Dundee Precious Metals Announces 2016 First Quarter Results

5/4/2016

TORONTO, ONTARIO--(Marketwired - May 4, 2016) -

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

Dundee Precious Metals Inc. (TSX:DPM) -

Q1 2016 Financial and Operating Highlights:

- **Metals production from continuing and discontinued (Kapan) operations -** Achieved gold and copper production of 52,024 ounces and 11.2 million pounds, respectively, including pyrite concentrate, in line with 2016 guidance;
- **All-in sustaining cost per ounce of gold from continuing operations -** Achieved cost of $695, up over 2015 due to lower realized copper prices;
- **Kapan operations -** Completed the previously announced sale of Kapan on April 28 and received consideration of $25 million of cash and shares, subject to a working capital adjustment, and a 2% net smelter royalty;
- **Smelter -** Processed 57,422 tonnes of complex concentrate, 33% higher than the corresponding period in 2015. Completed commissioning of the new copper converters;
- **Near term growth opportunities -** Continued to advance the Krumovgrad permitting process, including final re-designation of the project land from forestry to industrial use, and initiation of the land purchase process. Targeted receipt of the construction permit remains mid 2016; and
- **Financial position -** Exited the quarter with approximately $174 million of cash resources, including the undrawn portion of the Company's long-term revolving credit facility.

Dundee Precious Metals Inc. ("DPM" or the "Company") today reported a first quarter net loss attributable to common shareholders from continuing operations of $3.8 million ($0.03 per share) compared to $1.6 million ($0.01 per share) for the same period in 2015. Net loss attributable to common shareholders from discontinued operations was $2.3 million ($0.01 per share) in the first quarter of 2016 compared to $1.5 million ($0.01 per share) for the same period in 2015.

Net loss attributable to common shareholders from continuing operations for the first quarter of 2016 was impacted by several items not reflective of the Company's underlying operating performance, including unrealized losses and gains attributable to hedging future copper and gold production and foreign denominated operating costs, and net gains or losses on Sabina special warrants. Excluding these items, the adjusted net loss(1) during the first quarter of 2016 was $1.3 million ($0.01 per share) compared to $0.1 million ($0.00 per share) for 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 at Tsumeb, lower transportation costs and treatment charges at Chelopech and a stronger U.S. dollar.

"Chelopech and Tsumeb operations performed well in the quarter, both increasing their production as planned, however, weaker copper prices negatively impacted the Company's financial results," said Rick Howes, President and CEO. "Our focus in 2016 is to increase throughput at Tsumeb, further optimize Chelopech and advance our Krumovgrad project to the construction phase. The sale of Kapan in the second quarter is expected to strengthen our balance sheet and support the advancement of the Krumovgrad project."

Adjusted EBITDA from continuing operations

Adjusted EBITDA(1) from continuing operations during the first quarter of 2016 was $21.5 million compared to $19.7 million in the corresponding period in 2015, driven primarily by the same factors affecting adjusted net loss from continuing operations, except for depreciation, which is excluded from adjusted EBITDA.

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.

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 production increased by 31% to 10.6 million pounds and silver production 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.

Overall, gold, copper and silver production levels in the first quarter of 2016 were in line with the guidance provided on February 9, 2016.

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. 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 from continuing operations 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(1), from continuing operations 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(1) from continuing operations 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(1) 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.

Cash provided from (used in) operating activities of continuing operations

Cash provided from operating activities of continuing operations 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.

Cash provided from operating activities of continuing operations, before changes in non-cash working capital(1), during the first quarter of 2016 was $30.7 million compared to $18.1 million in the corresponding period in 2015.

Capital expenditures from continuing operations

Capital expenditures from continuing operations during the first quarter of 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 the new copper converters at Tsumeb compared to the corresponding period in 2015.

Financial position

As at March 31, 2016, DPM maintained a cash position from continuing operations of $24.3 million, an investment portfolio valued at $18.2 million and $150 million of undrawn lines under its committed long-term revolving credit facility. These cash resources, together with the cash flow currently being generated, support the Company's ongoing operating and capital requirements.

Kapan Disposition

On March 1, 2016, the Company entered into a definitive agreement with Polymetal International Plc ("Polymetal") for the sale of its interest in 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.

2016 Guidance

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 production and cash cost guidance for 2016 is set out in the following table:

2016 Production & Cash Cost Guidance				
	Chelopech	Tsumeb	Kapan (5)	Consolidated (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

(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 the management's discussion and analysis for the three months ended March 31, 2016 (the "MD&A") for further discussion of these items, including reconciliations to IFRS measures.
(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, and all-in sustaining cost per ounce of gold pertains to continuing operations.

For 2016, the majority of the Company's growth capital expenditures(1) from continuing operations are focused on the completion of the new copper converters at Tsumeb and securing the remaining permits required to support the construction of the Krumovgrad Gold Project. In aggregate, these expenditures are expected to be between $27 million and $31 million. Sustaining capital expenditures(1) from continuing operations are expected to range between $22 million and $28 million.

The 2016 guidance for Chelopech and Tsumeb provided above 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. The rate of capital expenditures is also expected to vary from quarter to quarter based on the schedule for, and execution of, each capital project and, where applicable, the receipt of necessary permits and approvals. Further details can be found in the Company's MD&A under the section "2016 Guidance".

(1) Adjusted net loss, adjusted basic loss per share, adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"), cash provided from operating activities, before changes in non-cash working capital, 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 growth and sustaining capital expenditures have no standardized meaning under International Financial Reporting Standards ("IFRS"). Presenting these measures from period to period helps management and investors evaluate earnings and cash flow trends more readily in comparison with results from prior periods. Refer to the "Non-GAAP Financial Measures" section of the MD&A for further discussion of these items, including reconciliations to IFRS measures.

Key Financial and Operational Highlights

$ millions, except where noted **Ended March 31,**	Three Months	
	2016	2015(7)
Revenue (3)	**70.1**	60.0
Gross profit (1),(3)	**13.1**	1.7
(Loss) earnings before income taxes from continuing operations	**(3.7)**	0.5
Net loss attributable to common shareholders from continuing operations	**(3.8)**	(1.6)
Basic loss per share from continuing operations ($/share)	**(0.03)**	(0.01)
Net loss attributable to common shareholders	**(6.1)**	(3.1)
Basic loss per share attributable to common shareholders ($/share)	**(0.04)**	(0.02)
Adjusted EBITDA from continuing operations (2)	**21.5**	19.7
Adjusted net loss from continuing operations (2)	**(1.3)**	(0.1)
Adjusted basic loss per share from continuing operations ($/share)(2)	**(0.01)**	(0.00)
Cash provided from (used in) operating activities of continuing operations	**5.5**	(2.7)
Cash provided from operating activities of continuing operations, before changes in non-cash working capital (2)	**30.7**	18.1
Metals contained in concentrate produced from continuing and discontinued operations:		
Gold (ounces) (4),(5)	**52,024**	45,499
Copper ('000s pounds) (4)	**11,154**	8,699
Zinc ('000s pounds) (4)	**2,192**	2,929
Silver (ounces) (4)	**159,311**	158,541
Tsumeb - complex concentrate smelted (mt)	**57,422**	43,101
Payable metals in concentrate sold from continuing operations:		
Gold (ounces)(6)	**31,747**	38,650
Copper ('000s pounds)	**8,523**	9,627
Silver (ounces)	**32,104**	47,935
Payable metals in concentrate sold from continuing and discontinued operations:		
Gold (ounces) (4),(6)	**34,151**	41,277
Copper ('000s pounds) (4)	**8,754**	9,876
Zinc ('000s pounds) (4)	**1,942**	2,008
Silver (ounces) (4)	**70,545**	95,747
Cash cost per tonne of ore processed from continuing operations ($/t)(2)	**34.04**	36.44
Cash cost per ounce of gold sold, net of by-product credits, from continuing operations ($/oz)(2)	**472**	344
Cash cost per ounce of gold sold in pyrite concentrate ($/oz) (2)	**798**	990
All-in sustaining cost per ounce of gold from continuing operations ($/oz) (2)	**695**	497
Cash cost per tonne of complex concentrate smelted at Tsumeb, net of by-product credits ($/t)(2)	**337**	494

(1) Gross profit from continuing operations 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.
(2) Adjusted EBITDA; adjusted net loss; adjusted basic loss per share; cash flow provided from operating activities of continuing operations, before changes in non-cash working capital; 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; and cash cost per tonne of complex concentrate smelted, net of by-product credits are not defined measures under IFRS. Refer to the MD&A for reconciliations to IFRS measures.
(3) Excludes results from Kapan, which are reported separately as a discontinued operation under IFRS.
(4) Includes metals production and payable metals from Kapan.
(5) Includes gold contained in pyrite concentrate produced in the first quarter of 2016 of 13,431 ounces (Q1 2015 - 10,756 ounces).
(6) Includes payable gold in pyrite concentrate sold in the first quarter of 2016 of 9,713 ounces (Q1 2015 - 7,336 ounces).
(7) 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.

DPM's unaudited condensed interim financial statements, and MD&A for the first quarter ended March 31, 2016, are posted on the Company's website at **www.dundeeprecious.com** and have been filed on SEDAR at **www.sedar.com**.

The Company will be holding a call and a webcast to discuss its 2016 first quarter results on Thursday, May 5, 2016, at 9:00 a.m. (E.S.T.). Participants are invited to join the live webcast (listen/view only) at: **http://www.gowebcasting.com/7445**. Alternatively, participants can access a listen only telephone option at 416-340-2218 or North America Toll Free at 1-866-225-0198. A replay of the call will be available at 905-694-9451 or North America Toll Free at 1-800-408-3053, passcode 2008720. The audio webcast for this conference call will also be archived and available on the Company's website at **www.dundeeprecious.com**.

The Company will be holding its Annual General Meeting on Thursday, May 5, 2016 at 4:00 p.m. (E.S.T.) at the TMX Gallery located at 130 King Street West, Toronto. This event will be webcast live and will be available on the Company website home page at **www.dundeeprecious.com**.

About Dundee Precious Metals

Dundee Precious Metals Inc. is a Canadian based, international gold mining company engaged in the acquisition of mineral properties, exploration, development, mining and processing of precious metals. The Company's continuing operating assets include the Chelopech operation, which produces a copper concentrate containing gold and silver and a pyrite concentrate containing gold, located east of Sofia, Bulgaria; and the Tsumeb smelter, a complex copper concentrate processing facility located in Namibia. DPM also holds interests in a number of developing gold and exploration properties located in Bulgaria, Serbia, and northern Canada, including the Krumovgrad project and its 11.8% interest in Sabina Gold & Silver Corp.

Cautionary Note Regarding Forward Looking Statements

This press release contains "forward looking statements" that involve a number of risks and uncertainties. Forward looking statements include, but are not limited to, statements with respect to the future price of gold, copper, zinc and silver, the estimation of mineral reserves and resources, the realization of such mineral estimates, the timing and amount of estimated future production and output, life of mine, costs of production, cash costs and other cash measures, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, success of permitting activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, the potential or anticipated outcome of title disputes or claims and timing and possible outcome of pending litigation. Often, but not always, forward looking statements can be identified by the use of words such as "plans", "expects", or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "outlook", "intends", "anticipates", or "does not anticipate", or "believes", or variations of such words and phrases or that state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward looking statements are based on 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. Such factors include, among others: the actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations and economic studies; changes in project parameters as plans continue to be refined; future prices of gold, copper, zinc and silver; 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; unanticipated title disputes; claims or litigation; limitation on insurance coverage; cyber attacks; as well as those risk factors discussed or referred to in the Company's MD&A under the heading "Risks and Uncertainties" and under the heading "Cautionary Note Regarding Forward Looking Statements" which include further details on material assumptions used to develop such forward looking statements and material risk factors that could cause actual results to differ materially from forward looking statements, and other documents (including without limitation the Company's 2015 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**. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Unless required by securities laws, the Company undertakes no obligation to update forward looking statements if circumstances or management's estimates or opinions should change. Accordingly, readers are cautioned not to place undue reliance on forward looking statements.

Contact Information:

Dundee Precious Metals Inc.

Rick Howes

President and Chief Executive Officer

(416) 365-2836

rhowes@dundeeprecious.com

Dundee Precious Metals Inc.

Hume Kyle

Executive Vice President and Chief Financial Officer

(416) 365-5091

hkyle@dundeeprecious.com

Dundee Precious Metals Inc.

Lori Beak

Senior Vice President, Governance, and Corporate Secretary

(416) 365-5165

lbeak@dundeeprecious.com