summarizes the total assets and total liabilities by segment as at June 30, 2016 and December 31, 2015:

					As at June 30, 2016
	Chelopech	**Tsumeb**	**Corporate & Other**	**Kapan** *(note 3)*	**Total**
Total current assets	**62,528**	**17,621**	**20,539**	**-**	**100,688**
Total non-current assets	**237,050**	**401,163**	**150,373**	**-**	**788,586**
Total assets	**299,578**	**418,784**	**170,912**	**-**	**889,274**
Total liabilities	**34,062**	**57,172**	**152,307**	**-**	**243,541**

					As at December 31, 2015
	Chelopech	Tsumeb	Corporate & Other	Kapan	Total
Total current assets	45,789	14,911	14,199	31,818	106,717
Total non-current assets	249,691	406,518	125,244	17,981	799,434
Total assets	295,480	421,429	139,443	49,799	906,151
Total liabilities	35,299	64,864	158,147	9,728	268,038

16. COMPARATIVE FIGURES

Certain comparative figures in the condensed interim consolidated statements of (loss) earnings and cash flows have been reclassified as a consequence of (i) the Kapan Disposition *(note 3)*, which results in Kapan being presented as a discontinued operation for the three and six months ended June 30, 2016 and 2015; and (ii) several expenses previously classified as general and administrative expenses being classified as operating costs to better reflect the operating results of each segment. For the three and six months ended June 30, 2016, $1.7 million (2015 – $1.2 million) and $3.1 million (2015 - $2.4 million), respectively, was reclassified to cost of sales, of which $1.7 million (2015 – $0.9 million) and $2.7 million (2015 - $1.7 million), respectively, was included in cost of sales from continuing operations and $nil (2015 – $0.3 million) and $0.4 million (2015 - $0.7 million), respectively, in net earnings (loss) from discontinued operations.

17. SUBSEQUENT EVENT

On July 11, 2016, the Company completed a bought deal financing with a syndicate of underwriters, pursuant to which the Company issued 18,216,000 common shares of the Company at a price of Cdn$3.00 per share, for aggregate gross proceeds of Cdn$54.6 million (the "Offering"). Concurrent with the Offering, the Company has also closed a non-brokered private placement of 840,000 common shares of the Company at a price of Cdn$3.00 per share, for additional gross proceeds of Cdn$2.5 million. The Company plans to use the estimated net proceeds of Cdn$53.9 million from the Offering and the private placement to reduce drawdowns under its RCF, support advancing its growth initiatives and for general corporate purposes.

CORPORATE INFORMATION

Directors

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

Jonathan Goodman
Toronto, Ontario Canada

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

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

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

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

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

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

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

Officers

Jonathan Goodman
Executive Chairman

Richard Howes
President and Chief Executive Officer

Hume Kyle
Executive Vice President and
Chief Financial Officer

David Rae
Executive Vice President and
Chief Operating Officer

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

Michael Dorfman
Senior Vice President,
Corporate Development

Richard Gosse
Senior Vice President, Exploration

Nikolay Hristov
Senior Vice President,
Sustainable Business Development

John Lindsay
Senior Vice President, Projects

Paul Proulx
Senior Vice President, Corporate Services

Iliya Garkov
Vice President and General Manager, Bulgaria

Brent Johnson
Vice President, Environment

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

Patrick Lim
Director, Finance and Global Controller

Colin McAnuff
Treasurer

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

Shareholder Contact

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

Corporate Office

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

Regional Offices

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

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

Operations

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

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

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

Stock Listing and Symbols

The Toronto Stock Exchange
DPM – Common Shares

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

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

Dundee
PRECIOUS METALS

www.dundeeprecious.com