2016 FIRST QUARTER REPORT

Dundee Precious Metals

MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations

for the Three Months Ended March 31, 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 months ended March 31, 2016. This MD&A should be read in conjunction with DPM's unaudited condensed interim consolidated financial statements for the three months ended March 31, 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 months ended March 31, 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 May 4, 2016.

OVERVIEW

Our Business

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

DPM's principal subsidiaries include:

Continuing operations:

- 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;
- 100% of Dundee Precious Metals Tsumeb (Proprietary) Limited ("Tsumeb"), which owns and operates a custom smelter located in Tsumeb, Namibia; and
- 50.1%[1] 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.

Discontinued operations:

- 100%[1] of Dundee Precious Metals Kapan CJSC ("Kapan"), which owns and operates a gold, copper, zinc and silver mine in the town of Kapan, located south east of the capital city of Yerevan in southern Armenia.

The 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 March 1, 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"). Under the Kapan Disposition, the Company received on April 28, 2016 consideration consisting of (i) $10 million in cash from the buyer (subject to a working capital adjustment), (ii) $15 million in ordinary shares of Polymetal, which were subsequently sold for net proceeds of $14.8 million and (iii) a 2% net smelter royalty on future production from the Kapan property.

As a result of the Kapan Disposition, the assets and liabilities of Kapan have been presented as held for sale in the condensed interim consolidated statement of financial position as at March 31, 2016 and the operating results and cash flows of Kapan have been presented as discontinued operations in the condensed interim consolidated statements of loss and cash flows for the three months ended March 31, 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.

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 $1.9 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 $1.3 million representing the excess of the fair value of the consideration paid over the carrying value of the assets and liabilities acquired.

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[1] *As at March 31, 2016. See "Recent Developments" for changes in ownership subsequent to the reporting period.*

KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS

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

$ thousands, unless otherwise indicated	Three Months	
Ended March 31,	**2016**	2015[13]
Operational Highlights		
Payable metals in concentrate sold from continuing operations:		
Gold *(ounces)* [1]	**31,747**	38,650
Copper *('000s pounds)*	**8,523**	9,627
Silver *(ounces)*	**32,104**	47,935
Payable metals in concentrate sold from continuing and discontinued operations:		
Gold *(ounces)* [1]	**34,151**	41,277
Copper *('000s pounds)*	**8,754**	9,876
Zinc *('000s pounds)*	**1,942**	2,008
Silver *(ounces)*	**70,545**	95,747
Cash cost per tonne of ore processed *($)*[3],[4],[12]	**34.04**	36.44
Cash cost per ounce of gold sold, net of by-product credits ($)[2],[3],[5],[6][12]	**472**	344
Cash cost per ounce of gold sold in pyrite concentrate *($)*[3],[9]	**798**	990
All-in sustaining cost per ounce of gold *($)*[2],[3],[6],[8],[12]	**695**	497
Complex concentrate smelted at Tsumeb *(tonnes)*	**57,422**	43,101
Cash cost per tonne of complex concentrate smelted at Tsumeb, net of by-product credits *($)*[3],[10]	**337**	494
Financial Results		
Revenue[12]	**70,168**	60,056
Gross profit[7],[12]	**13,152**	1,723
Depreciation and amortization[12]	**18,949**	15,287
Adjusted EBITDA[3],[12]	**21,510**	19,740
Other (expense) income[12]	**(7,114)**	7,584
(Loss) earnings before income taxes from continuing operations	**(3,665)**	513
Income tax expense[12]	**(447)**	(2,381)
Net loss attributable to common shareholders from continuing operations	**(3,757)**	(1,542)
Net loss attributable to common shareholders	**(6,054)**	(3,057)
Basic loss per share from continuing operations *($/share)*	**(0.03)**	(0.01)
Basic loss per share attributable to common shareholders *($/share)*	**(0.04)**	(0.02)
Adjusted (loss) earnings before income taxes from continuing operations [3]	**(776)**	2,046
Adjusted net loss from continuing operations[3]	**(1,284)**	(62)
Adjusted basic loss per share from continuing operations *($/share)*[3]	**(0.01)**	(0.00)
Cash provided from (used in) operating activities of continuing operations	**5,523**	(2,662)
Cash provided from operating activities of continuing operations, before changes in non-cash working capital[3]	**30,690**	18,154
Free cash flow of continuing operations[3]	**21,345**	11,556
Capital expenditures incurred from continuing operations:		
Growth[3]	**7,112**	12,506
Sustaining[3]	**4,311**	3,974
Total capital expenditures	**11,423**	16,480

As at,	March 31, 2016	December 31, 2015
Financial Position		
Cash and cash equivalents	**24,258**	26,570
Investments at fair value	**18,254**	13,911
Assets held for sale	**50,311**	-
Total assets	**914,443**	906,151
Debt(11)	**157,128**	147,035
Equity	**644,216**	638,113
Common shares outstanding *('000s)*	**140,576**	140,576
Share price *(Cdn$ per share)*	**2.10**	1.28

1) Includes payable gold in pyrite concentrate sold in the first quarter of 2016 of 9,713 ounces (Q1 2015 – 7,336 ounces).

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 and related costs, in the first quarter of 2016 was $572 (Q1 2015 - $467). All-in sustaining cost per ounce of gold, including payable gold in pyrite concentrate sold and related costs, in the first quarter of 2016 was $726 (Q1 2015 - $590).

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; adjusted basic loss 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 during the first quarter of 2016 compared with $5.3 million in the corresponding period 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 months ended March 31, 2016 and 2015 and highlights the overall year over year weakness in commodity prices.

Metal Market Prices (Average)	**Three Months**		
Ended March 31,	**2016**	**2015**	**Change**
LBMA gold *($/ounce)*	**1,180**	1,220	**(3%)**
LME settlement copper *($/pound)*	**2.12**	2.64	**(20%)**
LME settlement SHG zinc *($/pound)*	**0.76**	0.94	**(19%)**
LBMA spot silver *($/ounce)*	**14.83**	16.72	**(11%)**

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

Average Foreign Exchange Rates Ended March 31,	**Three Months**		
	2016	**2015**	**Change**
US$/Cdn$	**1.3741**	1.2411	**11%**
Euro/US$	**1.1031**	1.1286	**2%**
US$/AMD	**489**	477	**3%**
US$/ZAR	**15.8041**	11.7279	**35%**

The following table sets out the applicable closing foreign exchange rates as at March 31, 2016 and 2015 and the extent to which the U.S. dollar has strengthened (weakened) relative to each of the currencies.

Closing Foreign Exchange Rates As at March 31,	**2016**	**2015**	**Change**
US$/Cdn$	**1.2987**	1.2666	**3%**
Euro/US$	**1.1355**	1.0850	**(5%)**
US$/AMD	**481**	471	**2%**
US$/ZAR	**14.8208**	12.0833	**23%**

Operational Highlights

Production from continuing operations

Copper concentrate produced from continuing operations during the first quarter of 2016 of 29,311 tonnes was 26% higher than the corresponding period in 2015 due primarily to higher planned copper grades and higher volumes of ore mined and processed. Pyrite concentrate produced during the first quarter of 2016 of 59,052 tonnes was 24% higher than the corresponding period in 2015 due primarily to the successful pyrite circuit development in the second quarter of 2015.

In the first quarter of 2016, gold contained in copper and pyrite concentrates produced increased by 17% to 46,818 ounces, copper contained in copper concentrate produced increased by 31% to 10.6 million pounds and silver contained in copper concentrate produced increased by 34% to 69,210 ounces, in each case, relative to the corresponding period in 2015. These increases were due primarily to higher planned grades for all metals and higher volumes of ore mined and processed.

Complex concentrate smelted during the first quarter of 2016 of 57,422 tonnes was 33% higher than the corresponding period in 2015 due primarily to increased availability of the Ausmelt furnace and a maintenance shutdown in the first quarter of 2015.

Production from discontinued operations

Copper concentrate produced from the discontinued Kapan operation in the first quarter of 2016 of 1,299 tonnes was comparable to the corresponding period in 2015. Zinc concentrate produced in the first quarter of 2016 of 1,701 tonnes was 24% lower than the corresponding period in 2015 due primarily to lower zinc grades and recoveries.

In the first quarter of 2016, gold contained in concentrate produced decreased by 6% to 5,206 ounces, copper production decreased by 7% to 0.6 million pounds, silver production decreased by 16% to 90,101 ounces and zinc production decreased by 25% to 2.2 million pounds, in each case, relative to the corresponding period in 2015. These decreases were due primarily to lower grades for all metals.

Deliveries from continuing operations

Deliveries of copper concentrate from continuing operations during the first quarter of 2016 of 25,241 tonnes were 15% lower than the corresponding period in 2015 reflecting the timing of shipments. In the first quarter of 2016, there was a build-up of copper concentrate inventory, whereas, in the first quarter of 2015, there was a drawdown of copper concentrate inventory. Deliveries of pyrite concentrate in the first quarter of 2016 of 65,709 tonnes were 48% higher than the corresponding period in 2015 consistent with increased production and the timing of shipments.

In the first quarter of 2016, payable gold in copper and pyrite concentrates sold decreased by 18% to 31,747 ounces, payable copper in copper concentrate sold decreased by 11% to 8.5 million pounds and payable silver in copper concentrate sold decreased by 33% to 32,104 ounces, in each case, relative to the corresponding period in 2015. The decrease in payable gold was due primarily to the timing of copper concentrate shipments, partially offset by increased pyrite concentrate deliveries. The decrease in payable copper was consistent with the decrease in copper concentrate deliveries.

Deliveries from discontinued operations

Deliveries of concentrate from the discontinued Kapan operation in the first quarter of 2016 of 2,350 tonnes were comparable to the corresponding period in 2015.

Relative to the first quarter of 2015, payable gold in concentrate sold in the first quarter of 2016 decreased by 8% to 2,404 ounces, payable copper decreased by 7% to 0.2 million pounds, payable silver decreased by 20% to 38,441 ounces and payable zinc decreased by 3% to 1.9 million pounds. These decreases were due primarily to lower grades for all metals.

Cash cost per ounce of gold sold from continuing operations

Cash cost per ounce of gold sold, net of by-product credits, during the first quarter of 2016 was $472 compared to $344 during the corresponding period in 2015 due primarily to lower realized prices for by-products, partially offset by lower transportation costs and treatment charges.

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

All-in sustaining cost per ounce of gold in the first quarter of 2016 was $695 compared to $497 in the corresponding period in 2015 due primarily to the same factors affecting cash cost per ounce of gold sold from continuing operations and higher cash outlays for sustaining capital expenditures as a result of the timing of supplier payments.

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 first quarter of 2016 of $337 was 32% lower than the cash cost of $494 in the corresponding period in 2015. This decrease was due primarily to higher volumes of complex concentrate smelted, the revenue generated from the sale of sulphuric acid, a by-product of the smelting operation, and the favourable impact of a weaker ZAR relative to the U.S. dollar, partially offset by higher electricity rates and additional operating expenses related to the acid plant, which was commissioned in the third quarter of 2015.

Financial Highlights

Revenue from continuing operations

Revenue during the first quarter of 2016 of $70.1 million was $10.1 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 acid production in the fourth quarter of 2015 and favourable metal price adjustments on provisionally priced sales, partially offset by lower volumes of payable metals in concentrate sold due to the timing of shipments and lower market copper prices. Revenue in the first quarter of 2016 excluded realized gains of $1.5 million (Q1 2015 - $5.2 million) on copper and gold swap contracts related to payable copper and gold sold in the period, which were recorded in other expense (income) in the consolidated statements of loss.

Included in revenue were favourable metal price adjustments on provisionally priced sales of $3.9 million (Q1 2015 – unfavourable adjustments of $2.8 million) during the first quarter of 2016. These adjustments were offset by hedge losses on cash settled swap contracts entered to mitigate the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales ("QP Hedges"). These hedge losses were recorded in other expense (income) in the consolidated statements of loss.

The average market price for gold during the first quarter of 2016 decreased by 3% to $1,180 per ounce, compared to $1,220 per ounce in the corresponding period in 2015. The average market price for copper during the first quarter of 2016 decreased by 20% to $2.12 per pound, compared to $2.64 per pound in the corresponding period in 2015. The average realized gold price, including realized hedging gains, for the first quarter of 2016 was $1,209 per ounce, compared to $1,212 per ounce in the corresponding period in 2015. The average realized copper price, including realized hedging gains, for the first quarter of 2016 was $2.27 per pound, compared to $3.20 per pound in the corresponding period in 2015.

Cost of sales from continuing operations

Cost of sales in the first quarter of 2016 of $57.0 million was $1.3 million lower than the corresponding period in 2015 due primarily to lower deliveries of copper concentrate and the favourable impact of a weaker Euro and ZAR relative to the U.S. dollar, partially offset by higher depreciation and additional expenses related to the acid plant, which was commissioned in the third quarter of 2015, and higher electricity rates at Tsumeb.

Gross profit from continuing operations

Gross profit in the first quarter of 2016 of $13.1 million was $11.4 million higher than the corresponding period in 2015. This increase was due primarily to higher smelter volumes and toll rates, favourable metal price adjustments on provisionally priced sales, lower transportation costs and treatment charges at Chelopech, and a stronger U.S. dollar, partially offset by lower volumes of payable metals in concentrate sold, lower market copper prices, higher depreciation and additional expenses related to the acid plant, which was commissioned in the third quarter of 2015.

Gross profit in the first quarter of 2016 excluded realized gains of $1.5 million (Q1 2015 - $5.2 million) on copper and gold swap contracts related to payable copper and gold sold in the period, which were recorded in other expense (income) in the consolidated statements of loss.

Included in gross profit were favourable metal price adjustments on provisionally priced sales of $3.9 million (Q1 2015 – unfavourable adjustments of $2.8 million) during the first quarter of 2016. These adjustments were offset by losses on QP Hedges, which were recorded in other expense (income) in the consolidated statements of loss.

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

$ thousands	**Three Months**	
Ended March 31,	**2016**	2015
Chelopech	**14,955**	12,085
Tsumeb	**(1,803)**	(10,362)
Total gross profit	**13,152**	1,723

Adjusted EBITDA from continuing operations

Adjusted EBITDA in the first quarter of 2016 was $21.5 million compared to $19.7 million in the corresponding period in 2015. This increase was due primarily to higher smelter volumes and toll rates, lower transportation costs and treatment charges at Chelopech and a stronger U.S. dollar, partially offset by lower realized copper prices, lower volumes of payable metals in concentrate sold and additional expenses related to the acid plant, which was commissioned in the third quarter of 2015.

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

$ thousands	**Three Months**	
Ended March 31,	**2016**	2015
Chelopech	**20,601**	29,299
Tsumeb	**7,249**	(4,236)
Corporate & Other	**(6,340)**	(5,323)
Total adjusted EBITDA	**21,510**	19,740

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 contracts, gains or losses on the forward point component of the forward foreign exchange contracts and impairment losses. The commodity swap contracts and the forward point component of the forward foreign exchange contracts, which are effective hedges from an economic perspective, are deemed not to be effective from an accounting perspective, and therefore do not receive hedge accounting treatment. As a result, unrealized gains or losses on commodity swap contracts and the forward point component of the forward foreign exchange contracts are included in other (expense) income.

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

$ thousands	**Three Months**	
Ended March 31,	**2016**	2015
Net gains (losses) on Sabina special warrants	**455**	(464)
Net (losses) gains on commodity swap contracts	**(6,822)**	7,424
Net gains on forward foreign exchange contracts	**1,396**	-
Net gains on equity settled warrants	**-**	47
Impairment losses on publicly traded securities	**-**	(580)
Net foreign exchange (losses) gains	**(1,476)**	1,263
Interest income	**48**	55
Other expense, net	**(715)**	(161)
Total other (expense) income	**(7,114)**	7,584

During the first quarter of 2016, the Company reported unrealized losses on commodity swap contracts related to continuing operations of $7.1 million (Q1 2015 – $1.8 million). The Company also reported realized gains on the settlement of certain commodity swap contracts related to continuing operations of $0.3 million (Q1 2015 – $9.2 million) during the first quarter of 2016.

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 months ended March 31, 2016 and 2015, the Company's effective tax rate on the continuing operations was impacted primarily by the absolute amount of earnings, unrecognized tax benefits relating to corporate operating, exploration and development costs, partially offset by the Company's mix of foreign earnings, which are subject to lower tax rates in certain jurisdictions.

$ thousands	**Three Months**	
Ended March 31,	**2016**	2015
(Loss) earnings before income taxes from continuing operations	**(3,665)**	513
Combined Canadian federal and provincial statutory income tax rates	**26.5%**	26.5%
Expected income tax (recovery) expense	**(971)**	136
Lower rates on foreign earnings	**(911)**	(130)
Unrecognized tax benefits relating to losses	**2,189**	1,504
Non-taxable portion of capital (gains) losses	**(434)**	61
Non-deductible share based compensation expense	**147**	161
Other, net	**427**	649
Income tax expense	**447**	2,381
Effective income tax rates	**(12.2%)**	464.1%

Net loss attributable to common shareholders from continuing operations

In the first quarter of 2016, the Company reported a net loss attributable to common shareholders from continuing operations of $3.8 million compared to $1.6 million in the corresponding period in 2015. The higher loss was due primarily to lower realized copper prices, lower volumes of payable metals in concentrate sold as a result of the timing of shipments and higher depreciation following the commissioning of the acid plant in the third quarter of 2015. These unfavourable variances were partially offset by higher smelter volumes and toll rates, lower transportation costs and treatment charges at Chelopech and a stronger U.S. dollar.

Net loss attributable to common shareholders from continuing operations for the first quarter of 2016 was impacted by net after-tax losses of $2.5 million (Q1 2015 – $1.5 million), related to several items not reflective of the Company's underlying operating performance, including unrealized losses on commodity swap contracts entered into to hedge a portion of future production, unrealized gains on the forward point component of the forward foreign exchange contracts entered to hedge a portion of foreign denominated operating costs, net gains and losses on Sabina special warrants and impairment losses, each of which are excluded from adjusted net loss.

Adjusted net loss from continuing operations

Adjusted net loss from continuing operations in the first quarter of 2016 was $1.3 million compared to $0.1 million in the corresponding period in 2015. Adjusted net loss from continuing operations was impacted by the same factors affecting net loss attributable to common shareholders from continuing operations, except for net gains and losses on Sabina special warrants, unrealized gains on the forward point component of the forward foreign exchange contracts entered to hedge a portion of foreign denominated operating costs, unrealized losses on commodity swap 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 from continuing operations:

($ millions) **Ended March 31,**	**Three Months**
Adjusted net loss from continuing operations - 2015	**(0.1)**
Lower metal prices (1)	(8.9)
Lower volumes of metals sold	(5.9)
Higher depreciation	(3.7)
Higher smelter volumes	8.1
Lower transportation costs and treatment charges for Chelopech (2)	4.3
Stronger U.S. dollar	2.3
Higher toll rates	2.0
Other	0.6
Adjusted net loss from continuing operations - 2016	**(1.3)**

1) *Includes gains and losses on commodity swap contracts, except unrealized gains and losses on commodity swap contracts related to projected payable production, and metal price adjustments related to provisionally priced sales.*
2) *Reflects lower freight rates, and increased copper concentrate deliveries to Xiangguang Copper Co. ("XGC") and lower deliveries to Tsumeb in the first quarter of 2016 relative to the corresponding period in 2015, resulting in lower overall treatment charges at Chelopech.*

Net loss from discontinued operations

Net loss from the discontinued Kapan operation in the first quarter of 2016 of $2.3 million was $0.8 million higher than the corresponding period in 2015 due primarily to lower metal prices and lower volumes of payable metals in concentrate sold. 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 (used in) operating activities of continuing operations

Cash provided from operating activities in the first quarter of 2016 was $5.5 million compared to cash used in operating activities of $2.7 million in the corresponding period in 2015. This increase was due primarily to higher smelter volumes and toll rates, partially offset by lower copper prices, lower volumes of payable metals in concentrate sold and unfavourable changes in non-cash working capital.

The unfavourable change in non-cash working capital in the first quarter of 2016 of $25.2 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 shipments. The unfavourable change in non-cash working capital in the first quarter of 2015 of $20.8 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers and a decrease in accounts payable and accrued liabilities as a result of the timing associated with supplier payments, partially offset by a decrease in concentrate inventories.

Cash provided from operating activities, before changes in non-cash working capital, during the first quarter of 2016 was $30.7 million compared to $18.1 million in the corresponding period in 2015.

Free cash flow from continuing operations

Free cash flow in the first quarter of 2016 was $21.3 million compared to $11.6 million in the corresponding period in 2015 due primarily to higher smelter volumes and toll rates, partially offset by lower copper prices, lower volumes of payable metals in concentrate sold and higher cash outlays for sustaining capital expenditures as a result of the timing of supplier payments.

Capital expenditures from continuing operations

Capital expenditures during the first quarter 2016 totaled $11.4 million compared to $16.5 million in the corresponding period in 2015. This decrease was due primarily to lower spending on the acid plant and new copper converters at Tsumeb compared to the corresponding period in 2015.

Growth capital expenditures during the first quarter 2016 were $7.1 million compared to $12.5 million in the corresponding period in 2015. Sustaining capital expenditures during the first quarter of 2016 of $4.3 million were comparable to the corresponding period 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.

As a result of the Kapan Disposition occurring on April 28, 2016, the Company has revised its guidance for Kapan to reflect only four months of operation and has revised its consolidated production guidance accordingly. Guidance for Chelopech and Tsumeb remains unchanged from the guidance provided on February 9, 2016.

The Company's updated 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	-	135 - 145	2,165 - 2,395
Complex concentrate smelted *('000s tonnes)*	-	215 - 250	-	215 - 250
Metals contained in copper and zinc concentrates produced[1],[2]				
Gold *('000s ounces)*	95 - 108	-	6 - 7	101 - 115
Copper *(million pounds)*	33.2 - 37.8	-	0.6 - 0.8	33.8 - 38.6
Zinc *(million pounds)*	-	-	2.8 – 3.2	2.8 – 3.2
Silver *('000s ounces)*	204 - 234	-	115 - 120	319 - 354
Payable gold in pyrite concentrate sold *('000s ounces)*	26 - 40	-	-	26 - 40
Cash cost per tonne of ore processed *($)*[3],[4]	32 - 36	-	80 - 90	32 - 36
Cash cost per ounce of gold sold, net of by-product credits *($)*[1],[3],[4]	560 - 760	-	1,200 - 1,500	560 - 760
All-in sustaining cost per ounce of gold *($)*[1],[3],[4]	-	-	-	800 - 950
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*[3],[4]	-	305 - 400	-	305 - 400
Cash cost per ounce of gold sold in pyrite concentrate *($)*[4]	790 - 890	-	-	790 - 890
General & administrative expenses[3]	-	-	-	17 - 21
Exploration expenses[3]	-	-	-	5 - 6
Sustaining capital expenditures[3]	10 - 12	12 - 16	3 - 5	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 and related costs, is expected to range between $625 and $790 in 2016. All-in sustaining cost per ounce of gold, including payable gold in pyrite concentrate sold and related costs, is expected to range between $795 and $935 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, Kapan's operating results are being treated as discontinued operations.*
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. Based on the current mine plan, metals production at Chelopech in the first half of 2016 is expected to be higher than the second half. Chelopech 2016 ore production is expected to continue at a 10% higher rate through the balance of 2016 over 2015, while copper and gold grades are expected to be 14% and 13% lower than 2015, respectively, consistent with the current mine plan. Production at Tsumeb in the second half of 2016 is expected to be higher than the first half based on the commissioning of the new copper converters, which occurred in the first quarter of 2016, and the annual maintenance shutdown at Tsumeb expected to occur in the second quarter of 2016. Tsumeb 2016 throughput is expected to increase by approximately 10% to 28% over 2015 as a result of reduced construction activity, and the availability of the new copper converters and the associated increase in capacity. Also, the rate of capital expenditures is expected to vary from quarter to quarter based on the schedule for, and execution of, each capital project and, where applicable, the receipt of necessary permits and approvals.

At Chelopech, gold and copper production in the first quarter of 2016 was slightly higher than expected benefitting from higher grades and recoveries. Production for the balance of 2016 is expected to come from gold zones with grades at the reserve average in keeping with 2016 guidance. Gold and copper production in 2016 is expected to be in line with 2016 guidance.

At Tsumeb, complex concentrate smelted in the first quarter of 2016 was in line with 2016 guidance. Sulphuric acid production was also consistent with expected results. Commissioning of the new copper converters commenced in February 2016, as planned, and while some expected operational instability was experienced, the impact on complex concentrate throughput was limited and the ramp-up is progressing towards nameplate capacity. 2016 production is expected to be in line with guidance.

For 2016, the majority of the Company's growth capital expenditures related to continuing operations are 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.

REVIEW OF OPERATING RESULTS BY SEGMENT FROM CONTINUING OPERATIONS

Chelopech – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	Three Months	
Ended March 31,	**2016**	2015[11]
Operational Highlights		
Ore mined *(mt)*	**555,597**	506,352
Ore processed *(mt)*	**544,591**	505,313
Head grade / Recoveries in copper concentrate *(ore milled)*		
Gold *(g/mt) / %*	**3.82 / 49.9**	3.54 / 50.8
Copper *(%) / %*	**1.09 / 81.1**	0.92 / 78.7
Silver (g/mt) */ %*	**10.94 / 36.1**	8.67 / 36.7
Copper concentrate produced *(mt)*	**29,311**	23,318
Metals contained in copper concentrate produced[1]:		
Gold *(ounces)*	**33,387**	29,215
Copper *(pounds)*	**10,578,031**	8,082,920
Silver *(ounces)*	**69,210**	51,637
Cash cost per tonne of ore processed *($)*[2],[4],[5]	**34.04**	36.44
Cash cost per ounce of gold in copper concentrate produced *($)*[1],[2],[3],[4]	**330**	371
Cash cost per pound of copper in copper concentrate produced *($)*[2],[3],[4]	**0.61**	0.83
Copper concentrate delivered *(mt)*	**25,241**	29,596
Payable metals in copper concentrate sold:		
Gold *(ounces)*[1],[6]	**22,034**	31,314
Copper *(pounds)*[6]	**8,522,709**	9,626,709
Silver *(ounces)*[6]	**32,104**	47,935
Cash cost per ounce of gold sold, net of by-product credits *($)*[1],[4],[7],[8]	**472**	344
Pyrite concentrate produced *(mt)*	**59,052**	47,618
Gold contained in pyrite concentrate produced *(ounces)*	**13,431**	10,756
Pyrite concentrate delivered *(mt)*	**65,709**	44,494
Payable gold in pyrite concentrate sold *(ounces)*	**9,713**	7,336
Cash cost per ounce of gold sold in pyrite concentrate *($)*[4]	**798**	990
Financial Highlights		
Net revenue[9],[10]	**38,578**	42,879
Gross profit	**14,955**	12,085
Adjusted EBITDA[4]	**20,601**	29,299
Adjusted earnings before income taxes[4]	**11,306**	19,877
Depreciation	**9,155**	9,160
Capital expenditures incurred:		
Growth[4]	**943**	1,275
Sustaining[4]	**2,071**	2,629
Total capital expenditures	**3,014**	3,904

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 first quarter of 2016 was $572 (Q1 2015 - $467).*
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 $31.19 in the first quarter of 2016 compared to $33.48 in the corresponding period 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 during the first quarter of 2016 compared to $5.3 million in the corresponding period 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 $5.5 million were recognized during the first quarter of 2016 compared to net unfavourable mark-to-market adjustments and final settlements of $2.2 million in the corresponding period in 2015. Deductions during the first quarter of 2016 were $23.6 million compared to $27.9 million in the corresponding period in 2015.*
10) *Net revenue excludes realized and unrealized gains and losses on commodity swap contracts entered to hedge the mark-to-market impacts associated with provisionally priced sales and future production. Under IFRS, these gains and losses are reported in other expense (income).*
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 during the first quarter of 2016 of 555,597 tonnes was 10% higher than the corresponding period in 2015 due to an increased rate of production.

Ore processed

Ore processed during the first quarter of 2016 of 544,591 tonnes was 8% higher than the corresponding period in 2015 as a result of increased ore mined.

Concentrate and metal production

Copper concentrate produced during the first quarter of 2016 of 29,311 tonnes was 26% higher than the corresponding period in 2015 due primarily to higher planned copper grades and higher volumes of ore mined and processed. Pyrite concentrate produced during the first quarter of 2016 of 59,052 tonnes was 24% higher than the corresponding period in 2015 due primarily to the successful pyrite circuit development in the second quarter of 2015.

Relative to the first quarter of 2015, gold contained in copper concentrate produced in the first quarter of 2016 increased by 14% to 33,387 ounces, copper production increased by 31% to 10.6 million pounds and silver production increased by 34% to 69,210 ounces. These increases were due primarily to higher planned grades for all metals and higher volumes of ore mined and processed.

Gold contained in pyrite concentrate produced was 13,431 ounces (Q1 2015 – 10,756 ounces) in the first quarter of 2016, consistent with the planned increase in pyrite concentrate production.

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

Deliveries

Deliveries of copper concentrate during the first quarter of 2016 of 25,241 tonnes were 15% lower than the corresponding period in 2015 reflecting the timing of shipments. In the first quarter of 2016, there was a build-up of copper concentrate inventory, whereas, in the first quarter of 2015, there was a drawdown. Deliveries of pyrite concentrate in the first quarter of 2016 of 65,709 tonnes were 48% higher than the corresponding period in 2015 consistent with increased production and the timing of shipments.

In the first quarter of 2016, payable gold in copper concentrate sold decreased by 30% to 22,034 ounces, payable copper decreased by 11% to 8.5 million pounds and payable silver decreased by 33% to 32,104 ounces, in each case, relative to the corresponding period in 2015. The decreases in payable metals were consistent with the decrease in copper concentrate deliveries and the timing of shipments. Payable gold in pyrite concentrate sold in the first quarter of 2016 was 9,713 ounces compared to 7,336 ounces in the corresponding period in 2015. This increase was consistent with increased production of pyrite concentrate and deliveries.

Inventory

Copper concentrate inventory totaled 11,499 tonnes at March 31, 2016, up from 7,429 tonnes at December 31, 2015, reflecting the timing of shipments.

Financial Highlights – Chelopech

Net revenue

Net revenue in the first quarter of 2016 of $38.6 million was $4.3 million lower than the corresponding period in 2015 due primarily to lower volumes of payable metals in concentrate sold as a result of the timing of shipments and lower market copper prices, partially offset by favourable mark-to-market price adjustments on provisionally priced sales, and lower transportation costs and treatment charges. Net revenue in the first quarter of 2016 excluded realized gains on copper and gold swap contracts related to payable metals sold in the period of $1.5 million (Q1 2015 - $5.2 million), which were recorded in other expense (income) in the consolidated statements of loss.

Included in revenue were favourable mark-to-market price adjustments on provisionally priced sales of $3.9 million (Q1 2015 – unfavourable adjustments of $2.8 million) during the first quarter of 2016. These adjustments were offset by losses on QP Hedges, which were recorded in other expense (income) in the consolidated statements of loss.

Cash cost measures

Cash cost per tonne of ore processed in the first quarter of 2016 of $34.04 was 7% lower than the corresponding cash cost in 2015 of $36.44 due primarily to higher volumes of ore mined and processed and the favourable impact of a weaker Euro relative to the U.S. dollar, partially offset by higher electricity rates, 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 first quarter of 2016 was $472 compared to $344 during the corresponding period in 2015 due primarily to lower realized prices for by-products, partially offset by lower transportation costs and treatment charges.

Cash cost of sales per ounce of gold sold in pyrite concentrate in the first quarter of 2016 was $798 compared to $990 in the corresponding period in 2015. This decrease was due primarily to lower overall treatment charges and transportation costs.

Gross profit

Gross profit in the first quarter of 2016 was $15.0 million compared to $12.1 million in the corresponding period in 2015. This increase was due primarily to favourable mark-to-market price adjustments on provisionally priced sales, lower transportation costs and treatment charges, and a lower cost per tonne of concentrate sold as a result of increased mine production, partially offset by lower volumes of payable metals in concentrate sold as a result of the timing of shipments and lower market copper prices. Gross profit excluded realized gains on copper and gold swap contracts related to payable metals sold in the first quarter of 2016 of $1.5 million (Q1 2015 - $5.2 million), which were recorded in other expense (income) in the consolidated statements of loss.

Gross profit during the first quarter 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.

Adjusted EBITDA

Adjusted EBITDA in the first quarter of 2016 was $20.6 million, down from $29.3 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 swap contracts related to payable metals sold in the first quarter in 2016 of $1.5 million (Q1 2015 - $5.2 million), which are also included in adjusted EBITDA.

Unrealized losses of $4.1 million (Q1 2015 – $0.5 million) in the first quarter of 2016 on copper and gold swap 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 first quarter of 2016 were $11.3 million compared to $19.9 million in the corresponding period in 2015.

Unrealized losses of $4.1 million (Q1 2015 – $0.5 million) in the first quarter of 2016 on copper and gold swap contracts related to projected payable production, which were included in earnings before income taxes, were excluded from adjusted earnings before income taxes.

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

($ millions) **Ended March 31,**	**Three Months**
Adjusted earnings before income taxes - 2015	**19.9**
Lower metal prices [(1)]	(8.9)
Lower volumes of metals sold	(5.9)
Other	(0.8)
Lower transportation costs [(2)]	2.8
Lower cost/tonne of concentrate sold [(3)]	2.3
Lower treatment charges [(4)]	1.5
Weaker Euro	0.4
Adjusted earnings before income taxes - 2016	**11.3**

1) *Includes gains and losses on commodity swap contracts, except unrealized losses on commodity swap contracts related to projected payable production, and metal price adjustments on provisionally priced sales.*
2) *Reflects lower freight rates.*
3) *Excludes impact of foreign exchange and depreciation.*
4) *Reflects increased copper concentrate deliveries to XGC and lower deliveries to Tsumeb in the first quarter of 2016 relative to the corresponding period in 2015, resulting in lower overall treatment charges.*

Capital expenditures

Capital expenditures during the first quarter of 2016 of $3.0 million were $0.9 million lower than the corresponding period in 2015 due primarily to the completion of major projects in 2015.

Tsumeb – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	Three Months	
Ended March 31,	**2016**	2015[3]
Operational Highlights		
Complex concentrate smelted *(mt)*:		
Chelopech	**21,240**	18,073
Third party	**36,182**	25,028
Total complex concentrate smelted	**57,422**	43,101
Cash cost per tonne of complex concentrate smelted, net of by-product credits ($)[1],[2]	**337**	494
Acid production (*mt*)	**48,909**	-
Acid deliveries (*mt*)	**45,233**	-
Financial Highlights		
Toll revenue	**27,891**	16,873
Acid revenue	**3,287**	-
Arsenic trioxide revenue	**412**	304
Total net revenue	**31,590**	17,177
Gross loss	**(1,803)**	(10,362)
Adjusted earnings (loss) before interest, taxes, depreciation and amortization[2]	**7,249**	(4,236)
Adjusted loss before income taxes[2]	**(3,119)**	(11,081)
Depreciation	**9,592**	5,942
Capital expenditures incurred:		
Growth[2]	**2,157**	9,037
Sustaining[2]	**2,068**	1,297
Total capital expenditures	**4,225**	10,334

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 first quarter of 2016 of 57,422 tonnes was 33% higher than the corresponding period in 2015 due primarily to increased availability of the Ausmelt furnace and a maintenance shutdown in the first quarter of 2015.

The acid plant commenced commercial production in the fourth quarter of 2015 and operated as planned in the first quarter 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 first quarter of 2016 of $337 was 32% lower than the cash cost of $494 in the corresponding period in 2015 due primarily to increased volumes of complex concentrate smelted and the revenue generated from the sale of sulphuric acid, a by-product of the smelting operation, and the favourable impact of a weaker U.S. dollar, partially offset by higher electricity rates and additional operating expenses related to the acid plant, which was commissioned in the third quarter of 2015.

Financial Highlights - Tsumeb

Net revenue

Net revenue in the first quarter of 2016 of $31.6 million was $14.4 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 quarter of 2016, which generated revenue of $3.3 million, also contributed to the increase.

As expected, the commissioning of the new copper converters during the period caused some short-term instability around the copper converting operation, resulting in a temporary increase in the accumulation of secondary materials, and an associated increase in the variability of estimated metal content and recoveries. Now that the commissioning of the new converters is complete, a more stable operation is expected, with a reduction in the level of secondary materials that have accumulated during the construction and commissioning of the new acid plant and converters. This is expected to result in lower deductions for stockpile interest and metals exposure as well as reduced variability in estimated deductions for metals exposure.

Gross loss

Gross loss in the first quarter of 2016 was $1.8 million compared to $10.4 million in the corresponding period in 2015. The reduced loss was due primarily to higher volumes of complex concentrate smelted and acid produced following the commencement of commercial production in the fourth quarter of 2015, higher toll rates, a weaker ZAR relative to the U.S. dollar and reduced deductions for estimated metals exposure, partially offset by higher depreciation following the completion of the acid plant in the fourth quarter of 2015, higher electricity rates and additional operating expenses related to the acid plant, which was commissioned in the third quarter of 2015.

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

Adjusted EBITDA in the first quarter of 2016 was $7.2 million compared to an adjusted loss before interest, taxes, depreciation and amortization of $4.2 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 gains of $0.8 million on the forward point component of the forward foreign exchange contracts, which were recognized in loss before income taxes in the first quarter of 2016, were excluded from adjusted EBITDA.

Adjusted loss before income taxes

Adjusted loss before income taxes during the first quarter of 2016 was $3.1 million compared to $11.1 million in the corresponding period in 2015.

Unrealized gains of $0.8 million on the forward point component of the forward foreign exchange contracts, which were recognized in loss before income taxes in the first quarter of 2016, 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 March 31,**	**Three Months**
Adjusted loss before income taxes - 2015	**(11.1)**
Higher volumes	8.1
Higher toll rates	2.0
Weaker ZAR (1)	1.9
Reduced deductions for metals exposure	1.6
Other	(0.3)
Higher operating expenses (2)	(1.7)
Higher depreciation	(3.6)
Adjusted loss before income taxes - 2016	**(3.1)**

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

Capital expenditures

Capital expenditures during the first quarter of 2016 were $4.2 million compared to $10.3 million in the corresponding period in 2015. This decrease was due primarily to lower spending on the acid plant and the new copper converters compared to the corresponding period 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**	
Ended March 31,	**2016**	2015[2]
Financial Highlights		
General and administrative expenses, excluding depreciation	**(4,987)**	(4,501)
Corporate social responsibility expenses	**(210)**	(390)
Exploration expenses	**(806)**	(988)
Other (expense) income[1]	**(337)**	556
Adjusted loss before interest, taxes, depreciation and amortization	**(6,340)**	(5,323)

1) *Excludes impairment losses, net gains and losses on Sabina special warrants, unrealized losses on commodity swap contracts entered to hedge a portion of future production and unrealized gains 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 $5.0 million in the first quarter of 2016 was $0.5 million higher than the corresponding period in 2015 due primarily to unfavourable mark-to-market adjustments related to share based compensation.

Exploration expenses

Exploration expenses during the first quarter of 2016 of $0.8 million were comparable to the corresponding period 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	
Ended March 31,	**2016**	2015(5)
Operational Highlights		
Ore mined *(mt)*	**104,259**	105,633
Ore processed *(mt)*	**103,732**	103,412
Head grade / Recoveries *(ore milled)*		
Gold *(g/mt) / %*	**1.91 / 81.6**	2.02 / 82.4
Copper *(%) / %*	**0.28 / 88.8**	0.30 / 89.6
Zinc *(%) / %*	**1.15 / 83.3**	1.46 / 88.2
Silver (g/mt) / %	**32.64 / 82.8**	39.04 / 82.4
Concentrate produced *(mt)*		
Copper	**1,299**	1,340
Zinc	**1,701**	2,239
Metals contained in concentrate produced:		
Gold *(ounces)*	**5,206**	5,528
Copper *(pounds)*	**575,652**	616,036
Zinc *(pounds)*	**2,191,714**	2,929,203
Silver *(ounces)*	**90,101**	106,904
Cash cost per tonne of ore processed *($)*(4)	**78.08**	71.11
Concentrate delivered *(mt)*		
Copper	**559**	595
Zinc	**1,791**	1,824
Payable metals in concentrate sold:		
Gold *(ounces)*(1)	**2,404**	2,627
Copper *(pounds)*(1)	**231,636**	249,492
Zinc *(pounds)*(1)	**1,942,143**	2,007,694
Silver *(ounces)*(1)	**38,441**	47,812
Cash cost per ounce of gold sold, net of by-product credits *($)*(4)	**1,483**	786
Financial Highlights		
Net revenue(2),(3)	**5,357**	4,897
Cost of sales	**5,785**	6,788
Gross loss	**(428)**	(1,891)
Net loss from discontinued operations	**(2,297)**	(1,515)
Capital expenditures incurred	**1,992**	1,922

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 $0.6 million were recorded during the first quarter of 2016 compared to unfavourable mark-to- market adjustments and final settlements of $0.7 million in the corresponding period in 2015. Deductions during the first quarter of 2016 of $0.9 million were comparable to the corresponding period 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. Under IFRS, these gains and losses are reported in other expense (income).
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 (subject to a working capital adjustment), (ii) $15 million in ordinary shares of Polymetal, which were subsequently sold for net proceeds of $14.8 million and (iii) a 2% net smelter royalty on future production from the Kapan property. 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 assets and liabilities of Kapan have been presented as held for sale in the condensed interim consolidated statement of financial position as at March 31, 2016 and the operating results and cash flows of Kapan have been presented as discontinued operations in the condensed interim consolidated statements of loss and cash flows for the three months ended March 31, 2016 and 2015.

Operational Highlights – Kapan

Ore mined and processed

Ore mined during the first quarter of 2016 of 104,259 tonnes was comparable to the corresponding period in 2015. Ore processed during the first quarter of 2016 of 103,732 tonnes was also comparable to the corresponding period in 2015.

Concentrate and metal production

Copper concentrate production in the first quarter of 2016 of 1,299 tonnes was comparable to the corresponding period in 2015. Zinc concentrate production in the first quarter of 2016 of 1,701 tonnes was 24% lower than the corresponding period in 2015 due primarily to lower zinc grades and recoveries.

In the first quarter of 2016, gold contained in concentrate produced decreased by 6% to 5,206 ounces, copper production decreased by 7% to 0.6 million pounds, silver production decreased by 16% to 90,101 ounces and zinc production decreased by 25% to 2.2 million pounds, in each case, relative to the corresponding period in 2015. These decreases were due primarily to lower grades for all metals.

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

Deliveries

Deliveries of concentrate in the first quarter of 2016 of 2,350 tonnes were comparable to the corresponding period in 2015.

Relative to the first quarter of 2015, payable gold in concentrate sold in the first quarter of 2016 decreased by 8% to 2,404 ounces, payable copper decreased by 7% to 0.2 million pounds, payable silver decreased by 20% to 38,441 ounces and payable zinc decreased by 3% to 1.9 million pounds. These decreases were due primarily to lower grades for all metals.

Inventory

Inventory of concentrate at March 31, 2016 totaled 2,162 tonnes, up from 1,512 tonnes at December 31, 2015 due to the timing of shipments.

Financial Highlights – Kapan

Net revenue from discontinued operations

Net revenue during the first quarter of 2016 of $5.4 million was $0.5 million higher than the corresponding period in 2015 due primarily to favourable metal price adjustments on provisionally priced sales, partially offset by lower metal prices and volumes of payable metals in concentrate sold as a result of lower grades.

Revenue in the first quarter of 2016 excluded realized gains on copper swap contracts related to payable metals sold in the period of $0.1 million (Q1 2015 - $0.4 million), which were recorded in other expense (income) in the consolidated statements of loss.

Included in revenue were favourable mark-to-market price adjustments of $0.8 million (Q1 2015 – $0.1 million) on provisionally priced sales during the first quarter of 2016. These adjustments were offset by losses on QP Hedges, which were recorded in other expense (income) in the consolidated statements of loss.

Cash cost measures

Cash cost per ounce of gold sold, net of by-product credits, in the first quarter of 2016 was $1,483 compared to $786 in the corresponding period in 2015. This increase was due primarily to lower prices for by-products and lower volumes of payable metals in concentrate sold.

Gross loss from discontinued operations

Gross loss in the first quarter of 2016 was $0.4 million compared to $1.9 million in the corresponding period in 2015 due primarily to favourable mark-to-market price adjustments on provisionally priced sales and lower depreciation, partially offset by lower metal prices and volumes of payable metals in concentrate sold.

Net loss from discontinued operations

Net loss from discontinued operations in the first quarter of 2016 was $2.3 million compared to $1.5 million in the corresponding period in 2015. The higher loss was due primarily to lower metal prices and volumes of payable metals in concentrate sold.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2016, the Company had cash and cash equivalents of continuing operations of $24.3 million, investments at fair value of $18.2 million, and $150 million of undrawn lines of credit under its $275 million committed long-term revolving credit facility (“RCF”).

The Company’s liquidity is impacted by several factors which include, but are not limited to, gold, copper 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 March 31, 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.

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

$ thousands	**Three Months**	
Ended March 31,	**2016**	2015
Cash provided from operating activities of continuing operations, before changes in non-cash working capital	**30,690**	18,154
Changes in non-cash working capital	**(25,167)**	(20,816)
Cash provided from (used in) operating activities of continuing operations	**5,523**	(2,662)
Cash used in investing activities of continuing operations	**(12,463)**	(14,863)
Cash provided from (used in) financing activities of continuing operations	**7,803**	(3,258)
Increase (decrease) in cash and cash equivalents of continuing operations	**863**	(20,783)
Cash and cash equivalents of continuing operations, beginning of period	**23,395**	34,747
Cash and cash equivalents of continuing operations, end of period	**24,258**	13,964

Cash and cash equivalent balances of continuing operations as at March 31, 2016 of $24.3 million were $10.3 million higher 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 first quarter of 2016 of $5.5 million was $8.2 million higher than the corresponding period in 2015. This increase was due primarily to higher smelter volumes and toll rates, partially offset by lower metal prices, lower volumes of payable metals in concentrate sold and unfavourable changes in non-cash working capital.

The unfavourable change in non-cash working capital in the first quarter of 2016 of $25.2 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 shipments. The unfavourable change in non-cash working capital in the first quarter of 2015 of $20.8 million was due primarily to an increase in accounts receivable, as a result of the timing of receipts from customers, and a decrease in accounts payable and accrued liabilities, as a result of the timing associated with supplier payments, partially offset by a decrease in concentrate inventories.

Cash provided from operating activities, before changes in non-cash working capital, during the first quarter of 2016 was $30.7 million compared to $18.1 million in the corresponding period in 2015.

Investing Activities of Continuing Operations

Cash used in investing activities in the first quarter of 2016 of $12.5 million was $2.4 million lower than the corresponding period in 2015 due primarily to lower cash outlays for capital expenditures.

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

$ thousands	**Three Months**	
Ended March 31,	**2016**	2015
Chelopech	**3,148**	3,253
Tsumeb	**5,749**	10,594
Krumovgrad	**3,308**	1,096
Other	**276**	48
Total cash capital expenditures of continuing operations	**12,481**	14,991

Cash outlays for capital expenditures in the first quarter of 2016 were lower than the corresponding period 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.

Financing Activities of Continuing Operations

Net cash provided from financing activities in the first quarter of 2016 was $7.8 million compared to net cash used in financing activities of $3.3 million in the corresponding period in 2015. In the first quarter of 2016, $10.0 million was drawn under the RCF compared to $nil in the corresponding period in 2015. This drawdown was due primarily to the timing of customer receipts.

Interest paid during the first quarter of 2016 was $1.8 million compared to $2.3 million in the corresponding period in 2015.

Repayments of finance lease obligations during the first quarter of 2016 were $0.3 million compared to $0.5 million in the corresponding period in 2015.

Cash Flows from Discontinued Operations

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

$ thousands	**Three Months**	
Ended March 31,	**2016**	2015
Cash provided from operating activities of discontinued operations	**392**	3,277
Cash used in investing activities of discontinued operations	**(1,914)**	(2,209)
(Decrease) increase in cash and cash equivalents of discontinued operations	**(1,522)**	1,068
Cash and cash equivalents of discontinued operations, beginning of period	**3,175**	1,545
Cash and cash equivalents of discontinued operations, end of period	**1,653**	2,613

Financial Position

$ thousands	**March**	December	**Increase/**
As at,	**31, 2016**	31, 2015	**(Decrease)**

Cash and cash equivalents	**24,258**	26,570	**(2,312)**
Accounts receivable, inventories and other current assets	**59,918**	80,147	**(20,229)**
Assets held for sale	**50,311**	-	**50,311**
Investments at fair value	**18,254**	13,911	**4,343**
Non-current assets, excluding investments at fair value	**761,702**	785,523	**(23,821)**
Total assets	**914,443**	906,151	**8,292**
Current liabilities	**59,105**	72,738	**(13,633)**
Liabilities held for sale	**12,371**	-	**12,371**
Non-current liabilities	**198,751**	195,300	**3,451**
Equity attributable to common shareholders	**643,658**	637,457	**6,201**
Non-controlling interests	**558**	656	**(98)**

Cash and cash equivalents decreased by $2.3 million to $24.3 million in the first quarter of 2016 due primarily to lower realized metal prices, lower volumes of payable metals in concentrate sold and unfavourable non-cash working capital changes, partially offset by higher smelter volumes and toll rates, lower spending on capital expenditures and the favourable impact of a stronger U.S. dollar. As a result of the Kapan Disposition, the assets and liabilities of Kapan have been presented as held for sale in the condensed interim consolidated statement of financial position as at March 31, 2016. Accounts receivable, inventories and other current assets decreased by $20.2 million to $59.9 million due primarily to Kapan's accounts receivable and inventories being presented as assets held for sale. Non-current assets, excluding investments at fair value, decreased by $23.8 million to $761.7 million due primarily to Kapan's non-current assets being presented as assets held for sale.

Current liabilities decreased by $13.6 million to $59.1 million in the first quarter of 2016 due primarily to Kapan's current liabilities being presented as liabilities held for sale.

Contractual Obligations

The Company has the following minimum contractual obligations as at March 31, 2016:

$ thousands	**up to 1 year**	**1 – 5 years**	**over 5 years**	**Total**
Debt	16,250	141,250	-	**157,500**
Finance lease obligations	3,172	11,203	10,780	**25,155**
Capital commitments	13,524	-	-	**13,524**
Purchase obligations	12,863	-	-	**12,863**
Operating lease obligations	3,921	12,551	9,713	**26,185**
Other obligations	1,928	1,392	73	**3,393**
Total contractual obligations	**51,658**	**166,396**	**20,566**	**238,620**

Debt

As at March 31, 2016, the Company's total debt was $157.5 million, of which $32.5 million related to the Company's secured term loans ("Term Loans") and $125.0 million to the Company's RCF. As at March 31, 2016, the Company's total debt, as a percentage of total capital, was 20% (December 31, 2015 – 19%). The Company's total debt, net of cash and cash equivalents, as a percentage of total capital, was 17% (December 31, 2015 – 16%). As at March 31, 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, Kapan 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 March 31, 2016, the Term Loans had an outstanding balance of $32.5 million.

Credit Agreements and Guarantees

Chelopech

Chelopech has a $16.0 million multi-purpose credit facility that matures on November 30, 2016. This credit facility is guaranteed by DPM. Advances under the multi-purpose revolving credit facility bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 3.25%. As at March 31, 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 ($23.8 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 March 31, 2016, $15.8 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 March 31, 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 March 31, 2016, DPM was in compliance with all financial covenants and $125.0 million was drawn under the RCF.

Outstanding Share Data

DPM's common shares are traded on the TSX under the symbols DPM. As at May 4, 2016, 141,532,112 common shares were issued and outstanding.

DPM also has 5,920,568 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$4.57 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 March 31, 2016, the Company's investments at fair value were $18.2 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 months ended March 31, 2016.

As at March 31, 2016, DPM held: (i) 23,539,713 common shares of Sabina or 11.8% of the outstanding common shares (fair value of Cdn$21.2 million) and (ii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the Back River project or upon the occurrence of certain other events. Each of the special warrants is exercisable for a period of 35 years into one common share.

As at March 31, 2016, the estimated fair value of the special warrants was $1.9 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 months ended March 31, 2016, the Company recognized unrealized gains on the Sabina warrants of $0.5 million (Q1 2015 – unrealized losses of $0.5 million) in other expense (income) in the condensed interim consolidated statements of loss.

For the three months ended March 31, 2016, the Company recognized impairment losses of $nil (Q1 2015 – $0.6 million) in other expense (income) on its publicly traded securities, relating primarily to Sabina common shares, due to the significant and prolonged decline in the fair value of these publicly traded securities.

Commodity swap contracts

The Company enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales (“QP Hedges”). As at March 31, 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	29,455 ounces	$1,177.81/ounce
Payable copper	16,016,564 pounds	$2.17/pound
Payable silver	107,650 ounces	$14.62/ounce
Payable zinc	981,056 pounds	$0.81/pound

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

Year of projected payable copper production	**Volume hedged (pounds)**	**Average fixed price of Production Hedges ($/pound)**
Balance of 2016	18,948,709	2.32

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

Year of projected payable gold production	**Volume hedged (ounces)**	**Average fixed price of Pyrite Production Hedges ($/ounce)**
Balance of 2016	6,030	1,150

As at March 31, 2016, the net fair value loss on all outstanding commodity swap contracts was $0.5 million (December 31, 2015 – a net fair value gain of $7.5 million), of which $1.8 million (December 31, 2015 – $7.1 million) was included in other current assets, $2.3 million (December 31, 2015 – $nil) in accounts payable and accrued liabilities and $nil (December 31, 2015 – $0.4 million) in other long-term assets.

Unrealized gains and losses on these contracts were calculated based on the corresponding LME forward copper and zinc prices and New York Commodity Exchange forward gold and silver prices, as applicable.

For the three months ended March 31, 2016, the Company reported unrealized losses on these contracts related to continuing operations of $7.1 million (Q1 2015 – $1.8 million) in other expense (income). The Company also reported realized gains on the settlement of certain of these commodity swap contracts related to continuing operations of $0.3 million (Q1 2015 – $9.2 million) in other expense (income) for the three months ended March 31, 2016.

For the three months ended March 31, 2016, the Company also recorded unrealized and realized losses on commodity swap contracts related to discontinued operations of $1.0 million (Q1 2015 - $0.2 million) and $0.1 million (Q1 2015 – realized gains of $0.5 million), respectively, in net loss from discontinued operations.

Approximately 71% of the Company's expected copper production for the balance of 2016 and 27% of the expected payable gold in pyrite concentrate production for the balance of 2016 have been hedged. The Company's reported earnings are exposed to unrealized mark-to-market gains and losses from future price movements during the term of the forward sales contracts.

Forward foreign exchange contracts

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 March 31, 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	8,775,000	1.1128
	South African rand	567,000,000	13.1333
2017	Euro	10,800,000	1.1287
	South African rand	720,000,000	13.8699
Total	**Euro**	**19,575,000**	**1.1216**
	South African rand	**1,287,000,000**	**13.5355**

Euro hedges represent approximately 23% and 22% of projected Euro operating expenses for the balance of 2016 and all of 2017, respectively. South African rand hedges represent approximately 64% and 59% 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 spot component of these forward foreign exchange contracts is designated as a cash flow hedge and qualifies for hedge accounting. The forward points, or interest rate differential, which form a component of these contracts, are not designated and therefore do not qualify for hedge accounting. The effective portion of any change in the fair value of the spot component of the outstanding contracts is recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). The gain or loss relating to the ineffective portion, if any, and the gain or loss relating to changes in the forward points are recognized immediately in other income or expense in the consolidated statements of income (loss). Amounts accumulated in other comprehensive income or loss are reclassified to the consolidated statements of income (loss) in cost of sales in the same periods as the underlying projected operating expenses are incurred.

The fair value gain or loss on these outstanding contracts was calculated based on the forward foreign exchange rates quoted in the market. As at March 31, 2016, the net fair value loss on all outstanding forward foreign exchange contracts was $12.4 million (December 31, 2015 - $21.3 million), of which $0.4 million (December 31, 2015 - $nil) was included in other current assets, $6.9 million (December 31, 2015 - $10.1 million) in accounts payable and accrued liabilities, $0.2 million in other long-term assets (December 31, 2015 - $nil) and $6.1 million (December 31, 2015 - $11.2 million) in other long-term liabilities.

For the three months ended March 31, 2016, the Company recognized unrealized gains of $8.2 million (Q1 2015 - $nil) in other comprehensive income (loss) on the spot component of the outstanding forward foreign exchange contracts. The Company also recognized realized losses of $3.5 million (Q1 2015 - $nil) for the three months ended March 31, 2016 in cost of sales on the spot component of those contracts which have been settled.

For the three months ended March 31, 2016, the Company reported unrealized gains of $0.8 million (Q1 2015 - $nil) in other expense (income) on the forward point component of the outstanding forward foreign exchange contracts. The Company also reported realized gains of $0.6 million (Q1 2015 - $nil) for the three months ended March 31, 2016 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 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 first quarter of 2016, a total of 11,989 metres of underground resource development diamond drilling was completed, including 4,630 metres of grade control and 7,359 metres of extensional drilling, focusing on replacing and increasing the Mineral Resources and Mineral Reserves, as well as to extend known mineralized zones. These areas were systematically defined through geological review and identified as having the highest potential for delivering reserves to the life of mine plan. The key areas explored were the upper levels in Blocks 103 and 19, and down plunge of Block 19. The north-west part of the deposit, in particular Block 149 and an area south of it, was targeted as an additional area of interest for new Mineral Resources.

In the first quarter of 2016, a total of 6,425 metres were drilled in Block 19 from four separate drilling positions. The drilling programs were designed to replace and reclassify Mineral Resources as well as to extend known economical mineralization.

Drilling from Level 390, which commenced in the third quarter of 2015, was completed in the first quarter of 2016. A total of 14 drillholes (2,630 metres) were drilled in northern and northeastern direction, which confirmed the presence of additional mineralization outside the current Mineral Resource inventory (significant intercepts are shown in holes G19_390_24-25, 29, 36).

Five exploration holes of an initial wide space drilling program from 17-395 level, which planned to explore the upper levels of Block 19 in north-west direction, were completed. As a result, the silica envelope, that was earlier defined as a high potential area, and the economical mineralization of Block 19W were extended between 410 mRL and 380 mRL in a northwest direction. Drillhole assays are still pending for certain portions of these holes. In the second quarter of 2016, drilling will continue to the northwest on the upper levels in proximity to historical cave zones (sub-level caving) in order to define mineralization extents and carry out a geotechnical assessment to better understand the risk in cave zones before consideration for conversion to Mineral Reserves.

Grade control drilling in the deeper part of Block 19W, which commenced in the fourth quarter of 2015, was completed from two locations (28 drillholes – 2,408 metres) in the first quarter of 2016. Holes were drilled in a west-northwest direction to check the continuity of mineralization in this area. Drillholes from the 19W-190-RA/19W-210-RA locations expanded the silica envelope and known economical mineralization extending the ore body of Block 19W in depth (from 220mRL to 150mRL). This zone comprises a series of sub-parallel vertically-oriented lenses. The host rocks are predominantly breccias possessing advanced argillic alteration and vuggy quartz. Mineralization consists mainly of pyrite and small amounts of sulfosalts of very high gold grade. Significant results from this infill drilling are presented in the table below within holes “G19W_210_02, 05, 09”.

Approximately 3,507 metres were drilled in Block 103 from R20-450-405-DDC2 in the period. The earlier identified high grade zones situated close to the eastern boundary of Block 103 between 460mRL and 350mRL (upper levels in the Block) were tested. The planned exploration metres from Ramp 20 on Level 450 aimed to verify the eastern contact of the block on the higher levels and increase the ore body in size. The outcome of the drilling was positive, resulting in the redefinition of the silica alteration envelope and mineralized zone. The drilling will continue over the next quarter with infill drilling to better define the shape and volume of recently found high grade intersections before consideration for conversion to Mineral Reserves (significant intercepts are shown in hole EXT103_450_18, 20, 25).

Extensional drilling in the north-west part of the deposit, in particular Block 149 and an area south of it, is on-going. Drilling from Level 225 in Block 149 redefined the silica alteration envelope and mineralized zone in the western periphery of the block (a total of 608 metres were drilled in the first quarter of 2016). The result was the expansion of existing mineralization in Block 149 and the ore body of Block 149 South in a westerly direction between 240 mRL and 200 mRL. Significant results from Block 149 and Block 149 South are presented in the table below.

Extensional drilling of Target 148, oriented sub-parallel to Block 149 South, is ongoing. A total of 1,448 metres were drilled from 149-220-RA-DDC. Recent exploration has returned a few high grade intersections that need further evaluation. As a result of this drilling, the mineralization outline was expanded in a southeasterly direction between Levels 210 and 160. This block still remains open to the east and above 200 level. The drilling at Target 148 will continue in the second quarter of 2016 in order to more accurately define the outline of the mineralization.

The medium term resource development strategy for Chelopech is focused on drilling the northeast part of the deposit, the northwest zone and the upper parts of Blocks 19 and 103 to add more Mineral Resources.

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

- grade control drilling of the western part of Block 19 from 17-395 due to the presence of a single high grade copper/gold interception above level 380, which indicates a possible extension. Extensional drilling in a southerly direction between blocks 17 and 18 is planned based on the results of a recent re-interpretation in both ore blocks.
- extensional drilling in the area situated northwest of Block 151 and west of Blocks 149/149 South. This area has been tested using a wide-spaced drill pattern to date. A single high-grade intercept that aligns with known structural trends indicates this area may have untested mineralization;
- grade control drilling in the southeast zone of Block 103, which is considered to have a high potential for delivering Mineral Reserves to the life of mine plan from RA-20_450 with a special focus on the levels above 405mRL. Extensional drilling in a north-northeasterly direction, which has been defined as an area of higher potential for new discoveries based on presence of numerous advanced argillic occurrences with occasional ore-grade mineralization between 420mRL and 240mRL;
- grade control drilling in Block 149 South and 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 indicates 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 resources into 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; and
- extensional drilling from ND 630-530 in the areas close to Blocks 10 and 8 with the goal of discovering new and expansion of known ore bodies based on old drilling results in combination with structural and geology models.

Significant intercepts (gold equivalent (“AuEq”) cut-off grade of 3g/t) received during the first 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 (%)
EXT103_450_18	5802	29191	448	177.1	8.0	48.00	69.00	19.00	4.00	2.01	4.68	0.97
EXT103_450_20	5800	29193	447	219	-7.0	177.00	204.00	20.00	4.19	2.54	3.03	0.80
EXT103_450_25	5801	29193	448	217.6	11.9	82.50	99.00	10.70	4.72	1.49	4.00	1.57
EXT148_225_02	5534	29661	225	154.9	-39	57.00	73.50	6.00	9.32	8.39	5.82	0.45
EXT149_225_77	5462	29781	224	282.8	14.6	0.00	13.50	9.00	93.62	77.74	33.98	7.71

EXT149_225_84	5464	29783	224	348.2	-7.2	0.00	10.50	10.50	21.94	17.48	9.23	2.17
EXT19W_400_01	5988	29697	399	308.7	0.9	3.00	22.50	15.00	4.15	1.91	7.44	1.09
EXT19W_400_01	5988	29697	399	308.7	0.9	127.50	166.50	25.00	6.72	4.54	30.43	1.06
G19_390_24	5991	29780	396	25.5	15.9	93.00	120.00	19.00	5.56	3.67	8.57	0.92
G19_390_25	5988	29780	396	333.3	14.1	93.00	135.00	20.00	4.06	3.18	5.20	0.43
G19_390_29	5992	29777	395	94.9	-12	118.50	148.50	9.00	5.38	3.14	4.09	1.09
G19_390_36	5992	29776	395	96.5	-6	132.00	169.50	25.00	8.24	5.25	12.46	1.45
G19W_210_02	5889	29813	214	265.2	-32	40.50	69.00	16.00	10.48	8.55	6.14	0.94
G19W_210_05	5890	29812	214	254.2	-17	34.50	67.50	20.00	8.48	6.29	6.29	1.06
G19W_210_09	5889	29813	214	237.6	-40	57.00	69.00	12.00	6.09	4.31	4.86	0.86

1) *Significant intercepts are located within the Chelopech Mine Concession and proximal to the mine workings, and are based on their strategic importance to Mineral Resource development.*
2) *AuEq calculation is based on the following formula: Au g/t + 2.06xCu%.*
3) *Minimum downhole width reported is 1.5 metres with a maximum internal dilution of 4.5 metres.*
4) *Drill holes with prefix G indicate grade control drilling which is performed using BQ diamond drill core. All other holes are drilled with NQ diamond core.*
5) *Coordinates are in mine-grid.*
6) *No factors of material effect have hindered the accuracy and reliability of the data presented above.*
7) *No upper cuts applied.*
8) *For detailed information on drilling, sampling and analytical methodologies refer to the NI 43-101 Technical Report entitled "Mineral 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. Samples are routinely assayed for copper, gold, silver, sulphur, arsenic, lead and zinc.

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

Brownfields Exploration - Chelopech Concession and Sveta Petka Exploration Licence

Approximately 8,100 metres of historical core was re-logged during the first quarter of 2016, bringing the total core re-logged since the start of the program to approximately 58,000 metres. Based on the results of this program, a new geological model has been developed. The main implication of the new model is that 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 define part of a circular zoned system around the core of the diatreme and suggest the system is still open and untested to the east and southeast, below the Chelopech thrust. Current exploration activities are focusing on the area between and southeast of Blocks 10 and 103. Re-logging and detailed interpretation of alteration, geochemical and geological data will be followed by target definition and possible drilling.

Additionally, drill hole SVP004 in the Sharlo Dere prospect is in progress. Sharlo Dere represents the northeast continuation of the Chelopech high sulphidation system and is tentatively interpreted as a separate breccia body. The aim of the drill hole is to identify the major lithological and structural controls and to test grade continuity of two mineralized zones defined by state drilling in 1980 (for which drill core no longer exists) and recent surface mapping. Information from drill hole SVP004 will be used to build a more robust ore control model for Sharlo Dere for the next phase of exploration.

Avala

Lenovac Project

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

During the second quarter of 2015, early exploration work was carried out on the Lenovac license, including mapping, rock chip sampling and a geophysics program which consisted of 28 line kilometres. Interpretation and inversion modeling of the resistivity data has indicated a number of potential drill targets with mineralization interpreted to lie beneath post-mineral cover that is outcropping within the northern half of the license. Following the completion in November 2015 of the earn-in and joint venture agreement with Rio Tinto, a single deep hole in the north portion of the project area was drilled to a depth of 852 metres. During the first quarter of 2016, preparations were made for a ground magnetics and gravity survey, which is currently underway.

Timok Gold Project

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

During the first quarter of 2015, Avala carried out an extensive review of geological, geochemical and geophysical datasets on the Bigar Istok license, which host part of the Timok Gold Project, with an aim to expand the existing resource base at the Timok Gold Project. This work has highlighted a number of interpreted structural corridors which link porphyry units and sediment-hosted gold mineralization. During the second quarter of 2015, Avala completed its planned trenching and channel sampling program, totaling 1,280 metres, on the Bigar Istok license. This program returned a number of intervals of gold and associated base metal mineralization, and has been interpreted as a higher temperature style of mineralization similar to that found at Korkan East. Further interpretation of these results has led to the design of a three hole, 1,500 metre, drilling program within the Bigar Istok license, which was started late in 2015. A total of 1,519 metres was drilled and the program was completed in the first quarter of 2016. The drill holes intersected gold and base metal mineralization, including eight metres of 1.86 g/t gold and 1.68% copper from 348 metres in drill hole BIDD052, in clastic sediments down dip from the base metals mineralization encountered in the 2015 trenching program.

Tulare Project

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

During the second quarter of 2015, Avala conducted a first phase of trench and channel sampling on the Gubavce-Bakrenjaca prospect. Interpretation of these results show a number of roughly east-west structural corridors that cross the Tulare license and are host to brecciated quartz veins with low-grade base metal and gold mineralization.

The potential of a number of other licenses held within the Lece Volcanic Complex is being evaluated.

Other

Throughout the first quarter of 2016, DPM carried out early stage exploration for epithermal gold deposits on a number of 100% owned licenses held by DPM subsidiaries in Bulgaria. These programs involve detailed data reviews, field traverses and systematic rock-chip and channel sampling, trenching and, in some cases, exploration diamond drilling.

Assay results from an exploration drill hole at the Kupel North prospect, located around 2 kilometres east of Ada Tepe, were received and confirmed the presence of a large high level epithermal gold mineralization footprint (high level silica veins and breccias and anomalous antimony-tungsten-tellurium), including a significant intersection of eight metres with an average grade of 12.8 g/t gold and 4.9 g/t silver at a depth of 277 metres. The true width is not known but is estimated to be between four to six metres. Follow up drilling at this prospect started in late March 2016.

A detailed study of the stratigraphic, sedimentological and geochemical variations of the fine-grained clastic and carbonaceous sequence that represent the upper part of the mineralized sequence started in February 2016. This work aims to better understand high level alteration footprints that represent drill targets in the covered areas around Ada Tepe for the second part of the year.

During the first quarter of 2016, no exploration work was conducted on the two projects in Armenia that are held under option agreements signed in June 2015. DPM also conducted reviews of projects and prospective belts in other parts of the world.

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"). A capital cost estimate and optimized mine plan, completed in March 2014, continue to support the construction and operation of this project. The plant is designed to treat up to 840,000 tonnes of ore per annum over an eight year mine life, including processing stockpiled low grade ore at the end of the project. The treatment rate is consistent with existing permitting applications and environmental submissions. Following completion of a Definitive Feasibility Study ("DFS") 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 March 2014 capital cost to complete the construction of the mine and associated facilities, excluding sunk costs, was estimated at $164.1 million (stated in 2013 U.S. dollars). An update to the capital cost estimate was planned for 2015, however, as a result of the delays experienced during 2015 in the detailed development plan ("DDP") approval process, the Company has delayed the finalization of the capital cost estimate and taken the opportunity to complete detailed engineering and to refine and optimize the project execution plan while the approvals process is ongoing in order to de-risk the project through better project definition prior to proceeding with project implementation. Detailed engineering was substantially completed in the first quarter of 2016 with the final equipment and material quantities now incorporated into the capital cost estimate, which is expected to be finalized during the second quarter of 2016, following management review and validation.

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

The European Bank for Reconstruction and Development ("EBRD") acts as environmental agent with respect to the Company's RCF. According to the EBRD's Environmental and Social Policy (2008), and its associated Performance Requirements ("PRs"), a project of this type and scale requires a full Environmental and Social Impact Assessment ("ESIA"). The project underwent a national environmental impact assessment ("EIA") in 2010 and an environmental permit was issued and entered into force in March 2013. Following an independent review of the EIA reports, the EBRD required a number of supplementary environmental and social studies and documents to meet the EBRD PRs and international good practices. In addition to the EBRD PRs, certain lenders participating in the consortium refer to the Equator Principles and therefore the project also references the International Finance Corporation ("IFC") Performance Standards (2012). The final package of supplementary environmental and social documents was approved by EBRD's Board in April 2015, following completion of the public disclosure and shareholder consultation process.

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

In July 2015, the Executive Forestry Agency ("EFA") provided preliminary approval of the re-designation of the forestry land as industrial land, which allowed the Krumovgrad Mayor to announce and approve the main project DDP on November 2, 2015. With the appeal process having expired on November 19, 2015, the DDP is now fully in force.

Following the final approval of the DDP, the Company submitted an application to the EFA in November 2015 for final re-designation of the land from forestry land to industrial land. This final approval was received in March 2016 and the Company has initiated the land purchase process, which is expected to conclude in the second quarter of 2016. The Company is targeting to complete the land purchase in the second quarter of 2016 and thereafter receive the main construction permit in mid-2016.

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

- Validation and finalization of the capital cost estimate;
- Completion of the technical package approvals by the Krumovgrad Chief Municipal Architect;
- Completion of the land purchase process; and
- Receipt of the construction permit

The current project baseline schedule contemplates the following milestones:

Milestone	**Actual / Expected Completion**
Completion of the 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 substantially completed	Q1 2016 (complete)
Land purchase	Q2 2016
Approval of technical packages	Q2 2016
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	Q3 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 KMC will continue through the remainder of the approval process for the mine site, access road and discharge pipeline, enabling the Krumovgrad project to advance to construction readiness.

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

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.

Based on the current configuration of the smelter and forecasted concentrate supply, the plant will produce between 230,000 and 280,000 tpy of sulphuric acid. 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 estimated capital cost for the construction of the acid plant and new copper converters remains approximately $243 million. As at March 31, 2016, the Company had spent $235.5 million on this project.

Holding Furnace

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

OFF BALANCE SHEET ARRANGEMENTS

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

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	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2

Revenue from continuing operations	**70.1**	53.7	52.8	58.6	60.0	75.8	55.1	87.1
Net (loss) earnings	**(6.4)**	(48.7)	2.5	1.5	(3.4)	21.0	(11.8)	(80.6)
Net (loss) earnings attributable to:								
• Non-controlling interest	**(0.3)**	(0.2)	(0.2)	(0.4)	(0.3)	(0.5)	(1.1)	(0.9)
• Discontinued operations	**(2.3)**	(47.6)	(0.6)	0.1	(1.5)	(0.9)	(3.5)	(67.1)
• Continuing operations	**(3.8)**	(0.9)	3.3	1.8	(1.6)	22.4	(7.2)	(12.6)
Net (loss) earnings per share:								
• Discontinued operations	**(0.01)**	(0.34)	0.00	0.00	(0.01)	(0.01)	(0.03)	(0.48)
• Continuing operations	**(0.03)**	(0.01)	0.02	0.01	(0.01)	0.16	(0.05)	(0.09)
Adjusted net (loss) earnings from continuing operations	**(1.3)**	(0.9)	4.4	1.4	(0.1)	16.6	(5.5)	9.8
Adjusted basic (loss) earnings per share from continuing operations	**(0.01)**	(0.01)	0.03	0.01	(0.00)	0.12	(0.04)	0.07

(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 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	**Q1**	Q4	Q3	Q2	Q1	Q4	Q3	Q2
London Bullion gold ($/oz)	**1,180**	1,105	1,124	1,193	1,220	1,200	1,283	1,277
LME settlement copper ($/lb)	**2.12**	2.22	2.38	2.75	2.64	3.00	3.17	3.08
LME settlement SHG zinc ($/lb)	**0.76**	0.73	0.84	1.00	0.94	1.01	1.05	0.94
LBMA spot silver ($/oz)	**14.83**	14.76	14.91	16.41	16.72	16.47	19.74	19.62

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 months ended March 31, 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 months ended March 31, 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 pound of zinc in concentrate produced, cash cost per ounce of gold sold, net of by-product credits, cash cost per ounce of gold sold in pyrite concentrate, all-in sustaining cost per ounce of gold, net of by-product credits, and cash cost per tonne of complex concentrate, net of by-product credits, capture the important components of the Company's production and related costs. Management utilizes these metrics as an important tool to monitor cost performance at the Company's operations.

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 March 31, 2016**	**Chelopech**	**Tsumeb**	**Total**
Ore processed *(mt)*	**544,591**	**-**	

Metals contained in copper concentrate produced:			
Gold *(ounces)*	**33,387**	**-**	
Copper *(pounds)*	**10,578,031**	**-**	
Complex concentrate smelted *(mt)*	**-**	**57,422**	
Cost of sales	**23,623**	**33,393**	**57,016**
Add/(deduct):			
Depreciation, amortization & other	**(9,223)**	**(9,592)**	
Realized losses (gains) on forward foreign exchange contracts	**26**	**(647)**	
Change in concentrate inventory	**4,110**	**-**	
Total cash cost before by-product credits	**18,536**	**23,154**	
By-product credits	**(1,036)**	**(3,791)**	
Total cash cost after by-product credits	**17,500**	**19,363**	
Cash cost per tonne ore processed *($)*	**34.04**	**-**	
Cash cost per pound copper produced *($)*(1)	**0.61**	**-**	
Cash cost per ounce gold produced *($)*(1)	**330**	**-**	
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	**-**	**337**	

$ thousands, unless otherwise indicated **For the quarter ended March 31, 2015**	**Chelopech**	**Tsumeb**	**Total**
Ore processed *(mt)*	505,313	-	
Metals contained in copper concentrate produced:			
Gold *(ounces)*	29,215	-	
Copper *(pounds)*	8,082,920	-	
Complex concentrate smelted *(mt)*	-	43,101	
Cost of sales	30,794	27,539	58,333
Add/(deduct):			
Depreciation, amortization & other	(9,341)	(5,942)	
Change in concentrate inventory	(3,037)	-	
Total cash cost before by-product credits	18,416	21,597	
By-product credits	(863)	(304)	
Total cash cost after by-product credits	17,553	21,293	
Cash cost per tonne ore processed *($)*	36.44	-	
Cash cost per pound copper produced *($)*(1)	0.83	-	
Cash cost per ounce gold produced *($)*(1)	371	-	
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	-	494	

(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	
Ended March 31,	**2016**	2015
Cost of sales(1)	**23,649**	30,794
Add/(deduct):		
Depreciation, amortization & other	**(9,223)**	(9,341)
Other charges, including freight(2)	**15,845**	20,651
By-product credits(3)	**(19,863)**	(31,329)
Cash cost of sales, net of by-product credits	**10,408**	10,775
Payable gold in concentrate sold *(ounces)*(4)	**22,034**	31,314
Cash cost per ounce of gold sold, net of by-product credits *($)*	**472**	344

1) Includes realized losses on the forward point component of the forward foreign exchange contracts in the three months ended March 31, 2016.
2) Excludes treatment charges, transportation and other selling costs related to the sale of pyrite concentrate in the three months ended March 31, 2016 and 2015.
3) Includes realized gains on copper derivative contracts, entered to hedge a portion of projected payable production, of $1.1 million during the first quarter of 2016 compared to $5.3 million in the corresponding period in 2015.
4) Excludes payable gold in pyrite concentrate sold in the three months ended March 31, 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	
Ended March 31,	**2016**	**2015**
Cash cost of sales, net of by-product credits(1)	**10,408**	10,775
Accretion expenses(1)	**90**	169
General and administrative expenses(2)	**2,894**	3,108
Cash outlays for sustaining capital(1)	**1,915**	1,503
All-in sustaining costs	**15,307**	15,555
Payable gold in copper concentrate sold *(ounces)*	**22,034**	31,314
All-in sustaining cost per ounce of gold *($)*	**695**	497

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	
Ended March 31,	**2016**	2015
Treatment charges and refining costs	**3,631**	3,601
Transportation costs	**4,117**	3,665
Cash cost of sales related to pyrite concentrate sold	**7,748**	7,266
Payable gold in pyrite concentrate sold *(ounces)*	**9,713**	7,336
Cash cost of sales per ounce of gold sold in pyrite concentrate *($)*	**798**	990

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**	
Ended March 31,	**2016**	2015
Cost of sales	**5,785**	6,788
Add/(deduct):		
Depreciation, amortization & other	**(332)**	(1,896)
Change in concentrate inventory	**2,646**	2,462
Total cash cost of production	**8,099**	7,354
Ore processed *(tonnes)*	**103,732**	103,412
Cash cost per tonne of ore processed *($)*	**78.08**	71.11

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**	
Ended March 31,	**2016**	2015
Cost of sales	**5,785**	6,788
Add/(deduct):		
Depreciation, amortization & other	**(332)**	(1,896)
Other charges, including freight	**893**	931
By-product credits[1]	**(2,781)**	(3,757)
Cash cost of sales, net of by-product credits	**3,565**	2,066
Payable gold in concentrate sold *(ounces)*	**2,404**	2,627
Cash cost per ounce of gold sold, net of by-product credits *($)*	**1,483**	786

1) Includes realized gains on copper derivative contracts, entered to hedge a portion of projected payable production, of $0.1 million during the first quarter of 2016 compared to $0.4 million in the corresponding period in 2015.

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

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

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

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

$ thousands, except per share amounts **Ended March 31,**	**Three Months** **2016**	2015
Net loss from continuing operations attributable to common shareholders	**(3,757)**	(1,542)
Add/(deduct) after-tax adjustments:		
Unrealized losses on commodity swap contracts	**3,706**	483
Unrealized gains on the forward point component of forward foreign exchange contracts	**(778)**	-
Net (gains) losses related to Sabina special warrants	**(455)**	464
Net gains on equity settled warrants	**-**	(47)
Impairment losses on publicly traded securities	**-**	580
Adjusted net loss from continuing operations	**(1,284)**	(62)
Basic loss per share from continuing operations	**(0.03)**	(0.01)
Adjusted basic loss per share from continuing operations	**(0.01)**	(0.00)

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 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 March 31,**	**Three Months** **2016**	2015
(Loss) earnings before income taxes from continuing operations	**(3,665)**	513
Add/(deduct) adjustments:		
Unrealized losses on commodity swap contracts	**4,118**	536
Unrealized gains on the forward point component of forward foreign exchange contracts	**(774)**	-
Net (gains) losses related to Sabina special warrants	**(455)**	464
Net gains on equity settled warrants	**-**	(47)
Impairment losses on publicly traded securities	**-**	580
Adjusted (loss) earnings before income taxes from continuing operations	**(776)**	2,046

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 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	
Ended March 31,	**2016**	2015
(Loss) earnings before income taxes from continuing operations	**(3,665)**	513
Add/(deduct):		
Depreciation and amortization	**18,949**	15,287
Finance cost	**3,385**	2,462
Interest income	**(48)**	(55)
Net (gains) losses related to Sabina special warrants	**(455)**	464
Unrealized losses on commodity swap contracts	**4,118**	536
Unrealized gains on the forward point component of forward foreign exchange contracts	**(774)**	-
Net gains on equity settled warrants	**-**	(47)
Impairment losses on publicly traded securities	**-**	580
Adjusted EBITDA from continuing operations	**21,510**	19,740

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	
Ended March 31,	**2016**	2015
Cash provided from operating activities of continuing operations, before changes in non-cash working capital	**30,690**	18,154
Cash outlays for sustaining capital	**(7,148)**	(3,730)
Principal repayments related to finance leases	**(354)**	(533)
Interest payments	**(1,843)**	(2,335)
Free cash flow from continuing activities	**21,345**	11,556

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 and AIF. These risks should be considered when evaluating the Company and its guidance.

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 March 31, 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 three 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 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 and Kapan 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 March 31, 2016 and December 31, 2015

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

	March 31, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	**24,258**	26,570
Accounts receivable	**26,319**	29,903
Inventories	**30,153**	41,663
Other current assets *(note 5(c) & 5(d))*	**3,446**	8,581
	84,176	106,717
Assets Held for Sale *(note 3)*	**50,311**	-
	134,487	106,717
Non-Current Assets		
Investments at fair value *(note 5(a) &5(b))*	**18,254**	13,911
Exploration and evaluation assets	**102,911**	101,166
Mine properties	**91,108**	99,711
Property, plant & equipment	**539,184**	555,595
Intangible assets	**20,736**	21,632
Deferred income tax assets	**3,719**	2,891
Other long-term assets	**4,044**	4,528
	779,956	799,434
TOTAL ASSETS	**914,443**	906,151
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**39,424**	53,225
Income tax liabilities	**1,371**	1,343
Current portion of long-term debt *(note 6)*	**16,250**	16,250
Current portion of long-term liabilities	**2,060**	1,920
	59,105	72,738
Liabilities Held for Sale *(note 3)*	**12,371**	-
	71,476	72,738
Non-Current Liabilities		
Long-term debt *(note 6)*	**140,878**	130,785
Rehabilitation provisions *(note 7)*	**32,632**	35,127
Share based compensation plans *(note 8)*	**3,055**	1,456
Deferred income tax liabilities	**13**	13
Other long-term liabilities	**22,173**	27,919
	198,751	195,300
TOTAL LIABILITIES	**270,227**	268,038
EQUITY		
Share capital	**439,736**	439,736
Contributed surplus	**10,003**	9,695
Retained earnings	**202,396**	208,450
Accumulated other comprehensive loss	**(8,477)**	(20,424)
Equity attributable to common shareholders of the Company	**643,658**	637,457
Non-controlling interests	**558**	656
TOTAL EQUITY	**644,216**	638,113
TOTAL LIABILITIES AND EQUITY	**914,443**	906,151

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS

For the three months ended March 31, 2016 and 2015

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

	Three months ended March 31,	
	2016	2015
		(note 16)
Continuing Operations		
Revenue	**70,168**	60,056
Cost of sales	**57,016**	58,333
Gross profit	**13,152**	1,723
General and administrative expenses	**5,160**	4,685
Corporate social responsibility expenses	**210**	390
Exploration expenses	**948**	1,257
Finance cost	**3,385**	2,462
Other expense (income) *(note 9)*	**7,114**	(7,584)
(Loss) earnings before income taxes	**(3,665)**	513
Current income tax expense	**1,379**	2,560
Deferred income tax recovery	**(932)**	(179)
Net loss from continuing operations	**(4,112)**	(1,868)
Discontinued Operations *(note 3)*		
Net loss from discontinued operations	**(2,297)**	(1,515)
Net loss	**(6,409)**	(3,383)
Net loss attributable to:		
Common shareholders of the Company		
From continuing operations	**(3,757)**	(1,542)
From discontinued operations	**(2,297)**	(1,515)
Non-controlling interests	**(355)**	(326)
Net loss	**(6,409)**	(3,383)
Basic and diluted loss per share attributable to common shareholders of the Company *(note 10)*		
From continuing operations	**(0.03)**	(0.01)
From discontinued operations	**(0.01)**	(0.01)
Basic and diluted loss per share	**(0.04)**	(0.02)

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

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

For the three months ended March 31, 2016 and 2015

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

	Three months ended March 31, 2016	2015
Net loss	**(6,409)**	(3,383)
Other comprehensive income (loss)		
Items that may be reclassified subsequently to profit or loss:		
Unrealized gains on forward foreign exchange contracts designated as cash flow hedges, net of income tax expense of $107 (2015 - $nil)	**4,541**	-
Realized losses on forward foreign exchange contracts transferred to net loss, net of income tax expense of $3 (2015 - $nil)	**3,510**	-
Unrealized gains (losses) on publicly traded securities, net of income tax expense of $nil (2015 - $nil)	**3,887**	(580)
Impairment loss on publicly traded securities transferred to net loss, net of income tax recovery of $nil (2015 - $nil)	**-**	580
Currency translation adjustments	**17**	(335)
	11,955	(335)
Comprehensive income (loss), net of income taxes	**5,546**	(3,718)
Comprehensive income (loss) attributable to:		
Common shareholders of the Company		
From continuing operations	**8,190**	(1,710)
From discontinued operations	**(2,297)**	(1,515)
Non-controlling interests	**(347)**	(493)
Comprehensive income (loss), net of income taxes	**5,546**	(3,718)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2016 and 2015

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

	Three months ended March 31, 2016	2015 (note 16)
OPERATING ACTIVITIES		
(Loss) earnings before income taxes from continuing operations	**(3,665)**	513
Items not affecting cash and other adjustments *(note 12(a))*	**30,682**	11,002
Changes in non-cash working capital *(note 12(b))*	**(25,167)**	(20,816)
Proceeds from settlement of derivative contracts	**5,515**	8,099
Income taxes paid	**(1,842)**	(1,460)
Cash provided from (used in) operating activities of continuing operations	**5,523**	(2,662)
Cash provided from operating activities of discontinued operations	**392**	3,277
INVESTING ACTIVITIES		
Proceeds from disposal of mine properties and property, plant and equipment	**18**	128
Expenditures on exploration and evaluation assets	**(986)**	(1,061)
Expenditures on mine properties	**(3,454)**	(1,271)
Expenditures on property, plant and equipment	**(7,871)**	(12,444)
Expenditures on intangible assets	**(170)**	(215)
Cash used in investing activities of continuing operations	**(12,463)**	(14,863)
Cash used in investing activities of discontinued operations	**(1,914)**	(2,209)
FINANCING ACTIVITIES		
Drawdown under revolving credit facility *(note 6(b))*	**10,000**	-
Financing fees on debt	**-**	(390)
Repayments of finance lease obligation	**(354)**	(533)
Interest paid	**(1,843)**	(2,335)
Cash provided from (used in) financing activities of continuing operations	**7,803**	(3,258)
Increase (decrease) in cash and cash equivalents of continuing operations	**863**	(20,783)
(Decrease) increase in cash and cash equivalents of discontinued operations	**(1,522)**	1,068
Cash and cash equivalents of continuing operations, beginning of period	**23,395**	34,747
Cash and cash equivalents of discontinued operations, beginning of period	**3,175**	1,545
Cash and cash equivalents of continuing operations, end of period	**24,258**	13,964
Cash and cash equivalents of discontinued operations, end of period	**1,653**	2,613

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 three months ended March 31, 2016 and 2015

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

	March 31, 2016		March 31, 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 and end of period	**140,575,783**	**439,736**	140,575,783	439,736
Contributed surplus				
Balance at beginning of period		**9,695**		7,723
Share based compensation expense		**557**		606
Other changes in contributed surplus		**(249)**		-
Balance at end of period		**10,003**		8,329
Retained earnings				
Balance at beginning of period		**208,450**		255,439
Net loss attributable to common shareholders of the Company		**(6,054)**		(3,057)
Balance at end of period		**202,396**		252,382
Accumulated other comprehensive loss *(note 13)*				
Balance at beginning of period		**(20,424)**		(888)
Other comprehensive income (loss)		**11,947**		(168)
Balance at end of period		**(8,477)**		(1,056)
Total equity attributable to common shareholders of the Company		**643,658**		699,391
Non-controlling interests				
Balance at beginning of period		**656**		1,896
Net loss attributable to non-controlling interests		**(355)**		(326)
Other comprehensive income (loss) attributable to non-controlling interests		**8**		(167)
Other changes in non-controlling interests		**249**		-
Balance at end of period		**558**		1,403
Total equity at end of period		**644,216**		700,794

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"). DPM's principal subsidiaries include:

Continuing operations:

- 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;
- 100% of Dundee Precious Metals Tsumeb (Proprietary) Limited ("Tsumeb"), which owns and operates a custom smelter located in Tsumeb, Namibia; and
- 50.1% of Avala Resources Ltd. ("Avala"), 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 (*note 4*).

Discontinued operations *(note 3)*:

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

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 May 4, 2016.

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

3. ASSETS AND LIABILITIES HELD FOR SALE 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 (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 (subject to a working capital adjustment following closing), (ii) $15 million in Polymetal ordinary shares, and (iii) a 2% net smelter royalty on future production from the Kapan property.

As a result of the Kapan Disposition, the assets and liabilities of Kapan have been presented as held for sale in the condensed interim consolidated statement of financial position as at March 31, 2016 and the operating results and cash flows of Kapan have been presented as discontinued operations in the condensed interim consolidated statements of loss and cash flows for the three months ended March 31, 2016 and 2015.

The following table summarizes the assets and liabilities of Kapan which have been aggregated and presented as held for sale as at March 31, 2016:

	As at March 31, 2016
Cash and cash equivalents	**1,653**
Accounts receivable	**9,966**
Inventories	**18,349**
Other current assets	**159**
Mine properties	**11,173**
Property, plant & equipment	**9,011**
Total assets held for sale	**50,311**
Accounts payable and accrued liabilities	**6,355**
Rehabilitation provisions	**6,016**
Total liabilities held for sale	**12,371**

The following table summarizes the operating results of Kapan which have been aggregated and presented as discontinued operations for the three months ended March 31, 2016 and 2015:

	Three months ended March 31,	
	2016	2015
Revenue	**5,357**	4,897
Cost of sales	**5,785**	6,788
Gross loss	**(428)**	(1,891)
Exploration expenses	**84**	150
Finance cost	**210**	170
Other expense (income)	**1,365**	(353)
Loss before income taxes	**(2,087)**	(1,858)
Current income tax expense	**210**	83
Deferred income tax recovery	**-**	(426)
Net loss from discontinued operations	**(2,297)**	(1,515)

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

4. SIGNIFICANT TRANSACTIONS

Avala

As at March 31, 2016, DPM held an aggregate of 21,859,120 common shares and 2,439,973 common share purchase warrants of Avala, which represented a 50.1% (December 31, 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 months ended March 31, 2016 was $0.4 million (2015 – $0.3 million). The non-controlling interests' share of Avala's net assets as at March 31, 2016 was $0.6 million (December 31, 2015 – $0.7 million).

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 $1.9 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 $1.3 million representing the excess of the fair value of the consideration paid over the carrying value of the assets and liabilities acquired.

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	**March 31, 2016 *(i)***	December 31, 2015
Financial assets			
Cash and cash equivalents	Loans and receivables	**25,911**	26,570
Accounts receivable	Loans and receivables	**36,285**	29,903
Restricted cash	Loans and receivables	**2,094**	2,026
Sabina special warrants *(a)*	Held for trading	**1,906**	1,451
Publicly traded securities *(b)*	Available for sale	**16,348**	12,460
Commodity swap contracts *(c)*	Derivatives held for trading	**1,792**	7,548
Forward foreign exchange contracts *(d)*	Derivatives for cash flow hedges	**603**	-
Financial liabilities			
Accounts payable and accrued liabilities	Other financial liabilities	**36,504**	43,108
Debt *(note 6)*	Other financial liabilities	**157,128**	147,035
Commodity swap contracts *(c)*	Derivatives held for trading	**2,328**	-
Forward foreign exchange contracts *(d)*	Derivatives for cash flow hedges	**13,017**	21,345

(i) The financial assets and liabilities included those of Kapan that were presented as part of the assets and liabilities held for sale as at March 31, 2016 *(note 3).*

The carrying values of all the financial assets and liabilities approximate their fair values as at March 31, 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 March 31, 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 March 31, 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 months ended March 31, 2016, the Company recorded unrealized gains on the Sabina special warrants of $0.5 million (2015 – unrealized losses of $0.5 million) in other expense (income) *(note 9)* in the condensed interim consolidated statements of loss.

(b) Publicly traded securities

Publicly traded securities include a portfolio of equity investments in publicly traded mining and exploration companies, comprised primarily of Sabina common shares. These investments are measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the condensed interim consolidated statements of comprehensive income (loss). When the investment is sold or considered to be impaired, 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).

For the three months ended March 31, 2016, the Company recognized unrealized gains on these publicly traded securities of $3.9 million (2015 – unrealized losses of $0.6 million) in other comprehensive income (loss). The unrealized losses of $0.6 million in respect of the impaired investments for the three months ended March 31, 2015 were transferred to other expense (income) *(note 9)* as an impairment charge due to the significant and prolonged decline in the fair value of certain publicly traded securities.

(c) Commodity swap contracts

The Company enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales ("QP Hedges"). As at March 31, 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	29,455 ounces	$1,177.81/ounce
Payable copper	16,016,564 pounds	$2.17/pound
Payable silver	107,650 ounces	$14.62/ounce
Payable zinc	981,056 pounds	$0.81/pound

The Company also enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to reduce its by-product metals price exposure. As at March 31, 2016, the Company had outstanding commodity swap contracts in place to provide price protection on 18,948,709 pounds of its 2016 projected payable copper production at an average fixed price of $2.32 per pound.

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

The Company also enters into cash settled commodity swap contracts to swap future contracted monthly average gold prices for fixed prices to hedge a portion of the payable gold contained in its projected pyrite concentrate production. As at March 31, 2016, the Company had outstanding commodity swap contracts in place to provide price protection on 6,030 ounces of its 2016 projected payable gold contained in its pyrite concentrate production at an average fixed price of $1,150 per ounce.

As at March 31, 2016, the net fair value loss on all outstanding commodity swap contracts was $0.5 million (December 31, 2015 – a net fair value gain of $7.5 million), of which $1.8 million (December 31, 2015 – $7.1 million) was included in other current assets, $2.3 million (December 31, 2015 – $nil) in accounts payable and accrued liabilities, and $nil (December 31, 2015 – $0.4 million) in other long-term assets.

Unrealized gains and losses on these contracts were calculated based on the corresponding London Metal Exchange forward copper and zinc prices and New York Commodity Exchange forward gold and silver prices, as applicable. For the three months ended March 31, 2016, the Company reported unrealized losses on the contracts related to continuing operations of $7.1 million (2015 – $1.8 million) in other expense (income) *(note 9)*. The Company also reported realized gains on the settlement of certain of these commodity swap contracts related to continuing operations of $0.3 million (2015 – $9.2 million) in other expense (income) *(note 9)* for the three months ended March 31, 2016.

For the three months ended March 31, 2016, the company also recorded unrealized and realized losses on commodity swap contracts related to discontinued operations of $1.0 million (2015 – $0.2 million) and $0.1 million (2015 – realized gains of $0.5 million), respectively, in net loss from discontinued operations.

(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 March 31, 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$
2016	Euro	8,775,000	1.1128
	South African rand	567,000,000	13.1333
2017	Euro	10,800,000	1.1287
	South African rand	720,000,000	13.8699
Total	**Euro**	**19,575,000**	**1.1216**
	South African rand	**1,287,000,000**	**13.5355**

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 March 31, 2016, the net fair value loss on all outstanding forward foreign exchange contracts was $12.4 million (December 31, 2015 – $21.3 million), of which $0.4 million (December 31, 2015 – $nil) was included in other current assets, $6.9 million (December 31, 2015 – $10.1 million) in accounts payable and accrued liabilities, $0.2 million in other long-term assets (December 31, 2015 – $nil) and $6.1 million (December 31, 2015 – $11.2 million) in other long-term liabilities.

For the three months ended March 31, 2016, the Company recognized unrealized gains of $8.2 million (2015 – $nil) in other comprehensive income (loss) on the spot component of the outstanding forward foreign exchange contracts. The Company also recognized realized losses of $3.5 million (2015 – $nil) for the three months ended March 31, 2016 in cost of sales on the spot component of those contracts which have been settled.

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

For the three months ended March 31, 2016, the Company reported unrealized gains of $0.8 million (2015 – $nil) 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 $0.6 million (2015 – $nil) for the three months ended March 31, 2016 in other expense (income) *(note 9)* on the forward point component of those contracts which have been settled.

Fair value hierarchy

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

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at March 31, 2016 and December 31, 2015:

				As at March 31, 2016
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Sabina special warrants	**-**	**-**	**1,906**	**1,906**
Publicly traded securities	**16,348**	**-**	**-**	**16,348**
Commodity swap contracts	**-**	**1,792**	**-**	**1,792**
Forward foreign exchange contracts	**-**	**603**	**-**	**603**
Financial liabilities				
Commodity swap contracts	**-**	**2,328**	**-**	**2,328**
Forward foreign exchange contracts	**-**	**13,017**	**-**	**13,017**

				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 three months ended March 31, 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.

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

The following table reconciles level 3 fair value measurements from January 1, 2015 to March 31, 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)*	**455**
Balance as at March 31, 2016	**1,906**

6. DEBT

	March 31, 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)*	**15,878**	15,785
Revolving credit facility *(b)*	**125,000**	115,000
	140,878	130,785
Total debt	**157,128**	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, Kapan 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 March 31, 2016, the Term Loans had an outstanding balance of $32.5 million and DPM was in compliance with all financial covenants.

(b) Credit agreements and guarantees

Chelopech

Chelopech has a $16.0 million multi-purpose credit facility that matures on November 30, 2016. This credit facility is guaranteed by DPM. Advances under the multi-purpose revolving credit facility bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 3.25%. As at March 31, 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.

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

Chelopech also has a Euro 21.0 million ($23.8 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 March 31, 2016, $15.8 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 March 31, 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 March 31, 2016, DPM was in compliance with all financial covenants and $125.0 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	16,250	**32,500**
Revolving credit facility	-	125,000	**125,000**
	16,250	**141,250**	**157,500**
Unamortized deferred financing costs			**(372)**
Total debt			**157,128**

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:

	March 31, 2016	December 31, 2015
Discount period		
Chelopech	**2017 - 2029**	2017 - 2029
Kapan	**2025 - 2027**	2025 - 2027
Tsumeb	**2017 - 2039**	2016 - 2039
Discount rate		
Chelopech	**2.7%**	2.4%
Kapan	**15.4%**	16.9%
Tsumeb	**10.2%**	10.7%
Inflation rate		
Chelopech	**2.0%**	2.0%
Kapan	**4.0%**	4.0%
Tsumeb	**5.5%**	5.5%

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

Changes to rehabilitation provisions were as follows:

	Chelopech	Kapan	Tsumeb	Total
Balance as at January 1, 2015	24,953	5,893	22,939	53,785
Change in cost estimate *(a)*	(9,902)	-	-	(9,902)
Remeasurement of provisions *(b)*	(1,079)	(1,697)	(9,360)	(12,136)
Accretion expense	610	825	1,945	3,380
Balance as at December 31, 2015	14,582	5,021	15,524	35,127
Remeasurement of provisions *(b)*	**267**	**785**	**1,768**	**2,820**
Accretion expense	**90**	**210**	**401**	**701**
Reclassified as liabilities held for sale *(note 3)*	**-**	**(6,016)**	**-**	**(6,016)**
Balance as at March 31, 2016	**14,939**	**-**	**17,693**	**32,632**

(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	**1,813,900**	**1,161**
RSUs forfeited	**(17,500)**	**-**
Mark-to-market adjustments		**144**
Balance as at March 31, 2016	**3,735,529**	**2,270**

As at March 31, 2016, there was $4.0 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 three months ended March 31, 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 March 31, 2016, there was $1.8 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	**78,063**	**126**
Mark-to-market adjustments		**721**
Balance as at March 31, 2016	**1,200,083**	**1,896**

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

DPM Stock option plan

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

During the three months ended March 31, 2016, the Company granted 1,231,364 (2015 – 1,660,754) stock options with a fair value of $1.1 million (2015 – $1.9 million). The estimated value of the options granted will be recognized as an expense in the condensed interim consolidated statements of loss and an addition to contributed surplus in the condensed interim consolidated statements of changes in shareholders' equity over the vesting period. The Company recorded a stock option expense of $0.6 million (2015 – $0.6 million) for the three months ended March 31, 2016 under this stock option plan.

As at March 31, 2016, there was $1.8 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:

	March 31, 2016	March 31, 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	**(1,308,133)**	**8.86**
Balance as at March 31, 2016	**6,020,568**	**4.66**

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

The following lists the options outstanding and exercisable as at March 31, 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	3.94	3.06	1,010,334	3.39
6.56 - 7.84	717,850	1.93	7.82	717,850	7.82
8.09 - 10.33	1,083,200	0.78	8.80	1,083,200	8.80
2.21 - 10.33	**6,020,568**	**3.13**	**4.66**	**2,811,384**	**6.61**

9. OTHER (EXPENSE) INCOME

	Three months ended March 31,	
	2016	2015
Net gains (losses) on Sabina special warrants *(note 5(a))*	**455**	(464)
Net (losses) gains on commodity swap contracts *(note 5(c))*	**(6,822)**	7,424
Net gains on forward foreign exchange contracts *(note 5(d))*	**1,396**	-
Impairment losses on publicly traded securities *(note 5(b))*	**-**	(580)
Net foreign exchange (losses) gains	**(1,476)**	1,263
Interest income	**48**	55
Other expense, net	**(715)**	(114)
	(7,114)	7,584

10. LOSS PER SHARE

	Three months ended March 31,	
	2016	2015
Net loss attributable to common shareholders		
From continuing operations	**(3,757)**	(1,542)
From discontinued operations	**(2,297)**	(1,515)
Net loss	**(6,054)**	(3,057)
Basic and diluted weighted average number of common shares	**140,575,783**	140,575,783
Basic and diluted loss per share attributable to common shareholders of the Company		
From continuing operations	**(0.03)**	(0.01)
From discontinued operations	**(0.01)**	(0.01)
Basic and diluted loss per share	**(0.04)**	(0.02)

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

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 for the three months ended March 31, 2016 and 2015 was as follows:

	Three months ended March 31,	
	2016	2015
Salaries, management bonuses and director fees	**1,072**	1,200
Other benefits	**89**	90
Share based compensation	**1,693**	902
Total remuneration	**2,854**	2,192

12. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Items not affecting cash and other adjustments

	Three months ended March 31,	
	2016	2015
Depreciation and amortization	**18,949**	15,287
Net interest expense	**2,846**	1,734
Accretion expense related to rehabilitation provisions	**491**	674
Share based compensation expense	**557**	606
Net (gains) losses on Sabina special warrants	**(455)**	464
Net losses (gains) on commodity swap contracts	**6,822**	(7,424)
Net losses on forward foreign exchange contracts	**2,112**	-
Impairment losses on publicly traded securities	**-**	580
Other, net	**(640)**	(919)
	30,682	11,002

(b) Changes in non-cash working capital

	Three months ended March 31,	
	2016	2015
Increase in accounts receivable and other assets	**(12,546)**	(18,558)
(Increase) decrease in inventories	**(4,942)**	3,727
Decrease in accounts payable and accrued liabilities	**(9,132)**	(6,165)
Increase in other liabilities	**1,453**	180
	(25,167)	(20,816)

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

13. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE LOSS

	Three months ended March 31, 2016	2015
Unrealized losses on forward foreign exchange contracts designated as cash flow hedges		
Balance at beginning of year	**(25,405)**	-
Unrealized gains on forward foreign exchange contracts designated as cash flow hedges, net of income taxes	**4,541**	-
Realized losses on forward foreign exchange contracts transferred to net loss, net of income taxes	**3,510**	-
Balance at end of period	**(17,354)**	-
Unrealized gains on publicly traded securities		
Balance at beginning of period	**6,095**	35
Unrealized gains (losses) on publicly traded securities, net of income taxes	**3,887**	(580)
Impairment loss on publicly traded securities transferred to net loss, net of income taxes	**-**	580
Balance at end of period	**9,982**	35
Accumulated currency translation adjustments		
Balance at beginning of period	**(1,114)**	(923)
Currency translation adjustments	**9**	(168)
Balance at end of period	**(1,105)**	(1,091)
Accumulated other comprehensive loss	**(8,477)**	**(1,056)**

14. COMMITMENTS AND OTHER CONTINGENCIES

(a) Contractual obligations

The Company had the following minimum future contractual obligations as at March 31, 2016:

	up to 1 year	1 - 5 years	over 5 years	Total
Debt *(note 6)*	16,250	141,250	-	**157,500**
Finance lease obligations	3,172	11,203	10,780	**25,155**
Capital commitments	13,524	-	-	**13,524**
Purchase obligations	12,863	-	-	**12,863**
Operating lease obligations	3,921	12,551	9,713	**26,185**
Other obligations	1,928	1,392	73	**3,393**
Total contractual obligations	**51,658**	**166,396**	**20,566**	**238,620**

(b) Other

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

(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 discontinued operations and the assets and liabilities of Kapan have been presented as held for sale as a result of the Kapan Disposition *(note 3).*

The following table summarizes the relevant information from continuing operations by segment for the three months ended March 31, 2016 and 2015:

			Three months ended March 31, 2016	
	Chelopech	**Tsumeb**	**Corporate & Other**	**Total**
Continuing Operations				
Revenue *(a)*	**38,578**	**31,590**	**-**	**70,168**
Earnings (loss) before income taxes	**7,148**	**(2,306)**	**(8,507)**	**(3,665)**
Capital expenditures	**3,014**	**4,225**	**4,184**	**11,423**

			Three months ended March 31, 2015	
	Chelopech	Tsumeb	Corporate & Other	Total
Continuing Operations				
Revenue *(a)*	42,879	17,177	-	60,056
Earnings (loss) before income taxes	19,340	(11,081)	(7,746)	513
Capital expenditures	3,904	10,334	2,242	16,480

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

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

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

					As at March 31, 2016
	Chelopech	**Tsumeb**	**Corporate & Other**	**Kapan** *(note 3)*	**Total**
Total current assets	**54,151**	**20,090**	**9,935**	**-**	**84,176**
Total non-current assets	**244,539**	**402,131**	**133,286**	**-**	**779,956**
Assets held for sale	**-**	**-**	**-**	**50,311**	**50,311**
Total assets	**298,690**	**422,221**	**143,221**	**50,311**	**914,443**
Total liabilities	**30,310**	**56,087**	**171,459**	**12,371**	**270,227**

					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 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 months ended March 31, 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 months ended March 31, 2016, $1.4 million (2015 – $1.2 million) was reclassified to cost of sales, of which $1.0 million (2015 – $0.8 million) was included in cost of sales from continuing operations and $0.4 million (2015 – $0.4 million) in net loss from discontinued operations.

CORPORATE INFORMATION

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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

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

Officers

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Executive Chairman

Richard Howes
President and Chief Executive Officer

Hume Kyle
Executive Vice President and Chief Financial Officer

David Rae
Executive Vice President and Chief Operating Officer

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

Michael Dorfman
Senior Vice President, Corporate Development

Richard Gosse
Senior Vice President, Exploration

Nikolay Hristov
Senior Vice President, Sustainable Business Development

John Lindsay
Senior Vice President, Projects

Paul Proulx
Senior Vice President, Corporate Services

Jeremy Cooper
Vice President, Commercial Affairs

Iliya Garkov
Vice President and General Manager, Bulgaria

Hratch Jabrayan
Vice President

Brent Johnson
Vice President, Environment

Zebra Kasete
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Colin McAnuff
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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.

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