

2017 ANNUAL REPORT

Delivering on our strategy

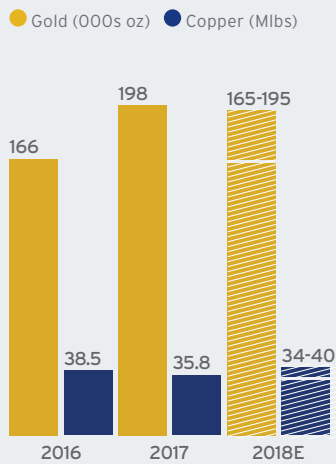


Dundee Precious Metals' vision is to be a progressive gold mining company that unlocks superior value through innovation and strong partnerships with stakeholders. Through operational excellence and innovation capability, we are focused on optimizing the performance of each of our operating assets to deliver strong margins and safe and reliable production results. We are 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. Our demonstrated ability to engage and work closely with key stakeholders, and continue our business in a responsible and sustainable manner, allows us to be successful in each of the countries in which we operate.

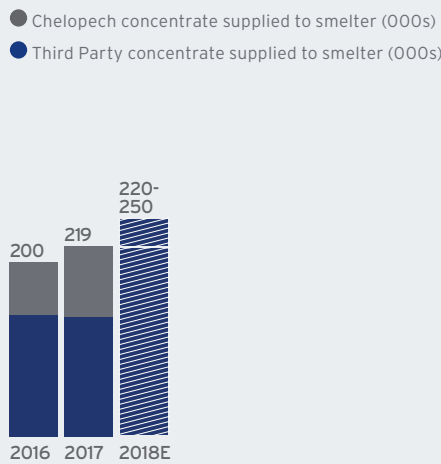


CONSOLIDATED PRODUCTION AND FINANCIAL HIGHLIGHTS

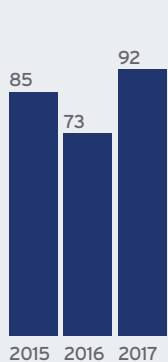
GOLD AND COPPER CONTAINED IN CONCENTRATE PRODUCED



SMELTER PRODUCTION ('000S TONNES)



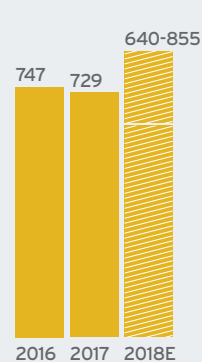
CONSOLIDATED ADJUSTED EBITDA (US\$M)



CASH FLOW FROM OPERATIONS (US\$M)



ALL-IN SUSTAINING COST (US\$/OZ)



- Operating Assets
- Development Assets
- Late Stage Exploration Assets
- Early Stage Exploration Assets



● **CHELOPECH**

Location
Chelopech, Bulgaria

Ownership
100%

2017 Production
197,684 oz Au
35.8 Mlbs Cu

Mine Life
8.5 years

Operation
Underground

● **TSUMEB**

Location
Tsumeb, Namibia

Ownership
100%

2017 Concentrate Smelted
219,000 tonnes

Operation
Specialty smelter

● **KRUMOVGRAD**

Location
Southern Bulgaria

Ownership
100%

Stage
Construction

Production
103,000 oz (yrs 1-5 avg)

Mine Life
8 years

Operation
Open pit

Commissioning
Q4 2018

● **TIMOK**

Location
Serbia

Ownership
100%

Stage
Advanced exploration

Mineral Resource
1.72 Moz

● **SABINA GOLD & SILVER**

Location
Nunavut, Canada

Ownership
10%

Stage
Pre-construction

Production
240,000 oz (yrs 1-8)

Operation
Open pit/underground

DPM's equity stake
10.2%

Delivering on our strategy



Rick Howes,
President and CEO

2017 was a strong year for Dundee Precious Metals, as we announced record production at our Chelopech mine and generated positive free cash flow at our Tsumeb smelter for the first time since acquiring it in 2010, an important milestone following five years of capital investment upgrades to the smelter.

2017 was a strong year for Dundee Precious Metals, as we announced record production at our Chelopech mine and generated positive free cash flow at our Tsumeb smelter for the first time since acquiring it in 2010, an important milestone following five years of capital investment upgrades to the smelter. With both Chelopech and Tsumeb, we have demonstrated our ability to turn around poor performing operations and deliver improved operational and financial performance. In terms of growth, we have made significant progress on the construction of our Krumovgrad gold project, that positions us as a low cost gold producer with significant growth around the corner. We are also building and advancing a pipeline of other growth opportunities through our exploration programs at the Timok advanced exploration gold project in Serbia, as well as through disciplined investment in new greenfield opportunities like the Malartic gold project in Quebec.

Key equity and commodity themes in 2017

As the global economy continues its gradual recovery the gold price moved above US\$1300 per ounce in December and was up 13% in 2017. Prospects for gold remain strong with the US dollar weakening, slowing gold supply growth and strong demand growth trajectories in both India and China, the largest consumers of gold. Despite the rise in interest rates as the US Federal Reserve maintained its policy of monetary tightening, gold continues to be an attractive investment for investors in terms of portfolio diversification and a hedge against potential rising inflation and geopolitical uncertainty. The rise of cryptocurrencies has led to speculation as to whether, and to what degree, these currencies will compete with gold as an alternative currency. We believe gold will remain a strong alternative currency given its physical attributes and history as a store of value.

Copper was one of best performing base metals in 2017 rising 22% in 2017 to over US\$3.00 per pound with only cobalt performing better. The copper market remains relatively in balance but is expected to go into a deficit after 2019 with very few large projects slated to come on stream and increasing demand for electric vehicles and general global growth. In 2018, copper prices are expected to stay relatively flat but will remain sensitive to any major supply disruptions such as strikes.

Share price performance in 2017

Despite the sector being healthier with improved balance sheets and lower costs, in 2017 precious metals equities have underperformed relative to base metal and diversified equities. The trend from active to passive investing is having a significant impact particularly on junior producers, resulting in lower trading liquidity and amplified volatility. Our share price performance in 2017 increased by 15%, significantly outperforming the GDXJ which remained flat. Despite our improved share price, we remain undervalued relative to our peers. We expect this will be addressed as we approach first production later this year at Krumovgrad and continue to deliver improved operational consistency and performance at Tsumeb. With our strong balance sheet, demonstrated operational effectiveness and a significant near term increase in free cash flow, we believe we are well positioned to drive additional shareholder value in 2018. In addition to our share price performance, the Balanced Scorecard is a tool utilized to support the Company's integrated thinking approach on performance and compensation.

Industry outlook in 2018

Industry consolidation is expected to continue to be a key theme in 2018, as many companies look to generate increased scale, replace declining reserves, and grow their annual production. We are well positioned to address these challenges due to our high quality asset base, long reserve life, growing production profile, strong balance sheet, and significant free cash flow generation.

With our strong balance sheet, demonstrated operational effectiveness and a significant near term increase in free cash flow, we believe we are well positioned to drive additional shareholder value in 2018.

Chelopech generated record gold production in 2017 of 198,000 ounces, at an all-in sustaining cash cost of \$729 per ounce. The work to improve mill recoveries, reduce reagent consumption and optimize stope cycle times were key contributors to these results.

2017 REVIEW AND 2018 OUTLOOK

Chelopech

Chelopech generated record gold production in 2017 of 198,000 ounces, at an all-in sustaining cash cost ("AISC") of \$729 per ounce. The work to improve mill recoveries, reduce reagent consumption and optimize stope cycle times was a key contributor to these results.

We have provided guidance for another strong year at Chelopech in 2018 of 165,000 - 195,000 ounces of gold, slightly below our record year of 2017, and 34-40 million pounds of copper. We are advancing initiatives to further increase stope intensity and cycle time to further optimize production and costs. Our success at Chelopech in growing the operation from 500,000 tonnes per annum in 2003 to 2.2 million tonnes per annum today and reducing cash cost from US\$88 per tonne to approximately US\$34 per tonne demonstrates our ability to optimize mine performance.

Our focus on innovation and operational excellence to drive value is paying off. Our efforts, starting with our "taking the lid off the mine" project, which introduced the wireless connectivity of people and equipment underground and real time management and production control, have been quite successful. This helped us more than double our production and cut our unit costs in half. We are now taking these efforts even further through the use of advanced data analytics tools for predictive and prescriptive actioning using the sensor data we collect. This is resulting in increased reliability of physical equipment assets and further process optimization improvements which we are deploying across our asset base. In order to leverage

these benefits across multiple assets, we are building a smart centre where we can use integrated dynamic planning and execution systems to manage both our Chelopech and Krumovgrad operations and employ specialty skills to solve problems using the data we collect. Ultimately this is driving us toward a fully intelligent mine as we start to embed algorithms, create machine learning and artificial intelligence to enhance human decision-making within our operations.

Krumovgrad

Construction at Krumovgrad, our high grade open pit project in Bulgaria, has progressed well and approximately \$79 million of the development cost had been incurred at December 31, 2017, with an additional \$83 million to \$89 million forecast in 2018 to complete the project. The project is expected to come in under budget with the aggregate cost of the project expected to be between \$162 million and \$168 million, compared with the original estimate of \$178 million.

Cold and hot commissioning are on track for the second and third quarters of 2018, respectively, followed by first concentrate production in the fourth quarter. With Krumovgrad coming on stream in the fourth quarter of 2018, we will grow our gold production by approximately 100,000 ounces per year on average over the first five years, at a cash cost of approximately US\$400 per ounce. In addition, we are focused on operational readiness and deploying our shared services model that will serve to maximize the synergies with Chelopech. With the significant growth in gold production and cash flow, we believe this will be a key driver of value for us and our shareholders.

Tsumeb

In 2017, we successfully transitioned the Tsumeb Smelter to positive free cash flow following the 2016 completion of a six year capital investment program to upgrade and expand the smelter. Throughout 2017, we saw continued improvements in the stability and performance of the upgraded facility, reaching 219,000 tonnes of concentrate throughput for the year. This is welcomed progress and is the result of tremendous discipline, persistence and commitment from the Tsumeb team.

Several operational initiatives had a positive impact on performance, including the commissioning of a new matte holding vessel in May which helped to de-bottleneck the hot metal section during converter relines, improved temperature controls in the Ausmelt furnace which helped to extend the life of the furnace lining and improvements in operating practices and controls on the plant, which helped to improve online time and throughput of the hot metal section. We also continue to reduce secondary inventories that accumulated during the construction and commissioning phases of the smelter investment project and expect to reach normal secondary inventory levels in 2019, which will reduce stockpile interest deductions and free up furnace capacity to process additional concentrates.

In 2018, complex concentrate throughput is expected to grow to be between 220,000 and 250,000 tonnes as the Company continues to optimize and ramp-up the facility. Tsumeb is also implementing several initiatives to increase productivity and reduce energy consumption to further optimize costs. Beyond 2018 we are targeting further increases in annual throughput up to 265,000 tonnes utilizing existing infrastructure through further optimization and improved operational practices and

In 2018, we are planning to increase our exploration activities around Chelopech and Krumovgrad with the goal of continuing to add new, near-mine Mineral Resources to the Company's inventories.

controls. Due to the high fixed cost nature of this business, as the volume of concentrate smelted increases, margins will also improve.

We also continued to advance our permitting and commercial discussions in connection with the installation of a rotary holding furnace, which would increase capacity to as much as 370,000 tonnes. The timing of this expansion is subject to the timing of anticipated new complex concentrate coming on to the market and adequate commercial arrangements being in place to support this expansion.

Updated Mineral Resource and Reserve

Measured and Indicated Mineral Resources at Chelopech showed a net increase of 0.3 million tonnes to 12.9 million tonnes exclusive of Mineral Reserves, no change in ounces of gold and an increase of 9 million pounds of copper between the 2016 and 2017 estimates. The 2017 resource development drilling program added new Mineral Resources and a new ore body, Block 153, which has now been included in the current Mineral Resource estimate.

Despite depletion of 2.2 million tonnes in 2017, Chelopech replaced 1.2 million tonnes of Mineral Reserves representing a net reduction of 1.0 million tonnes. Our Proven and Probable Mineral Reserves at Chelopech are 1.9 million ounces of gold and 375 million pounds of copper and Mineral Reserves at Krumovgrad have remained unchanged at approximately 800,000 ounces of gold. Over the last 10 years at Chelopech we have been successfully adding to our Mineral Reserve inventories to offset our annual production depletion. In 2018, we are planning to increase our exploration activities around Chelopech and Krumovgrad with the goal of continuing to add new, near-mine Mineral Resources to the Company's inventories.

Exploration

Exploration continues to focus on brownfield exploration at Chelopech and Krumovgrad. At Chelopech, systematic underground drilling of a newly identified area called the Southeast Breccia Pipe Zone ("SEBPZ") is in progress while surface drilling is centred on the Krasta target area located approximately one kilometre northeast of the mine. At both the SEBPZ and the Krasta target areas, widely spaced drill holes have found broad zones of high sulphidation epithermal alteration with numerous intervals of copper gold mineralization. At Krumovgrad, preparations are underway for drilling at Surnak and Kuklitsa, two target areas within the concession, as well as on nearby exploration licenses.

As a relatively small company in an industry with many large players, we have developed a growing reputation for innovation for our work in applying new technology in order to change the way mining is done. Harnessing the power of digital will be an essential element in achieving our competitive advantage over other mining companies.

Timok

Following the discovery of a new zone of mineralization at Korkan West in 2017, we will continue to drill around Korkan West and at near-resource targets with the goal of adding more ounces to our existing 1.7 million ounce gold Mineral Resource at the advanced Timok gold project in Serbia. We are also conducting metallurgical testing to determine if an improved flowsheet can be developed. If successful, this is expected to lead to an internal scoping study in 2018.

Malartic

In 2017, we entered into an option agreement with Pershimex Resources Corporation (formerly Khalkos Exploration Inc.) to earn up to a 71% interest in its Malartic gold property located in the Archean Abitibi greenstone belt in the Val-d'Or mining camp in Quebec. The Malartic property consists of 91 contiguous claims covering 35 square kilometres of prospective Abitibi geology. This represents an exciting and low risk opportunity for us to enter into a prolific mining region.

Sabina

We own approximately 10% of Sabina Gold and Silver ("Sabina"), which is valued at US\$40 million as at December 31, 2017. Sabina met several important milestones in 2017 with its Back River project in Nunavut, including the receipt of its Project Certificate and strong exploration results at its Llama and Umwelt deposits, demonstrating the further growth potential of this project.

MineRP transaction

In 2017, we acquired a 78% equity interest in MineRP Holdings, an independent software vendor for the mining industry. In doing so, we combined our proprietary wireless

underground communications technology developed at Chelopech with MineRP, to create a leading technology provider well positioned to further capture the rapidly growing demand in the mining industry for digital innovation. MineRP continues to see positive market traction for its mining software applications across the mining industry and we remain confident in the long-term potential of this business and opportunity to generate value for our shareholders. We are also implementing the MineRP software platform to enhance our strategic agility and to better vertically and horizontally integrate the entire enterprise.

Financial performance and balance sheet

Following the elimination of nearly US\$100 million of debt in 2016, and with strong operating cash flow of \$110 million in 2017, we ended 2017 in a strong financial position. As at December 31, 2017 we had approximately \$29 million in cash, \$40 million in Sabina common shares, and approximately \$252 million in additional cash resources from the undrawn portion of our long-term revolving credit facility.

Digital roadmap

As a relatively small company in an industry with many large players, we have developed a growing reputation for innovation for our work in applying new technology in order to change the way mining is done. Harnessing the power of digital will be an essential element in achieving our competitive advantage over other mining companies. It helps us attract and retain the best people, as well as foster partnerships to further help us succeed in achieving our business goals.

Following our “taking the lid off the mine” initiative in 2011, we are focused on our next phase of digital innovation. This next phase includes more intelligent use of data, digital collaboration, and automation of the mining process. The benefits of these initiatives are numerous including a deeper understanding of the resource base, optimization of material and asset flow, improved anticipation of mechanical failures, increased automation & autonomy, and real time monitoring of performance relative to plan.

Sustainability and social responsibility

We recognize that mining today is as much a social science as it is engineering. Communities, civil society, governments and media all play an increasingly important role in determining whether a mining project is successful or not. Ensuring the health and safety of the people on site and in the local communities, as well as minimizing and properly managing the environmental impacts, are prerequisites of modern mining. As such, we continuously work toward achieving best practice in mining, processing, environmental responsibility and stewardship, and health and safety programs across all of our operations, projects or other assets. We also work toward ensuring that sustainable returns are delivered to stakeholder communities and countries and we are seen as a responsible contributor to the social and economic well-being of those communities.

In 2017, we published our next full global reporting initiative (“GRI”) G4 Sustainability Report for the previous year. In addition to the GRI requirements the report utilized the mapping framework outlined in the 2016 White Paper published by the World Economic Forum entitled “Mapping Mining to the Sustainable Development Goals: An Atlas”, to show our contribution to the United Nations Sustainable Development Goals (“SDGs”).

In 2017, we formally adopted Performance Requirements established by the European Bank for Reconstruction and Development (“EBRD”) for all our projects. Incorporating this framework into our systems will further strengthen our ability to deliver projects in a socially and environmentally responsible manner, thus enhancing our social license to operate.

With transparency being a fundamental value for us, we support the Extractive Industry Transparency Initiative. Commencing in 2017, all prescribed payments to Governments have been reported in accordance with the Extractive Sector Transparency Measures Act (“ESTMA”) in 2017.

Awards and recognitions

Our achievements in 2017 and future success would not be possible without the commitment and dedication of our talented employees. In 2017, Tsumeb was awarded the Platinum Prize for Employer of the Year by Deloitte, Namibia which was primarily based on input from our own employees - the people best positioned to assess exactly how we are doing.

We are also proud of our team in Bulgaria who have been the recipients of several domestic and international awards recognizing its achievements in a variety of areas including: Quality, Health & Safety, Corporate Social Responsibility, Gender Equality, Sustainable Mining and the prestigious Socrates Award for Best Enterprise Award and Manager of the Year Award.

I would like to thank our 2,000 employees around the world for their hard work and commitment to working safely, and making 2017 a successful year for Dundee Precious Metals.

On behalf of our management team and Board, I would like to express our sincere appreciation to Garth MacRae and Murray John who did not stand for reelection after serving 29 years and 12 years, respectively, as members of our Board of Directors. Their unwavering support and guidance over the years have been instrumental in our success.

Over the last several years, we have made great strides in optimizing our assets, progressing growth initiatives, and reducing certain risk factors in our business. Chelopech continues to be a reliable cash flow generator and a leading innovator in our industry, Tsumeb has seen steady improvements in operating stability delivering free cash flow for the first time in 2017, and Krumovgrad is fast approaching being a significant free cash flow generator. 2018 is expected to be another exciting year that we believe will generate significant value for our shareholders. Given our growing low cost gold production profile, cash flow growth, strong balance sheet and undervalued share price, we believe we represent a great investment opportunity for value minded and growth oriented investors.



Rick Howes
President and CEO

FOURTH QUARTER AND YEAR-END REPORT

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MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations

for the Three and Twelve Months Ended December 31, 2017

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

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

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

This MD&A has been prepared as at February 15, 2018.

Our Business

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

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

Continuing operations:

DPM’s principal subsidiaries include:

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

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

- 10.2% of Sabina Gold & Silver Corp. (“Sabina”), which is focused on the Back River project in southwestern Nunavut, Canada;
- 100% of Avala Resources Ltd. (“Avala”), which is focused on the exploration and development of the Lenovac project, the Timok gold project, the Tulare copper and gold project and other early stage projects in Serbia; and
- through an option agreement, the right to earn up to a 71% interest in Khalkos Exploration Inc.’s Malartic gold property located in the Archean Abitibi greenstone belt in the Malartic mining camp in Quebec, Canada.

On October 25, 2017, the Company completed a business combination pursuant to which it acquired a 78% equity interest in MineRP Holdings Proprietary Limited, an independent software vendor for the mining industry with operations in South Africa, Canada, Australia and Chile, through MineRP Holdings Inc. (“MineRP”), a newly created subsidiary.

Discontinued operations:

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

Summary of Significant Operational and Financial Highlights

Overall, financial results in 2017 were positively impacted by higher volumes of payable gold in concentrate sold as a result of higher gold recoveries and grades, higher volumes of complex concentrate smelted reflecting a continued focus on operational excellence, increased availability of Tsumeb’s main plants and the introduction of a matte holding furnace, lower depreciation and higher realized copper and gold prices, partially offset by higher treatment charges and operating expenses.

Chelopech

- Record gold production of 197,684 ounces and copper production of 35.8 million pounds. Gold production in 2017 was 19% higher than 2016 due primarily to higher recoveries and grades and outperformed the guidance issued in February 2017, which was updated twice during the year. Copper production was in line with 2017 guidance;
- Sold 171,969 ounces of payable gold and 34.4 million pounds of payable copper generating revenue of \$206.2 million;
- Cost of sales of \$113.7 million was \$5.5 million higher than 2016 due primarily to higher cost per tonne copper concentrate sold as a result of lower copper grades, higher royalties as a result of increased gold production and higher market copper prices, and a weaker U.S. dollar relative to the Euro. Cash cost per ounce of gold sold, net of by-product credits⁽¹⁾ of \$598 was \$12 lower than 2016 due primarily to higher volumes of payable gold in concentrate sold, partially offset by higher treatment charges;
- Generated earnings before income taxes of \$56.1 million and adjusted EBITDA⁽¹⁾ of \$107.8 million;

Tsumeb

- Complex concentrate smelted of 219,252 tonnes was 9% higher than 2016, in line with 2017 guidance, generating revenue of \$140.7 million;
- Cost of sales of \$153.3 million was \$3.5 million higher than 2016 due primarily to higher operating expenses related to higher throughput and electricity, contractor and labour rates, partially offset by lower depreciation. Cash cost per tonne of complex concentrate smelted, net of by-product credits⁽¹⁾ of \$458 was 4% higher than 2016 due primarily to higher electricity, contractor and labour rates, partially offset by higher volumes of complex concentrate smelted and higher by-product credits as a result of increased acid deliveries;
- Generated a loss before income taxes of \$18.7 million and adjusted EBITDA of \$14.0 million in 2017;

Krumovgrad

- At the end of December, construction of the project was approximately 51% complete, based on installed quantities, and the project remains on track for first concentrate production in the fourth quarter of 2018. The estimated cost of the project at completion is currently expected to be between \$162 million and \$168 million, of which \$78.5 million has been incurred to date. The decrease relative to the 2015 estimate of \$178.2 million was due primarily to a reforecast of contingency, a more favourable exchange rate than budgeted and a reduction in earthwork quantities;

Acquisition of MineRP

- In October, the Company completed the acquisition of MineRP and combination with its Terrative Digital Solutions Division ("Terrative"), creating a technology provider in the mining industry for digital innovation with operations in Canada, South Africa, Australia and Chile. As a result of this transaction, the Company owns a 78% investment in MineRP. Total cash paid by the Company for the acquisition of MineRP was \$20.0 million, including \$8.1 million that was used to repay all outstanding debt and certain other liabilities. DPM also agreed to provide MineRP with up to \$5.0 million of additional financing to support its working capital and growth initiatives, of which \$3.0 million has been advanced as at December 31, 2017.

Corporate and other

- Approximately 93% of the Company's expected payable copper production for 2018 has been hedged, whereby 56% of 2018 payable copper production has been hedged at a fixed price of \$2.62 per pound and 37% has been hedged at an average floor price of \$2.80 per pound and an average ceiling price of \$3.32 per pound;
- Approximately 28% of projected Namibian dollar operating expenses for 2018 have been hedged at an average rate of 13.59. The projected Euro capital expenditures in respect of the construction of the Krumovgrad gold project have been substantially hedged;

- In January, the Company completed a non-brokered private placement with the European Bank for Reconstruction and Development (“EBRD”), pursuant to which the Company issued 17,843,120 common shares of the Company at a price of Cdn\$2.45 per share for gross proceeds of \$33.2 million (Cdn\$43.7 million). The proceeds were used for the construction of the Krumovgrad gold project and have served to strengthen the Company’s financial position and flexibility during the construction phase of this project;
- In May, DPM announced that the TSX accepted its notice of intention to initiate a normal course issuer bid (the “Bid”) to repurchase certain of its common shares through the facilities of the TSX. The number of common shares that can be purchased during the period of the Bid, which commenced on May 16, 2017 and terminates on May 15, 2018, will not exceed 8.9 million common shares, being approximately 5% of the 178.4 million outstanding common shares as of May 3, 2017 and is also subject to other requirements of the TSX. As at February 15, 2018, the Company had not purchased any common shares under the Bid; and
- Exploration continues to focus on brownfield exploration at Chelopech and Krumovgrad as well as the advanced Timok gold project in Serbia. At Chelopech, systematic underground drilling of the Southeast Breccia Pipe Zone (“SEBPZ”) is in progress while surface drilling is centered on the Krasta target area located approximately one kilometre northeast of the mine. At both the SEBPZ and the Krasta target area, widely spaced drill holes have found broad zones of high sulphidation epithermal alteration with numerous intervals of weak copper gold mineralization. At Krumovgrad, preparations are underway for drilling at Surnak and Kuklitsa, two target areas within the concession, and on nearby exploration licenses. At the Timok gold project, Phase 2 drilling around the Korkan West discovery has defined gold mineralization over a strike length of over 200 metres. Mineralized intervals are generally oxidized and are close to surface. Metallurgical test work of oxide and transitional ore from Bigar Hill, Korkan and Korkan West is being conducted at the SGS Lakefield laboratory.

KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS

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

\$ thousands, unless otherwise indicated Ended December 31,	Three Months		Twelve Months	
	2017	2016	2017	2016
Financial Results				
Revenue ⁽¹⁾	94,912	82,061	348,755	279,489
Cost of sales ⁽¹⁾	68,482	68,963	267,123	258,013
Depreciation and amortization ⁽¹⁾	14,626	20,346	61,851	78,991
Impairment charges ⁽¹⁾	-	115,205	-	126,339
Other (expense) income ⁽¹⁾	(13,360)	3,091	(36,290)	(5,638)
Earnings (loss) before income taxes ⁽¹⁾	273	(106,230)	4,849	(146,929)
Income tax expense ⁽¹⁾	(1,997)	(1,373)	(5,210)	(3,653)
Net (loss) earnings from continuing operations attributable to common shareholders	(1,346)	(107,472)	217	(149,947)
Basic (loss) earnings per share from continuing operations	(0.01)	(0.67)	0.00	(1.00)
Adjusted EBITDA ^{(1),(2)}	21,800	30,208	92,101	72,972
Adjusted earnings (loss) before income taxes ^{(1),(2)}	5,466	7,477	22,974	(18,141)
Adjusted net earnings (loss) ^{(1),(2)}	3,429	5,661	16,701	(22,372)
Adjusted basic earnings (loss) per share ^{(1),(2)}	0.02	0.04	0.09	(0.15)
Cash provided from operating activities ⁽¹⁾	29,133	15,700	109,910	84,081
Cash provided from operating activities, before changes in non-cash working capital ^{(1),(2)}	20,284	24,837	89,892	122,073
Free cash flow ^{(1),(2)}	14,584	11,084	46,155	74,916
Capital expenditures incurred ⁽¹⁾ :				
Growth ⁽²⁾	24,213	9,545	75,189	29,553
Sustaining ⁽²⁾	4,412	4,578	20,790	21,328
Total capital expenditures	28,625	14,123	95,979	50,881
Operational Highlights				
Payable metals in concentrate sold ⁽¹⁾ :				
Gold (ounces) ⁽³⁾	48,906	37,259	171,969	139,324
Copper ('000s pounds)	9,927	8,786	34,367	36,074
Silver (ounces)	59,785	37,940	182,721	160,537
Cash cost per tonne of ore processed ^{(2),(4)}	36.83	32.63	34.20	32.97
Cash cost per ounce of gold sold, net of by-product credits ^{(2),(5),(6),(7)}	677	556	598	610
All-in sustaining cost per ounce of gold ^{(2),(5),(7),(8)}	802	612	729	747
Complex concentrate smelted at Tsumeb (mt)	58,983	61,270	219,252	200,272
Cash cost per tonne of complex concentrate smelted at Tsumeb, net of by-products credits ^{(2),(9)}	406	369	458	440

As at,	December 31, 2017	December 31, 2016
Financial Position		
Cash	28,767	11,757
Investments at fair value	48,411	19,216
Total assets	844,750	733,952
Debt ⁽¹⁰⁾	23,000	41,110
Equity	633,488	552,027
Common shares outstanding ('000s)	178,493	160,588
Share price (Cdn\$ per share)	3.00	2.25

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

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

- 3) Includes payable gold in pyrite concentrate sold in the fourth quarter and twelve months of 2017 of 10,783 ounces and 35,714 ounces, respectively, compared to 8,140 ounces and 31,380 ounces for the corresponding periods in 2016.
- 4) Cash cost per tonne of ore processed represents Chelopech related production expenses, including mining, processing, services, royalties and general and administrative, divided by tonnes of ore processed.
- 5) Includes payable gold in pyrite concentrate sold, and the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate of \$8.1 million and \$26.3 million in the fourth quarter and twelve months of 2017, respectively, compared to \$5.3 million and \$24.4 million in the corresponding periods in 2016. Cash cost per ounce of gold sold, net of by-product credits, excluding payable gold in pyrite concentrate sold and related costs, in the fourth quarter and twelve months of 2017 was \$656 and \$561, respectively, compared to \$529 and \$562 for the corresponding periods in 2016. All-in sustaining cost per ounce of gold, excluding payable gold in pyrite concentrate sold and related costs, in the fourth quarter and twelve months of 2017 was \$816 and \$726, respectively, compared to \$602 and \$738 for the corresponding periods in 2016.
- 6) Cash cost per ounce of gold sold, net of by-product credits, represents cost of sales at Chelopech less depreciation, amortization and other non-cash expenses plus treatment charges, penalties, transportation and other selling costs less by-product copper and silver revenues, including realized losses and gains on copper swap contracts, divided by the payable gold in copper and pyrite concentrate sold.
- 7) Includes realized losses on copper swap contracts, entered to hedge a portion of projected payable production, of \$5.6 million and \$12.8 million during the fourth quarter and twelve months of 2017, respectively, compared to realized losses of \$0.5 million and realized gains of \$2.6 million for the corresponding periods in 2016.
- 8) All-in sustaining cost per ounce of gold represents cost of sales at Chelopech less depreciation, amortization and other non-cash items plus treatment charges, penalties, transportation and other selling costs, sustaining capital expenditures, rehabilitation related accretion expenses and an allocated portion of the Company's general and administrative expenses and corporate social responsibility expenses, less by-product revenues in respect of copper and silver, including realized losses and gains on copper swap contracts, divided by the payable gold in copper and pyrite concentrate sold.
- 9) Cash cost per tonne of complex concentrate smelted, net of by-product credits at Tsumeb represents cost of sales less depreciation, amortization and realized gains on the forward point component of forward foreign exchange contracts, which are recorded in other expense (income), net of revenue related to the sale of acid and arsenic divided by the volumes of complex concentrate smelted.
- 10) Long-term debt, including current portion.

REVIEW OF CONSOLIDATED RESULTS

Market Trends

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

The following table summarizes the average trading price for gold, copper and silver based on the London Bullion Market Association ("LBMA") for gold and silver, and the London Metal Exchange ("LME") for copper (Grade A) for the three and twelve months ended December 31, 2017 and 2016 and highlights the overall year over year strength (weakness) in commodity prices.

Metal Market Prices (Average) Ended December 31,	Three Months			Twelve Months		
	2017	2016	Change	2017	2016	Change
LBMA gold (\$/ounce)	1,275	1,219	5%	1,257	1,248	1%
LME settlement copper (\$/pound)	3.09	2.40	29%	2.80	2.21	27%
LBMA spot silver (\$/ounce)	16.70	17.18	(3%)	17.05	17.10	-

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

Average Foreign Exchange Rates Ended December 31,	Three Months			Twelve Months		
	2017	2016	Change	2017	2016	Change
US\$/Cdn\$	1.2715	1.3343	(5%)	1.2980	1.3253	(2%)
Euro/US\$	1.1777	1.0790	(9%)	1.1295	1.1068	(2%)
US\$/ZAR	13.6269	13.9126	(2%)	13.2954	14.6950	(10%)

The following table sets out the applicable closing foreign exchange rates as at December 31, 2017 and 2016 and the extent to which the U.S. dollar has weakened relative to each of the currencies.

Closing Foreign Exchange Rates Ended December 31,	2017	2016	Change
	US\$/Cdn\$	1.2545	1.3427
Euro/US\$	1.1979	1.0516	(14%)
US\$/ZAR	12.3551	13.7004	(10%)

Operational Highlights

Deliveries from continuing operations

In the fourth quarter of 2017, payable gold in concentrate sold increased by 31% to 48,906 ounces, payable copper increased by 13% to 10.0 million pounds and payable silver increased by 58% to 59,785 ounces, in each case, relative to the corresponding period in 2016. The increase in payable gold was due primarily to higher gold production as a result of higher gold recoveries and grades. The increase in payable copper was consistent with increased copper concentrate deliveries.

In 2017, payable gold in concentrate sold increased by 23% to 171,969 ounces, payable copper decreased by 5% to 34.4 million pounds and payable silver increased by 14% to 182,721 ounces, in each case, relative to 2016. The increase in payable gold was due primarily to higher gold production in 2017 as a result of higher gold recoveries and grades. The decrease in payable copper was due primarily to lower copper concentrate production in 2017 as a result of planned lower copper grades.

Complex concentrate smelted

Complex concentrate smelted during the fourth quarter of 2017 of 58,983 tonnes was 4% or 2,287 tonnes lower than the corresponding period in 2016 due primarily to reduced availability of the high pressure oxygen plant and a higher incidence of seasonal power outages, which impacted smelter operations during the quarter. Complex concentrate smelted during 2017 of 219,252 tonnes was 9% or 18,980 tonnes higher than 2016 due primarily to a continued focus on operational excellence, increased availability of Tsumeb's main plants and the introduction of a matte holding furnace, partially offset by reduced availability of the high pressure oxygen plant.

In 2017, the Ausmelt furnace has shown improved stability and performance following the implementation of several operational initiatives and commissioning of the matte holding furnace, which more than offset reduced oxygen availability from September through December. The complex concentrate throughput of 219,252 tonnes for the year was up from the prior three years of production of approximately 200,000 tonnes per year and was in line with 2017 guidance.

Financial Highlights

Revenue from continuing operations

Revenue during the fourth quarter of 2017 of \$94.9 million was \$12.8 million higher than the corresponding period in 2016 due primarily to higher volumes of payable metals in concentrate sold as a result of higher gold and copper grades and higher gold recoveries, and higher market copper and gold prices, partially offset by higher treatment charges and transportation costs for Chelopech. Revenue in the fourth quarter of 2017 excluded realized losses of \$5.6 million (2016 – \$0.6 million) on copper swap contracts related to payable copper sold in the period, which were recorded in other expense (income) in the consolidated statements of earnings (loss).

Revenue during 2017 of \$348.7 million was \$69.2 million higher than 2016 due primarily to higher volumes of payable gold in concentrate sold as result of higher gold recoveries and grades, higher volumes of complex concentrate smelted, higher market copper and gold prices and higher toll rates at Tsumeb, partially offset by higher treatment charges and transportation costs for Chelopech. Revenue in 2017 excluded realized losses of \$12.8 million (2016 – realized gains of \$2.4 million) on copper swap contracts related to payable copper sold in the year, which were recorded in other expense (income) in the consolidated statements of earnings (loss).

Included in revenue were favourable mark-to-market price adjustments on provisionally priced sales of \$0.8 million (2016 – unfavourable adjustments of \$2.1 million) and \$3.5 million (2016 – \$3.1 million) during the fourth quarter and twelve months of 2017, respectively. These adjustments were offset by losses or gains on QP Hedges, as defined in the Financial Instruments section of this MD&A under commodity swap and option contracts, which were recorded in other expense (income) in the consolidated statements of earnings (loss).

The average realized gold price for the fourth quarter and twelve months of 2017 was \$1,275 per ounce and \$1,265 per ounce, respectively, compared to \$1,193 per ounce and \$1,244 per ounce in the corresponding periods in 2016. The average realized copper price, including realized hedging losses, for the fourth quarter and twelve months of 2017 was \$2.53 per pound and \$2.47 per pound, respectively, up 8% and 7% compared to the corresponding periods in 2016. Average realized gold and copper prices are not defined measures under IFRS. Refer to the “Non-GAAP Financial Measures” section of this MD&A for reconciliations to IFRS.

Cost of sales from continuing operations

Cost of sales in the fourth quarter of 2017 of \$68.5 million was comparable to the corresponding period in 2016 due primarily to lower depreciation offset by a weaker U.S. dollar relative to the Euro and higher copper concentrate deliveries. Cost of sales in the fourth quarter of 2017 excluded certain realized gains aggregating \$2.0 million (2016 – \$1.2 million) on foreign exchange hedges, which were recorded in other expense (income) in the consolidated statements of earnings (loss).

Cost of sales in 2017 of \$267.1 million was \$9.1 million higher than 2016 due primarily to higher operating expenses at Tsumeb related to higher throughput and electricity, contractor and labour rates, higher cost per tonne copper concentrate sold as a result of lower copper grades and a weaker U.S. dollar relative to the Euro and ZAR, partially offset by lower depreciation. Cost of sales in 2017 excluded certain realized gains aggregating \$6.7 million (2016 – \$3.7 million) on foreign exchange hedges, which were recorded in other expense (income) in the consolidated statements of earnings (loss).

All-in sustaining cost per ounce of gold

All-in sustaining cost per ounce of gold in the fourth quarter of 2017 of \$802 was \$190 higher than the corresponding period in 2016. This increase was due primarily to higher treatment charges and transportation costs for Chelopech, higher allocated general and administrative expenses and a weaker U.S. dollar relative to the Euro, partially offset by higher volumes of payable gold in concentrate sold, and higher by-product credits as a result of higher realized copper prices and higher volumes of payable copper in concentrate sold. The increase in treatment charges was due primarily to increased deliveries of copper concentrate to Tsumeb relative to the corresponding period in 2016 and favourable treatment charge adjustments in the fourth quarter of 2016 relating to provisionally invoiced concentrate sales from prior periods.

All-in sustaining cost per ounce of gold in 2017 of \$729 was \$18 lower than 2016. This decrease was due primarily to higher volumes of payable gold in concentrate sold, partially offset by higher treatment charges and transportation costs for Chelopech, higher cost per tonne copper concentrate sold as a result of lower copper grades, higher allocated general and administrative expenses and a weaker U.S. dollar relative to the Euro.

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

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the fourth quarter of 2017 of \$406 was 10% or \$37 higher than the corresponding period in 2016 due primarily to lower volumes of complex concentrate smelted and higher electricity, contractor and labour rates.

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during 2017 of \$458 was 4% or \$18 higher than 2016 due primarily to higher electricity, contractor and labour rates, partially offset by higher volumes of complex concentrate smelted and higher by-product credits as a result of increased acid deliveries.

Impairment charges

As at December 31, 2017, the Company assessed the recoverable amount of each of its Cash Generating Units (“CGUs”) as a result of the market capitalization of its shares being less than their carrying value. Based on this assessment, the carrying values of all CGUs were considered to be recoverable.

As at December 31, 2017, the fair value less costs of disposal (“FVLCD”) of the Tsumeb CGU was \$8 million higher than its carrying value of \$250 million. The projected cash flows and estimated FVLCD can

be affected by any one or more changes in the estimates used. Changes in volumes of concentrate smelted, third party toll rates and operating costs have the greatest impact on value, where a 5% change in volumes, third party toll rates, or operating costs would each change FVLCD by approximately \$40 million. In addition, if Tsumeb were to not proceed with its expansion plan, there would be an impairment charge.

Impairment charges, as summarized in the table below, were recognized in the consolidated statements of earnings (loss) for the years ended December 31, 2017 and 2016 in order to reduce the carrying values of certain assets to their estimated fair values as at December 31, 2016.

<i>\$ thousands</i>	Three Months		Twelve Months	
Ended December 31,	2017	2016	2017	2016
Impairment charges on property, plant and equipment	-	111,098	-	122,232
Impairment charges on intangible assets	-	4,107	-	4,107
Total impairment charges	-	115,205	-	126,339

As at December 31, 2016, the carrying value of Tsumeb exceeded its estimated recoverable amount resulting in an impairment charge of \$107.0 million being recognized in the fourth quarter of 2016, of which \$102.9 million related to property, plant and equipment and \$4.1 million related to intangible assets. This impairment charge was primarily attributable to lower forecast third party toll rates and lower forecast volumes related to a slower ramp-up of throughput to 370,000 tonnes per year.

During the year ended December 31, 2016, Tsumeb also recognized an \$11.2 million impairment charge reflecting management's decision to discontinue producing arsenic trioxide, a by-product of the Tsumeb smelter process.

During the fourth quarter and twelve months of 2016, Chelopech recognized a \$7.7 million impairment charge on certain equipment that it did not expect to use.

Other (expense) income from continuing operations

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

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

<i>\$ thousands</i>	Three Months		Twelve Months	
Ended December 31,	2017	2016	2017	2016
Net gains (losses) on Sabina special warrants	369	(814)	3,015	557
Net (losses) gains on commodity swap and option contracts	(10,593)	3,363	(32,567)	(5,922)
Net gains on forward foreign exchange contracts	307	1,078	878	4,639
Impairment charges on publicly traded securities	-	-	-	(24)
Net foreign exchange losses ⁽¹⁾	(2,688)	(218)	(8,600)	(3,037)
Interest income	82	70	294	239
Other (expense) income, net	(837)	(388)	690	(2,090)
Total other (expense) income	(13,360)	3,091	(36,290)	(5,638)

1) Primarily related to the revaluation of foreign denominated monetary assets and liabilities.

During the fourth quarter and twelve months of 2017, the Company recognized unrealized losses on commodity swap and option contracts of \$5.0 million (2016 – unrealized gains of \$2.5 million) and \$17.3

million (2016 – \$5.0 million), respectively. The Company also recognized realized losses on the settlement of certain commodity swap and option contracts of \$5.6 million (2016 – realized gains of \$0.9 million) and \$15.3 million (2016 – \$0.9 million) during the fourth quarter and twelve months of 2017, respectively.

Income tax expense

The effective tax rate of the Company can vary significantly from one period to the next based on a number of factors. For the three and twelve months ended December 31, 2017 and 2016, the Company's effective tax rate was impacted primarily by the Company's amount of earnings and losses, mix of foreign earnings and losses, which are subject to lower tax rates in certain jurisdictions, and unrecognized tax benefits relating to corporate operating, exploration and development costs.

<i>\$ thousands, unless otherwise indicated</i> Ended December 31,	Three Months		Twelve Months	
	2017	2016	2017	2016
Earnings (loss) before income taxes from continuing operations	273	(106,230)	4,849	(146,929)
Combined Canadian federal and provincial statutory income tax rates	26.5%	26.5%	26.5%	26.5%
Expected income tax expense (recovery)	72	(28,151)	1,285	(38,936)
Lower rates on foreign (earnings) losses	(1,082)	27,934	(3,852)	34,378
Unrecognized tax benefits relating to losses	3,264	271	9,448	7,048
Non-taxable portion of capital (gains) losses	(187)	687	(1,617)	433
Non-deductible share based compensation expense	68	69	318	400
Other, net	(138)	563	(372)	330
Income tax expense	1,997	1,373	5,210	3,653
Effective income tax rates	731.5%	(1.3%)	107.4%	(2.5%)

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

In the fourth quarter of 2017, the Company reported a net loss attributable to common shareholders from continuing operations of \$1.4 million compared to a net loss of \$107.5 million in 2016. The reduced loss was due primarily to impairment charges taken in 2016, higher volumes of payable metals in concentrate sold, lower depreciation and higher realized copper and gold prices, partially offset by higher treatment charges and transportation costs for Chelopech. The fourth quarter of 2016 net loss included impairment charges of \$115.2 million, of which \$107.0 million was in respect of Tsumeb.

In 2017, the Company reported net earnings attributable to common shareholders from continuing operations of \$0.2 million compared to a net loss of \$150.0 million in 2016. The improved earnings were due primarily to impairment charges taken in 2016, higher volumes of payable gold in concentrate sold, higher volumes of complex concentrate smelted, lower depreciation, higher realized copper and gold prices and higher toll rates at Tsumeb, partially offset by higher electricity, labour and contractor rates at Tsumeb, higher treatment charges and transportation costs for Chelopech, and lower volumes of payable copper in concentrate sold and higher cost per tonne copper concentrate sold, in each case, as a result of lower copper grades. 2016 net loss included impairment charges of \$126.3 million, of which \$118.2 million was in respect of Tsumeb.

Net (loss) earnings attributable to common shareholders from continuing operations for the fourth quarter and twelve months of 2017 and 2016 were also impacted by net after-tax losses of \$4.8 million (2016 – \$113.1 million) and \$16.5 million (2016 – \$127.6 million), respectively, related to several items not reflective of the Company's underlying operating performance, including impairment charges taken in 2016, unrealized losses and gains on commodity swap and option contracts entered to hedge a portion of future production, unrealized losses and gains on the forward point component of forward foreign exchange contracts entered to hedge a portion of foreign denominated operating costs and capital expenditures, and net gains and losses on Sabina special warrants, each of which are excluded from adjusted net earnings (loss).

Net loss attributable to common shareholders from discontinued operations

Net loss from discontinued operations in the fourth quarter and twelve months of 2016 was \$2.5 million and \$1.6 million, respectively. Cash proceeds from the Kapan Disposition of \$24.8 million were received in 2016 and additional proceeds relating to a post-closing adjustment of \$4.4 million were received in 2017. A gain of \$3.4 million was recognized in the twelve months ended December 31, 2016 and included in results from discontinued operations.

Adjusted net earnings (loss)

Adjusted net earnings in the fourth quarter and twelve months of 2017 were \$3.4 million and \$16.7 million, respectively, compared to adjusted net earnings of \$5.7 million and an adjusted net loss of \$22.4 million in the corresponding periods in 2016. Adjusted net earnings (loss) were impacted by the same factors affecting net (loss) earnings attributable to common shareholders from continuing operations, except for net gains and losses on Sabina special warrants, unrealized losses and gains on the forward point component of the forward foreign exchange contracts entered to hedge a portion of foreign denominated operating costs and capital expenditures, unrealized losses and gains on commodity swap and option contracts entered to hedge a portion of future production, and impairment charges, each of which are excluded from adjusted net earnings (loss) as these items are not reflective of the Company's underlying operating performance.

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

(\$ millions)	Three	Twelve
Ended December 31,	Months	Months
Adjusted net earnings (loss) - 2016	5.7	(22.4)
Higher volumes of metals sold	9.9	35.5
(Lower) higher smelter volumes	(0.7)	18.5
Lower depreciation expense	5.7	17.1
Higher metal prices ⁽¹⁾	5.5	8.7
Higher toll rates at Tsumeb	0.7	5.8
Weaker U.S. dollar ⁽²⁾	(0.8)	(2.5)
Other	(2.9)	(4.5)
Higher cost per tonne of concentrate sold ⁽³⁾	(0.1)	(5.5)
Higher corporate general and administrative, and exploration expenses	(4.2)	(6.8)
Higher smelter operating expenses ⁽³⁾	(1.0)	(12.9)
Higher treatment charges and transportation costs at Chelopech ⁽⁴⁾	(14.4)	(14.3)
Adjusted net earnings - 2017	3.4	16.7

1) Includes gains and losses on commodity swap contracts, except unrealized losses on commodity swap and option contracts related to projected payable production, and metal price adjustments related to provisionally priced sales.

2) Includes net realized gains and losses on forward exchange contracts.

3) Excludes impact of depreciation and foreign exchange.

4) The increase in treatment charges for Chelopech in the fourth quarter and twelve months of 2017 relative to the corresponding periods in 2016 was due primarily to higher deliveries of copper concentrate to Tsumeb and favourable treatment charge adjustments in the fourth quarter of 2016 relating to provisionally invoiced concentrate sales from prior periods.

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter and twelve months of 2017 was \$21.8 million and \$92.1 million, respectively, compared to \$30.2 million and \$73.0 million in the corresponding periods in 2016. Adjusted EBITDA was impacted by the same factors affecting adjusted net earnings (loss), except for depreciation, interest and income taxes, which are excluded from adjusted EBITDA.

The following table shows the adjusted EBITDA by segment:

<i>\$ thousands</i> Ended December 31,	Three Months		Twelve Months	
	2017	2016	2017	2016
Chelopech	25,941	28,557	107,869	87,299
Tsumeb	5,256	6,612	13,959	9,687
Corporate & Other	(9,397)	(4,961)	(29,727)	(24,014)
Total adjusted EBITDA	21,800	30,208	92,101	72,972

The Corporate and Other Segment includes MineRP, which was acquired on October 25, 2017, corporate general and administrative costs, corporate social responsibility expenses, exploration and development projects, and other income and cost items that do not pertain directly to an operating segment. Refer to the "Review of Operating Results by Segment from Continuing Operations" section of this MD&A for a more detailed discussion of Chelopech, Tsumeb and Corporate & Other results.

Cash provided from operating activities of continuing operations

Cash provided from operating activities in the fourth quarter of 2017 was \$29.1 million compared to \$15.7 million in the corresponding period in 2016. This increase was due primarily to a favourable change in non-cash working capital, partially offset by higher general and administrative expenses. The favourable change in non-cash working capital in the fourth quarter of 2017 of \$8.8 million was due primarily to an increase in accounts payable and accrued liabilities and a decrease in inventories. The unfavourable change in non-cash working capital in the fourth quarter of 2016 of \$9.1 million was due primarily to an increase in accounts receivable and a decrease in accounts payable and accrued liabilities, in each case as a result of timing, partially offset by a decrease in inventories.

Cash provided from operating activities in 2017 was \$109.9 million compared to \$84.1 million in 2016. This increase was due primarily to a favourable change in non-cash working capital and improved results from Chelopech and Tsumeb reflecting increased volumes at both operations and higher realized metal prices. These favourable variances were partially offset by the receipt of \$50.0 million from the prepaid forward gold sale in 2016. The favourable change in non-cash working capital in 2017 of \$20.0 million was due primarily to an increase in accounts payable and accrued liabilities, and a decrease in accounts receivable and other assets, in each case, as a result of timing. The unfavourable change in non-cash working capital in 2016 of \$38.0 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers, a decrease in accounts payable and accrued liabilities as a result of the timing associated with supplier payments and an increase in inventories as a result of the timing of deliveries.

Cash provided from operating activities, before changes in non-cash working capital, during the fourth quarter and twelve months of 2017 was \$20.3 million and \$89.9 million, respectively, compared to \$24.8 million and \$122.1 million in the corresponding periods in 2016. The year over year decrease was due solely to the receipt of \$50.0 million from the prepaid forward gold sale in 2016 as results from Chelopech and Tsumeb were up from 2016 reflecting increased volumes at both operations and higher realized metal prices.

Free cash flow

Free cash flow in the fourth quarter of 2017 was \$14.6 million compared to \$11.1 million in the corresponding period in 2016. This increase was due primarily to lower term debt repayments following DPM's decision to prepay the final \$8.1 million instalment of its Term Loans in the second quarter of 2017, partially offset by higher general and administrative expenses.

Free cash flow in 2017 was \$46.2 million compared to \$74.9 million in 2016. This decrease was due solely to the receipt of \$50.0 million from the prepaid forward gold sale in 2016 as results from Chelopech and Tsumeb were up from 2016 reflecting increased volumes at both operations and higher realized metal prices.

Capital expenditures from continuing operations

Capital expenditures during the fourth quarter and twelve months of 2017 were \$28.7 million and \$96.0 million, respectively, compared to \$14.1 million and \$50.9 million in the corresponding periods in 2016.

Growth capital expenditures during the fourth quarter and twelve months of 2017 were \$24.2 million and \$75.2 million, respectively, compared to \$9.6 million and \$29.6 million in the corresponding periods in 2016. These increases were due primarily to the construction of the Krumovgrad gold project, which started in the fourth quarter of 2016. Sustaining capital expenditures during the fourth quarter and twelve months of 2017 were \$4.5 million and \$20.8 million, respectively, compared to \$4.5 million and \$21.3 million in the corresponding periods in 2016.

2017 ACTUAL RESULTS COMPARISON TO 2017 GUIDANCE

The following table provides a comparison of the Company's results to its 2017 original guidance issued in February 2017 and its updated guidance issued in November 2017.

<i>\$ millions, unless otherwise indicated</i>	Original Consolidated Guidance	Updated Consolidated Guidance	2017 Consolidated Results
Ore mined/milled ('000s tonnes)	2,040 – 2,200	2,040 – 2,200	2,233 / 2,219
Complex concentrate smelted ('000s tonnes)	210 – 240	210 – 240	219
Metals contained in concentrate produced ^{(1),(2)}			
Gold ('000s ounces)	157 – 174	185 – 195	198
Copper (million pounds)	33.7 – 37.0	35 – 39	36
Metals contained in concentrate sold ⁽¹⁾			
Gold ('000s ounces)	135 – 150	154 – 168	172
Copper (million pounds)	32 – 35	33 – 36	34
Cash cost per tonne of ore processed ⁽³⁾	32 – 36	32 – 36	34
Cash cost per ounce of gold sold, net of by-product credits ^{(3),(4)}	670 – 810	580 – 640	598
All-in sustaining cost per ounce of gold ^{(3),(4)}	840 – 965	715 – 785	729
Cash cost per tonne of complex concentrate smelted, net of by-product credits ⁽³⁾	400 – 485	400 – 485	458
General & administrative expenses ⁽⁵⁾	18 – 22	18 – 22	20
Exploration expenses	7 – 9	7 – 9	9
Sustaining capital expenditures ⁽³⁾	25 – 32	23 – 30	21
Growth capital expenditures ⁽³⁾	116 – 140	73 – 81	75

1) Includes gold in pyrite concentrate produced of 56,449 ounces compared to guidance of 42,000 to 47,000 ounces and payable gold in pyrite concentrate sold of 35,714 ounces compared to guidance of 27,000 to 30,000 ounces.

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

3) 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 sustaining and growth capital expenditures have no standardized meaning under IFRS. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS.

4) Includes the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, and payable gold in pyrite concentrate sold. Cash cost per ounce of gold sold, net of by-product credits, excluding payable gold in pyrite concentrate sold and related costs, was \$561 compared to guidance of \$640 to \$790. All-in sustaining cost per ounce of gold, excluding payable gold in pyrite concentrate sold and related costs, was \$726 compared to guidance of \$850 to \$985.

5) Excludes mark-to-market adjustments on share-based compensation of \$1.9 million in 2017 and MineRP's general and administrative expenses of \$2.1 million, each of which were not reflected in 2017 guidance.

Chelopech outperformed its original 2017 gold production, sales and cost per ounce guidance, which was updated twice during the year, due primarily to higher than anticipated gold grades and recoveries. Ore mined, copper production and sales and cash cost per tonne of ore processed were all in line with 2017 guidance.

Tsumeb's complex concentrate smelted and cash cost were in line with 2017 guidance. The Ausmelt furnace has shown improved stability and performance in 2017 following the implementation of several

operational initiatives and commissioning of the matte holding furnace, which more than offset reduced oxygen availability.

Sustaining capital expenditures were below 2017 guidance due primarily to delays in the execution of certain projects and cancellation of projects no longer necessary as a result of process improvements at Tsumeb. Growth capital expenditures were also below 2017 guidance due to the timing of certain expenditures related to the Krumovgrad gold project and a reduction in estimated capital cost. The project remains on track for production of first concentrate in the fourth quarter of 2018.

2018 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.

Overall Outlook and Strategy

For 2018, DPM will continue to focus on increasing the profitability of its business by optimizing existing assets, achieving first gold production in the fourth quarter at the Krumovgrad gold project, which is expected to generate significant growth in gold production and cash flows, and maintaining its balance sheet strength. DPM is also pursuing growth opportunities within its existing portfolio of assets through exploration programs in Bulgaria, near Chelopech and Krumovgrad, and in Serbia, near the Timok gold project as well as through disciplined identification of investments in potential new opportunities.

The Company's guidance for 2018 is set out in the following table:

<i>\$ millions, unless otherwise indicated</i>	Chelopech	Tsumeb	Consolidated
Ore milled ('000s tonnes)	2,100 – 2,200	-	2,100 – 2,200
Cash cost per tonne of ore processed ^{(3),(4)}	37 – 40	-	37 – 40
Metals contained in concentrate produced ^{(1),(2)}			
Gold ('000s ounces)	165 – 195	-	165 – 195
Copper (million pounds)	33.7 – 40.4	-	33.7 – 40.4
Payable metals in concentrate sold ⁽¹⁾			
Gold ('000s ounces)	140 – 170	-	140 – 170
Copper (million pounds)	31.0 – 37.0	-	31.0 – 37.0
All-in sustaining cost per ounce of gold ^{(3),(4),(5)}	-	-	640 – 855
Complex concentrate smelted ('000s tonnes)	-	220 – 250	220 – 250
Cash cost per tonne of complex concentrate smelted, net of by-product credits ^{(3),(4)}	-	440 – 500	440 – 500
Corporate general and administrative expenses ^{(3),(6)}	-	-	20 – 24
Exploration expenses ⁽³⁾	-	-	10 – 15
Sustaining capital expenditures ^{(3),(4)}	17 – 21	12 – 18	29 – 39

1) Gold produced includes gold in pyrite concentrate produced of 47,000 to 55,000 ounces and payable gold sold includes payable gold in pyrite concentrate sold of 30,000 to 35,000 ounces.

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

3) Based on Euro/US\$ exchange rate of 1.23, US\$/ZAR exchange rate of 12.75 and copper price of \$2.75 per pound, where applicable.

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

5) Includes the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, and payable gold in pyrite concentrate sold. All-in sustaining cost per ounce of gold, excluding payable gold in pyrite concentrate sold and related costs, is expected to be between \$630 and \$870 in 2018.

6) Excludes mark-to-market adjustments on share-based compensation and MineRP's general and administrative expenses.

The 2018 guidance provided above is not expected to occur evenly throughout the year. The estimated metals contained in concentrate produced, payable metals in concentrate sold and volumes of complex concentrate smelted are expected to vary from quarter to quarter depending on the areas being mined, the timing of concentrate deliveries and planned outages. The rate of capital expenditures is also expected to vary from quarter to quarter based on the schedule for, and execution of, each capital project.

Chelopech

Gold contained in concentrate produced is expected to be between 165,000 and 195,000 ounces in 2018, slightly below our record production in 2017. This is largely due to higher than anticipated grades in 2017, and grades returning to expected life of mine levels in 2018. Gold production in the first half of 2018 is expected to be higher than the second half based on the existing mine plans at Chelopech. DPM is advancing initiatives to further increase stope intensity and cycle time to optimize production and costs. Mine planning will see a significant change in 2018 as MineRP software is implemented and optimized. DPM is also continuing its process plant optimization program designed to improve processes, consumables consumption and metal recoveries.

Sustaining capital expenditures for Chelopech are expected to be higher than in recent years reflecting approximately \$9 million for the elevation of its tailings management facility. This work is expected to be completed in 2019 at a total cost of approximately \$12 million.

Tsumeb

Complex concentrate smelted in 2018 is expected to be between 220,000 and 250,000 tonnes, an increase of up to 14% over 2017 production levels as the Company continues to optimize and ramp-up the facility. A key focus in 2018 will be on achieving increased availability of the oxygen and power plants and a decrease in secondary levels. Volumes of complex concentrate smelted in the first half of 2018 are expected to be lower than the second half due to the timing of the annual maintenance shutdown, which is currently expected to take place during the first half of 2018. Tsumeb is also implementing several initiatives targeting unit cost reductions and productivity improvements.

The Company continues to advance its permitting and commercial discussions in connection with the installation of a rotary holding furnace, which would increase capacity up to 370,000 tonnes. The timing of this expansion is subject to the timing of anticipated new complex concentrate coming on the market and adequate commercial arrangements being in place to support this expansion.

Krumovgrad

Key milestones at the Krumovgrad gold project in 2018 include the completion of the integrated mine waste facility ("IMWF") earthworks, mechanical, structural, electrical and instrumentation installation and pre-stripping of the mine. Cold and hot commissioning are on track for the second and third quarters, respectively, followed by first concentrate production and commencement of the ramp-up to full design capacity in the fourth quarter. In addition to the above noted milestones, DPM is focused on operational readiness and deploying its shared services model to maximize the synergies with Chelopech. Fourth quarter gold production of approximately 3,000 ounces is expected to occur prior to declaring commercial production, anticipated to occur on or about January 1, 2019, and, as a result, is excluded from the above 2018 guidance.

As at December 31, 2017, approximately \$79 million has been incurred and with an additional \$83 million to \$89 million forecast for 2018, the aggregate cost of the project is expected to be between \$162 million and \$168 million, compared to the original estimate of \$178 million.

Serbia

Following the discovery of the Korkan West deposit in 2017, DPM will continue to advance exploration of this area in 2018 with the goal of adding more ounces to the existing Timok gold resource. DPM is also conducting metallurgical testing to determine if an improved flowsheet can be developed. If successful, this is expected to lead to an internal scoping study in 2018 followed by a revised preliminary economic assessment.

MineRP

DPM does not anticipate a material contribution to earnings from MineRP in 2018 given that it is still in a ramp-up phase. DPM also does not anticipate providing additional funding beyond the \$2 million remaining undrawn from the \$5 million working capital facility provided following the acquisition.

Growth capital

The Company's total growth capital expenditures are expected to range between \$92 million and \$100 million, which primarily relate to the completion of the Krumovgrad gold project. The balance of \$9 million to \$11 million of additional growth capital includes \$2 million of resource development drilling at Chelopech, as well as \$7 million to \$9 million of margin improvement projects at Chelopech and Tsumeb.

Growth and Exploration

Given DPM's strong financial position and expected surplus cash flow generation commencing in 2019, DPM is strongly positioned to grow the business beyond its existing operating and development assets and is actively identifying opportunities to grow its business in a disciplined manner.

The exploration budget for 2018 increased to approximately \$14 million from \$9 million in 2017. The increased budget will fund major drilling programs at Chelopech, consisting of 10,000 metres of underground drilling on the Southeast Breccia Pipe Zone and 5,000 metres of surface drilling on the Krasta target, to follow up on 2017 drilling. Drill programs at Krumovgrad include grid drilling at Surnak and Kuklitsa that are within the concession and scout drilling on nearby exploration licenses. A further 11,500 metres is planned for exploration and resource drilling at the Timok gold project in Serbia. The remaining exploration budget will be deployed primarily to other greenfield projects in Bulgaria, Serbia and the Malartic project in Quebec.

REVIEW OF OPERATING RESULTS BY SEGMENT

Chelopech – Key Operational and Financial Highlights

\$ thousands, unless otherwise indicated

Ended December 31,	Three Months		Twelve Months	
	2017	2016	2017	2016
Operational Highlights				
Ore mined (mt)	541,072	544,250	2,232,799	2,211,814
Ore processed (mt)	527,633	547,017	2,218,717	2,212,340
Head grade / Recoveries in copper concentrate (ore milled)				
Gold (g/mt) / %	3.88 / 55.4	3.42 / 52.4	3.74 / 52.9	3.43 / 48.5
Copper (%) / %	1.01 / 80.6	0.88 / 83.0	0.91 / 80.6	0.98 / 80.5
Silver (g/mt) / %	7.90 / 40.2	7.31 / 39.7	7.52 / 38.6	8.95 / 35.8
Copper concentrate produced (mt)	27,243	25,034	100,994	107,108
Metals contained in copper concentrate produced:				
Gold (ounces)	36,452	31,577	141,235	118,428
Copper (pounds)	9,451,075	8,816,530	35,772,650	38,458,797
Silver (ounces)	53,920	51,035	206,767	227,673
Cash cost per tonne of ore processed ^{(1),(3),(4)}	36.83	32.63	34.20	32.97
Cash cost per ounce of gold in copper concentrate produced ^{(1),(3),(5)}	306	347	326	368
Cash cost per pound of copper in copper concentrate produced ^{(1),(3),(5)}	0.78	0.68	0.74	0.66
Copper concentrate delivered (mt)	30,284	26,232	103,644	106,752
Payable metals in copper concentrate sold:				
Gold (ounces) ⁽⁶⁾	38,123	29,119	136,255	107,944
Copper (pounds) ⁽⁶⁾	9,926,915	8,785,929	34,366,752	36,074,302
Silver (ounces) ⁽⁶⁾	59,785	37,940	182,721	160,537
Cash cost per ounce of gold sold, net of by-product credits ^{(2),(3),(7),(8)}	677	556	598	610
Cost per tonne of copper concentrate sold ⁽⁹⁾	1,042	1,069	1,097	1,013
Pyrite concentrate produced (mt)	59,407	53,637	248,810	214,775
Gold contained in pyrite concentrate produced (ounces)	12,938	12,387	56,449	47,237
Pyrite concentrate delivered (mt)	71,594	52,596	242,660	217,872
Payable gold in pyrite concentrate sold (ounces)	10,783	8,140	35,714	31,380
Financial Highlights				
Revenue ^{(10),(11)}	57,324	45,537	206,253	161,626
Cost of sales	31,551	28,055	113,703	108,180
Impairment charges	-	7,707	-	7,641
Earnings before income taxes	13,296	13,491	56,108	37,761
Adjusted EBITDA ⁽³⁾	25,941	28,557	107,869	87,299
Adjusted earnings before income taxes ⁽³⁾	17,504	19,227	71,931	49,887
Depreciation	8,305	9,209	35,453	36,822
Capital expenditures incurred:				
Growth ⁽³⁾	853	873	3,656	2,856
Sustaining ⁽³⁾	3,623	1,907	12,830	10,421
Total capital expenditures	4,476	2,780	16,486	13,277

1) Cash costs are reported in U.S. dollars, although the majority of costs incurred are denominated in non-U.S. dollars, and consist of all production related expenses including mining, processing, services, royalties and general and administrative.

2) Includes payable gold in pyrite concentrate sold, and the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate of \$8.1 million and \$26.3 million in the fourth quarter and twelve months of 2017, respectively, compared to \$5.3 million and \$24.4 million in the corresponding periods in 2016. Cash cost per ounce of gold sold, net of by-product credits, excluding payable gold in pyrite concentrate sold and related costs, in the fourth quarter and twelve months of 2017 was \$656 and \$561, respectively, compared to \$529 and \$562 in the corresponding periods in 2016.

3) Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of these non-GAAP measures.

4) Cash cost per tonne of ore processed, excluding royalties, was \$33.25 and \$31.01 in the fourth quarter and twelve months of 2017, respectively, compared to \$29.86 and \$30.15 in the corresponding periods in 2016.

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

6) Represents payable metals in copper concentrate sold based on provisional invoices.

7) Cash cost per ounce of gold sold, net of by-product credits, represents cost of sales, less depreciation, amortization and other non-cash expenses, plus treatment charges, penalties, transportation and other selling costs, less by-product copper and silver revenues, including realized losses and gains on copper swap contracts, divided by the payable gold in copper and pyrite concentrate sold.

- 8) Includes realized losses on copper swap contracts, entered to hedge a portion of projected payable production, of \$5.6 million and \$12.8 million during the fourth quarter and twelve months of 2017, respectively, compared to realized losses of \$0.5 million and realized gains of \$2.6 million in the corresponding periods in 2016.
- 9) Represents cost of sales divided by volumes of copper concentrate delivered.
- 10) Revenue includes the value of payable metals sold, deductions for treatment charges, penalties, transportation and other selling costs, and mark-to-market adjustments and final settlements to reflect any physical and cost adjustments on provisionally priced sales. Net unfavourable mark-to-market adjustments and final settlements of \$0.8 million and favourable mark-to-market adjustments and final settlements of \$0.7 million were recognized during the fourth quarter and twelve months of 2017, respectively, compared to net favourable mark-to-market adjustments and final settlements of \$2.6 million and \$4.8 million in the corresponding periods in 2016. Deductions during the fourth quarter and twelve months of 2017 were \$35.9 million and \$112.5 million, respectively, compared to \$23.5 million and \$100.6 million in the corresponding periods in 2016.
- 11) Revenue excludes realized and unrealized gains and losses on commodity swap and option contracts entered to hedge the mark-to-market impacts associated with provisionally priced sales and future production. Under IFRS, these gains and losses are reported in other expense (income).

Operational Highlights – Chelopech

Ore mined

Ore mined in the fourth quarter and twelve months of 2017 of 541,072 tonnes and 2,232,799 tonnes, respectively, was comparable to the corresponding periods in 2016.

Ore processed

Ore processed in the fourth quarter of 2017 of 527,633 tonnes was 4% lower than the corresponding period in 2016 due primarily to the timing of maintenance activities. Ore processed in 2017 of 2,218,717 tonnes was comparable to 2016.

Concentrate and metal production

Copper concentrate produced during the fourth quarter of 2017 of 27,243 tonnes was 9% higher than the corresponding period in 2016 due primarily to higher copper grades, consistent with the 2017 mine plan. Copper concentrate produced during 2017 of 100,994 tonnes was 6% lower than 2016 due primarily to planned lower copper grades, also consistent with the 2017 mine plan.

Pyrite concentrate produced during the fourth quarter and twelve months of 2017 of 59,407 tonnes and 248,810 tonnes, respectively, was 11% and 16% higher than the corresponding periods in 2016 due primarily to higher pyrite mineral content in the ore treated and market demand.

In the fourth quarter of 2017, gold contained in copper concentrate produced increased by 15% to 36,452 ounces, copper production increased by 7% to 9.5 million pounds and silver production increased by 6% to 53,920 ounces, in each case, relative to the corresponding period in 2016. The increase in gold production was due primarily to higher than anticipated grades and higher recoveries. The increase in gold recoveries was due primarily to different ore mineralogy and the benefits of various initiatives with a specific focus on improving recoveries. The increase in copper production was due primarily to higher copper grades.

In 2017, gold contained in copper concentrate produced increased by 19% to 141,235 ounces, copper production decreased by 7% to 35.8 million pounds and silver production decreased by 9% to 206,767 ounces, in each case, relative to 2016. The increase in gold production was due primarily to higher recoveries and higher than anticipated grades. The decreases in copper and silver production were due primarily to lower grades, consistent with the 2017 mine plan.

Gold contained in pyrite concentrate produced during the fourth quarter and twelve months of 2017 of 12,938 ounces and 56,449 ounces, respectively, was 4% and 20% higher than the corresponding periods in 2016 consistent with the increase in pyrite concentrate production.

Grades can and do vary period over period depending on the areas being mined. Chelopech achieved record gold production in 2017 and outperformed its gold production guidance. Chelopech met its copper production guidance.

Deliveries

Deliveries of copper concentrate during the fourth quarter of 2017 of 30,284 tonnes were 15% higher than the corresponding period in 2016 due primarily to the timing of deliveries. Deliveries of copper concentrate in 2017 of 103,644 tonnes were 3% lower than 2016 due primarily to lower copper concentrate production

as a result of planned lower copper grades, partially offset by a drawdown of copper concentrate inventories as a result of the timing of deliveries.

Deliveries of pyrite concentrate in the fourth quarter of 2017 of 71,594 tonnes were 36% higher than the corresponding period in 2016 due primarily to the timing of deliveries and overall increase in pyrite concentrate production in 2017. Deliveries of pyrite concentrate in 2017 of 242,660 tonnes were 11% higher than 2016 consistent with the increase in pyrite concentrate production and the timing of deliveries.

In the fourth quarter of 2017, payable gold in copper concentrate sold increased by 31% to 38,123 ounces, payable copper increased by 13% to 10.0 million pounds and payable silver increased by 58% to 59,785 ounces, in each case, relative to the corresponding period in 2016. The increase in payable gold in copper concentrate sold was due primarily to higher gold production as a result of higher gold recoveries and grades. The increase in payable copper was consistent with increased copper concentrate deliveries. Payable gold in pyrite concentrate sold in the fourth quarter of 2017 was 10,783 ounces compared to 8,140 ounces in the corresponding period in 2016 consistent with the increase in pyrite concentrate deliveries.

In 2017, payable gold in copper concentrate sold increased by 26% to 136,255 ounces, payable copper decreased by 5% to 34.4 million pounds and payable silver increased by 14% to 182,721 ounces, in each case, relative to 2016. The increase in payable gold in copper concentrate sold was due primarily to higher gold production in 2017 as a result of higher gold recoveries and grades. The decrease in payable copper was due primarily to lower copper concentrate production in 2017 as a result of planned lower copper grades. Payable gold in pyrite concentrate sold in 2017 was 35,714 ounces compared to 31,380 ounces in 2016 consistent with the increase in pyrite concentrate deliveries.

Inventory

Copper concentrate inventory totaled 5,135 tonnes at December 31, 2017, down from 7,785 tonnes at December 31, 2016, reflecting the timing of deliveries.

Financial Highlights – Chelopech

Revenue

Revenue in the fourth quarter of 2017 and twelve months of 2017 of \$57.3 million and \$206.2 million, respectively, was \$11.8 million and \$44.6 million higher than the corresponding periods in 2016 due primarily to higher volumes of payable metals in concentrate sold and higher market copper and gold prices, partially offset by higher treatment charges and transportation costs. The increase in treatment charges was due primarily to increased deliveries of copper concentrate to Tsumeb relative to the corresponding periods in 2016 and favourable treatment charge adjustments in the fourth quarter of 2016 relating to provisionally invoiced concentrate sales from prior periods.

Revenue in the fourth quarter and twelve months of 2017 excluded realized losses on copper swap contracts related to payable metals sold in the period of \$5.6 million (2016 – \$0.6 million) and \$12.8 million (2016 – realized gains of \$2.4 million), respectively, which were recorded in other expense (income) in the consolidated statements of earnings (loss).

Included in revenue were favourable mark-to-market price adjustments on provisionally priced sales of \$0.8 million (2016 – unfavourable adjustments of \$2.1 million) and \$3.5 million (2016 – \$3.1 million) during the fourth quarter and twelve months of 2017, respectively. These adjustments were offset by losses or gains on QP Hedges, which were recorded in other expense (income) in the consolidated statements of earnings (loss).

Cost of sales

Cost of sales in the fourth quarter of 2017 of \$31.6 million was \$3.5 million higher than the corresponding period in 2016 due primarily to higher copper concentrate deliveries and a weaker U.S. dollar relative to the Euro. Cost of sales in 2017 of \$113.7 million was \$5.5 million higher than 2016 due primarily to higher cost per tonne copper concentrate sold as a result of lower copper grades, higher royalties as a result of increased gold production and higher market copper prices, and a weaker U.S. dollar relative to the Euro.

Cash cost measures

Cash cost per tonne of ore processed in the fourth quarter of 2017 of \$36.83 was 13% higher than the corresponding period in 2016 due primarily to a weaker U.S. dollar relative to the Euro, higher electricity rates and higher royalties.

Cash cost per tonne of ore processed in 2017 of \$34.20 was 4% higher than 2016 due primarily to a weaker U.S. dollar relative to the Euro and higher royalties.

Cash cost per ounce of gold sold, net of by-product credits, during the fourth quarter of 2017 of \$677 was \$121 higher than the corresponding period in 2016. This increase was due primarily to higher treatment charges as a result of higher copper concentrate deliveries to Tsumeb and lower deliveries to third party smelters, resulting in higher overall treatment charges, partially offset by higher volumes of payable gold in concentrate sold and higher by-product credits as a result of higher realized copper prices and volumes of payable copper in concentrate sold.

Cash cost per ounce of gold sold, net of by-product credits, during 2017 of \$598 was \$12 lower than 2016. This decrease was due primarily to higher volumes of payable gold in concentrate sold, partially offset by higher treatment charges.

Earnings before income taxes

Earnings before income taxes in the fourth quarter of 2017 of \$13.3 million were comparable to the corresponding period in 2016. Higher treatment charges and transportation costs and unrealized losses on commodity swap and option contracts related to projected payable production were offset by higher volumes of payable metals in concentrate sold, higher realized copper and gold prices and impairment charges taken in 2016. Impairment charges of \$7.7 million, related to certain equipment that Chelopech no longer expected to use, were recognized in the fourth quarter of 2016.

Earnings before income taxes in 2017 of \$56.1 million were \$18.3 million higher than 2016 due primarily to higher volumes of payable gold in concentrate sold, higher realized copper and gold prices and impairment charges taken in 2016, partially offset by higher treatment charges and transportation costs, higher cost per tonne copper concentrate sold and an increase in unrealized losses on commodity swap and option contracts related to projected payable production. Impairment charges of \$7.7 million, related to certain equipment that Chelopech no longer expected to use, were recognized in 2016.

Unrealized losses on these commodity swap and option contracts related to projected payable production amounted to \$4.3 million (2016 – unrealized gains of \$1.9 million) and \$16.0 million (2016 – \$4.4 million) in the fourth quarter and twelve months of 2017, respectively.

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter and twelve months of 2017 was \$25.9 million and \$107.8 million, respectively, compared to \$28.6 million and \$87.3 million in the corresponding periods in 2016. Adjusted EBITDA was impacted by the same factors affecting earnings before income taxes, except for depreciation, impairment charges taken in 2016 and unrealized losses and gains on commodity swap and option contracts related to projected payable production that are not reflective of Chelopech's underlying operating performance, each of which were excluded from adjusted EBITDA.

Adjusted earnings before income taxes

Adjusted earnings before income taxes in the fourth quarter and twelve months of 2017 were \$17.5 million and \$71.9 million, respectively, compared to \$19.2 million and \$49.9 million in the corresponding periods in 2016.

Unrealized losses of \$4.3 million (2016 – unrealized gains of \$1.9 million) and \$16.0 million (2016 – \$4.4 million) in the fourth quarter and twelve months of 2017, respectively, on commodity swap and option contracts related to projected payable production, which were included in earnings before income taxes, were excluded from adjusted earnings before income taxes. Impairment charges of \$7.7 million on certain

equipment that Chelopech no longer expected to use, which were included in earnings before income taxes in the fourth quarter and twelve months of 2016, were also excluded from adjusted earnings before income taxes.

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

(\$ millions)	Three	Twelve
Ended December 31,	Months	Months
Adjusted earnings before income taxes - 2016	19.2	49.9
Higher volumes of metals sold	9.9	35.5
Higher metal prices ⁽¹⁾	5.5	8.7
Other	(1.2)	(0.5)
Stronger Euro ⁽²⁾	(1.4)	(1.9)
Higher transportation costs	(1.5)	(3.1)
Higher cost per tonne of concentrate sold ⁽³⁾	(0.1)	(5.5)
Higher treatment charges ⁽⁴⁾	(12.9)	(11.2)
Adjusted earnings before income taxes - 2017	17.5	71.9

1) Includes gains and losses on commodity swap contracts, except unrealized gains and losses on commodity swap and option contracts related to projected payable production, and metal price adjustments on provisionally priced sales.

2) Includes realized gains or losses on forward foreign exchange contracts.

3) Excludes impact of depreciation and foreign exchange.

4) The increase in treatment charges for Chelopech in the fourth quarter and twelve months of 2017 relative to the corresponding periods in 2016 was due primarily to higher deliveries of copper concentrate to Tsumeb and favourable treatment charge adjustments in the fourth quarter of 2016 relating to provisionally invoiced concentrate sales from prior periods.

Capital expenditures

Capital expenditures during the fourth quarter and twelve months of 2017 of \$4.5 million and \$16.5 million, respectively, were \$1.7 million and \$3.2 million higher than the corresponding periods in 2016 and were in line with 2017 guidance.

Tsumeb – Key Operational and Financial Highlights

\$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	2017	2016	2017	2016
Operational Highlights				
Complex concentrate smelted (mt):				
Chelopech	20,452	11,465	81,694	61,228
Third party	38,531	49,805	137,558	139,044
Total complex concentrate smelted	58,983	61,270	219,252	200,272
Cash cost per tonne of complex concentrate smelted, net of by-product credits ^{(1),(2)}	406	369	458	440
Acid production (mt)	58,148	61,595	221,050	191,630
Acid deliveries (mt)	51,525	65,660	212,727	183,182
Financial Highlights				
Toll revenue ⁽³⁾	30,965	30,901	120,560	102,281
Acid revenue	4,811	5,316	19,643	14,241
Arsenic trioxide revenue	-	307	487	1,341
Total revenue	35,776	36,524	140,690	117,863
Cost of sales	36,808	40,908	153,297	149,833
Impairment charges	-	107,495	-	118,695
Loss before income taxes	(2,931)	(112,207)	(18,706)	(151,918)
Adjusted EBITDA ⁽²⁾	5,256	6,612	13,959	9,687
Adjusted loss before income taxes ⁽²⁾	(1,413)	(5,051)	(13,973)	(34,724)
Depreciation	5,957	10,827	25,082	41,181
Capital expenditures incurred:				
Growth ⁽²⁾	(51)	(189)	1,409	8,602
Sustaining ⁽²⁾	418	2,611	7,198	10,692
Total capital expenditures	367	2,422	8,607	19,294

- 1) Cash cost per tonne of complex concentrate smelted, net of by-product credits, represents cost of sales less depreciation, amortization and realized gains on the forward point component of forward foreign exchange contracts, which are recorded in other expense (income), 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) Includes deductions for stockpile interest and slag mill concentrate returns, and favourable or unfavourable estimated metals exposure.

Operational Highlights – Tsumeb

Production & Acid Deliveries

Complex concentrate smelted during the fourth quarter of 2017 of 58,983 tonnes was 4% or 2,287 tonnes lower than the corresponding period in 2016 due primarily to reduced availability of the high pressure oxygen plant and a higher incidence of seasonal power outages, which impacted smelter operations during the quarter. Complex concentrate smelted during 2017 of 219,252 tonnes was 9% or 18,980 tonnes higher than 2016 due primarily to a continued focus on operational excellence, increased availability of the main plants and the introduction of a matte holding furnace, partially offset by reduced availability of the high pressure oxygen plant. The annual Ausmelt shutdown is expected to take place in the first half of 2018 and the focus continues to be on improving availability of the oxygen plants.

In 2017, the Ausmelt furnace has shown improved stability and performance following the implementation of several operational initiatives and commissioning of the matte holding furnace, which more than offset reduced oxygen availability in September through December. Performance at the smelter in 2016 was significantly impacted by a 21-day unplanned shutdown following a regional power outage in July 2016 resulting in a reduction in throughput of approximately 14,000 tonnes, and post commissioning issues related to the installation of the acid plant and new copper converters, which contributed to an 8,000 tonnes shortfall relative to targeted performance.

The complex concentrate throughput of 219,252 tonnes for the year was up from the prior three years of production of approximately 200,000 tonnes per year and was in line with 2017 guidance.

Acid production in the fourth quarter and twelve months of 2017 of 58,148 tonnes and 221,050 tonnes, respectively, was 6% lower and 15% higher than the corresponding periods in 2016 consistent with the volumes of complex concentrate smelted. Acid deliveries in the fourth quarter of 2017 of 51,525 tonnes were 22% lower than the corresponding period in 2016 as a result of the decrease in acid production and the timing of deliveries. Acid deliveries in 2017 of 212,727 tonnes were 16% higher than 2016 due primarily to increased acid production.

Financial Highlights - Tsumeb

Revenue

Revenue in the fourth quarter of 2017 of \$35.8 million was comparable to the corresponding period in 2016. Revenue in 2017 of \$140.7 million was \$22.8 million higher than 2016 due primarily to higher volumes of complex concentrate smelted, higher toll rates, higher deliveries of acid and reduced deductions for estimated metals exposure and stockpile interest, partially offset by increased deductions related to slag mill concentrate returns.

Cost of sales

Cost of sales in the fourth quarter of 2017 of \$36.8 million was \$4.1 million lower than the corresponding period in 2016 due primarily to lower depreciation following changes in the estimated useful lives for certain assets and the impairment charges taken in 2016. Cost of sales in 2017 of \$153.3 million was \$3.5 million higher than 2016 due primarily to higher operating expenses related to higher throughput and electricity, contractor and labour rates, and a weaker U.S. dollar relative to the ZAR, excluding realized gains on forward foreign exchange contracts as noted below, partially offset by lower depreciation.

Cost of sales in the fourth quarter and twelve months of 2017 excluded realized gains of \$2.1 million (2016 – \$1.3 million) and \$7.0 million (2016 – \$3.9 million), respectively, on the forward point component of forward foreign exchange contracts entered to hedge a portion of Tsumeb's foreign exchange exposure, which were recorded in other expense (income) in the consolidated statements of earnings (loss).

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

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the fourth quarter of 2017 of \$406 was 10% or \$37 higher than the corresponding period in 2016 due primarily to lower volumes of complex concentrate smelted and higher electricity, contractor and labour rates.

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during 2017 of \$458 was 4% or \$18 higher than 2016 due primarily to higher electricity, contractor and labour rates, partially offset by higher volumes of complex concentrate smelted and higher by-product credits as a result of increased acid deliveries.

Loss before income taxes

Loss before income taxes in the fourth quarter of 2017 was \$2.9 million compared to \$112.2 million in the corresponding period in 2016. The reduced loss was due primarily to impairment charges taken in the fourth quarter of 2016 and lower depreciation as a result of changes in the estimated useful lives for certain assets and the impairment charges taken in 2016.

Loss before income taxes in 2017 was \$18.7 million compared to \$151.9 million in 2016. The reduced loss was due primarily to impairment charges taken in 2016, higher volumes of complex concentrate smelted, lower depreciation, higher toll rates, higher acid deliveries and reduced deductions for estimated metals exposure and stockpile interest, partially offset by higher deductions related to slag mill concentrate returns and higher operating expenses.

Impairment charges of \$107.5 million and \$118.7 million were recognized in the fourth quarter and twelve months of 2016, respectively, of which \$107.0 million related to the write-down of Tsumeb's carrying value to its net recoverable amount and \$11.2 million related to the write-down of the arsenic plant reflecting management's decision to discontinue production of arsenic trioxide.

Loss before income taxes during the fourth quarter and twelve months of 2017 was also impacted by unrealized losses of \$1.5 million (2016 – \$0.2 million) and \$4.7 million (2016 – unrealized gains of \$1.0 million), respectively, on the forward point component of forward foreign exchange contracts that were entered to hedge a portion of Tsumeb's operating expenses.

Adjusted EBITDA

Adjusted EBITDA in the fourth quarter and twelve months of 2017 was \$5.3 million and \$14.0 million, respectively, compared to \$6.6 million and \$9.7 million in the corresponding periods in 2016. Adjusted EBITDA was impacted by the same factors affecting loss before income taxes, except for impairment charges, depreciation and unrealized losses and gains on the forward point component of forward foreign exchange contracts that are not reflective of Tsumeb's underlying operating performance, each of which were excluded from adjusted EBITDA.

Adjusted loss before income taxes

Adjusted loss before income taxes during the fourth quarter and twelve months of 2017 was \$1.4 million and \$13.9 million, respectively, compared to \$5.1 million and \$34.7 million in the corresponding periods in 2016.

Unrealized losses of \$1.5 million (2016 – \$0.2 million) and \$4.7 million (2016 – unrealized gains of \$1.0 million) on the forward point component of forward foreign exchange contracts, which were included in loss before income taxes in the fourth quarter and twelve months of 2017, respectively, were excluded from adjusted loss before income taxes as they are not reflective of Tsumeb's underlying operating performance. Impairment charges of \$107.0 million and \$118.2 million recognized in the fourth quarter and twelve months of 2016, respectively, as discussed above, which were included in loss before income taxes, were also excluded from adjusted loss before income taxes.

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

(\$ millions)	Three Months	Twelve Months
Ended December 31,		
Adjusted loss before income taxes - 2016	(5.1)	(34.7)
(Lower) higher volumes	(0.7)	18.5
Lower depreciation expense	4.9	16.1
Higher toll rates	0.7	5.8
(Higher) lower estimated metals exposure	(1.0)	2.0
Lower stockpile interest	1.7	1.3
Weaker (stronger) ZAR ⁽¹⁾	0.6	(0.6)
Other	(0.5)	(1.6)
Higher slag mill concentrate returns	(1.0)	(7.8)
Higher operating expenses ⁽²⁾	(1.0)	(12.9)
Adjusted loss before income taxes - 2017	(1.4)	(13.9)

1) Includes realized gains and losses on forward foreign exchange contracts.

2) Excludes impact of depreciation and foreign exchange.

Capital expenditures

Capital expenditures during the fourth quarter and twelve months of 2017 of \$0.4 million and \$8.6 million, respectively, were \$2.0 million and \$10.7 million lower than the corresponding periods in 2016 due primarily to lower spending on growth projects following the completion of the new copper converters in the first quarter of 2016. Capital expenditures in 2017 were lower than 2017 guidance due primarily to delays in the execution of certain projects and the cancellation of certain projects no longer necessary as a result of process improvements.

REVIEW OF CORPORATE AND OTHER SEGMENT RESULTS

The corporate and other segment results include MineRP, corporate general and administrative costs, corporate social responsibility expenses, exploration and development projects, and other income and 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		Twelve Months	
Ended December 31,	2017	2016	2017	2016
Financial Highlights				
General and administrative expenses, excluding depreciation ⁽¹⁾	(5,182)	(1,809)	(19,111)	(15,394)
Corporate social responsibility expenses ⁽¹⁾	(467)	(656)	(1,761)	(1,522)
Exploration expenses	(2,610)	(1,970)	(8,177)	(5,738)
MineRP ⁽²⁾	(1,267)	-	(1,267)	-
Other income (expense) ^{(1),(3)}	129	(526)	589	(1,360)
Adjusted loss before interest, taxes, depreciation and amortization	(9,397)	(4,961)	(29,727)	(24,014)

1) Excludes expenses related to MineRP.

2) MineRP's loss before interest, taxes, depreciation and amortization is attributable to MineRP stock options of \$0.6 million granted to certain directors of the Company relating to MineRP transaction costs and foreign exchange losses of \$0.7 million related to the revaluation of foreign denominated monetary assets and liabilities.

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

General and administrative expenses

General and administrative expenses, excluding depreciation, in the fourth quarter and twelve months of 2017 of \$5.2 million and \$19.1 million, respectively, were \$3.4 million and \$3.7 million higher than the corresponding periods in 2016 due primarily to higher employee related expenses.

Exploration expenses

Exploration expenses during the fourth quarter and twelve months of 2017 were \$2.6 million and \$8.2 million, respectively, compared to \$2.0 million and \$5.7 million in the corresponding periods in 2016 due primarily to increased activities in Serbia. Refer to the “Exploration” section of this MD&A for a more detailed discussion of the Company’s exploration activities.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2017, the Company had cash of \$28.8 million, investments valued at \$48.4 million primarily related to its 10% interest in Sabina, and \$252.0 million of undrawn capacity under its committed revolving credit facility (“RCF”).

The Company’s liquidity is impacted by several factors which include, but are not limited to, gold, copper and silver market prices, production levels, capital expenditures, operating cash costs, interest rates and foreign exchange rates. These factors are monitored by the Company on a regular basis. As at December 31, 2017, the Company’s cash resources and available lines of credit under its RCF continue to provide sufficient liquidity and cash resources to meet its current operating and capital expenditure requirements, as well as all contractual commitments. The Company may, from time to time, raise additional capital to ensure it maintains its financial strength and has sufficient liquidity to support its discretionary growth capital projects and the overall needs of the business.

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

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

<i>\$ thousands</i>	Three Months		Twelve Months	
Ended December 31,	2017	2016	2017	2016
Cash provided from operating activities, before changes in non-cash working capital ⁽¹⁾	20,284	24,837	89,892	122,073
Changes in non-cash working capital	8,849	(9,137)	20,018	(37,992)
Cash provided from operating activities ⁽¹⁾	29,133	15,700	109,910	84,081
Cash used in investing activities ⁽¹⁾	(43,384)	(10,719)	(99,438)	(20,804)
Cash provided from (used in) financing activities ⁽¹⁾	21,031	(55,143)	6,538	(74,915)
Increase (decrease) in cash ⁽¹⁾	6,780	(50,162)	17,010	(11,638)
Cash, beginning of period ⁽¹⁾	21,987	61,919	11,757	23,395
Cash, end of period ⁽¹⁾	28,767	11,757	28,767	11,757

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

Cash at December 31, 2017 of \$28.8 million was \$17.0 million higher than December 31, 2016 of \$11.8 million. The primary factors impacting these cash flow movements are summarized below.

Operating Activities of Continuing Operations

Cash provided from operating activities in the fourth quarter of 2017 was \$29.1 million compared to \$15.7 million in the corresponding period in 2016. This increase was due primarily to a favourable change in non-cash working capital, partially offset by higher general and administrative expenses. The favourable change in non-cash working capital in the fourth quarter of 2017 of \$8.8 million was due primarily to an increase in accounts payable and accrued liabilities and a decrease in inventories. The unfavourable change in non-cash working capital in the fourth quarter of 2016 of \$9.1 million was due primarily to an increase in accounts receivable and a decrease in accounts payable and accrued liabilities, in each case as a result of timing, partially offset by a decrease in inventories.

Cash provided from operating activities in 2017 was \$109.9 million compared to \$84.1 million in 2016. This increase was due primarily to a favourable change in non-cash working capital and improved results from Chelopech and Tsumeb reflecting increased volumes at both operations and higher realized metal prices. These favourable variances were partially offset by the receipt of \$50.0 million from the prepaid forward gold sale in 2016. The favourable change in non-cash working capital in 2017 of \$20.0 million was due primarily to an increase in accounts payable and accrued liabilities, and a decrease in accounts receivable and other assets, in each case, as a result of timing. The unfavourable change in non-cash working capital in 2016 of \$38.0 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers, a decrease in accounts payable and accrued liabilities as a result of the timing associated with supplier payments and an increase in inventories as a result of the timing of deliveries.

Investing Activities of Continuing Operations

Net cash used in investing activities in the fourth quarter and twelve months of 2017 was \$43.3 million and \$99.4 million, respectively, compared to \$10.7 million and \$20.8 million in the corresponding periods in 2016.

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

<i>\$ thousands</i>	Three Months		Twelve Months	
Ended December 31,	2017	2016	2017	2016
Chelopech	3,925	1,717	13,852	12,349
Tsumeb	170	2,424	10,417	18,109
Krumovgrad ⁽¹⁾	19,882	6,602	58,902	14,764
Other	119	63	831	581
Total cash capital expenditures	24,096	10,806	84,002	45,803

1) Includes proceeds from the settlement of derivative contracts of \$2.4 million (2016 - \$nil) and \$4.1 million (2016 - \$nil) in the fourth quarter and twelve months of 2017.

Cash outlays for capital expenditures in the fourth quarter and twelve months of 2017 of \$24.1 million and \$84.0 million, respectively, were \$13.3 million and \$38.2 million higher than the corresponding periods in 2016 due primarily to the construction of the Krumovgrad gold project, which started in the fourth quarter of 2016, partially offset by the completion of the new copper converters at Tsumeb in the first quarter of 2016.

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

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

Financing Activities of Continuing Operations

Net cash provided from financing activities in the fourth quarter and twelve months of 2017 was \$21.0 million and \$6.5 million, respectively, compared to net cash used of \$55.1 million and \$74.9 million in the corresponding periods in 2016.

On January 24, 2017, the Company completed a non-brokered private placement with the EBRD, pursuant to which the Company issued 17,843,120 common shares of the Company at a price of Cdn\$2.45 per share for gross proceeds of \$33.2 million (Cdn\$43.7 million). In 2016, the Company received gross proceeds of \$43.8 million from a bought deal financing with a syndicate of underwriters and a non-brokered private placement.

Drawdowns under the RCF in the fourth quarter of 2017 totaled \$23.0 million compared to repayments of \$45.0 million in the corresponding period in 2016. Repayments under the RCF in 2017 totaled \$2.0 million compared to \$90.0 million in 2016.

Repayments of Term Loans in the fourth quarter and twelve months of 2017 were \$nil and \$16.2 million, respectively, compared to \$8.1 million and \$16.2 million in the corresponding periods in 2016. In June 2017, DPM prepaid the final instalment of its Term Loans, which was scheduled to be repaid in December.

Interest paid of \$1.6 million and \$6.1 million during the fourth quarter and twelve months of 2017, respectively, compared to \$1.4 million and \$7.1 million in the corresponding periods in 2016. The year over year decrease was due primarily to lower debt levels in 2017.

Financial Position

<i>\$ thousands</i>	December	December	Increase/
As at,	31, 2017	31, 2016	(Decrease)
Cash	28,767	11,757	17,010
Accounts receivable, inventories and other current assets	69,810	79,849	(10,039)
Investments at fair value	48,411	19,216	29,195
Non-current assets, excluding investments at fair value	697,762	623,130	74,632
Total assets	844,750	733,952	110,798
Current liabilities	80,317	58,804	21,513
Non-current liabilities	130,945	123,121	7,824
Equity attributable to common shareholders	626,162	551,804	74,358
Non-controlling interests	7,326	223	7,103

Cash increased by \$17.0 million to \$28.8 million in 2017 reflecting increased cash provided from operating activities, which was used to fund increased growth capital expenditures, the acquisition of MineRP and repayments of debt. Accounts receivable, inventories and other current assets decreased by \$10.0 million to \$69.8 million in 2017 due primarily to a decrease in accounts receivable reflecting the timing of payments from customers. Investments at fair value increased by \$29.2 million to \$48.4 million in 2017 due primarily to the increase in Sabina's share price. Non-current assets, excluding investments at fair value, increased by \$74.7 million to \$697.8 million in 2017 due primarily to capital expenditures at Krumovgrad, Tsumeb and Chelopech and the increase in intangible assets following the acquisition of MineRP in October 2017, partially offset by depreciation expense.

Current liabilities increased by \$21.5 million to \$80.3 million in 2017 due primarily to unrealized losses related to derivative commodity contracts and increased capital expenditures and activities at Krumovgrad following the start of construction in the fourth quarter of 2016, partially offset by repayments of debt. Non-current liabilities increased by \$7.8 million to \$130.9 million in 2017 due primarily to an increase in rehabilitation provisions. Equity attributable to common shareholders increased by \$74.4 million to \$626.2 million in 2017 due primarily to proceeds from the private placement with the EBRD and an increase in other comprehensive income due primarily to unrealized gains on publicly traded securities and unrealized gains on forward foreign exchange contracts designated as cash flow hedges. Non-controlling interest increased by \$7.1 million to \$7.3 million in 2017 following the acquisition of a 78% equity interest in MineRP.

Contractual Obligations, Commitments and Contingencies

The Company has the following minimum contractual obligations and commitments as at December 31, 2017:

<i>\$ thousands</i>	up to 1 year	1 – 5 years	over 5 years	Total
Debt	-	23,000	-	23,000
Finance lease payments	3,063	11,329	6,161	20,553
Capital commitments	54,301	-	-	54,301
Purchase commitments	14,445	13,529	8	27,982
Operating lease payments	1,789	3,630	950	6,369
Other obligations	475	535	22	1,032
Total contractual obligations and commitments	74,073	52,023	7,141	133,237

As at December 31, 2017, Tsumeb had approximately \$112.2 million (December 31, 2016 – \$130.0 million) of recoverable third party in-process secondary materials, which it is obligated to process and return,

generally in the form of blister, to Louis Dreyfus Company Metals Suisse (“LD”) pursuant to a tolling agreement.

In July 2017, the Company and LD agreed to amend the existing tolling agreement to provide for, among other things, lower stockpile interest deductions on excess secondary materials, specified quarterly targeted reductions designed to eliminate excess secondary materials, representing at that time approximately \$90.0 million, over a period that extends to December 31, 2020, the purchase of secondary materials in excess of established quarterly targeted levels, and the extension of the tolling agreement by one year. The Company achieved the targeted reductions of copper-in-secondaries during the third and fourth quarters of 2017 and therefore no purchases of secondary materials were required. Overall in 2017, the Company reduced metal-in-secondaries by just over 30%. As at December 31, 2017, the value of excess secondary materials was approximately \$86.0 million.

Debt

As at December 31, 2017, the Company’s total outstanding debt was \$23.0 million. As at December 31, 2017, the Company’s total debt, as a percentage of total capital, was 4% (December 31, 2016 – 7%) and the Company’s total debt, net of cash, as a percentage of total capital, was negative 1% (December 31, 2016 – 5%). As at December 31, 2017, the Company was in compliance with all of its debt covenants.

Term Loans

In June 2017, the Company repaid the remaining balance owing under the Term Loans. The original amount of the Term Loans was \$81.25 million. The Term Loans were repayable in 10 equal semi-annual instalments, which commenced in June 2013, and bore interest at a rate equal to the three month U.S. Dollar LIBOR plus 2.80%.

Credit Agreements and Guarantees

Chelopech and Krumovgrad

Chelopech and Krumovgrad have a \$16.0 million multi-purpose credit facility that matures on November 30, 2018. 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 2.5%. As at December 31, 2017, \$5.5 million (December 31, 2016 – \$4.2 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech and Krumovgrad also have a Euro 21.0 million (\$25.2 million) credit facility to support mine closure and rehabilitation plans. This credit facility matures on November 30, 2018 and is guaranteed by DPM. As at December 31, 2017, \$23.0 million (December 31, 2016 - \$15.3 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

Krumovgrad has a \$5.3 million multi-purpose credit facility which was amended and extended on December 7, 2017 and matures on November 30, 2018. 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 2.5%. As at December 31, 2017, \$0.1 million (December 31, 2016 – \$nil) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

DPM

DPM has a committed RCF with a consortium of banks. In March 2017, the RCF was amended to extend the terms of tranche A and tranche B by an additional year. As at December 31, 2017, the RCF is comprised of a \$45.0 million tranche A maturing in February 2022, a \$150.0 million tranche B maturing in February 2020, and an \$80.0 million tranche C maturing in September 2021 that has quarterly availability reductions of \$4.0 million beginning in the third quarter of 2018.

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

The RCF contains financial covenants that require DPM to maintain: (i) a Debt Leverage Ratio below 4.0:1 during the construction of the Krumovgrad gold project (below 3.5:1 thereafter), (ii) a current ratio (including the addition of any unutilized credit within tranche B to current assets) of greater than 1.5:1, and (iii) a minimum net worth of \$500.0 million plus (minus) 50% of ongoing annual net earnings (losses).

As at December 31, 2017, DPM was in compliance with all financial covenants and \$23.0 million was drawn under the RCF.

Outstanding Share Data

DPM's common shares are traded on the TSX under the symbol DPM. As at February 15, 2018, 178,492,566 common shares were issued and outstanding.

DPM also has 5,430,403 stock options outstanding as at February 15, 2018 with exercise prices ranging from Cdn\$2.05 to Cdn\$7.84 per share (weighted average exercise price – Cdn\$3.56 per share).

Normal Course Issuer Bid

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

As at February 15, 2018, the Company had not purchased any common shares under the Bid.

Other

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

FINANCIAL INSTRUMENTS

Investments at fair value

As at December 31, 2017, the Company's investments at fair value were \$48.4 million, the vast majority of which related to the value of its investment in Sabina common shares and special warrants. Sabina is an emerging precious metals company with district scale, undeveloped assets in Nunavut, Canada. Its 100% owned Back River project is advancing through the environmental assessment process with final hearings with the Nunavut Impact Review Board ("NIRB") completed between May 31 and June 3, 2017. On December 20, 2017, Sabina announced that the NIRB had issued the final Project Certificate, which allows Sabina to advance through the final licensing and permitting stage.

The fair value of the Sabina Series B special warrants, including significant assumptions, is detailed in note 8(a) to DPM's audited consolidated financial statements for the year ended December 31, 2017.

As at December 31, 2017, DPM held: (i) 23,539,713 common shares of Sabina or 10.4% of the outstanding common shares (fair value of Cdn \$53.4 million) and (ii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the Back River project or upon the occurrence of certain other events. Each of the special warrants is exercisable into one common share until 2044.

As at December 31, 2017, the estimated fair value of the Sabina special warrants increased by \$3.0 million to \$5.0 million (December 31, 2016 - \$2.0 million). As a result, the Company recognized unrealized gains of \$0.4 million (2016 – unrealized losses of \$0.8 million) and \$3.0 million (2016 – \$0.6 million) during the fourth quarter and twelve months of 2017, respectively, in other expense (income) in the consolidated statements of earnings (loss).

In January 2018, DPM purchased 2.2 million shares of Sabina at a price of Cdn \$2.26 per share for a total investment of \$4.0 million (Cdn \$5.0 million). On January 22, 2018, Sabina announced the closing of the investment by Zhaojin International Mining Co., Ltd to purchase 24,930,000 common shares of Sabina at a price of Cdn \$2.65 per share for a total investment of Cdn \$66.1 million. Following these two transactions, DPM now holds 10.2% of the outstanding common shares of Sabina.

Commodity swap and option contracts

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

As at December 31, 2017, the Company had outstanding QP Hedges as summarized in the table below:

Commodity hedged	Volume hedged	Average fixed price of QP Hedges
Payable gold	9,865 ounces	\$1,284.29/ounce
Payable copper	1,014,125 pounds	\$3.09/pound
Payable silver	5,805 ounces	\$17.00/ounce

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

As at December 31, 2017, the Company had outstanding commodity swap contracts in respect of its projected copper production as summarized in the table below:

Year of projected production	Volume of copper hedged (pounds)	Average fixed price (\$/pound)
2018	19,166,966	\$2.62

As at December 31, 2017, the Company had outstanding commodity option contracts in respect of its projected copper production as summarized in the table below:

Year of projected production	Volume of copper hedged (pounds)	Call options sold Average ceiling price (\$/pound)	Put options purchased Average floor price (\$/pound)
2018	12,698,611	\$3.32	\$2.80

The fair value gain or loss on commodity swap contracts was calculated based on the corresponding LME forward copper prices and New York Commodity Exchange forward gold and silver prices, as applicable. The fair value gain or loss on commodity option contracts was calculated based on the option prices quoted on the Commodity Exchange (a part of the Chicago Mercantile Exchange). As at December 31, 2017, the net fair value loss on all outstanding commodity swap and option contracts was \$15.0 million (December 31, 2016 – net fair value gain of \$2.3 million), of which \$nil (December 31, 2016 – \$4.8 million) was included in other current assets, \$15.0 million (December 31, 2016 – \$4.7 million) in accounts payable and accrued liabilities, and \$nil (December 31, 2016 – \$2.2 million) in other long-term assets.

For the three and twelve months ended December 31, 2017, the Company recognized unrealized losses on commodity swap and option contracts related to continuing operations of \$5.0 million (2016 – unrealized gains of \$2.5 million) and \$17.3 million (2016 – \$5.0 million), respectively, in other expense (income). The Company also recognized realized losses on the settlement of certain commodity swap and option contracts related to continuing operations of \$5.6 million (2016 – realized gains of \$0.9 million) and \$15.3 million (2016 – \$0.9 million), respectively, in other expense (income) for the three and twelve months ended December 31, 2017.

Approximately 93% of the Company's expected payable copper production for 2018 has been hedged.

Forward foreign exchange contracts

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

As at December 31, 2017, the Company had outstanding forward foreign exchange contracts in respect of its 2018 projected foreign denominated operating expenses and capital expenditures as summarized in the table below:

Exposures hedged	Foreign currency hedged	Amount hedged in foreign currency	Average exchange rate Foreign currency/US\$
Operating expenses	ZAR	475,681,917	13.5909
Capital expenditures	Euro	56,045,000	1.1429

Namibian dollar (which is pegged to the ZAR) operating expense hedges represent approximately 28% of projected Namibian dollar operating expenses for 2018. The Euro capital expenditure hedges relate to projected Euro capital expenditures in respect of the construction of the Krumovgrad gold project, which have been substantially hedged.

The fair value gain or loss on these outstanding contracts was calculated based on the forward foreign exchange rates quoted in the market. As at December 31, 2017, the fair value gain on all outstanding forward foreign exchange contracts was \$6.3 million (December 31, 2016 – fair value loss of \$2.0 million), of which \$6.3 million (December 31, 2016 - \$nil) was included in other current assets and \$nil (December 31, 2016 - \$2.0 million) was included in accounts payable and accrued liabilities.

For the three and twelve months ended December 31, 2017, the Company recognized unrealized gains of \$4.5 million (2016 – \$0.8 million) and \$13.4 million (2016 – \$18.5 million), respectively, in other comprehensive income (loss) on the spot component of the outstanding forward foreign exchange contracts. The Company recognized realized losses of \$1.3 million (2016 – \$1.9 million) and \$4.4 million (2016 – \$10.2 million) for the three and twelve months ended December 31, 2017, respectively, in cost of sales on the spot component of those contracts which have been settled. The Company also recognized realized gains of \$1.8 million (2016 - \$nil) and \$4.7 million (2016 - \$nil) for the three and twelve months ended December 31, 2017, respectively, as reductions to mine properties on the spot component of the settled contracts in respect of foreign denominated capital expenditures.

For the three and twelve months ended December 31, 2017, the Company recognized unrealized losses of \$1.4 million (2016 – \$0.2 million) and \$5.1 million (2016 – unrealized gains of \$0.9 million), respectively, in other expense (income) on the forward point component of the outstanding forward foreign exchange contracts. The Company also recognized realized gains of \$1.8 million (2016 – \$1.2 million) and \$6.1 million (2016 – \$3.7 million) for the three and twelve months ended December 31, 2017, respectively, in other expense (income) on the forward point component of those contracts which have been settled.

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

EXPLORATION

Chelopech Overview

In 2017, an underground resource development diamond drilling program of 41,706 metres was completed. This comprises of 9,572 metres of grade control drilling aimed to better define the shape and volume of existing ore bodies and 32,134 metres of extensional drilling.

The key area explored was Zone 153, a new high-grade zone discovered in the fourth quarter of 2016 as part of the on-going 'Upper Levels' resource development drilling program. The focus of recent drilling has been on defining the shape and volume of the mineralized zone, improving confidence in the geological model and to add additional Mineral Resources in this area.

Elsewhere, resource development drilling concentrated on the north-west part of deposit, in particular Target 148, with the aim of converting Inferred Mineral Resources to higher confidence Mineral Resource categories. Furthermore, the areas down plunge of Blocks 17, 18, 19, 103 and 150 were also tested during 2017. A detailed review of the 2017 drilling program is discussed below.

Central Area

The main focus of underground resource development drilling in the Central area of the mine was to extend known economic mineralization down plunge in Blocks 17, 18 and 19.

Block 17

Block 17 was previously identified by Chelopech technical staff as having high potential for delivering Mineral Reserves to the life of mine plan. The holes from position 19E-350-RA on level 350 extended the silica envelope and expanded the high grade zone between 340 mRL and 260 mRL in easterly direction. Positive results from this drilling program are presented in the table below within holes "G17_350_01", "G17_350_02" and "G17_350_04". Drill holes from location 19W-320-P2 on level 320 were drilled in a southerly direction. As a result, the silica envelope of Block 17 was extended and the high grade zone expanded between 360 mRL and 280 mRL. Significant results are presented in the table below within holes "G17_320_04", "G17_320_07", "G17_320_09" and "G17_320_10". Subsequent drilling from higher elevations, from position 18-380-P2, extended the ore body to the northeast between 370 mRL and 320 mRL. A significant result returned from this phase of the program is shown in the table below from hole "G17_380_04".

Block 18

As a result of the drilling (from position G31-505-DDC1), a new advanced argillic zone hosting high grade mineralization was intersected. It is located east of Block 18 between 480 mRL and 510 mRL. The identified new zone of mineralization is a typical high-sulfidation mineral assemblage presented as a stockwork bearing pyrite, enargite and tennantite. A significant result is shown in the table below (see drillhole EXT18_505_01). The drillholes from position 19E-290-P2 drilled in Block 18 significantly increased the known ore body size. Results are presented in the table below within holes "G18_290_02", "G18_290_03" and "G18_290_05".

Block 19

Drillholes in western part of Block 19 were designed to check the continuity of mineralization in a north-northwesterly direction. As a result of holes drilled from level 290, Block 19W was extended in a northwest direction between 310 mRL and 260 mRL. Significant results are presented in the table below within holes "G19W_290_09", "G19W_290_10" and "G19W_290_12". Drillholes in eastern part of Block 19 were designed to check the continuity of mineralization in a northeasterly direction. As a result of holes drilled from level 290, the final shape and volume of the economic mineralization in Block 19E was better delineated between 300 mRL and 250 mRL in order to facilitate conversion of Mineral Resources to Mineral Reserves. Significant results are presented in the table below within holes "G19E_290_23" and "G19E_290_25".

Western Area

Block 103

Approximately 1,700 metres were drilled in Block 103 from drill cuddy R20-450-405-DDC1 on 440 level. Drilling tested high grade zones located close to the western boundary of Block 103 between 460mRL and 420mRL, which were encountered during an earlier exploration program. The outcome of the drilling was positive, resulting in the expansion of the ore contours in a westerly direction. Significant intercepts are shown below from hole "EXT103_440_01" and "EXT103_440_02".

Block 150

Grade control drilling from positions 150-165-P13 was designed to test the Block 150 mineralization along strike in a north-easterly direction. As a result, the silica envelope and the Mineral Resource contours of Block 150 were extended between 160 mRL and 140 mRL (significant intercepts are shown from hole "G150_165_01").

From position 150-225-P27VH, an extensional drilling program was completed to test the north-eastern flank of Block 150. Drill holes were designed to check for a continuation of the mineralization. The program delimited several small mineralized zones (between 230mRL and 190 mRL), which will be included in future Mineral Resource updates. Significant intercepts are shown from drill holes "EXT150_225_08" and "EXT150_225_11". From drill platform R20-450-405-DDC1 on the 440 level, drill hole "EXT150_440_20" extended known economic mineralization in upper part of Block 150 close to eastern boundary of the silica envelope between 460 mRL and 430 mRL. Significant results are presented in the table below.

At the end of 2017, an extensional drilling program was commenced from a new position, G421-405-DDC on level 405, targeting the upper levels of Blocks 150, 25 and 5. The drillholes are intended to expand the known ore body extents and convert Mineral Resources into Mineral Reserves. The results so far have extended Block 150 in a northern direction between 430 mRL and 360 mRL. Significant intercepts are shown from drill holes "EXT150_405_01" and "EXT150_405_03". Testing of this high potential area will continue in 2018.

Target 148

Extensional drilling in the north-west section of deposit, in particular for Target 148 is on-going. Target 148 is located south of Block 149 South and is interpreted as being oriented sub-parallel to it. This area has been tested using only a wide-spaced drill pattern to date. A total of 5,153 metres was drilled from drill location 150-225-P2. Drilling redefined the silica alteration envelope and discovered a new small high grade zone, within the Target 148 outline. Significant intercepts are reported in the table below from drillholes "EXT148_225_19", "EXT148_225_24" and "EXT148_225_25". Drilling will be continuing during 2018 to determine the continuity of mineralization with the goal of converting Target 148 to higher confidence Mineral Resource categories and ultimately into Mineral Reserves.

Zone 153

A significant new mineralized zone, named Zone 153, is located east of Block 150, north of Block 103 and Block 152. It is hosted within a broad silica-envelope alteration zone, which is considered to have high potential for hosting further mineralization. Zone 153 represents a Cu-Au±Ag high sulphidation type of epithermal mineralization, comprising of semi-massive to massive stockwork veining and hydrothermal breccia zones that host chalcopyrite, Cu-As-Sb sulfosalts (enargite, tennantite and tetrahedrite) and gold-rich pyrite that is typical of mineralization in the upper levels at Chelopech.

The majority of the extensional drilling in 2017 was conducted in Zone 153. The zone was drilled from three positions: R20-450-405-DDC1 (level 440), TP-450-BP2 (level 460) and G31-505-DDC2 (level 505). Drilling was designed to test continuity of the advanced argillic alteration zone which encloses the mineralized body. As a result of this drilling, the south-eastern silica alteration boundary was extended and the contours of the mineralized zone defined.

Approximately 6,300 metres were drilled for the Zone 153 program from position R20-450-405-DDC1. Drilling was designed to test continuity of the advanced argillic alteration zone which encloses mineralization of

economic interest to the east. As a result of this drilling, the eastern silica alteration boundary was redefined between 480 mRL and 410 mRL and the mineralization contours delineated. Drill holes “EXT150_440_09” and “EXT150_440_10” returned high gold grades within stockwork and disseminated styles of mineralization. These intercepts extend known economic mineralization approximately 45 metres to the east from the initial discovery drill hole “EXT150_440_06”. Additional significant intercepts that were returned during drilling are reported in the table below from drill holes “EXT150_440_07”, “EXT150_440_09”, “EXT150_440_10” and “EXT150_440_25”. Significant intercepts from position TP-450-BP2 are reported in the table below from drill holes “EXT153_460_01” and “EXT17_460_01”.

Approximately 6,800 metres of extensional drilling were accomplished from G31-505-DDC2 for Zone 153 program. As a result of this drilling, the silica alteration was extended between 510 mRL and 480 mRL and the mineralization contours defined. Mineralization exhibits a structural control and additional drilling is required to improve the ongoing development of the geological and structural model in this area. Significant intercepts from this phase of drilling are shown in the table below, from holes “EXT153_505_07” and “EXT153_505_10”.

Metallurgical testwork on the Zone 153 material was undertaken in the third quarter of 2017. The test work has shown it to be highly amenable to the current processing flow sheet. Drilling will continue in the first half of 2018 to clarify the final shape and dimensions of the ore body.

Outlook

The Mineral Resource development strategy for Chelopech has been planned for 2018, with a focus on drilling Zone 153 and the upper levels of Blocks 150, 25 and 5 in the western area and northwest sections of the deposit. Other areas of focus include Target 148 and the surrounding areas, which have demonstrated high potential to host new mineralized zones.

Drilling in Zone 153 will continue from G31-505-DDC2 on level 505 during 2018, with the goal of allowing the conversion of Mineral Resources to Mineral Reserves. A total of 2,000 metres of drilling has been planned to achieve this goal in the first half of 2018.

In light of the positive results from extensional drilling from position G421-405-DDC on level 405, the program will continue during 2018. Drilling will aim to expand the current mineralization contours in upper levels of Blocks 150, 25 and 5 and convert Mineral Resources into Mineral Reserves. Drilling towards Target 148 will also continue in 2018. Additional drilling will determine the continuity of mineralization with the goal of converting this discovery into higher confidence Mineral Resource categories and ultimately Mineral Reserves.

Additionally, there are plans to test the following targets:

- Extensional drilling in the areas close to Block 8 targeting the discovery of new and expansion of known ore bodies. Historic drilling results in combination with structural and geology models indicate un-tested mineralization may be present in this area.
- Grade control drilling in Block 151 between levels 390 mRL and 330 mRL to expand the known ore body and convert Mineral Resources into Mineral Reserves;
- Extensional drilling on a new target locality, called “700”. The target area coincides with NW – SE structural trend which has been assessed as having high potential for hosting new mineralization. Based on historical mapping of silica envelope on the upper levels of southeast mining area and several historical holes which returned ore-grade mineralization, a 3D model of the target was generated and will be used for drill testing; and
- Extensional drilling in a new target area termed “North”, located in the northeast section of Chelopech deposit close to the boundary of Block 19 between 140 mRL and 160 mRL.

Significant intercepts (gold equivalent (“AuEq”) cut-off grade of 3 g/t) received during 2017:

HOLE ID	EAST	NORTH	RL	AZ	DIP	FROM	TO	True Width (m)	AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)
EXT103_440_01	5759	29208	442	265.8	6.8	144.0	159.0	14.5	4.13	3.03	5.89	0.53
EXT103_440_02	5759	29208	442	256.5	3.7	75.0	88.5	13.0	3.85	2.03	1.61	0.89
EXT148_225_19	5644	29471	228	291.7	-12.1	208.5	228.0	19.5	5.13	4.16	5.38	0.47
EXT148_225_19	5644	29471	228	291.7	-12.1	235.5	252.0	16.5	3.97	3.09	5.35	0.43
EXT148_225_19	5644	29471	228	291.7	-12.1	271.5	289.5	18.0	6.53	3.52	8.94	1.47

EXT148_225_19	5644	29471	228	291.7	-12.1	295.5	313.5	18.0	3.27	2.27	4.92	0.49
EXT148_225_24	5644	29472	228	287	-8.0	193.5	205.5	12.0	4.58	3.25	4.84	0.64
EXT148_225_25	5644	29472	228	293.6	-18.8	246.0	262.5	16.5	5.73	5.00	3.47	0.35
EXT150_225_08	5650	29470	228	82.6	-7.9	64.5	88.5	23.5	3.85	3.26	2.27	0.29
EXT150_225_11	5650	29470	228	74.3	-4.3	61.5	94.5	31.0	7.25	5.72	3.47	0.74
EXT150_405_01	5769	29497	412	286.9	-18.0	93.0	129.0	34.0	4.39	2.28	6.98	1.02
EXT150_405_03	5769	29497	412	286.8	-4.8	91.5	141.0	48.0	3.48	1.82	5.9	0.81
EXT150_440_07	5988	29697	399	294.0	-1.0	148.5	169.5	21.0	4.35	3.40	6.17	0.46
EXT150_440_09	5764	29212	442	23.0	-2.4	141.0	162.0	21.0	5.36	3.97	3.72	0.67
EXT150_440_09	5764	29212	442	23.0	-2.4	297.0	310.5	13.5	3.79	1.66	3.94	1.04
EXT150_440_10	5763	29212	442	14.1	-0.5	146.6	184.5	37.5	12.49	9.61	6.25	1.40
EXT150_440_20	5761	29211	442	337.6	1.8	352.5	363.0	10.5	5.25	4.17	5.50	0.53
EXT150_440_25	5763	29212	442	350.2	-6.5	147.0	160.5	13.5	4.25	2.84	4.54	0.68
EXT153_460_01	5910	29302	451	312.3	-2.9	162.0	186.0	23.0	4.39	3.39	2.03	0.48
EXT153_460_01	5910	29302	451	312.3	-2.9	199.5	210.0	10.5	3.00	2.52	2.69	0.23
EXT153_505_07	6074	29369	507	316.0	-9.5	142.5	157.8	15.0	8.45	7.06	9.69	0.67
EXT153_505_10	6074	29368	507	285.2	0.6	355.5	375.0	19.5	8.12	3.92	11.27	2.04
EXT17_460_01	5910	29302	451	5.2	-2.6	10.5	18.0	7.5	3.91	1.99	2.16	0.93
EXT18_505_01	6379	29863	510	242.5	-8.3	70.5	88.5	17.5	6.90	2.64	18.5	2.07
G150_165_01	5696	29370	164	82.0	-30.0	0.0	40.0	34.0	28.47	27.34	4.72	0.55
G17_320_04	5921	29780	318	172.2	6.4	90.0	103.5	13.5	4.45	2.51	2.69	0.94
G17_320_07	5921	29780	318	181.3	3.1	153.0	169.5	16.5	4.40	2.23	7.90	1.05
G17_320_09	5921	29780	319	169.9	15.7	91.5	112.5	20.5	6.37	4.04	5.19	1.13
G17_320_10	5922	29780	317	148.2	-13.3	94.5	120.0	24.5	4.57	3.37	2.83	0.58
G17_350_01	5961	29778	350	182.8	-13.9	84.0	106.5	22.0	4.14	2.57	3.77	0.76
G17_350_02	5961	29778	349	182.3	-33.5	99.0	117.0	16.0	3.05	2.22	1.98	0.41
G17_350_04	5961	29778	350	170.7	-26.7	84.0	117.0	30.0	5.39	3.27	4.48	1.03
G17_380_04	5996	29704	378	263.3	-37.0	30.0	42.0	10.0	7.94	3.53	7.75	2.14
G18_290_02	6060	29777	289	145.0	-5.8	85.5	132.0	46.0	4.05	2.90	3.36	0.56
G18_290_03	6059	29777	289	123.7	-30.8	39.0	69.0	23.0	3.17	2.35	2.13	0.40
G18_290_03	6059	29777	289	123.7	-30.8	94.5	118.5	20.0	3.98	2.62	6.51	0.66
G18_290_05	6060	29777	289	124.8	-2.9	124.5	138.0	13.5	7.04	6.23	10.28	0.39
G19E_260_06	6035	29901	261	85.5	-7.0	130.5	151.5	20.5	3.48	2.90	3.47	0.28
G19E_290_23	5898	29918	292	75.7	-3.0	135.0	154.5	19.5	5.80	3.14	8.70	1.29
G19E_290_23	5898	29918	292	75.7	-3.0	195.0	235.5	40.5	4.55	2.69	3.44	0.90
G19E_290_25	5898	29919	292	57.8	-6.3	115.5	129.0	13.5	4.07	2.56	7.86	0.73
G19W_290_09	5805	29901	293	263.2	11.3	1.5	24.0	22.5	4.66	5.31	10.45	0.69
G19W_290_10	5804	29902	292	282.4	-16.3	0.0	39.0	38.0	4.91	4.07	5.61	0.41
G19W_290_12	5805	29901	292	238.9	-13.6	78.0	93.0	14.5	4.07	2.00	6.22	1.00

- 1) Significant intercepts are located within the Chelopech Mine Concession and proximal to the mine workings.
- 2) AuEq calculation is based on the following formula: $Au\ g/t + 2.06 \times Cu\ \%$.
- 3) Minimum downhole width reported is 1.5 metres with a maximum internal dilution of 4.5 metres.
- 4) Drill holes with prefix G indicate grade control drilling which is performed using BQ diamond drill core. All other holes are drilled with NQ diamond core.
- 5) Coordinates are in mine-grid.
- 6) No factors of material effect have hindered the accuracy and reliability of the data presented above.
- 7) No upper cuts applied.
- 8) For detailed information on drilling, sampling and analytical methodologies refer to the NI 43-101 Technical Report entitled "Mineral Reserve Update, Chelopech Project, Chelopech, Bulgaria" (the "Chelopech Technical Report") filed on SEDAR at www.sedar.com on March 28, 2016.

Sampling and Analysis

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

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

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

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

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

Chelopech Brownfield Exploration

During 2017, the brownfields program was divided into three parts, including the continuation of the near mine underground drilling along the SEBPZ, the commencement of follow-up surface drilling in the Sharlo Dere area, and surface exploration over the Sveta Petka and Brevene exploration licenses. A total of 4,435 metres of exploration diamond drilling was completed at Chelopech during the year.

Near mine exploration drilling during 2017 included the completion of seven underground diamond drill holes totaling of 3,150 metres along the SEBPZ within the Chelopech mining concession and the Brevene exploration license. The results of underground drilling confirm the potential for economically significant high-sulphidation style copper-gold mineralization: wide zones of acid-sulphate type of alteration (silicification and advanced argillic alteration), several intervals of copper-gold mineralization (shown in the table below) and breccia bodies over the SEBPZ's 1,500 metre strike length. However, the current density of drilling along the SEBPZ is sparse and large areas between previously defined sections remain untested by drilling. In September 2017, a technical review of the SEBPZ was conducted and a drilling strategy was developed to test the open areas by underground exploration at Chelopech during 2018 and 2019, with the purpose of identifying copper-gold bodies that can deliver potential future copper-gold resources to the Chelopech mining operations in the near term. Commencing in 2018, a total of 10,550 metres of underground diamond drilling is proposed along the SEBPZ.

In the Sharlo Dere area, drilling was planned to follow up encouraging results from two drill holes completed in 2016 as well as to test the Krasta target, a new gold-copper target about 500 metres northeast of Sharlo Dere. The Krasta target has both shallow and deep drill targets that were defined by a new interpretation of drill holes that were completed by the state in the 1960's to 1980's. Due to the permitting process, surface drilling at the shallow Krasta target in late 2017 was postponed, however, surface diamond drilling at the Krasta Deep target commenced in late October 2017. Two surface diamond drill holes totaling 1,285 metres were completed with encouraging results showing brecciated diorite with intervals of advanced argillic alteration and copper-gold mineralization similar to the Chelopech high sulphidation style ore bodies. Significant intervals from these first two holes are shown in the table.

Surface exploration activities on the Brevene and Sveta Petka exploration licenses were aimed at identifying additional gold and copper targets for drill testing in 2018. As part of this program, 81 line kilometers of ground magnetics, 187 gravity stations and 147 magnetotelluric stations were surveyed, 1,323 soil samples were collected and additional geological mapping was carried out. Further data processing, modelling and interpretation of the results obtained are underway to identify and prioritize additional gold and copper targets for drill testing in 2018.

**Significant drill intersections from the 2017 brownfields exploration program at Chelopech.
Note true widths are not known.**

HOLE ID	FROM	TO	WIDTH (METERS)	AU EQ (G/T)	AU (G/T)	CU (%)
SEBPZ:						
EX_SEBP_730_01	272	276	4	1.68	1.22	0.22
EX_SEBP_730_01	349	355	6	2.06	1.26	0.39
EX_SEBP_730_01	405	408	3	1.73	1.72	0.01
EX_SEBP_420_01	174	175	1	1.32	1.31	0.01
EX_SEBP_420_01	343	344	1	3.92	3.91	0.01
EX_SEBP_420_02	88	90	2	1.66	1.39	0.13
EX_SEBP_420_02	93	97	4	6.67	6.65	0.01
EX_SEBP_420_02	145	146	1	3.97	1.39	1.25
EX_SEBP_420_02	583	584	1	2.76	1.03	0.84
EX_SEBP_555_03	150.1	181	30.9	1.01	0.64	0.18
Incl. EX_SEBP_555_03	151	159	8	2.54	1.59	0.46
Incl. EX_SEBP_555_03	177	178	1	2.88	1.38	0.73
EX_SEBP_405_01	49	56	7	1.31	0.53	0.22
Incl. EX_SEBP_405_01	53	54	1	3.46	1.27	0.84
Sharlo Dere & Krasta Deep:						
EX_KRD_02	356	370	14	1.06	0.75	0.15
Incl. EX_KRD_02	363	364	1	3.47	2.67	0.39
EX_KRD_02	383	391	8	1.24	0.53	0.35
Incl. EX_KRD_02	385	386	1	6.49	2.99	1.70

Krumovgrad, Bulgaria

During 2017, a total of 3,603 metres of diamond drilling in 14 holes was completed. Drilling focused on the Kupel North target area. Although no significant gold intercepts were achieved, the results confirm the presence of a zoned, shallow level hydrothermal system over a one to two km² area that is characterized by structurally and stratigraphically-controlled colloform-banded silica-carbonate-sulphide-adularia vein zones with abundant boiling-related lattice bladed textures at deeper levels. The Company's application for a Geological Discovery at Kupel North was approved by the Ministry of Energy in April 2017.

At Kupel (south), additional geological mapping, structural interpretation and a study on vein textures to aid exploration as a vectoring tool was completed. The results are being used in the construction of a revised 3D geological model of the prospect to assist in identifying additional gold targets for drilling in 2018.

Adjacent to the Khan Krum mining concession, surface exploration on the Lada exploration license was undertaken to help identify additional gold targets to test in 2018. Exploration activities, including ground magnetics, geological mapping, and stream sediment and soil sampling, were carried out at the nearby Elhovo, Chiirite and Dalbokata Reka exploration licenses. At the Elhovo exploration license, a NE-trending gold in soil geochemistry anomaly hosted by calcareous schist was outlined and covers an area of approximately 800 metres long by 100 metres wide. Scout diamond drill testing of this anomaly is planned during 2018. Two gold targets associated with surface quartz veins (0.5 to 1.0 metre wide) were also identified at the Chiirite exploration license during 2017 and will be followed up with trenching, sampling and drilling to determine widths and grades in 2018.

Krumovgrad Gold Project Grade Control Drilling

In 2017, an intensive grade control drilling program of 25,065 metres was completed at the Krumovgrad gold project mine site. Drilling was initially designed to allow the determination of the optimal drill hole spacing for the entire upper zone and wall zone at the Ada Tepe deposit.

When broken down by drilling phase, 12,544 metres were drilled on the initial close-spaced grid (5 x 5 m) and another 12,521 metres were drilled on a 10 x 10 m grid while awaiting for assay results and the completion of the optimization process. Grade control drilling will continue in the pushback one area during the first half of 2018 to a target depth of 430 metres, which will ensure grade control drilling is one year ahead of mining.

Approximately 700 metres of inclined diamond-drilling was accomplished using a surface rig. The focus of drilling was on improving the geology confidence on the eastern flank of the Krumovgrad open pit area. The results allowed local re-modeling of upper zone and wall zone.

Timok Gold Project, Serbia

During 2017, a total of 9,335 metres of diamond drilling was completed at the Timok gold project, including two phases of drilling at Korkan West (41 holes for 6,770 metres), at other targets (13 holes for 2,045 metres) and for metallurgical samples (6 holes for 520 metres). In addition, 140 line kilometres of ground magnetic surveying, 18 line kilometres of induced polarization (“IP”) and resistivity geophysical surveying, an infill soil program (2,147 samples) and 6,802 metres of trenching were carried out in 2017.

Exploration activities at the Timok gold project during the fourth quarter of 2017 were focused on the completion of Phase 2 drilling at the Korkan West prospect (3,691 metres in 20 drill holes). The mineralization discovered in diamond drill hole KWDD016 at the end of 2016 was subsequently tested by two phases of drilling in 2017, which resulted in gold mineralization being found over a strike length of 220 metres along a north-northwest structurally controlled zone during the Phase 1 drilling. During the Phase 2 drilling, hole KWDD040 intersected mineralization further to the northwest. To the southeast, hole KWDD038 intersected 29 metres at 0.55 g/t gold from surface, including seven metres at 1.69 g/t gold also from surface, confirming previous trench results reported for trench KWCH018 that included 91 metres averaging 2.98 g/t gold, including 36 metres averaging 4.06 g/t gold in oxidized sandstones (S1 unit). Mineralized intervals at Korkan West are both structurally and stratigraphically controlled with mineralization found along two sedimentary contacts within the clastic sedimentary rock sequence (S1 and S2 units). Significant gold results from Korkan West are shown in the table below. Almost all of the intervals shown in the table are oxidized. True widths are difficult to estimate on a hole by hole basis due to almost all core being strongly weathered and broken.

As part of carbonate-rock hosted gold program, several trenches and channels intersected intervals with gold mineralization. Subsequently, the drilling of carbonate-rock hosted gold targets commenced during 2017 and will continue in 2018. Some assays are pending and interpretation is in progress.

A total of 520 metres (6 drill holes) were drilled at Korkan, Bigar Hill and Korkan West for the purpose of metallurgical test work of oxide and transitional ore. Four composite metallurgical samples are being tested at SGS Lakefield laboratory in Canada.

Significant drill intersections from Phases 1 and 2 drilling at Korkan West, Timok gold project, Serbia. Note true widths are not known.

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

KODD161	570139	4899381	656	225	-60	158.8	2.6	12.6	10	1.38
KODD161	570139	4899381	656	225	-60	158.8	19	27	8	1.10
KODD167	570197	4899374	712	225	-60	203.6	189	197	8	1.07
KODD169	570242	4899075	687	270	-55	137.7	8	24	16	0.80
KODD169	570242	4899075	687	270	-55	137.7	11.3	20	9	1.25
KWDD034	569839	4899342	641	45	-50	105.4	0	47	47	1.26
KWDD034	569839	4899342	641	45	-50	105.4	0	9	9	2.37
KWDD034	569839	4899342	641	45	-50	105.4	14.3	35	21	1.58
KWDD036	569655	4899397	665	225	-55	165.5	12	42	30	1.20
KWDD036	569655	4899397	665	225	-55	165.5	15	29	14	1.99
KWDD038	569881	4899314	626	225	-50	81.3	0	29	29	0.55
KWDD038	569881	4899314	626	225	-50	81.3	0	7	7	1.69
KWDD040	569635	4899563	698	225	-60	220.5	198	220.5	23	0.70
KWDD040	569635	4899563	698	225	-60	220.5	204	217	13	1.09

Lenovac Joint Venture, Serbia

At the Lenovac joint venture with Rio Tinto Mining and Exploration Limited (“Rio Tinto”), one diamond drill hole was completed during 2017. Drill hole VKDD005 commenced in late December 2016 and was completed during February 2017 for a total depth of 932 metres. No significant results from the drilling were identified from this hole. During the second quarter of 2017, Rio Tinto completed a total of 6 lines (29 line km or 151 stations) of audio-frequency magnetotelluric (“AMT”) surveying. In the fourth quarter of 2017, a total of 754 line km of helicopter-borne high-resolution magnetic and radiometric surveying was completed by Rio Tinto over the entire Lenovac exploration license. Two lines (16 line km) of seismic surveying are proposed for 2018. This information will assist the geological model construction and targeting in the Lenovac license area during 2018.

An agreement to extend the Stage 1 period to December 31, 2018 and to increase expenditures to \$3.5 million was signed in December 2017.

Malartic Joint Venture, Quebec

Project-wide exploration activities commenced during the third quarter of 2017 on the Company’s joint venture project in the Archean Abitibi greenstone belt in the Malartic mining camp in Quebec, which is held under option agreements signed in June 2017 with Khalkos Exploration Inc.

During the fourth quarter of 2017, detailed geophysical and geochemical surveys, as well as geological mapping and drill core re-logging were focused to the prospect areas located within the volcano-sedimentary Blake River Group, where targets are represented by volcanogenic massive sulphide (“VMS”), intrusion-related and shear zone hosted Au mineralization. Results from high resolution drone-based unmanned aerial vehicle (“UAV”) magnetics covering 12 square kilometres and pole-dipole IP survey, and new multi-elements geochemical data are currently processed and integrated with historical exploration data in a new 3D geological model. Initial drill holes targets are being defined for these prospect areas, which will be tested during the first quarter of 2018.

Other

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

Sampling and Analysis of Exploration Core and Channel Samples

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

All drill core is cut lengthwise into two halves using a diamond saw, one half is sampled for assaying and the other half is retained in core trays. All drill core is sampled in intervals ranging up to three metres,

however, the common length for sample intervals within mineralized zones is one metre. Weights of drill core samples range from three to eight kilograms, depending on the size of core, rock type, and recovery. A numbered tag is placed into each sample bag, and the samples are grouped into batches for laboratory submissions. Almost all exploration samples are shipped to the Company's own exploration laboratory in Bor, Serbia, which is managed by SGS Minerals.

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

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

DEVELOPMENT AND OTHER MAJOR PROJECTS

Krumovgrad

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

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

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

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

The estimated capital cost of the project at completion is now expected to be between \$162 million and \$168 million, of which \$78.5 million has been incurred to date. This decrease relative to the 2015 estimate of \$178.2 million is due primarily to:

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

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

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

1) Estimated and expressed in Q4 2015 US\$.

2) Average cash cost over eight years.

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

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

1) Based on long term metals prices of \$1,250/oz Au and \$15.00/oz Ag.

2) US\$ / Euro exchange rate = 1.14.

3) Includes an allowance for smelter terms and community investment.

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

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

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

During the third quarter of 2017, the Terms of Reference (“ToR”) for the waste water discharge pipeline detailed development plan (“DDP”) was approved by the Krumovgrad Municipal Council (“KMC”) and the draft DDP was published in the State Gazette. In October 2017, the KMC’s resolution approving the final DDP for the new access road was also published in the State Gazette, following which the DDP entered into force in early November. These approvals are important steps in the process to obtain construction permits for both items. While neither item is currently on the project critical path, any additional significant delays in the construction permitting process could affect the planned fourth quarter of 2018 start-up date.

With the new access road DDP now in force, EVN (the electricity supply utility) has initiated the permitting and subsequent construction process for the installation of the power line to the site. As a result of the delay in the road approvals, the anticipated installation of the power supply to the site is later than planned, but is not currently on the critical path. As with the road and pipeline approvals, any further delays in the construction of the power line could impact the planned fourth quarter of 2018 completion date.

The main construction activities during the fourth quarter of 2017 were:

- Ongoing installation of major equipment foundations in the process plant area;
- Continued execution of the IMWF earthworks, which are expected to be completed in the first quarter of 2018;
- Mobilization of the main mechanical contractor and commencement of structural steel and major equipment installation;
- Deliveries of major process equipment to the site;
- Selection of the main electrical and instrumentation installation contractor, with mobilization to site in the first quarter of 2018;
- Completed construction and commissioning of the fresh water supply to the site; and
- Ongoing hiring and training of key operational staff.

As at December 31, 2017, construction of the project was approximately 51% complete, based on installed quantities and the project completion remains on track for first concentrate production in the fourth quarter of 2018. All major construction contracts have now been awarded, and rates locked-in for the balance of the project.

Progress against the project baseline schedule is set out below:

Key Milestones	Expected/Actual Completion
Commence main civil/mechanical/electrical construction	Q3 2017 (complete)
Complete bulk earthworks in the process plant area	Q3 2017 (complete)
Mobilize electrical and instrumentation contractor to site	Q1 2018
Complete IMWF earthworks	Q1 2018
Commence pre-stripping of the mine	Q2 2018
Start cold commissioning	Q2 2018
Start hot commissioning	Q3 2018
First concentrate production	Q4 2018

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

Tsumeb – Capital Project

Rotary Holding Furnace

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

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

Incremental fixed operating costs associated with the operation of the holding furnace are estimated to be approximately \$6 million per year, excluding the variable costs associated with the processing of any additional tonnage. Work to secure the necessary permits to support this planned increase in production is ongoing. An Environmental and Social Impact Assessment (“ESIA”) is underway for the project. Public access to the draft ESIA was provided during the second quarter of 2017. The Company is currently reviewing the comments received and is working to address them.

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

OFF BALANCE SHEET ARRANGEMENTS

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

SELECTED QUARTERLY AND ANNUAL INFORMATION

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

\$ millions except per share amounts	2017				2016 ⁽¹⁾			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue ⁽²⁾	94.9	92.3	86.9	74.6	82.1	54.8	72.5	70.1
Net (loss) earnings	(1.8)	3.0	11.0	(12.6)	(110.1)	(30.4)	(5.3)	(6.4)
Net (loss) earnings attributable to:								
• Non-controlling interest	(0.4)	(0.1)	(0.0)	(0.1)	(0.1)	(0.5)	0.3	(0.3)
• Discontinued operations	-	-	-	-	(2.5)	(0.1)	3.3	(2.3)
• Continuing operations	(1.4)	3.1	11.0	(12.5)	(107.5)	(29.8)	(8.9)	(3.8)
Net (loss) earnings per share:								
• Discontinued operations	-	-	-	-	(0.02)	(0.00)	0.02	(0.01)
• Continuing operations	(0.01)	0.02	0.06	(0.07)	(0.67)	(0.19)	(0.06)	(0.03)
Net (loss) earnings diluted per share:								
• Discontinued operations	-	-	-	-	(0.02)	(0.00)	0.02	(0.01)
• Continuing operations	(0.01)	0.02	0.06	(0.07)	(0.67)	(0.19)	(0.06)	(0.03)
Adjusted net earnings (loss) ⁽²⁾	3.4	7.6	11.9	(6.2)	5.7	(19.4)	(7.4)	(1.3)
Adjusted basic earnings (loss) per share ⁽²⁾	0.02	0.04	0.07	(0.04)	0.04	(0.12)	(0.05)	(0.01)

1) 2016 results reflect Kapan as a discontinued operation as a result of the Kapan Disposition, which closed on April 28, 2016.

2) Information relates to continuing operations.

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

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

Average	2017				2016			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
London Bullion gold (\$/oz)	1,275	1,278	1,257	1,219	1,219	1,335	1,259	1,180
LME settlement copper (\$/lb)	3.09	2.88	2.57	2.65	2.40	2.17	2.15	2.12
LBMA spot silver (\$/oz)	16.70	16.83	17.26	17.42	17.18	19.62	16.78	14.83

The following is a summary of selected annual information for the Company's last three fiscal years:

<i>\$ thousands, except per share amounts</i>			
At December 31,	2017	2016 ⁽¹⁾	2015 ⁽²⁾
Revenue from continuing operations	348,755	279,489	225,134
Impairment charges of continuing operations ⁽³⁾	-	126,363	1,559
Net earnings (loss) attributable to common shareholders from continuing operations	217	(149,947)	2,812
Net loss attributable to common shareholders from discontinued operations	-	(1,605)	(49,801)
Net loss	(361)	(152,187)	(48,042)
Adjusted net earnings (loss) from continuing operations	16,701	(22,372)	4,998
Basic earnings (loss) per share from continuing operations	0.00	(1.00)	0.02
Basic loss per share from discontinued operations	-	(0.01)	(0.35)
Basic earnings (loss) per share	0.00	(1.01)	(0.33)
Diluted earnings (loss) per share	0.00	(1.01)	(0.33)
Adjusted net earnings (loss) per share from continuing operations	0.09	(0.15)	0.04
Total assets	844,750	733,952	906,151
Long-term debt, including current portion	23,000	41,110	147,035

1) 2016 results reflect Kapan as a discontinued operation as a result of the Kapan Disposition, which closed on April 28, 2016.

2) 2015 results have been restated to reflect Kapan as discontinued operations as a result of the Kapan Disposition, which closed on April 28, 2016.

3) Includes impairment charges on property, plant and equipment, intangible assets and publicly traded securities.

Key events impacting the Company's financial results over the period 2015 to 2017 include:

- (i) higher volumes of payable gold in concentrate sold as a result of higher gold recoveries and grades, higher volumes of complex concentrate smelted and higher market copper and gold prices in 2017 relative to 2016. Higher acid revenue following the commissioning of the acid plant in the fourth quarter of 2015, reduced estimated deductions for metals exposure, higher realized gold prices and lower realized copper prices in 2016 relative to 2015;
- (ii) impairment charges in 2016 of \$126.4 million, including \$118.7 million in respect of Tsumeb and \$1.6 million in 2015;
- (iii) lower depreciation at Tsumeb in 2017 relative to 2016 following changes in the estimated useful lives for certain assets and the impairment charges taken in 2016. Higher local currency operating expenses and depreciation at Tsumeb, and the impact of a stronger U.S. dollar in 2016 and 2015 relative to local currencies in which the Company's operating costs are denominated;
- (iv) impairment charge in respect of Kapan of \$42.7 million included in net loss from discontinued operations in 2015;

- (v) realized and unrealized gains and losses related to commodity swap contracts in 2017, 2016 and 2015;
- (vi) realized and unrealized gains and losses related to forward foreign exchange contracts in 2017, 2016 and 2015;
- (vii) higher capital expenditures in 2017 relative to 2016 for the construction of the Krumovgrad gold project. Reduced capital expenditures in 2016 relative to 2015 with the completion of the new copper converters in the first quarter of 2016, the acid plant in the fourth quarter of 2015;
- (viii) in October 2017, acquired a 78% equity interest in MineRP Holdings Proprietary, through MineRP, for cash paid of \$20.0 million, including \$8.1 million that was used to repay all outstanding debt and certain other liabilities;
- (ix) non-brokered private placement with the EBRD in 2017, pursuant to which the Company issued 17.8 million common shares of the Company for gross proceeds of \$33.2 million. Bought deal financing with a syndicate of underwriters and a non-brokered private placement, pursuant to which the Company issued 19.1 million shares of the Company for gross proceeds of \$43.8 million; and
- (x) repayments under the RCF of \$2.0 million in 2017, repayments of \$90.0 million in 2016 and drawdowns of \$5.0 million in 2015. Scheduled repayments of Term Loans of \$16.2 million in each of the periods.

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

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

(i) Mineral exploration and evaluation expenditures

Exploration and evaluation activities involve the search for Mineral Resources and Mineral Reserves, the assessment of technical and operational feasibility and the determination of an identified Mineral Resource or Mineral Reserve's commercial viability. Once the legal right to explore has been acquired, exploration and evaluation expenditures are expensed as incurred until economic production is probable. Exploration expenditures in areas where there is a reasonable expectation to convert existing estimated Mineral Resources to estimated Mineral Reserves or to add additional Mineral Resources with additional drilling and evaluations in areas near existing Mineral Resources or Mineral Reserves and existing or planned production facilities, are capitalized.

Exploration properties that contain Proven and Probable Mineral Reserves, but for which a development decision has not yet been made, are subject to periodic review for impairment when events or changes in circumstances indicate the project's carrying value may not be recoverable.

Exploration and evaluation assets are reclassified to "Mine Properties - Mines under construction" when the technical feasibility and commercial viability of extracting the Mineral Resources or Mineral Reserves are demonstrable and construction has commenced or a decision to construct has been made. Exploration and evaluation assets are assessed for impairment before reclassification to "Mines under construction", and the impairment charge, if any, is recognized through net loss.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is probable that future economic benefits will be generated from the exploitation of an exploration and evaluation asset when activities have not yet reached a stage where a reasonable assessment of the existence of Mineral Reserves can be determined. The estimation of Mineral Resources is a complex process and requires significant assumptions and estimates regarding economic and geological data and these assumptions and estimates impact the decision to either expense or

capitalize exploration and evaluation expenditures. Management is required to make certain estimates and assumptions about future events and circumstances in order to determine if an economically viable extraction operation can be established. Any revision to any of these assumptions and estimates could result in the impairment of the capitalized exploration costs. If new information becomes available after expenditures have been capitalized that the recovery of these expenditures is no longer probable, the expenditures capitalized are written down to the recoverable amount and charged to net loss in the period the new information becomes available.

(ii) Mine properties

Mine Properties - Mines under construction

All expenditures undertaken in the development, construction, installation and/or completion of mine production facilities are capitalized and initially classified as “Mines under construction”. Upon the commencement of production at the expected capacity level, all related assets included in “Mines under construction” are reclassified to “Mine Properties - Producing mines” or “Property, plant and equipment”.

All expenditures related to the construction of mine declines and ore body access, including mine shafts and ventilation raises, are considered to be capital development and are capitalized. Expenses incurred after reaching the ore body are regarded as operating development costs and are included in the cost of ore hoisted.

Mine Properties – Producing mines

All assets reclassified from “Mines under construction” to “Producing mines” are stated at cost less accumulated depletion and accumulated impairment charges. Costs incurred for the acquisition of land are stated at cost.

The initial cost of a producing mine comprises its purchase price or construction cost, any costs directly attributable to bringing it to a working condition for its intended use, the initial estimate of the rehabilitation costs, and for qualifying assets, applicable borrowing costs during construction. The purchase price or construction cost is the aggregate amount of cash consideration paid and the fair value of any other consideration given to acquire the asset.

When a mine construction project moves into production, the capitalization of certain mine construction costs ceases, and from that point on, costs are either regarded as inventory costs or expensed as cost of sales, except for costs related to mine additions or improvements, mine development or mineable reserve development, which qualify for capitalization.

Depletion

The depletion of a producing mine asset is based on the unit-of-production method over the estimated economic life of the related deposit.

Mineral Resources and Mineral Reserves estimates

The estimation of Mineral Resources and Mineral Reserves, as defined under NI 43-101, is a complex process and requires significant assumptions and estimates. The Company prepares its Mineral Resources and Mineral Reserves estimates based on information related to the geological data on the size, depth and shape of the ore body which is compiled by appropriately qualified persons. Mineral Resources and Mineral Reserves estimates are based upon factors such as metal prices, capital requirements, production costs, foreign exchange rates, geotechnical and geological assumptions and judgments made in estimating the size and grade of the ore body. Mineral Resources and Mineral Reserves estimates, together with forecast production, determine the life of mine estimates and therefore changes in the Mineral Resources or Mineral Reserves estimates may impact the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, depletion and depreciation charges, rehabilitation provisions and deferred income tax assets.

(iii) Property, plant and equipment

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

The initial cost of property, plant and equipment comprises its purchase price or construction cost, any costs directly attributable to bringing it to a working condition for its intended use, the initial estimate of the rehabilitation costs, and for qualifying assets, applicable borrowing costs during construction. The purchase price or construction cost is the aggregate amount of cash consideration paid and the fair value of any other consideration given to acquire the asset. Where an item of property, plant and equipment is comprised of significant components with different useful lives, the components are accounted for as separate items of property, plant and equipment. The capitalized value of a finance lease is also included in property, plant and equipment.

Depreciation

The depreciation of property, plant and equipment related to a mine is based on the unit-of-production method over the estimated economic life of the related deposit, except in the case of an asset whose estimated useful life is less than the life of the deposit, in which case the asset is depreciated over its estimated useful life based on the straight-line method. For all other property, plant and equipment, depreciation is based on the estimated useful life of the asset on a straight-line basis. Depreciation of property, plant and equipment used in a capitalized exploration or development project is capitalized to the project.

Depreciation of property, plant and equipment, which are depreciated on a straight-line basis over their estimated useful lives, is as follows:

Asset Category	Estimated useful life (Years)
Buildings	10-25
Machinery and Equipment	3-25
Vehicles	5
Computer Hardware	2-5
Office Equipment	3-7

Construction work-in-progress includes property, plant and equipment in the course of construction and is carried at cost less any recognized impairment charge. These assets are reclassified to the appropriate category of property, plant and equipment and depreciation of these assets commences when they are completed and ready for their intended use.

An item of property, plant and equipment, including any significant part initially recognized, is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of all assets are reviewed at each financial year end and are adjusted prospectively, if appropriate. Significant judgment is involved in the determination of estimated residual values and useful lives. The actual residual values and useful lives may differ from current estimates.

Depreciation of mine specific assets is based on the unit-of-production method. The life of these assets is assessed annually with regard to both their anticipated useful life and the present assessments of the economically recoverable reserves of the mine property where these assets are located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Any changes to these calculations based on new information are accounted for prospectively.

Rates of depreciation and, in turn, the annual depreciation expense could therefore be materially affected by changes in underlying estimates. Changes in estimates can be the result of differences in actual production or changes in forecast future production, changes in Mineral Resources or Mineral Reserves

through exploration activities, differences between estimated and actual costs of mining and differences in metal prices used in the estimation of Mineral Reserves.

Exploration and evaluation assets, mine properties, property, plant and equipment and intangible assets balances could be materially impacted if other assumptions and estimates had been used. In addition, future operating results could be impacted if different assumptions and estimates are applied in future periods.

(iv) Impairment of non-financial assets

The carrying values of mine properties, intangible assets and property, plant and equipment are assessed for impairment whenever indicators of potential impairment exist. If any indication of potential impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the FVLCD and its value in use based on discounted cash flows. This is determined on an asset-by-asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. If this is the case, individual assets are grouped together into a CGU for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or groups of assets. Management has assessed the Company's CGUs as being an individual operating site.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount with the corresponding impairment being charged to earnings in the period of impairment. Impairment charges are recognized in the consolidated statements of earnings (loss) in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any change in events or circumstances relating to a previously recognized impairment. If a change has occurred, the Company makes an estimate of the recoverable amount for the previously impaired asset or CGU. A previously recognized impairment charge, other than a charge in respect of goodwill, is reversed only if there has been a change in the estimates used to determine the asset or CGU's recoverable amount since the last impairment charge was recognized. If this is the case, the carrying amount of the asset or CGU is increased to its newly determined recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment charge been recognized for the asset or CGU in prior years.

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

The assessment of impairment is based, in part, on certain factors that may be partially or totally outside of the Company's control, and requires the use of estimates and assumptions related to future value drivers, such as commodity prices, toll rates, discount rates, foreign exchange rates, operating and capital costs, and future expansion plans.

These significant estimates and assumptions, some of which may be subjective, require that management make decisions based on the best available information at each reporting period. It is possible that the actual recoverable amount could be significantly different than those estimates. A significant decline in the asset's market value, reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable reserves, resources and exploration potential, and/or adverse market conditions can result in a write-down of the carrying amounts of the Company's assets. Judgment is also required when considering whether significant changes in any of these items indicate a previous impairment may have reversed.

(v) Rehabilitation provisions

Mining, processing, development and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes a liability for its rehabilitation obligations in the period when a legal and/or constructive obligation is identified. The liability is measured at the present value of the estimated costs required to rehabilitate operating locations based on the risk free nominal discount rates that are specific to the countries in which the operations are located. A

corresponding increase to the carrying amount of the related asset is recorded and depreciated in the same manner as the related asset.

The nature of these restoration and rehabilitation activities includes: i) dismantling and removing structures; ii) rehabilitating mines and tailing dams; iii) dismantling operating facilities; iv) closure of plant and waste sites; and v) restoration, reclamation and re-vegetation of affected areas. Other environmental costs incurred at the operating sites, such as environmental monitoring, water management and waste management costs, are charged to profit or loss when incurred.

The liability is accreted over time to its expected future settlement value. The accretion expense is recognized in finance cost in the consolidated statements of earnings (loss).

The Company assesses its rehabilitation provisions at each reporting date. The rehabilitation liability and related assets are adjusted at each reporting date for changes in the discount rates and in the estimated amount, timing and cost of the work to be carried out. Any reduction in the rehabilitation liability and therefore any deduction in the related rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is immediately credited to profit or loss.

Significant estimates and assumptions are made by management in determining the nature and costs associated with the rehabilitation liability. The estimates and assumptions required include estimates of the timing, extent and costs of rehabilitation activities, technology changes, regulatory changes, and changes in the discount and inflation rates. These uncertainties may result in future expenditures being different from the amounts currently provided.

Changes in the underlying assumptions used to estimate the rehabilitation liability as well as changes to environmental laws and regulations could cause material changes in the expected cost and expected future settlement value.

At December 31, 2017, the undiscounted future cost for the rehabilitation obligations before inflation was estimated to be \$52.4 million. The carrying value of the rehabilitation liability was \$38.0 million at December 31, 2017 and \$30.3 million at December 31, 2016.

(vi) Revenue recognition

Revenue from the sale of concentrates containing gold, copper, zinc and silver is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when products have been delivered to the location specified in the sales contract and the risk of loss has been transferred to the buyer. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of concentrates is initially recorded based on a provisional value which is a function of prevailing market prices, estimated weights and grades less smelter and financial deductions. Under the terms of the concentrate sales contracts, the final metal price ("settlement price") for the payable metal is based on a predetermined quotational period of London Metal Exchange daily prices. The price of the concentrate is the sum of the metal payments less the sum of specified deductions, including treatment and refining charges, penalties for deleterious elements, and freight. The terms of these contracts result in embedded derivatives because of the timing difference between the prevailing metal prices for provisional payments and the actual contractual metal prices used for final settlement. These embedded derivatives are adjusted to fair value at the end of each reporting period through to the date of final price determination with any adjustments recognized in revenue.

Any adjustments to the amount receivable for each shipment on the settlement date, caused by final assay results, are adjusted through revenue at the time of determination.

Revenue from processing concentrate is recognized when concentrate has been smelted and is based on the toll rate specified in the toll agreement, which can vary based on the composition of the concentrate processed and prevailing market conditions at the time the agreement was entered. Under each toll agreement, Tsumeb incurs a carrying charge in respect of the concentrate it processes until blister copper is delivered. This charge is recorded as a reduction of revenue.

Revenue from processing concentrate is also adjusted for any over or under recoveries of metals delivered relative to contracted rates, which are subject to estimation, including the amount of metals contained in concentrate received, material in-process and blister delivered. These significant estimates are based on the Company's process knowledge and multiple assay results, the final results of which could differ from initial estimates.

Revenue from the sale of sulphuric acid and arsenic, a by-product from processing concentrate at the Tsumeb smelter, is measured at the price specified in the sales contract and is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when the products have been delivered to the location specified in the sales contract and the risk of loss has been transferred to the buyer.

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

Revenue from licenses entered by MineRP containing software and ongoing services elements is recognized based on the estimated fair value of each element. The fair value of each element is determined based on the market price of each element when sold separately. Revenue relating to the software element is recognized when the risks and rewards have been transferred to the customer, which occurs on delivery. Revenue relating to the service element is recognized on a straight-line basis over the service period.

(vii) Deferred revenue

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

Judgment was required in determining the accounting for the Company's prepaid forward gold sales arrangement. The Company has determined that the upfront cash prepayment is not a financial liability as it will be settled through the delivery of gold which is a non-financial item rather than through cash or other financial assets. It is the Company's intention to settle this deferred revenue through its own production. If such settlement is not expected to occur, the prepaid forward gold sales arrangement would become a financial liability as a cash settlement may be required.

(viii) Income taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on the taxable loss or income for the period. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be generated in future periods to utilize these deductible temporary differences.

The following temporary differences do not result in deferred income tax assets or liabilities:

- The initial recognition of assets or liabilities, not arising from a business combination, that does not affect accounting or taxable profit;
- Initial recognition of goodwill, if any; and
- Investments in subsidiaries, associates and jointly controlled entities where the timing of the reversal of temporary differences can be controlled and reversal in the foreseeable future is not probable.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be generated to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be generated to allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current and deferred income taxes related to items recognized directly in equity are recognized in equity and not in profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Judgment is required in determining whether deferred income tax assets are recognized on the consolidated statements of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate future taxable income in order to utilize the deferred income tax assets. Estimates of future taxable income are based on forecasted cash flows from operations or other activities and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded on the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could impact tax deductions in future periods and the value of its deferred income tax assets and liabilities.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards are not yet effective for the year ended December 31, 2017 and have not been applied when preparing these consolidated financial statements.

The Company is planning to adopt IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2018 and has completed its evaluation of the accounting implications on its consolidated financial statements and disclosures, internal controls and accounting policies. This evaluation was based on a review of industry specific technical interpretations, existing hedge documentation, and contracts for each significant revenue stream. The Company will adopt these new standards retrospectively as of January 1, 2018 without restating comparatives. The impact of applying the standards will be reflected in the opening balances as at January 1, 2018.

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 IAS 39. 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.

Based on the Company's detailed assessment of the classification and measurement of financial assets, equity investments currently classified as available-for-sale financial assets will satisfy the conditions for classification as an asset that is fair valued through other comprehensive income or loss. The Company has elected to irrevocably designate these financial assets as fair value through other comprehensive income or loss. Gains and losses in respect of these investments are recognized in other comprehensive income or loss, are not transferred to profit or loss upon disposition and are not subject to impairment assessments. Upon adoption of IFRS 9, \$20.6 million of impairment charges on current available-for-sale investments previously recognized in profit or loss will be transferred from retained earnings to accumulated other comprehensive income as at January 1, 2018, with no impact on total shareholders' equity.

Derivative instruments currently classified as financial assets at fair value through profit or loss will continue to be measured on the same basis under IFRS 9. Accordingly, the Company does not expect the new standard to have any impact on the classification and measurement of its financial assets at fair value through profit or loss.

There is no impact on the Company's accounting for financial liabilities, as the Company does not have financial liabilities designated at fair value through profit or loss and does not have any material debt modifications.

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

Upon adoption of IFRS 9, the effective portion of changes in fair value of commodity swap and option contracts relating to production hedges, which are currently recognized in other income or expense, will be recognized in other comprehensive income or loss and will be reclassified to profit or loss in the same period as the underlying hedged sale occurs. In the case of forward foreign exchange contracts, the Company will continue to designate the change in fair value of the spot component of the forward foreign exchange contracts as the hedging instrument in the cash flow hedging relationship such that any unrealized fair value change will be initially recognized in other comprehensive income or loss. The accumulated fair value change will be subsequently recognized in profit or loss or mine properties in the same period when the underlying hedged operating expenses or capital expenditures occur.

Upon adoption of IFRS 9, the Company will also elect that the forward point component in the forward foreign exchange contracts be separately accounted for as a cost of hedging. Any unrealized fair value change in the forward point component of the outstanding forward foreign exchange contracts previously recognized in profit or loss will be transferred to accumulated other comprehensive income or loss and recognized as a cost of hedging within shareholders' equity. The accumulated cost of hedging will be subsequently recognized in profit or loss or mine properties in the same period when the underlying hedged operating expenses or capital expenditures occur. The application of the changes in accounting policies for cost of hedging will result in an increase in retained earnings and a corresponding decrease in other comprehensive income within shareholders' equity of \$0.04 million as at January 1, 2018.

The new standard requires recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39 and applies to financial assets classified at amortized cost. The new standard does not have a significant impact in respect of the Company's accounts receivables. Upon adoption of IFRS 9, the Company has not made any material adjustment to its opening retained earnings as at January 1, 2018 for the estimated credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation with respect to financial instruments, which will change the nature and extent of the Company's disclosures.

IFRS 15, Revenue from Contracts with Customers

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

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

IFRS 16, Leases

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

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for companies that also adopt IFRS 15. The Company does not intend to adopt IFRS 16 before its mandatory date. As a lessee, the Company can either apply the standard using a retrospective approach or a modified retrospective approach. The Company is currently reviewing all of its leases to determine and document the expected changes associated with the adoption of IFRS 16.

NON-GAAP FINANCIAL MEASURES

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

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

Cash cost per tonne of ore processed, cash cost per pound of copper in concentrate produced, cash cost per ounce of gold in concentrate produced, cash cost per ounce of gold sold, net of by-product credits, all-in sustaining cost per ounce of gold and cash cost per tonne of complex concentrate smelted, net of by-

product credits, capture the important components of the Company's production and related costs. Management and investors utilize these metrics as an important tool to monitor cost performance at the Company's operations. In addition, the Compensation Committee of the Board of Directors uses certain of these measures, together with other measures, to set incentive compensation goals and assess performance.

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

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

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

\$ thousands, unless otherwise indicated				
For the three months ended December 31, 2016	Chelopech	Tsumeb	MineRP	Total
Ore processed (mt)	547,017	-		
Metals contained in copper concentrate produced:				
Gold (ounces)	31,577	-		
Copper (pounds)	8,816,530	-		
Complex concentrate smelted (mt)	-	61,270		
Cost of sales	28,055	40,908	-	68,963
Add/(deduct):				
Depreciation, amortization & other	(9,472)	(10,827)		
Realized losses (gains) on forward foreign exchange contracts	57	(1,278)		
Change in concentrate inventory	(789)	-		
Total cash cost before by-product credits	17,851	28,803		
By-product credits	(872)	(6,166)		
Total cash cost after by-product credits	16,979	22,637		
Cash cost per tonne ore processed	32.63	-		
Cash cost per pound copper produced ⁽¹⁾	0.68	-		
Cash cost per ounce gold produced ⁽¹⁾	347	-		
Cash cost per tonne of complex concentrate smelted, net of by-product credits	-	369		

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

\$ thousands, unless otherwise indicated				
For the twelve months ended December 31, 2017	Chelopech	Tsumeb	MineRP	Total
Ore processed (<i>mt</i>)	2,218,717	-		
Metals contained in copper concentrate produced:				
Gold (<i>ounces</i>)	141,235	-		
Copper (<i>pounds</i>)	35,772,650	-		
Complex concentrate smelted (<i>mt</i>)	-	219,252		
Cost of sales	113,703	153,297	123	267,123
Add/(deduct):				
Depreciation, amortization & other	(35,763)	(25,082)		
Realized losses (gains) on forward foreign exchange contracts	337	(7,000)		
Change in concentrate inventory	(2,387)	-		
Total cash cost before by-product credits	75,890	121,215		
By-product credits	(3,524)	(20,881)		
Total cash cost after by-product credits	72,366	100,334		
Cash cost per tonne ore processed	34.20	-		
Cash cost per pound copper produced ⁽¹⁾	0.74	-		
Cash cost per ounce gold produced ⁽¹⁾	326	-		
Cash cost per tonne of complex concentrate smelted, net of by-product credits	-	458		

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

\$ thousands, unless otherwise indicated				
For the twelve months ended December 31, 2016	Chelopech	Tsumeb	MineRP	Total
Ore processed (<i>mt</i>)	2,212,340	-		
Metals contained in copper concentrate produced:				
Gold (<i>ounces</i>)	118,428	-		
Copper (<i>pounds</i>)	38,458,797	-		
Complex concentrate smelted (<i>mt</i>)	-	200,272		
Cost of sales	108,180	149,833	-	258,013
Add/(deduct):				
Depreciation, amortization & other	(37,362)	(41,181)		
Realized losses (gains) on forward foreign exchange contracts	161	(3,866)		
Change in concentrate inventory	1,963	-		
Total cash cost before by-product credits	72,942	104,786		
By-product credits	(3,873)	(16,621)		
Total cash cost after by-product credits	69,069	88,165		
Cash cost per tonne ore processed	32.97	-		
Cash cost per pound copper produced ⁽¹⁾	0.66	-		
Cash cost per ounce gold produced ⁽¹⁾	368	-		
Cash cost per tonne of complex concentrate smelted, net of by-product credits	-	440		

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

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

<i>\$ thousands, unless otherwise indicated</i> Ended December 31,	Three Months		Twelve Months	
	2017	2016	2017	2016
Cost of sales ⁽¹⁾	31,657	28,112	114,040	108,341
Add/(deduct):				
Depreciation, amortization & other	(8,306)	(9,472)	(35,763)	(37,362)
Other charges, including freight ⁽²⁾	35,865	23,520	112,489	100,594
By-product credits ⁽³⁾	(26,090)	(21,443)	(87,912)	(86,539)
Cash cost of sales, net of by-product credits	33,126	20,717	102,854	85,034
Payable gold in copper and pyrite concentrate sold (ounces) ⁽⁴⁾	48,906	37,259	171,969	139,324
Cash cost per ounce of gold sold, net of by-product credits	677	556	598	610

- 1) Includes realized losses on the forward point component of the forward foreign exchange contracts in the three and twelve months ended December 31, 2017 and 2016.
- 2) Includes treatment charges, transportation and other selling costs related to the sale of pyrite concentrate in the fourth quarter and twelve months of 2017 of \$8.1 million and \$26.3 million, respectively, compared to \$5.3 million and \$24.4 million in the corresponding periods in 2016.
- 3) Includes realized losses on copper swap contracts, entered to hedge a portion of projected payable production of \$5.6 million and \$12.8 million during the fourth quarter and twelve months of 2017, respectively, compared to realized losses of \$0.5 million and realized gains of \$2.6 million in the corresponding periods in 2016.
- 4) Includes payable gold in pyrite concentrate sold in the fourth quarter and twelve months of 2017 of 10,783 ounces and 35,714 ounces, respectively, compared to 8,140 ounces and 31,380 ounces in the corresponding periods in 2016.

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

<i>\$ thousands, unless otherwise indicated</i> Ended December 31,	Three Months		Twelve Months	
	2017	2016	2017	2016
Cost of sales ⁽¹⁾	31,657	28,112	114,040	108,341
Add/(deduct):				
Depreciation, amortization & other	(8,306)	(9,472)	(35,763)	(37,362)
Other charges, including freight	27,751	18,221	86,136	76,234
By-product credits ⁽²⁾	(26,090)	(21,443)	(87,912)	(86,539)
Cash cost of sales, net of by-product credits	25,012	15,418	76,501	60,674
Payable gold in copper concentrate sold (ounces)	38,123	29,119	136,255	107,944
Cash cost per ounce of gold sold, net of by-product credits	656	529	561	562

- 1) Includes realized losses on the forward point component of the forward foreign exchange contracts in the three and twelve months ended December 31, 2017 and 2016.
- 2) Includes realized losses on copper swap contracts, entered to hedge a portion of projected payable production of \$5.6 million and \$12.8 million during the fourth quarter and twelve months of 2017, respectively, compared to realized losses of \$0.5 million and realized gains of \$2.6 million in the corresponding periods in 2016.

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

<i>\$ thousands, unless otherwise indicated</i> Ended December 31,	Three Months		Twelve Months	
	2017	2016	2017	2016
Cash cost of sales, net of by-product credits ⁽¹⁾	33,126	20,717	102,854	85,034
Accretion expenses ⁽¹⁾	73	80	288	358
General and administrative expenses ⁽²⁾	2,999	966	11,697	9,423
Cash outlays for sustaining capital ⁽¹⁾	3,032	1,054	10,491	9,191
All-in sustaining costs	39,230	22,817	125,330	104,006
Payable gold in copper and pyrite concentrate sold (ounces) ⁽³⁾	48,906	37,259	171,969	139,324
All-in sustaining cost per ounce of gold	802	612	729	747

- 1) Represents the cash cost of sales, net of by-product credits, accretion expenses and cash sustaining capital expenditures that are specific to Chelopech.
- 2) Represents an allocated portion of DPM's general and administrative expenses, including share-based remuneration, and excluding depreciation and expenses related to Avala, Krumovgrad and MineRP, based on Chelopech proportion of total revenue, excluding MineRP.
- 3) Includes payable gold in pyrite concentrate sold in the fourth quarter and twelve months of 2017 of 10,783 ounces and 35,714 ounces, respectively, compared to 8,140 ounces and 31,380 ounces in the corresponding periods in 2016.

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

<i>\$ thousands, unless otherwise indicated</i>	Three Months		Twelve Months	
	2017	2016	2017	2016
Ended December 31,				
Cash cost of sales, net of by-product credits ⁽¹⁾	25,012	15,418	76,501	60,674
Accretion expenses ⁽¹⁾	73	80	288	358
General and administrative expenses ⁽²⁾	2,999	966	11,697	9,423
Cash outlays for sustaining capital ⁽¹⁾	3,032	1,054	10,491	9,191
All-in sustaining costs	31,116	17,518	98,977	79,646
Payable gold in copper concentrate sold (<i>ounces</i>)	38,123	29,119	136,255	107,944
All-in sustaining cost per ounce of gold	816	602	726	738

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

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

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

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

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

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

<i>\$ thousands, except per share amounts</i>	Three Months		Twelve Months	
Ended December 31,	2017	2016	2017	2016
Net (loss) earnings from continuing operations attributable to common shareholders	(1,346)	(107,472)	217	(149,947)
Add/(deduct) after-tax adjustments:				
Unrealized losses (gains) on commodity swap and option contracts, net of income tax recovery of \$431 (2016 – income tax expense \$192) and \$1,603 (2016 – \$438)	3,874	(1,728)	14,423	3,946
Unrealized losses (gains) on the forward point component of forward foreign exchange contracts, net of income tax expense of \$13 (2016 – \$3) and income tax recovery of \$38 (2016 – \$6)	1,270	147	5,076	(938)
Impairment charges on property, plant and equipment, and intangible assets, net of income tax recovery of \$nil (2016 – income tax recovery of \$769) for all periods	-	113,900	-	125,100
Net (gains) losses related to Sabina special warrants, net of income tax expense and recoveries of \$nil for all periods	(369)	814	(3,015)	(557)
Impairment charges on publicly traded securities, net of income tax recovery of \$nil for all periods	-	-	-	24
Adjusted net earnings (loss)	3,429	5,661	16,701	(22,372)
Basic (loss) earnings per share from continuing operations	(0.01)	(0.67)	0.00	(1.00)
Adjusted basic earnings (loss) earnings per share	0.02	0.04	0.09	(0.15)

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

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

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

<i>\$ thousands</i> Ended December 31,	Three Months		Twelve Months	
	2017	2016	2017	2016
Earnings (loss) earnings before income taxes from continuing operations	273	(106,230)	4,849	(146,929)
Add/(deduct) adjustments:				
Unrealized losses (gains) on commodity swap and option contracts	4,305	(1,920)	16,026	4,384
Unrealized losses (gains) on the forward point component of forward foreign exchange contracts	1,257	144	5,114	(932)
Net (gains) losses related to Sabina special warrants	(369)	814	(3,015)	(557)
Impairment charges on property, plant and equipment, and intangible assets	-	114,669	-	125,869
Impairment charges on publicly traded securities	-	-	-	24
Adjusted earnings (loss) before income taxes	5,466	7,477	22,974	(18,141)

Adjusted EBITDA

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

Adjusted EBITDA excludes the following from earnings (loss) before income taxes from continuing operations:

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

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

<i>\$ thousands</i>	Three Months		Twelve Months	
Ended December 31,	2017	2016	2017	2016
Earnings (loss) before income taxes from continuing operations	273	(106,230)	4,849	(146,929)
Add/(deduct):				
Depreciation and amortization	14,626	20,346	61,851	78,991
Finance cost	1,790	2,455	7,570	12,361
Interest income	(82)	(70)	(294)	(239)
Net (gains) losses related to Sabina special warrants	(369)	814	(3,015)	(557)
Unrealized losses (gains) on commodity swap and option contracts	4,305	(1,920)	16,026	4,384
Unrealized losses (gains) on the forward point component of forward foreign exchange contracts	1,257	144	5,114	(932)
Impairment charges on property, plant and equipment, and intangible assets	-	114,669	-	125,869
Impairment charges on publicly traded securities	-	-	-	24
Adjusted EBITDA	21,800	30,208	92,101	72,972

Free cash flow

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

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

<i>\$ thousands</i>	Three Months		Twelve Months	
Ended December 31,	2017	2016	2017	2016
Cash provided from operating activities ⁽¹⁾	29,133	15,700	109,910	84,081
Add (deduct) changes in non-cash working capital	(8,849)	9,137	(20,018)	37,992
Cash provided from operating activities, excluding changes in non-cash working capital ⁽¹⁾	20,284	24,837	89,892	122,073
Cash outlays for sustaining capital	(3,731)	(3,842)	(19,952)	(22,200)
Prepayments and mandatory principal repayments related to debt	-	(8,125)	(16,250)	(16,250)
Principal repayments related to finance leases	(348)	(395)	(1,470)	(1,575)
Interest payments	(1,621)	(1,391)	(6,065)	(7,132)
Free cash flow	14,584	11,084	46,155	74,916

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

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

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

Sustaining Capital Expenditures

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

Average realized price reconciliation

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

<i>\$ thousands, unless otherwise indicated</i> Ended December 31,	Three Months		Twelve Months	
	2017	2016	2017	2016
Total Revenue	94,912	82,061	348,755	279,489
Add/(deduct):				
Tsumeb revenue	(35,776)	(36,524)	(140,690)	(117,863)
MineRP revenue	(1,812)	-	(1,812)	-
Treatment charges and other deductions	35,865	23,520	112,489	100,594
Realized hedging (losses) gains on Production Hedges	(5,562)	(587)	(12,744)	2,392
Unfavourable (favourable) mark-to-market adjustments and final settlements	831	(2,562)	(628)	(4,806)
Silver revenue	(998)	(753)	(3,125)	(3,193)
Revenue from gold and copper	87,460	65,155	302,245	256,613
Revenue from gold	62,368	44,465	217,458	173,267
Payable gold in concentrate sold (<i>ounces</i>)	48,906	37,259	171,969	139,324
Average realized gold price per ounce	1,275	1,193	1,265	1,244
Revenue from copper	25,092	20,690	84,787	83,346
Payable copper in concentrate sold (<i>'000s pounds</i>)	9,927	8,786	34,367	36,074
Average realized copper price per pound	2.53	2.35	2.47	2.31

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 and the research, development and sales activities of MineRP, a software vendor for the mining industry. The operating results and financial condition are also subject to numerous external factors, which include economic, geo-political, regulatory, legal, tax and market risks impacting, among other things, precious metals and copper prices, acid prices, toll rates, foreign exchange rates, inflation and the availability and cost of capital to fund the capital requirements of the business. Each of these risks could have a material adverse impact on the Company's future business, results of operations and financial condition, and could cause actual results to differ materially from those described in any Forward Looking Statements contained in this MD&A. The Company endeavors to manage these risks and uncertainties in a balanced manner with a view to mitigating risk while maximizing total shareholder returns. It is the responsibility of senior management, and the functional head of each business, to identify and to effectively manage the risks of

each business. This includes developing appropriate risk management strategies, policies, processes and systems. There can be no assurance that the Company has been or will be successful in identifying all risks or that any risk-mitigating strategies adopted to reduce or eliminate risk will be successful. A description of the more significant business risks and uncertainties affecting the Company are set out below. These risks, along with other risks not specifically discussed in this MD&A, should be considered when evaluating the Company and its guidance. Additional risks not identified below may affect the Company.

Metal Prices

The Company sells and hedges the metals contained in copper and pyrite concentrates produced at prices that are effectively determined by reference to the traded prices on major commodity exchanges, including the LME, LBMA, New York Commodity Exchange, and the Commodity Exchange (a part of the Chicago Mercantile Exchange). The fluctuation of the price of a metal sold by the Company can significantly impact revenues and can significantly impact all-in sustaining cost per ounce of gold and other cost measures that are reported net of by-product credits. Therefore, the prices of gold, copper and silver are major factors influencing the Company's business, results of operations and financial condition, and, in turn, the price for its common shares.

Gold, copper and silver prices can fluctuate widely and are affected by numerous factors beyond the Company's control, including overall global market conditions; the sale or purchase of gold and silver by various central banks, financial institutions and Exchange Traded Funds; interest rates; foreign exchange rates; inflation or deflation; global and regional supply and demand; and the political and economic conditions of major gold, silver and copper producing and consuming countries throughout the world. If gold, silver and copper prices were to decline significantly from current levels, there can be no assurance that cash flow from operations, together with cash on hand and available lines of credit under the Company's RCF, will be sufficient to meet the Company's operating and capital requirements, including its contractual commitments and mandatory debt repayments, and the Company could be forced to discontinue production, reassess the feasibility of a particular project, and/or could lose its interest in, or be forced to sell, some of its properties. In addition, a significant commodity price decline could result in significant reductions in Mineral Reserve and Mineral Resource estimates, which could have a material adverse impact on the value of one or more of the Company's cash generating units and result in an impairment of the carrying value of certain assets, including exploration and evaluation assets, mine properties, and property, plant and equipment.

In accordance with established risk management policies, from time to time, the Company enters into cash settled commodity swap contracts to swap future contracted monthly average metal prices for fixed metal prices in order to reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales as well as its by-product metals price exposure on future sales. Currently approximately 56% of the Company's expected payable copper production for 2018 has been hedged at an average price of \$2.62 per pound. The Company also selectively enters into commodity option contracts from time to time to reduce its price exposure. These contracts are entered primarily to provide price protection below a specified "floor" price and, to reduce the upfront cost of these contracts, are typically accompanied by option contracts that provide price participation up to a specified "ceiling" price. Currently, approximately 37% of the Company's expected payable copper production for 2018 has been hedged using option contracts, which provide for a floor price of \$2.80 per pound and a ceiling price of \$3.32 per pound.

Financing and Liquidity

The Company relies on the cash flows generated from its mining and smelting operations, including provisional payments received from its customers, cash on hand, available lines of credits under its RCF, and its ability to raise debt and equity from the capital markets to fund its operating, investment and liquidity needs. The cyclical nature of the Company's businesses, general economic conditions and the volatility of capital markets are such that conditions could change dramatically, affecting the Company's cash flow generating capability, its ability to maintain, or draw upon, its RCF or the existing terms under its concentrate sales or toll agreements, as well as its liquidity, cost of capital and its ability to access additional capital, which could have a material adverse impact on the Company's earnings and cash flows and, in turn, could affect total shareholder returns. To reduce these risks, the Company: (i) prepares regular cash flow forecasts to monitor its capital requirements, available liquidity and compliance with its debt covenants; (ii) strives to maintain a prudent capital structure that is comprised primarily of equity financing and a long-term committed RCF; and (iii) targets a minimum level of liquidity comprised of surplus cash balances and/or available committed lines of credit to avoid having to raise additional capital at times when the costs or terms would be regarded as unfavourable.

As at December 31, 2017, the Company's total debt was \$23.0 million. As at December 31, 2017, the Company's total debt, as a percentage of total capital, was 4% (December 31, 2016 – 7%) and total debt, net of cash, as a percentage of total capital, was negative 1% (December 31, 2016 – 5%). As at December 31, 2017, the Company was in compliance with all of its debt covenants.

The RCF is comprised of a \$45.0 million tranche A maturing in February 2022, a \$150.0 million tranche B maturing in February 2020, and an \$80.0 million tranche C maturing in September 2021 that has quarterly availability reductions of \$4.0 million beginning in the third quarter of 2018. The RCF bears interest at a spread above LIBOR, which varies between 2.75% and 5.50% depending upon the tranche being drawn upon and the Company's debt leverage ratio (funded net debt to adjusted EBITDA), as defined in the RCF agreement. As at December 31, 2017, \$23.0 million was drawn under the RCF.

There can be no assurance that the Company's operations will remain profitable or that the Company will be able to raise capital on terms that it considers reasonable. Adverse commodity market, general economic conditions and adverse capital market conditions could result in a delay or the indefinite postponement of development or construction projects and could have a material adverse impact on the Company's business, financial condition, results of operations and share price.

Smelter Toll Rates, Metal Recoveries and Feed

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

Under this agreement, Tsumeb must return specified quantities of copper, gold and silver. Metal over and under recoveries at the smelter are subject to smelter processing capabilities, contracted terms, and various estimates, including the quantities of metal contained in concentrate received, material in-process and blister delivered. These estimates are based on the Company's process knowledge and multiple assay results. Actual metal deliveries could differ materially from initial estimates and could have a material adverse impact on the Company's business, financial condition and results of operations as any over or under recovery of metals is recorded in revenue.

Construction and Start-up of Krumovgrad

The Company presents estimates with respect to capital costs, operating costs and other project economics with respect to the Krumovgrad gold project. The Company's actual costs, production, returns, payback and other financial and economic performance metrics for the Krumovgrad gold project are dependent on a number of factors, including currency exchange rates, the price of gold and by-product metals, the cost of inputs used in mining development and operations and events that impact cost and production levels that are not in the Company's control. DPM's actual costs may vary from estimates for a variety of reasons, including changing waste-to-ore ratios, ore grade metallurgy, labour and other input costs, commodity prices, general inflationary pressures and currency exchange rates. Failure to achieve cost estimates or other economic performance metrics or material increases in costs could have a material adverse impact on the Company's future cash flows, profitability, financial condition and results of operations. As a result of the substantial expenditures involved in development projects, development projects are prone to material cost overruns versus budget. The capital expenditures and time required to develop new mines are considerable and changes in cost or construction schedules can significantly increase both the time and capital required to build the project. It is not unusual for new mining operations to experience construction challenges or delays and unexpected problems during the start-up phase, including failure of equipment, machinery, the processing circuit or other processes to perform as designed or intended, inadequate water, insufficient ore stock pile or grade, and failure to deliver adequate tonnes of ore to the mill, any of which could result in delays, slowdowns or suspensions and require more capital than anticipated. Given the inherent risks and uncertainties associated with the development of a new mine, there can be no assurance that the construction will continue in accordance with current expectations or at all, or that construction costs will be consistent with the budget, or that the mine will operate as planned.

Foreign Exchange

By virtue of its international operations, the Company incurs costs and expenses in a number of foreign currencies. The revenue from its mining and smelting operations received by the Company is denominated in U.S. dollars since the prices of the metals that it produces are referenced in U.S. dollars, while the majority of operating and capital expenditures of its mining and smelter operations are denominated in Bulgarian leva, which is pegged to the Euro, the Namibian dollar, which is tied to the South African rand, and the Canadian dollar. Fluctuations in these foreign exchange rates give rise to foreign exchange exposures, either favourable or unfavourable, which could have a material impact on the Company's business, financial condition and results of operations.

From time to time, the Company enters into forward foreign exchange contracts in order to reduce the foreign exchange exposures associated with projected operating expenses and capital expenditures denominated in foreign currencies. Approximately 28% of projected Namibian dollar operating expenses for 2018 have been hedged at an average exchange rate of 13.59. Euro capital expenditures in respect of the construction of the Krumovgrad gold project have been substantially hedged.

Counterparty Risk

The Company is exposed to counterparty risk, including market pricing and credit-related risk, in the event any counterparty, whether a customer, debtor or financial intermediary, is unable or unwilling to fulfill their contractual obligations to the Company or where such agreements are otherwise terminated and not replaced with agreements on substantially the same terms.

Under the terms of the Company's existing concentrate sale contracts, the risk to counterparties is mitigated, in part, through required provisional payments that range between 70% and 95% of the provisional value of each lot at the time title of the concentrate transfers. A final adjusting payment, reflecting the actual metal prices for the specified quotational period, is made when final weights and assays are established. During 2017, the Company had contracts with eight customers in connection with its mining and smelting operations, one of whom accounted for approximately 79% (2016 - 56%) of the Company's revenue. All contractual commitments are subject to force majeure clauses which, if implemented, could have a material adverse impact on the Company's business, financial condition and results of operations.

While there can be no assurance that the Company will not experience a material loss for non-performance by any counterparty with whom it has a commercial relationship, the Company has established policies to manage its credit exposure that include assessing financial strength, limiting aggregate exposure to new and existing counterparties, and using contractual arrangements, including provisional payments and letters of credit. Should any such losses arise, they could have a material adverse impact on the Company's business, financial condition and results of operations.

Environmental, Health and Safety

The Company's mining and smelting operations are subject to extensive environmental, health and safety regulations in the various jurisdictions in which it operates. These regulations mandate, among other things, emissions; air and water quality standards; land use; rehabilitation and reclamation; and safety and work environment standards, including human rights. They also set forth limitations on the generation, transportation, storage and disposal of various wastes, including hazardous wastes. Environmental, health and safety legislation continues to evolve and, while the Company takes active steps to monitor this legislation, it could result in stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Amendments to current laws and regulations governing the Company's mining, processing, development and exploration activities, or more stringent implementation thereof, could have a material adverse impact on the Company's business, financial condition and results of operations, and cause increases in exploration expenses, capital expenditures, production costs or future rehabilitation costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Environmental hazards may exist on the properties in which the Company holds interests, which are unknown to the Company at present, and which have been caused by previous or existing owners or operators of the properties.

The Company may also acquire properties with known or undiscovered environmental risk. Any indemnifications by the previous owners or others may not be adequate to pay all the fines, penalties and costs incurred related to such properties. Some of the Company's properties have also been used for

mining and related operations for many years before the Company acquired them and were acquired “as is” or with assumed environmental liabilities from previous owners or operators. The Company has been required to address contamination at its properties in the past and may need to do so in the future, either for existing environmental conditions or for leaks, discharges or contamination that may arise from its ongoing operations or other contingencies. The cost of addressing environmental conditions or risks, and liabilities associated with environmental damage may be significant, and could have a material adverse impact on the Company’s business, financial condition and results of operations. Production at the Company’s mines and processing facilities involves the use of various chemicals, including certain chemicals that are designated as hazardous substances. Contamination from hazardous substances, either at the Company’s own properties or other locations for which it may be responsible, may subject the Company to liability for the investigation or remediation of contamination, as well as for claims seeking to recover costs for related property damage, personal injury or damage to natural resources. The occurrence of any of these events could have a material adverse impact on the Company’s business, financial condition and results of operations.

The Company’s exploration programs are also subject to health and safety and environmental protection controls adopted by governmental authorities as well as the rights of adjoining property owners.

The Company completed in the first quarter of 2016 a major multi-year capital program at its smelter in Namibia directed at modernizing the environmental equipment being utilized and debottlenecking its processing capacity. This included the completion of a sulphuric acid plant, which has reduced the plant’s SO₂ emissions. The Company is committed to making further improvements to the health, safety and environmental performance of the smelter and is continuously assessing the scope of any capital expenditures required to support these further improvements. The Company’s environmental and occupational health and safety performance will be subject to continued monitoring by the Namibian authorities to ensure that the modifications made to the off-gas and dust handling systems, and the acid plant continue to deliver on the expected decrease in emissions. Failure of these new systems and the acid plant to achieve the expected environmental and occupational health outcomes could have a material adverse impact on the Company’s future production, business, financial condition and results of operations.

The Company recognizes a liability for its asset retirement obligations (“ARO”) when a legal and/or constructive obligation is identified. The liability is measured at the present value of estimated costs required to rehabilitate the operating locations based on the risk free nominal discount rates applicable to the countries in which the operations are located. The carrying value of the ARO liability was \$38.0 million and \$30.3 million at December 31, 2017 and 2016, respectively. Changes in the underlying assumptions used to estimate the AROs as well as changes to environmental laws and regulations could cause material changes in the expected cost and the fair value of the AROs and these changes could have a material adverse impact on the Company’s business, financial condition and results of operations.

Operations

Mining operations and related processing and infrastructure facilities are subject to risks normally encountered in the mining and metals industry. Such risks include, without limitation, environmental hazards, industrial accidents, disruptions in the supply of critical materials and supplies, labour disputes, changes in laws, technical difficulties or failures, equipment failure, failure of retaining dams around tailings disposal areas which may result in environmental pollution and consequent liability, unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material. Such risks could result in damage to, or destruction of, mines and other processing facilities, damage to life or property, environmental damage, delays in mining and processing, losses and possible legal liability. Any prolonged downtime or shutdowns at the Company’s mining and processing facilities could have a material adverse impact on the Company’s business, financial condition and results of operations.

Success of the Company’s operations also depends on adequate public infrastructure. Reliable roads, bridges, power sources and water supplies are important determinants which affect capital and operating costs. Natural events, such as seismic events and severe climatic conditions, as well as sabotage, government or other interference in the maintenance or provision of such infrastructure could have a material adverse impact on the Company’s business, financial condition and results of operations.

Dependence on a Restricted Portfolio of Assets

The Company's operations at the Chelopech mine in Bulgaria accounted for the vast majority of the Company's gold and copper production in 2017 and are expected to continue to do so in 2018, following which the Krumovgrad gold project is expected to be operational. Any adverse condition affecting the Chelopech mine could have an adverse impact on the Company's business, financial condition and results of operations. Until such time as the Company acquires or develops other significant producing assets, and the Krumovgrad gold project starts producing concentrate, which is currently expected in the fourth quarter of 2018, the Company will continue to be dependent on its operations at the Chelopech mine for a substantial portion of its cash flow provided by mining activities.

Production, Operating and Shipping Costs

Many unforeseen factors can impact the Company's future production and total cash costs of production, such as cost of inputs used in mining and processing operations; cost of fuel, energy, supplies, labour and equipment; availability of suitable high value complex concentrates to be processed at the smelter; regulatory factors; royalties and taxes; foreign exchange rates; adverse climatic conditions and natural phenomena; and industrial accidents can impact the accuracy of these projections. As such, there can be no assurance that production and production cost estimates will be achieved. Failure to achieve production or total cash cost estimates could have a material adverse impact on the Company's business, financial condition and results of operations.

The Company contracts for the shipment of its concentrates to its customers on varying terms and conditions, all subject to the prevailing rates, availability and general circumstances surrounding this market. Any material changes to the shipping markets and/or the terms and conditions of shipping contracts could have a material adverse impact on the Company's business, financial condition and results of operations.

Mineral Resources and Mineral Reserves

The Mineral Resources and Mineral Reserves disclosed by the Company are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. There are numerous uncertainties inherent in estimating Mineral Resources and Mineral Reserves, including many factors beyond the Company's control. Such estimation is a subjective process and the accuracy of any resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. Short-term operating factors, such as the need for orderly development of the ore bodies or the processing of new or different ore grades, may cause the mining operation to be unprofitable in any particular accounting period. In addition, there can be no assurance that gold, copper or silver recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

Fluctuations in gold, copper and silver prices, results of drilling, change in cut-off grades, metallurgical testing, production and the evaluation of mine plans subsequent to the date of any estimates may require revision of such estimates. The volume and grade of Mineral Reserves mined and processed, and the recovery rates achieved may not be the same as currently anticipated. Any material reduction in the estimated Mineral Resources and Mineral Reserves could have a material adverse impact on the Company's business, financial condition and results of operations. A significant decrease in the Mineral Resource and Mineral Reserve estimates could have a material adverse impact on the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, depletion and depreciation charges, and rehabilitation provisions, and could result in an impairment of the carrying value.

Inferred Mineral Resources

Inferred Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. Due to the uncertainty which may be attached to Inferred Mineral Resources, there can be no assurance that Inferred Mineral Resources will be upgraded to Proven and Probable Mineral Reserves as a result of continued exploration.

Need for Mineral Reserves

As mines have limited lives based on Proven and Probable Mineral Reserves, the Company must continually develop, replace and expand its Mineral Reserves as its mines produce gold, copper and silver concentrates. The Company's ability to maintain or increase its annual production of gold, copper and silver and its aggregate Mineral Reserves will be significantly dependent on its ability to expand Mineral Reserves both at its existing mines and new mines it intends to bring into production in the future.

Exploration

Exploration is speculative and involves many risks that even a combination of careful evaluation, experience and knowledge utilized by the Company may not eliminate. Once a site with gold or other precious metal mineralization is discovered, it may take several years from the initial phases of drilling until production is possible. Substantial expenditures are normally required to locate and establish Mineral Reserves and to permit and construct mining and processing facilities. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines.

Foreign Country and Political

The majority of the Company's operations and business are outside of Canada, primarily in Eastern Europe and southern Africa, and as such, the Company's operations are exposed to various political and other risks and uncertainties.

These risks and uncertainties vary from country to country and include, but are not limited to, terrorism; corruption; crime; hostage taking or detainment of personnel; military repression; extreme fluctuations in foreign currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licenses, permits and contracts; absence of reliable rule of law, regulatory and judiciary processes; illegal mining; changes in taxation or royalty policies; restrictions on foreign exchange and movements of capital; changing political conditions; inappropriate laws and regulations; and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Other risks include the potential for fraud and corruption by suppliers, Company personnel or government officials which could implicate the Company, compliance with applicable anti-corruption laws, including the *Canadian Corruption of Foreign Public Officials Act* ("CFPOA") by virtue of the Company operating in jurisdictions that may be vulnerable to the possibility of bribery, collusion, kickbacks, theft, improper commissions, facilitation payments, conflicts of interest and related party transactions and the Company's possible failure to identify, manage and mitigate instances of fraud, corruption, or violations of its code of conduct and applicable regulatory requirements. Although the Company has adopted a formal Anti-Bribery and Anti-Corruption policy, for which training has been provided to those employees who are employed in areas of the business that are deemed to be higher risk, there can be no assurance that these measures will prevent or detect the occurrence of a corrupt act, which could have a material adverse impact on the Company's business, financial condition and results of operation.

Any changes in mining or investment policies or shifts in political attitude in the countries in which the Company conducts its business and operations may have a material adverse impact on the Company's business, financial condition and results of operations.

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

In addition, authorities and court systems in the countries in which the Company conducts its business and operations may be unpredictable. Challenges to foreign asset ownership, operations and regulatory compliance may be brought by government authorities for reasons that cannot be predicted and that may not be motivated by substantive law. It is also not unusual, in the context of a dispute resolution, for a party in these foreign jurisdictions to use the uncertainty of the legal environment as leverage in its business negotiations.

Failure to comply with applicable laws, regulations and local practices relating to mineral right applications and tenure could result in loss, reduction or expropriation of entitlements.

MineRP

In October 2017, the Company completed a business combination pursuant to which it acquired a 78% equity interest in MineRP Holdings Proprietary Limited, an independent software vendor for the mining industry with operations in South Africa, Canada, Australia and Chile, through MineRP. Up to 10% of the fully-diluted common shares of MineRP are reserved for incentive compensation arrangements, with up to half being allocated to certain officers of DPM who serve as directors of MineRP and half being reserved for issuance to MineRP employees. As a result, assuming the issuance of all common shares reserved

under the foregoing incentive arrangements, DPM will hold a 70% fully-diluted interest in the common shares of MineRP. Total cash paid by the Company to acquire MineRP was \$20.0 million, including \$8.1 million that was used to repay all outstanding debt and certain other liabilities. Non-cash consideration through transfer of Terrative assets was \$0.7 million. DPM is also providing MineRP with up to \$5.0 million of additional financing to support its working capital and growth initiatives, of which \$3.0 million has been advanced as at December 31, 2017.

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

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

Risks with Respect to Inadequate Controls over Financial Reporting

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

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

Community Relations and License to Operate

The Company's relationship with the host communities where it operates is critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining and smelter activities on the environment and on communities impacted by such activities. Certain non-governmental organizations ("NGOs") and civil society groups, some of which oppose globalization and resource development, are often vocal critics of the mining industry and its practices, including the use of hazardous substances and the handling, transportation and storage of various waste, including hazardous waste. Adverse publicity generated by such NGOs and civil society groups or others related to the extractive industries generally, or the Company's operations specifically, could have a material adverse impact on, including but not limited to, the laws under which the Company operates, its ability to secure new permits and its reputation. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its projects and/or continue its operations, which could have a material adverse impact on the Company's business, results of operations and financial condition.

Development Projects

As part of the Company's growth strategy, it expects to invest in the development, design, construction, operation and optimization of existing and new facilities to enhance operations and increase future production. In developing these new projects, the Company may be required to incur significant preliminary engineering, environmental, permitting and legal-related expenditures prior to determining whether a project is technically feasible and economically viable. The commercial viability of development projects is based on many factors, including: in the case of a mine, the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal recoveries, metal prices and, in the case of the smelter, toll rates, each of which are highly cyclical; availability of complex concentrate; government regulations; capital and operating costs of such projects; and foreign currency exchange rates. Development projects are also subject to the successful completion of feasibility studies, issuance of necessary governmental

permits, subsequent appeals of such permits, including favourable EIA decisions, the acquisition of satisfactory surface or other land rights and having adequate funding arrangements in place.

All projects are approved for development on a project-by-project basis after considering its strategic fit, inherent risks, and expected financial returns. This approach, which incorporates a gated project governance model, and combined with an experienced management team, staff and contract personnel, mitigates some of the risk associated with development projects. However, there can be no assurance that there will not be delays in obtaining the necessary permits or that the development or construction of any one or more projects will be completed on time, on budget or at all, or that the ultimate operating cost of the operation will not be higher than originally envisaged. In addition, to secure long lead times required for ordering equipment, the Company may place orders for equipment and make deposits thereon or advance projects before obtaining all requisite permits and licenses. Such actions are taken only when the Company reasonably believes such licenses or permits will be forthcoming prior to the requirement to expend the full amount of the purchase price. In the event a project, which was deemed economically viable, is not completed or does not operate at anticipated performance levels, the Company may be unable to fully recover its investment and be required to record a write-down. This, in turn, may have a material adverse impact on the Company's business, financial condition and results of operations.

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

Competition

The Company faces competition from other mining companies in connection with the acquisition of properties producing, or capable of producing, precious and base metals, as well as the ultimate sale of its production. Many of these companies have greater financial resources, operational experience and technical capabilities than the Company. As a result of this competition, there can be no assurance that the Company will be able to acquire or maintain attractive operations or sell its production on economically acceptable terms, which could have a material adverse impact on the Company's business, financial condition and results of operations.

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

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

Enforcement of Legal Rights

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

Insurance and Uninsured Risks

The Company's business is subject to numerous risks and hazards, including severe climatic conditions, industrial accidents, equipment failures, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and other natural events such as earthquakes. Such occurrences could result in damage to mineral properties or processing facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining and processing, monetary losses and possible legal liability.

In order to eliminate or reduce certain risks, the Company purchases and maintains insurance coverage, subject to limits and deductibles that are considered reasonable and prudent. This insurance coverage does not cover all potential risks because of customary exclusions and/or limited availability, and in some instances, the Company's view that the cost of certain insurance coverage is excessive in relation to the risk or risks being covered. Further, there can be no assurance that insurance coverage will continue to be available on commercially reasonable terms, that such coverage will ultimately be sufficient, or that insurers will be able to fulfill their obligations should a claim be made. Losses arising from any such events that are not fully insured may cause the Company to incur significant costs that could have a material adverse impact on its business, financial condition and results of operations.

Value of Investment Portfolio

The value of the Company's investment portfolio of securities will vary based on the underlying value of the securities acquired by the Company. The business activities of issuers in the resource industry ("Resource Issuers") are speculative and may be adversely affected by factors outside the control of those issuers. Resource Issuers may not hold or discover commercial quantities of precious metals or minerals, have limited access to capital, and profitability may be affected by adverse fluctuations in commodity prices, demand for commodities, general economic conditions and cycles, unanticipated depletion of reserves or resources, native land claims, liability for environmental damage, competition, imposition of tariffs, duties or other taxes and government regulations, as applicable. Because the Company has and may continue to invest primarily in securities issued by Resource Issuers engaged in the mining industry or related resource businesses (including junior issuers), the value of the Company's investment portfolio of securities may be more volatile than portfolios with a more diversified investment focus. In some cases, the value of securities owned by the Company may also be affected by such factors as investor demand, specified rights or restrictions associated with the security, general market trends or regulatory restrictions. Fluctuations in the market values of such securities may occur for a number of reasons beyond the control of the Company, and there can be no assurance that an adequate liquid market will exist for securities or that quoted market prices at any given time will properly reflect the value at which the Company could monetize these securities.

Laws, Regulations and Permitting

The activities of the Company are subject to various laws and regulations governing prospecting, exploration, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, archaeological discovery and other matters. Although the Company currently carries out its operations and business in accordance with all applicable laws, rules and regulations, no assurance can be given that new laws, rules and regulations will not be enacted or that existing laws, rules and regulations will not be changed or be applied in a manner which could limit or curtail production or development. Furthermore, amendments to current laws and regulations governing operations and activities of mining, milling and processing or more stringent implementation thereof could cause costs and delays that could have a material adverse impact on the Company's business, financial condition and results of operations.

The Company's current and future operations and development activities are subject to receiving and maintaining permits from appropriate governmental authorities. Although the Company currently has the required permits for its current operations, there can be no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations or additional permits for planned new operations or changes to existing operations that could have a material adverse impact on the Company's business, financial condition and results of operations.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining and processing operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining and processing activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Labour Relations

While the Company has good relations with both its unionized and non-unionized employees, there can be no assurance that it will be able to maintain positive relationships with its employees or that new collective agreements will be entered into without work interruptions. In addition, relations between the Company and its employees may be impacted by regulatory or governmental changes introduced by the relevant authorities in whose jurisdictions the Company carries on business. Adverse changes in such legislations or in the relationship between the Company and its employees could have a material adverse impact on the Company's business, financial condition and results of operations.

A two-year collective agreement with the Company's unionized employees at Chelopech is in force from July 1, 2017 to July 1, 2019. An agreement was also reached with the Company's unionized employees at the smelter, which is in force until March 2018.

Income Tax

The Company operates in Canada and several foreign jurisdictions, through a number of subsidiary intermediary entities, and in some instances may utilize inter-company interest-bearing and non-interest bearing debt. As a result, it is subject to potential changes in tax laws, judicial interpretations in respect thereof, and the administrative and/or assessing practices of tax authorities in each jurisdiction. While these tax risks are proactively managed and monitored by senior management and outside tax experts, there can be no assurance that there will not be tax changes or rulings that could have a material adverse impact on the Company's business, financial condition and results of operations.

The Company believes that it is not currently a passive foreign investment company ("PFIC") for U.S. Federal income tax purposes and it does not anticipate becoming a PFIC in the foreseeable future. However, the PFIC rules are complex, and, as a Canadian company publicly listed on the TSX, the Company does not operate its business in a manner specifically intended to avoid being classified as a PFIC. Accordingly, there can be no assurance that the Company will not be considered a PFIC. The Company also has not and does not expect to provide any shareholder with information that will enable a U.S. shareholder to make a qualified electing fund election in respect of the Company. To the extent that the Company is a PFIC in respect of any taxable year, its status as such would have adverse tax consequences for taxable U.S. investors. U.S. investors should consult their own tax advisors regarding the PFIC rules and the potential adverse U.S. Federal income tax consequences to which they may be subject in respect of an investment in the Company's common shares.

Future Plans

As part of its overall business strategy, the Company examines, from time to time, opportunities to acquire and/or develop new mineral projects and businesses. A number of risks and uncertainties are associated with these potential transactions and DPM may not realize all of the anticipated benefits. The acquisition and the development of new projects and businesses are subject to numerous risks, including the particular attributes of the deposit, political, regulatory, design, construction, labour, operating, technical, and technological risks, as well as uncertainties relating to the availability and cost of capital, future metal prices, foreign currency rates and toll rates, in the case of the smelter. Failure to successfully realize the anticipated benefits associated with one or more of these initiatives successfully could have a material adverse impact on the Company's business, financial condition and results of operations.

Land Title

Although the title to the properties owned by the Company were reviewed by, or on behalf of, the Company, there can be no assurances that there are no title defects affecting such properties or the shares of subsidiaries that hold such properties. Title insurance generally is not available, and the Company's ability to ensure that it has obtained a secure claim to individual mineral properties or mining concessions may be severely constrained. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt.

Accordingly, the Company's interest in mineral properties may be subject to prior unregistered liens, agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate its properties as permitted or to enforce its rights with respect to its properties.

Market Price of Common Shares

The Common Shares are listed on the TSX. The price of these and other shares making up the mining sector have historically experienced substantial volatility, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in North America and globally, including those impacting the price of commodities, interest rates, market perceptions concerning equity securities generally and the precious and base metal sectors in particular, and factors that may be specific to the Company, including daily traded volumes of the Common Shares.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value, which in turn could impact the ability of the Company to raise equity or raise equity on terms considered to be acceptable. Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources and have a material adverse impact on the Company's business, financial condition and results of operations.

Dilution to Common Shares

During the life of the Company's outstanding stock options granted under its share based compensation plans, the holders are given an opportunity to profit from an increase in the market price of the Company's common shares with a resulting dilution in the interest of shareholders. The holders of stock options may exercise such securities at a time when the Company may have been able to obtain any needed capital by a new offering of securities on terms more favourable than those provided by the outstanding rights. The increase in the number of common shares in the market, if all or part of these outstanding rights were exercised, and the possibility of sales of these additional shares may have a negative effect on the price of the Company's common shares.

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

Anti-Bribery and Anti-Corruption Laws

The Company's operations are governed by, and involve interactions with, many levels of government in numerous countries. Its operations take place in jurisdictions ranked unfavourably under Transparency International's Corruption Perception Index. The Company is required to comply with anti-corruption and anti-bribery laws, including the CFPOA, as well as similar laws in the countries in which the Company conducts its business. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by third parties, such as, but not limited to, contractors, suppliers, consultants, agents and customers. Although the Company has adopted steps to mitigate such risks, including the development of policies, implementation of training programs, internal monitoring, reviews and audits, and due diligence of its third parties to ensure compliance with such laws, such measures may not always be effective in ensuring that the Company, its employees or third parties will comply strictly with such laws. If the Company finds itself subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse impact on the Company's reputation, business, financial condition and results of operations.

Information Systems Security Threats

DPM has entered into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services in connection with its operations. The Company's operations depend, in part, on how well the Company and its suppliers protect networks, equipment, IT systems and software against damage from a number of threats, including, but not limited to, cable cuts; damage to physical plants; natural disasters; terrorism; fire; power loss; hacking; computer viruses; vandalism and theft. The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software to mitigate the risk of failures. Any of these and other events could result in information loss, system failures, business interruptions and/or increases in capital expenses,

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

Although to date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that DPM will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access remain a priority. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Interest Rate

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash and cash equivalents, revolver line of credit and finance lease obligations, the majority of which have associated cash flows based on floating interest rates.

Climate Change Risks

Many governments are moving to enact climate change legislation and treaties at the international, national, state, provincial and local levels. Where legislation already exists, regulations relating to emission levels and energy efficiency are becoming more stringent. Some of the cost associated with meeting more stringent regulations can be offset by increased energy efficiency and technological innovation. However, if the current regulatory trend continues, meeting more stringent regulations is anticipated to result in increased costs, which could have a material adverse impact on the Company's business, results of operations and financial condition.

Foreign Subsidiaries

The Company conducts its operations through foreign subsidiaries and substantially all of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between or among DPM and such entities, could restrict or impact the Company's ability to fund or receive cash from its operations. Any such limitations, or the perception that such limitations may exist now or in the future, could have a material adverse impact on the Company's business, financial condition and results of operations. In addition, the corporate law and other laws governing the Company's foreign subsidiaries differ materially from Canadian corporate and other laws. Challenges to the Company's ownership or title to the shares of such subsidiaries or the subsidiaries' title or ownership of their assets may occur based on alleged formalistic defects or other grounds that are based on form rather than in substance. Any such challenges may cost time and resources for the Company or cause other adverse effects.

Key Executives and Senior Personnel

The Company is dependent on the services of key executives, including its President and Chief Executive Officer and a number of highly skilled and experienced executives and senior personnel. The loss of these persons or the Company's inability to attract and retain additional highly skilled employees could have a material adverse impact on the Company's future operations and business.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development or investment in or provide services to natural resource companies and consequently there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Canada Business Corporations Act* and other applicable laws.

Significant Shareholder

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

Public Company Obligations

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

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") are responsible for establishing and maintaining disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109").

The CEO and CFO evaluated or caused to be evaluated under their supervision the design and operating effectiveness of the DC&P and ICFR as defined by NI 52-109 as of December 31, 2017. Based on this evaluation, the CEO and CFO concluded that the Company's DC&P and ICFR were designed and operating effectively as of December 31, 2017. ICFR was designed using the Internal Control – Integrated Framework (2013) developed by COSO (Committee of Sponsoring Organizations of the Treadway Commission). The board of directors also assesses the integrity of the public financial disclosures through the oversight of the Audit Committee.

NI 52-109 also requires Canadian public companies to disclose in their MD&A any change in ICFR that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to ICFR in the year ended December 31, 2017. Only reasonable, rather than absolute assurance, that misstatements are prevented or detected on a timely basis by ICFR can be provided due to the inherent limitations of the ICFR system. Such limitations also apply to the effectiveness of ICFR as it is also possible that controls may become inadequate because of changes in conditions or deterioration in compliance with policies and procedures.

In accordance with NI 52-109, a company may limit its certification of design of disclosures and procedures and internal control over financial reporting to exclude the controls, policies and procedures of a business that it acquired not more than 365 days before December 31, 2017. The Company's management, with the participation of the CEO and the CFO, has limited the scope of the design of the Company's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures at MineRP, which was acquired in October 2017.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements and other information included in this MD&A and our other disclosure documents constitute "forward looking information" or "forward looking statements" within the meaning of applicable securities legislation, which we refer to collectively hereinafter as "forward looking statements". Our forward looking statements include, but are not limited to, statements with respect to the estimated capital costs, operating costs and other project economics with respect to Krumovgrad; timing of development, permitting, construction, commissioning activities and commencement of production in respect of Krumovgrad; timing of further optimization work at Tsumeb and potential benefits of the rotary furnace installation; price of gold, copper, silver and acid; toll rates; metals exposure and stockpile interest deductions; the estimation of Mineral Reserves and Mineral Resources and the realization of such mineral estimates; timing and amount

of estimated future production and output, life of mine, costs of production, cash costs and other cost measures, capital expenditures and timing of the development of new deposits; results of economic studies; success of exploration activities; success of permitting activities; permitting time lines; currency fluctuations; requirements for additional capital; government regulation of mining and smelting operations; success of permitting activities; environmental risks; reclamation expenses; potential or anticipated outcome of title disputes or claims; 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 “2018 Guidance” of this MD&A, unless otherwise noted, and provides certain material assumptions used to develop such forward looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements (which are provided without limitation to the additional general risk factors discussed herein):

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

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

Cash cost per tonne of ore processed: assumes Chelopech ore mined/milled is 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.

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

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

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

Sustaining and growth capital expenditures: assumes foreign exchange rates remain at or around current levels, and all capital projects proceed as planned and at a cost that is consistent with the budget established for each project. Subject to a number of risks, the more significant of which are: technical challenges, delays related to securing necessary approvals, equipment deliveries, equipment performance,

and the speed with which work is performed; availability of qualified labour; and changes in project parameters and estimated costs, including foreign exchange impacts.

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

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

CAUTIONARY NOTE TO UNITED STATES INVESTORS CONCERNING ESTIMATES OF MEASURED, INDICATED AND INFERRED RESOURCES

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

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The accompanying consolidated financial statements of Dundee Precious Metals Inc. (the "Company") and all information in this financial report are the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, include management's best estimates and judgments. Management has reviewed the financial information presented throughout this report and has ensured it is consistent with the consolidated financial statements.

Management maintains a system of internal control designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, and that financial information is timely and reliable. However, any system of internal control over financial reporting, no matter how well designed and implemented, has inherent limitations and may not prevent or detect all misstatements.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee.

The Board of Directors appoints the Audit Committee, and all of its members are independent directors. The Audit Committee meets periodically with management and the auditors to review internal controls, audit results, accounting principles and related matters. The Board of Directors approves the consolidated financial statements on recommendation from the Audit Committee.

PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, was appointed by the shareholders at the last annual meeting to examine the consolidated financial statements and provide an independent professional opinion. PricewaterhouseCoopers LLP has full and free access to the Audit Committee.

(Signed) "Richard Howes"

Richard Howes
President and Chief Executive Officer

(Signed) "Hume Kyle"

Hume Kyle
Executive Vice President and
Chief Financial Officer

February 15, 2018



February 15, 2018

Independent Auditor's Report

To the Shareholders of Dundee Precious Metals Inc.

We have audited the accompanying consolidated financial statements of Dundee Precious Metals Inc., and its subsidiaries which comprise the consolidated statements of financial position as at December 31, 2017 and 2016 and the consolidated statements of earnings (loss), comprehensive income (loss), cash flows and changes in shareholders' equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca*



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dundee Precious Metals Inc. as at December 31, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(Signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants, Licensed Public Accountants

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at December 31, 2017 and 2016

(in thousands of U.S. dollars)

		December 31, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash		28,767	11,757
Accounts receivable	6	33,854	45,131
Inventories	7	28,093	28,335
Other current assets	8(c),8(d)	7,863	6,383
		98,577	91,606
Non-Current Assets			
Investments at fair value	8(a),8(b)	48,411	19,216
Mine properties	9	269,597	203,547
Property, plant & equipment	10	359,264	384,920
Intangible assets	11	55,494	22,754
Deferred income tax assets	22	8,962	5,255
Other long-term assets	12	4,445	6,654
		746,173	642,346
TOTAL ASSETS		844,750	733,952
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	13	75,140	40,545
Income tax liabilities		2,993	119
Current portion of long-term debt	14	-	16,110
Current portion of long-term liabilities	17	2,184	2,030
		80,317	58,804
Non-Current Liabilities			
Long-term debt	14	23,000	25,000
Deferred revenue	15	50,000	50,000
Rehabilitation provisions	16	38,041	30,296
Share based compensation plans	18	5,923	3,654
Other long-term liabilities	17	13,981	14,171
		130,945	123,121
TOTAL LIABILITIES		211,262	181,925
EQUITY			
Share capital		515,507	482,656
Contributed surplus		11,720	10,890
Retained earnings		57,115	56,898
Accumulated other comprehensive income		41,820	1,360
Equity attributable to common shareholders of the Company		626,162	551,804
Non-controlling interests	5	7,326	223
TOTAL EQUITY		633,488	552,027
TOTAL LIABILITIES AND EQUITY		844,750	733,952

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

Signed on behalf of the Board of Directors

(Signed) "Richard Howes"
Richard Howes, Director

(Signed) "Donald Young"
Donald Young, Director

CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the years ended December 31, 2017 and 2016

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

		2017	2016
	Notes		
Continuing Operations			
Revenue		348,755	279,489
Costs and expenses			
Cost of sales	19	267,123	258,013
General and administrative expenses	19	21,906	16,065
Corporate social responsibility expenses		1,766	1,522
Exploration expenses	19	9,251	6,480
Impairment charges	4	-	126,339
Finance cost	20	7,570	12,361
Other expense	21	36,290	5,638
Earnings (loss) before income taxes		4,849	(146,929)
Current income tax expense	22	9,607	6,000
Deferred income tax recovery	22	(4,397)	(2,347)
Net loss from continuing operations		(361)	(150,582)
Discontinued Operations			
Net loss from discontinued operations	3	-	(1,605)
Net loss		(361)	(152,187)
Net earnings (loss) attributable to:			
Common shareholders of the Company			
From continuing operations		217	(149,947)
From discontinued operations		-	(1,605)
Non-controlling interests		(578)	(635)
Net loss		(361)	(152,187)
Basic and diluted earnings (loss) per share			
attributable to common shareholders of the Company			
From continuing operations	23	0.00	(1.00)
From discontinued operations	23	-	(0.01)
Basic and diluted earnings (loss) per share		0.00	(1.01)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the years ended December 31, 2017 and 2016

(in thousands of U.S. dollars)

	2017	2016
Net loss	(361)	(152,187)
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) recovery of \$(92) (2016 - \$15)	4,415	8,258
Realized losses on forward foreign exchange contracts transferred to net loss, net of income tax expense of \$42 (2016 - \$9)	4,441	10,223
Unrealized gains on publicly traded securities, net of income tax expense of \$1,198 (2016 - \$nil)	24,590	4,748
Impairment charges on publicly traded securities transferred to net loss, net of income tax expense of \$nil (2016 - \$nil)	-	24
Currency translation adjustments	3,817	13
Other comprehensive income (loss) items that will not 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 \$921 (2016 - \$nil)	8,220	-
Realized gains on forward foreign exchange contracts transferred to mine properties, net of income tax expense of \$465 (2016 - \$nil)	(4,186)	-
	41,297	23,266
Comprehensive income (loss)	40,936	(128,921)
Comprehensive income (loss) attributable to:		
Common shareholders of the Company		
From continuing operations	40,666	(126,681)
From discontinued operations	-	(1,605)
Non-controlling interests	270	(635)
Comprehensive income (loss)	40,936	(128,921)

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

(in thousands of U.S. dollars)

		2017	2016
	Notes		
OPERATING ACTIVITIES			
Earnings (loss) before income taxes			
from continuing operations		4,849	(146,929)
Items not affecting cash and other adjustments	25(a)	105,229	228,618
Changes in non-cash working capital	25(b)	20,018	(37,992)
Prepayment of forward sale of gold	15	-	50,000
Payments for settlement of derivative contracts		(12,218)	(1,895)
Income taxes paid		(7,968)	(7,721)
Cash provided from operating activities of continuing operations		109,910	84,081
Cash used in operating activities of discontinued operations	3	-	(861)
INVESTING ACTIVITIES			
Cash paid on acquisition of MineRP, net of cash acquired of \$471	5	(19,529)	-
Proceeds from Kapan Disposition	3	4,372	24,778
Purchase of available-for-sale investments		(393)	-
Proceeds from disposal of mine properties and property, plant and equipment		114	221
Expenditures on exploration and evaluation assets		-	(4,020)
Expenditures on mine properties		(63,292)	(15,414)
Expenditures on property, plant and equipment		(17,720)	(26,223)
Expenditures on intangible assets		(2,990)	(146)
Cash used in investing activities of continuing operations		(99,438)	(20,804)
Cash used in investing activities of discontinued operations	3	-	(2,314)
FINANCING ACTIVITIES			
Proceeds from shares issued	26(a)	33,212	43,842
Share issuance costs	26(a)	(499)	(2,530)
Repayments of term loans	14(a)	(16,250)	(16,250)
Repayments under revolving credit facility	14(b)	(2,000)	(90,000)
Financing fees on debt		(390)	(1,270)
Finance lease obligation		(1,470)	(1,575)
Interest paid		(6,065)	(7,132)
Cash provided from (used in) financing activities of continuing operations		6,538	(74,915)
Increase (decrease) in cash of continuing operations		17,010	(11,638)
Decrease in cash of discontinued operations		-	(3,175)
Cash of continuing operations, beginning of year		11,757	23,395
Cash of discontinued operations, beginning of year		-	3,175
Cash of continuing operations, end of year		28,767	11,757
Cash of discontinued operations, end of year		-	-

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2017 and 2016

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

	December 31, 2017		December 31, 2016	
	Number	Amount	Number	Amount
Share capital				
Authorized				
Unlimited common and preference shares with no par value				
Issued				
Fully paid common shares with one vote per share				
Balance at beginning of year	160,588,112	482,656	140,575,783	439,736
Shares issued on financing (note 26(a))	17,843,120	33,176	19,056,000	43,842
Share issuance costs (note 26(a))		(499)		(2,530)
Shares issued on option agreement	10,000	17	-	-
Shares issued upon Avala acquisition (note 5)	-	-	956,329	1,608
Shares issued on exercise of stock options (note 18)	51,334	103	-	-
Transferred from contributed surplus on exercise of stock options		54		-
Balance at end of year	178,492,566	515,507	160,588,112	482,656
Contributed surplus				
Balance at beginning of year		10,890		9,695
Share based compensation expense		1,791		1,510
Transferred to share capital on exercise of stock options		(54)		-
Other changes in contributed surplus		(907)		(315)
Balance at end of year		11,720		10,890
Retained earnings				
Balance at beginning of year		56,898		208,450
Net earnings (loss) attributable to common shareholders of the Company		217		(151,552)
Balance at end of year		57,115		56,898
Accumulated other comprehensive income (note 26(b))				
Balance at beginning of year		1,360		(20,424)
Other comprehensive income		40,460		21,784
Balance at end of year		41,820		1,360
Total equity attributable to common shareholders of the Company		626,162		551,804
Non-controlling interests				
Balance at beginning of year		223		656
Net loss attributable to non-controlling interests		(578)		(635)
Other comprehensive income attributable to non-controlling interest		837		-
Acquisition of MineRP (note 5)		5,914		-
Other changes in non-controlling interests		930		202
Balance at end of year		7,326		223
Total equity at end of year		633,488		552,027

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

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

1. CORPORATE INFORMATION

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

As at December 31, 2017, DPM’s consolidated financial statements include DPM and its subsidiary companies (collectively, the “Company”).

Continuing operations:

DPM’s principal subsidiaries include:

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

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

- 10.4% of Sabina Gold and Silver Corp. (“Sabina”), which is focused on the Back River project in southwestern Nunavut, Canada;
- 100% of Avala Resources Ltd. (“Avala”), which is focused on the exploration and development of the Lenovac project, the Timok gold project, the Tulare copper and gold project and other early stage projects in Serbia; and
- through an option agreement, the right to earn up to a 71% interest in Khalkos Exploration Inc.’s Malartic gold property located in the Archean Abitibi greenstone belt in the Malartic mining camp in Quebec, Canada.

On October 25, 2017, the Company completed a business combination pursuant to which it acquired a 78% equity interest in MineRP Holdings Proprietary Limited, an independent software vendor for the mining industry with operations in South Africa, Canada, Australia and Chile, through MineRP Holdings Inc. (“MineRP”), a newly created subsidiary (*note 5*).

Discontinued operations (*note 3*):

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

2.1 BASIS OF PREPARATION

The Company’s consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Chartered Professional Accountants of Canada Handbook – Accounting. These consolidated financial statements were approved by the Board of Directors on February 15, 2018.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

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

2.2 SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared on a historical cost basis except for available-for-sale financial instruments and derivative assets and liabilities (*note 8*) that are measured at fair value.

The Company's significant accounting policies are set out below.

(a) Basis of consolidation

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Company uses the acquisition method of accounting for business combinations. The fair value of the acquisition of a subsidiary is based on the fair value of the assets acquired, the liabilities assumed, and the fair value of the consideration. The fair value of the assets acquired and liabilities assumed includes any contingent consideration arrangement. Acquisition-related costs are expensed as incurred. At the date of acquisition, identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values. The Company also recognizes any non-controlling interest in the acquiree at fair value.

The excess, if any, of the consideration paid and the amount of any non-controlling interest recognized over the fair value of the identifiable net assets acquired is recorded as goodwill. In the case of a bargain purchase, where the total consideration paid and the non-controlling interest recognized, are less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statements of earnings (loss).

Subsidiaries are fully consolidated from the date on which control is acquired by the Company and they are deconsolidated from the date that control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All inter-company balances, revenues and expenses and earnings and losses resulting from inter-company transactions are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are a separate component of the Company's equity. Non-controlling interests consist of the non-controlling interests on the date of the original business combination plus the non-controlling interests' share of changes in equity since the date of acquisition.

(b) Critical accounting estimates and judgments

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

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Mineral Resources and Mineral Reserves estimates (note 2.2(k));
- impairment of non-financial assets (note 2.2(o));
- rehabilitation provisions and contingencies (note 2.2(p));
- revenue recognition related to toll smelting arrangements (note 2.2(r));
- deferred revenue (note 2.2(s)); and
- deferred income tax assets and liabilities (note 2.2(v)).

(c) Presentation and functional currency

The Company's presentation currency is the U.S. dollar and the functional currency of DPM and its wholly-owned operations is the U.S. dollar as it was assessed by management as being the primary currency of the economic environment in which the Company operates.

(d) Foreign currency

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated at the exchange rates on the dates that their fair values are determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated at the exchange rates on the dates of the transactions. Income and expense items are translated at the exchange rate on the dates of the transactions. Exchange gains or losses resulting from the translation of these amounts are included in net earnings or loss, except those arising on the translation of available-for-sale equity instruments that are recorded in other comprehensive income or loss.

Foreign operations

Foreign operations are comprised of subsidiaries of the Company that have a functional currency other than the U.S. dollar. The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated into U.S. dollars at exchange rates on the reporting date. The income and expenses of foreign operations are translated into U.S. dollars at exchange rates on the dates of the transactions. Foreign currency differences are recognized as currency translation adjustments in other comprehensive income or loss. As at December 31, 2017, MineRP is the only foreign operation of the Company with a functional currency being South African Rand and its subsidiaries with functional currencies denominated in the currencies of the primary economic environments in which each of the subsidiaries operates.

(e) Inventories

Inventories of ore and concentrates are measured and valued at the lower of average production cost and net realizable value. Net realizable value is the estimated selling price of the concentrates in the ordinary course of business based on the prevailing metal prices on the reporting date, less estimated costs to complete production and to bring the concentrates to sale. Production costs that are inventoried include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour, other direct costs (including external services and depreciation, depletion and amortization), production related overheads and royalties.

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories of sulphuric acid, arsenic, spare parts, supplies and other materials are valued at the lower of average cost and net realizable value. Obsolete, redundant and slow moving inventories are identified at each reporting date and written down to their net realizable values.

(f) Financial assets and liabilities

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of International Accounting Standard (“IAS”) 39, *Financial Instruments: Recognition & Measurement*, are classified as “financial assets at fair value through profit or loss”, “loans and receivables”, or “available-for-sale financial assets”, as appropriate. The Company determines the classification of its financial assets at initial recognition.

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

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if management intends to sell the financial assets in the short term. This category includes any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship under IAS 39. Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in other income or expense in the consolidated statements of earnings (loss). The Company’s investment in Sabina special warrants, the commodity swap and option contracts entered to economically hedge a portion of its provisionally priced sales and projected production, and the forward point component of the forward foreign exchange contracts entered to hedge a portion of its projected operating expenses and capital expenditures denominated in foreign currencies are, where applicable, classified as financial assets at fair value through profit or loss.

Derivatives are recognized initially at fair value and all attributable transaction costs are recognized in other expense in the consolidated statements of earnings (loss), as incurred. Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts. Host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the consolidated statements of earnings (loss). Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would have otherwise been required.

Subsequent measurement - Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These include cash and cash equivalents, restricted cash, accounts receivables, loans receivable and short-term investments. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (“EIR”) method less any impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest income in the consolidated statements of earnings (loss). The losses arising from impairment, if any, are recognized as finance cost.

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent measurement - Available-for-sale financial assets

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

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

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the asset.

Impairment of financial assets

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

For financial assets carried at amortized cost, the Company considers evidence of impairment at both a specific asset and collective level. Objective evidence could include the default or delinquency of a debtor or restructuring of an amount due to the Company on terms that the Company would not consider otherwise. All individually significant financial assets are assessed for specific impairment. Financial assets that are not individually significant are collectively assessed for impairment by grouping together financial assets with similar risk characteristics. If there is objective evidence that an impairment charge has been incurred, the amount of the charge is recognized in the consolidated statements of earnings (loss) and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not yet been incurred. If, in a subsequent period, the estimated impairment charge decreases because of an event, any reversal would be credited to profit or loss.

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

The assessment for impairment in respect of available-for-sale investments requires judgment, where management evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as “financial liabilities at fair value through profit or loss”, or “other financial liabilities”. The Company’s financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments, where applicable.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement - Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if management intends to settle the financial liabilities in the short term. This category includes any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship under IAS 39. Financial liabilities at fair value through profit or loss are carried at fair value with changes in fair value recognized in other income or expense in the consolidated statements of earnings (loss). The commodity swap and option contracts entered to economically hedge a portion of its provisionally priced sales and projected production, and the forward point component of the forward foreign exchange contracts entered to hedge a portion of its projected operating expenses and capital expenditures denominated in foreign currencies are, where applicable, classified as financial liabilities at fair value through profit or loss.

Subsequent measurement - Other financial liabilities

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

Derecognition

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

(g) Offsetting of financial instruments

Financial assets and financial liabilities are offset if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

(h) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. These valuation models require the use of assumptions, including future stock price volatility and probability of exercise.

Changes in the underlying assumptions could materially impact the Company's investments at fair value through profit or loss. Further details on measurement of the fair values of financial instruments are provided in *note 8*.

(i) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the dates they are entered into and are subsequently re-measured at their fair value at each reporting period. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates the spot component of the forward foreign exchange contracts entered to hedge a portion of its projected operating expenses and capital expenditures denominated in foreign currencies as a cash flow hedge.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The spot component of the 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 earnings (loss). Amounts accumulated in other comprehensive income or loss are reclassified to the consolidated statements of earnings (loss) in cost of sales in the same periods as the underlying projected operating expenses are incurred. For hedges of capital expenditures, realized gains or losses are included in the carrying value of the underlying assets hedged.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity is more than 12 months, and as a current asset or liability when the remaining maturity is 12 months or less.

(j) Mineral exploration and evaluation expenditures

Exploration and evaluation activities involve the search for Mineral Resources and Mineral Reserves, the assessment of technical and operational feasibility and the determination of an identified Mineral Resource or Mineral Reserve's commercial viability. Once the legal right to explore has been acquired, exploration and evaluation expenditures are expensed as incurred until economic production is probable. Exploration expenditures in areas where there is a reasonable expectation to convert existing estimated Mineral Resources to estimated Mineral Reserves or to add additional Mineral Resources with additional drilling and evaluations in areas near existing Mineral Resources or Mineral Reserves and existing or planned production facilities, are capitalized.

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exploration properties that contain Proven and Probable Mineral Reserves, but for which a development decision has not yet been made, are subject to periodic review for impairment when events or changes in circumstances indicate the project's carrying value may not be recoverable.

Exploration and evaluation assets are reclassified to "Mine Properties - Mines under construction" when the technical feasibility and commercial viability of extracting the Mineral Resources or Mineral Reserves are demonstrable and construction has commenced or a decision to construct has been made. Exploration and evaluation assets are assessed for impairment before reclassification to "Mines under construction", and the impairment charge, if any, is recognized through net loss.

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is probable that future economic benefits will be generated from the exploitation of an exploration and evaluation asset when activities have not yet reached a stage where a reasonable assessment of the existence of Mineral Reserves can be determined. The estimation of Mineral Resources is a complex process and requires significant assumptions and estimates regarding economic and geological data and these assumptions and estimates impact the decision to either expense or capitalize exploration and evaluation expenditures. Management is required to make certain estimates and assumptions about future events and circumstances in order to determine if an economically viable extraction operation can be established. Any revision to any of these assumptions and estimates could result in the impairment of the capitalized exploration costs. If new information becomes available after expenditures have been capitalized that the recovery of these expenditures is no longer probable, the expenditures capitalized are written down to the recoverable amount and charged to net loss in the period the new information becomes available.

(k) Mine properties

Mine Properties - Mines under construction

All expenditures undertaken in the development, construction, installation and/or completion of mine production facilities are capitalized and initially classified as "Mines under construction". Upon the commencement of production at the expected capacity level, all related assets included in "Mines under construction" are reclassified to "Mine Properties - Producing mines" or "Property, plant and equipment".

All expenditures related to the construction of mine declines and ore body access, including mine shafts and ventilation raises, are considered to be capital development and are capitalized. Expenses incurred after reaching the ore body are regarded as operating development costs and are included in the cost of ore hoisted.

Mine Properties – Producing mines

All assets reclassified from "Mines under construction" to "Producing mines" are stated at cost less accumulated depletion and accumulated impairment charges. Costs incurred for the acquisition of land are stated at cost.

The initial cost of a producing mine comprises its purchase price or construction cost, any costs directly attributable to bringing it to a working condition for its intended use, the initial estimate of the rehabilitation costs, and for qualifying assets, applicable borrowing costs during construction. The purchase price or construction cost is the aggregate amount of cash consideration paid and the fair value of any other consideration given to acquire the asset.

When a mine construction project moves into production, the capitalization of certain mine construction costs ceases, and from that point on, costs are either regarded as inventory costs or expensed as cost of sales, except for costs related to mine additions or improvements, mine development or mineable reserve development, which qualify for capitalization.

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depletion

The depletion of a producing mine asset is based on the unit-of-production method over the estimated economic life of the related deposit.

Mineral Resources and Mineral Reserves estimates

The estimation of Mineral Resources and Mineral Reserves, as defined under National Instrument 43-101, *Standards of Disclosure for Mine Projects* ("NI 43-101"), is a complex process and requires significant assumptions and estimates. The Company prepares its Mineral Resources and Mineral Reserves estimates based on information related to the geological data on the size, depth and shape of the ore body which is compiled by appropriately qualified persons. Mineral Resources and Mineral Reserves estimates are based upon factors such as metal prices, capital requirements, production costs, foreign exchange rates, geotechnical and geological assumptions and judgments made in estimating the size and grade of the ore body. Mineral Resources and Mineral Reserves estimates, together with forecast production, determine the life of mine estimates and therefore changes in the Mineral Resources or Mineral Reserves estimates may impact the carrying value of exploration and evaluation assets (*note 2.2(j)*), mine properties, property, plant and equipment (*note 2.2(l)*), depletion and depreciation charges (*note 2.2(l)*), rehabilitation provisions (*note 2.2(p)*), and deferred income tax assets (*note 2.2(v)*).

(l) Property, plant and equipment

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

The initial cost of property, plant and equipment comprises its purchase price or construction cost, any costs directly attributable to bringing it to a working condition for its intended use, the initial estimate of the rehabilitation costs, and for qualifying assets, applicable borrowing costs during construction. The purchase price or construction cost is the aggregate amount of cash consideration paid and the fair value of any other consideration given to acquire the asset. Where an item of property, plant and equipment is comprised of significant components with different useful lives, the components are accounted for as separate items of property, plant and equipment. The capitalized value of a finance lease is also included in property, plant and equipment.

Depreciation

The depreciation of property, plant and equipment related to a mine is based on the unit-of-production method over the estimated economic life of the related deposit, except in the case of an asset whose estimated useful life is less than the life of the deposit, in which case the asset is depreciated over its estimated useful life based on the straight-line method. For all other property, plant and equipment, depreciation is based on the estimated useful life of the asset on a straight-line basis. Depreciation of property, plant and equipment used in a capitalized exploration or development project is capitalized to the project.

Depreciation of property, plant and equipment, which are depreciated on a straight-line basis over their estimated useful lives, is as follows:

Asset Category	Estimated useful life (Years)
Buildings	10-25
Machinery and Equipment	3-25
Vehicles	5
Computer Hardware	2-5
Office Equipment	3-7

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction work-in-progress includes property, plant and equipment in the course of construction and is carried at cost less any recognized impairment charge. These assets are reclassified to the appropriate category of property, plant and equipment and depreciation of these assets commences when they are completed and ready for their intended use.

An item of property, plant and equipment, including any significant part initially recognized, is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss when the asset is derecognized.

The residual values, useful lives and methods of depreciation of all assets are reviewed at each financial year end and are adjusted prospectively, if appropriate. Significant judgment is involved in the determination of estimated residual values and useful lives. The actual residual values and useful lives may differ from current estimates.

Depreciation of mine specific assets is based on the unit-of-production method. The life of these assets is assessed annually with regard to both their anticipated useful life and the present assessments of the economically recoverable reserves of the mine property where these assets are located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. Any changes to these calculations based on new information are accounted for prospectively.

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

Major maintenance and repairs

Expenditures on major maintenance include the cost of replacing part of an asset and overhaul costs. When part of an asset is being replaced and it is probable that future economic benefits associated with the replacement or overhauled item will flow to the Company through an extended life, the expenditure is capitalized as a separate asset and the carrying amount of the replaced part is written off.

(m) Intangible assets

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

Intangible assets acquired are measured upon initial recognition at cost, which comprises the purchase price plus any costs directly attributable to the preparation of the asset for its intended use. Identifiable intangible assets acquired through business combinations are initially recognized at fair value as at the date of acquisition. Goodwill is initially measured as described in *note 2.2(a)* through business combinations.

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

Goodwill is carried at cost less any accumulated impairment losses and is not subject to amortization. All other intangible assets are carried at cost less accumulated amortization and any accumulated impairment charges. The amortization of the net smelter royalty is based on the unit-of-production method over the estimated economic life of the Kapan mine owned by Polymetal International Plc ("Polymetal") (*note 3*). Other intangible assets are amortized on a straight-line basis over their estimated useful lives.

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Asset Category	Estimated useful life (Years)
Computer Software	3-5
Exploration and Software Licenses	3-7
Intellectual Property	5-20
Customer Contracts	2-11

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets require the use of estimates and assumptions and are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense attributable to an intangible asset is recognized in the consolidated statements of earnings (loss) in the applicable expense category to which the intangible asset relates.

The gain or loss arising from the derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in profit or loss when the asset is derecognized.

(n) Discontinued operations

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

(o) Impairment of non-financial assets

The carrying values of mine properties, intangible assets and property, plant and equipment are assessed for impairment whenever indicators of potential impairment exist. If any indication of potential impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs of disposal ("FVLCD") and its value in use based on discounted cash flows. This is determined on an asset-by-asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets. If this is the case, individual assets are grouped together into a Cash Generating Unit ("CGU") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets or groups of assets. Management has assessed the Company's CGUs as being an individual operating site.

If the carrying amount of an asset or CGU exceeds its recoverable amount, the carrying amount of the asset or CGU is reduced to its recoverable amount with the corresponding impairment being charged to earnings in the period of impairment. Impairment charges are recognized in the consolidated statements of earnings (loss) in those expense categories consistent with the function of the impaired asset.

An assessment is also made at each reporting date as to whether there is any change in events or circumstances relating to a previously recognized impairment. If a change has occurred, the Company makes an estimate of the recoverable amount for the previously impaired asset or CGU. A previously recognized impairment charge, other than a charge in respect of goodwill, is reversed only if there has been a change in the estimates used to determine the asset or CGU's recoverable amount since the last impairment charge was recognized. If this is the case, the carrying amount of the asset or CGU is increased to its newly determined recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment charge been recognized for the asset or CGU in prior years.

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The assessment of impairment is based, in part, on certain factors that may be partially or totally outside of the Company's control, and requires the use of estimates and assumptions related to future value drivers, such as commodity prices, toll rates, discount rates, foreign exchange rates, operating and capital costs, and future expansion plans.

These significant estimates and assumptions, some of which may be subjective, require that management make decisions based on the best available information at each reporting period. It is possible that the actual recoverable amount could be significantly different than those estimates. A significant decline in the asset's market value, reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable reserves, resources and exploration potential, and/or adverse market conditions can result in a write-down of the carrying amounts of the Company's assets. Judgment is also required when considering whether significant changes in any of these items indicate a previous impairment may have reversed.

(p) Provisions and contingencies

General

Provisions are recognized when: a) the Company has a present obligation (legal or constructive) as a result of a past event; and b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when it is virtually certain that reimbursement will be received if the Company settles the obligation. The reimbursement shall be treated as a separate asset. If the effect of the time value of money is material, provisions are discounted using a current pre-tax discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision as a result of the passage of time is recognized in finance cost in the consolidated statements of earnings (loss).

A contingent liability is not recognized in the case where no reliable estimate can be made; however, disclosure is required unless the possibility of an outflow of resources embodying economic benefits is remote. By its nature, a contingent liability will only be resolved when one or more future events occur or fail to occur. The assessment of a contingent liability inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Rehabilitation provisions

Mining, processing, development and exploration activities are subject to various laws and regulations governing the protection of the environment. The Company recognizes a liability for its rehabilitation obligations in the period when a legal and/or constructive obligation is identified. The liability is measured at the present value of the estimated costs required to rehabilitate operating locations based on the risk free nominal discount rates that are specific to the countries in which the operations are located. A corresponding increase to the carrying amount of the related asset is recorded and depreciated in the same manner as the related asset.

The nature of these restoration and rehabilitation activities includes: i) dismantling and removing structures; ii) rehabilitating mines and tailing dams; iii) dismantling operating facilities; iv) closure of plant and waste sites; and v) restoration, reclamation and re-vegetation of affected areas. Other environmental costs incurred at the operating sites, such as environmental monitoring, water management and waste management costs, are charged to profit or loss when incurred.

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The liability is accreted over time to its expected future settlement value. The accretion expense is recognized in finance cost in the consolidated statements of earnings (loss).

The Company assesses its rehabilitation provisions at each reporting date. The rehabilitation liability and related assets are adjusted at each reporting date for changes in the discount rates and in the estimated amount, timing and cost of the work to be carried out. Any reduction in the rehabilitation liability and therefore any deduction in the related rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is immediately credited to profit or loss.

Significant estimates and assumptions are made by management in determining the nature and costs associated with the rehabilitation liability. The estimates and assumptions required include estimates of the timing, extent and costs of rehabilitation activities, technology changes, regulatory changes, and changes in the discount and inflation rates. These uncertainties may result in future expenditures being different from the amounts currently provided.

(q) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the agreement on the inception date.

Finance leases

Finance leases which transfer substantially all the risks and rewards incidental to ownership of the leased item to the Company as a lessee, are capitalized at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability. Finance charges are recognized in finance cost in the consolidated statements of earnings (loss).

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the term of the lease.

Operating leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership to the Company as a lessee are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of earnings (loss) on a straight-line basis over the lease term.

(r) Revenue recognition

Revenue from the sale of concentrates containing gold, copper, zinc and silver is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when products have been delivered to the location specified in the sales contract and the risk of loss has been transferred to the buyer. Revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from the sale of concentrates is initially recorded based on a provisional value which is a function of prevailing market prices, estimated weights and grades less smelter and financial deductions. Under the terms of the concentrate sales contracts, the final metal price ("settlement price") for the payable metal is based on a predetermined quotational period of London Metal Exchange daily prices. The price of the concentrate is the sum of the metal payments less the sum of specified deductions, including treatment and refining charges, penalties for deleterious elements, and freight. The terms of these contracts result in embedded derivatives because of the timing difference between the prevailing metal prices for provisional payments and the actual contractual metal prices used for final settlement. These embedded derivatives are adjusted to fair value at the end of each reporting period through to the date of final price determination with any adjustments recognized in revenue.

Any adjustments to the amount receivable for each shipment on the settlement date, caused by final assay results, are adjusted through revenue at the time of determination.

Revenue from processing concentrate is recognized when concentrate has been smelted and is based on the toll rate specified in the toll agreement, which can vary based on the composition of the concentrate processed and prevailing market conditions at the time the agreement was entered. Under each toll agreement, Tsumeb incurs a carrying charge in respect of the concentrate it processes until blister copper is delivered. This charge is recorded as a reduction of revenue.

Revenue from processing concentrate is also adjusted for any over or under recoveries of metals delivered relative to contracted rates, which are subject to estimation, including the amount of metals contained in concentrate received, material in-process and blister delivered. These significant estimates are based on the Company's process knowledge and multiple assay results, the final results of which could differ from initial estimates.

Revenue from the sale of sulphuric acid and arsenic, a by-product from processing concentrate at the Tsumeb smelter, is measured at the price specified in the sales contract and is recognized when the significant risks and rewards of ownership have been transferred, which is considered to occur when the products have been delivered to the location specified in the sales contract and the risk of loss has been transferred to the buyer.

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

Revenue from licenses entered by MineRP containing software and ongoing services elements is recognized based on the estimated fair value of each element. The fair value of each element is determined based on the market price of each element when sold separately. Revenue relating to the software element is recognized when the risks and rewards have been transferred to the customer, which occurs on delivery. Revenue relating to the service element is recognized on a straight-line basis over the service period.

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Deferred revenue

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

Judgment was required in determining the accounting for the Company's prepaid forward gold sales arrangement (*note 15*). The Company has determined that the upfront cash prepayment is not a financial liability as it will be settled through the delivery of gold which is a non-financial item rather than through cash or other financial assets. It is the Company's intention to settle this deferred revenue through its own production. If such settlement is not expected to occur, the prepaid forward gold sales arrangement would become a financial liability as a cash settlement may be required.

(t) Borrowing costs

Borrowing costs directly related to the acquisition and the construction of a qualifying capital asset are capitalized and added to the cost of the asset until such time as the asset is considered substantially ready for its intended use. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where funds used to finance a project form part of general borrowings, the amount capitalized is calculated using the weighted average cost applicable to relevant general borrowings of the Company during the period. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

(u) Share based compensation transactions

Equity-settled transactions

Stock options are granted to directors and selected employees to buy common shares of the Company. Options vest equally over a three-year period and expire five years from the date of grant. Grants of stock options are based on the closing price of the common shares on the TSX the day before the effective grant date and reflect the Company's estimate of the number of awards that will ultimately vest. The stock options are measured on the date of grant by reference to the fair value determined using a Black-Scholes valuation model, further details of which are given in *note 18*. The value is recognized as a general and administrative expense in the consolidated statements of earnings (loss) and an increase to contributed surplus in the consolidated statements of changes in shareholders' equity over the period in which the performance and/or service conditions are fulfilled.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Cash-settled transactions

A Deferred Share Unit ("DSU") Plan was established for directors and certain employees in lieu of cash compensation. The DSUs are paid in cash based on the five-day volume weighted average price ("Market Price") of DPM's publicly traded common shares on the date the employee ceases to be employed by DPM or a subsidiary thereof or at any time before the end of the year following the year in which the director ceases to be a director of DPM or a subsidiary thereof. The cost of the DSUs is measured initially at fair value based on the closing price of DPM's common shares preceding the day the DSUs are granted. The cost of the DSUs is recognized as a liability under share based compensation plans in the consolidated statements of financial position and as a general and administrative expense in the consolidated statements of earnings (loss). The liability is remeasured to fair value based on the Market Price of DPM's common shares at each reporting date up to and including the settlement date, with changes in fair value recognized in general and administrative expenses in the consolidated statements of earnings (loss).

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Restricted Share Unit (“RSU”) Plan was established for directors, certain employees and eligible contractors (“Participant”) of DPM and its wholly-owned subsidiaries in consideration of past services to the Company. Under this plan, the Board of Directors may, at its sole discretion, (i) grant non-performance based RSUs and RSUs with a performance-based component, referred to as performance share units (“PSUs”), subject to performance conditions to be achieved by the Company; and (ii) determine the entitlement date or dates of such RSUs and PSUs. The non-performance based RSUs vest equally over a three-year period and are paid in cash based on the Market Price of DPM’s publicly traded common shares on the entitlement date or dates. The PSUs vest after three years from the grant date and are paid in cash based on the Market Price of DPM’s publicly traded common shares, subject to performance criteria established by the Board of Directors on the entitlement date or dates.

The cost of the RSUs and PSUs is measured initially at fair value on the authorization date based on the closing price of DPM’s common shares preceding the day the RSUs and PSUs are granted. The cost of RSUs and PSUs is recognized as a liability under share based compensation plans, with the current portion recognized in accounts payable and accrued liabilities, in the consolidated statements of financial position and as an expense in the consolidated statements of earnings (loss) over the vesting period. The liability is remeasured to fair value based on the Market Price of DPM’s common shares and, in the case of PSUs, subject to performance criteria, at each reporting date up to and including the settlement date, with changes in fair value recognized in the consolidated statements of earnings (loss).

(v) Income taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities on the taxable loss or income for the period. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the end of the reporting period.

Current income tax assets and current income tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

Deferred income tax

Deferred income tax is provided using the balance sheet method on temporary differences on the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable income will be generated in future periods to utilize these deductible temporary differences.

The following temporary differences do not result in deferred income tax assets or liabilities:

- The initial recognition of assets or liabilities, not arising from a business combination, that does not affect accounting or taxable profit;
- Initial recognition of goodwill, if any; and
- Investments in subsidiaries, associates and jointly controlled entities where the timing of the reversal of temporary differences can be controlled and reversal in the foreseeable future is not probable.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be generated to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable income will be generated to allow the deferred income tax asset to be recovered.

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2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to be in effect in the period when the asset is expected to be realized or the liability is expected to be settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and liabilities are offset if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current and deferred income taxes related to items recognized directly in equity are recognized in equity and not in profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Judgment is required in determining whether deferred income tax assets are recognized on the consolidated statements of financial position. Deferred income tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate future taxable income in order to utilize the deferred income tax assets. Estimates of future taxable income are based on forecasted cash flows from operations or other activities and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred income tax assets recorded on the reporting date could be impacted.

Additionally, future changes in tax laws in the jurisdictions in which the Company operates could impact tax deductions in future periods and the value of its deferred income tax assets and liabilities.

(w) Earnings per share

Basic earnings per share is computed by dividing the net earnings available to common shareholders by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share reflects the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. The number of additional shares for inclusion in diluted earnings per share is determined using the treasury stock method, whereby stock options and warrants, whose exercise price is less than the average market price of the Company's common shares, are assumed to be exercised at the beginning of the period with proceeds based on the average market price for the period. The incremental number of common shares issued under stock options and warrants is included in the calculation of diluted earnings per share.

2.3 NEW STANDARDS NOT YET ADOPTED

The following new standards are not yet effective for the year ended December 31, 2017 and have not been applied when preparing these consolidated financial statements.

The Company is planning to adopt IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, effective January 1, 2018 and has completed its evaluation of the accounting implications on its consolidated financial statements and disclosures, internal controls and accounting policies. This evaluation was based on a review of industry specific technical interpretations, existing hedge documentation, and contracts for each significant revenue stream. The Company will adopt these new standards retrospectively as of January 1, 2018 without restating comparatives. The impact of applying the standards will be reflected in the opening balances as at January 1, 2018.

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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 IAS 39. 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.

Based on the Company's detailed assessment of the classification and measurement of financial assets, equity investments currently classified as available-for-sale financial assets will satisfy the conditions for classification as an asset that is fair valued through other comprehensive income or loss. The Company has elected to irrevocably designate these financial assets as fair value through other comprehensive income or loss. Gains and losses in respect of these investments are recognized in other comprehensive income or loss, are not transferred to profit or loss upon disposition and are not subject to impairment assessments. Upon adoption of IFRS 9, \$20.6 million of impairment charges on current available-for-sale investments previously recognized in profit or loss will be transferred from retained earnings to accumulated other comprehensive income as at January 1, 2018, with no impact on total shareholders' equity.

Derivative instruments currently classified as financial assets at fair value through profit or loss will continue to be measured on the same basis under IFRS 9. Accordingly, the Company does not expect the new standard to have any impact on the classification and measurement of its financial assets at fair value through profit or loss.

There is no impact on the Company's accounting for financial liabilities, as the Company does not have financial liabilities designated at fair value through profit or loss and does not have any material debt modifications.

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

Upon adoption of IFRS 9, the effective portion of changes in fair value of commodity swap and option contracts relating to production hedges, which are currently recognized in other income or expense, will be recognized in other comprehensive income or loss and will be reclassified to profit or loss in the same period as the underlying hedged sale occurs. In the case of forward foreign exchange contracts, the Company will continue to designate the change in fair value of the spot component of the forward foreign exchange contracts as the hedging instrument in the cash flow hedging relationship such that any unrealized fair value change will be initially recognized in other comprehensive income or loss. The accumulated fair value change will be subsequently recognized in profit or loss or mine properties in the same period when the underlying hedged operating expenses or capital expenditures occur.

Upon adoption of IFRS 9, the Company will also elect that the forward point component in the forward foreign exchange contracts be separately accounted for as a cost of hedging. Any unrealized fair value change in the forward point component of the outstanding forward foreign exchange contracts previously recognized in profit or loss will be transferred to accumulated other comprehensive income or loss and recognized as a cost of hedging within shareholders' equity. The accumulated cost of hedging will be subsequently recognized in profit or loss or mine properties in the same period when the underlying hedged operating expenses or capital expenditures occur. The application of the changes in accounting policies for cost of hedging will result in an increase in retained earnings and a corresponding decrease in other comprehensive income within shareholders' equity of \$0.04 million as at January 1, 2018.

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The new standard requires recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39 and applies to financial assets classified at amortized cost. The new standard does not have a significant impact in respect of the Company's accounts receivables. Upon adoption of IFRS 9, the Company has not made any material adjustment to its opening retained earnings as at January 1, 2018 for the estimated credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation with respect to financial instruments, which will change the nature and extent of the Company's disclosures.

IFRS 15, Revenue from Contracts with Customers

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

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

IFRS 16, Leases

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

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for companies that also adopt IFRS 15. The Company does not intend to adopt IFRS 16 before its mandatory date. As a lessee, the Company can either apply the standard using a retrospective approach or a modified retrospective approach. The Company is currently reviewing all of its leases to determine and document the expected changes associated with the adoption of IFRS 16.

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3. KAPAN DISPOSITION AND DISCONTINUED OPERATIONS

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

Kapan Disposition

Consideration received:

Cash	10,000
Working capital adjustment (i)	5,018
Polymetal ordinary shares (ii)	15,214
Net smelter royalty stream (iii)	9,500
Total consideration received	39,732
Less: transaction costs	(848)
Net consideration received	38,884

Net assets disposed of:

Cash and cash equivalents	960
Accounts receivable	11,880
Inventories	12,023
Other current assets	155
Mine properties	11,827
Property, plant & equipment	8,613
Total assets disposed of	45,458

Accounts payable and accrued liabilities	3,867
Rehabilitation provisions	6,121
Total liabilities disposed of	9,988

Net assets disposed of	35,470
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Gain on Kapan Disposition included in net loss from discontinued operations	3,414
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- (i) The working capital adjustment was finalized in 2017 at \$5.0 million and the Company received cash of \$4.4 million which was included in the proceeds from the Kapan Disposition in the consolidated statements of cash flows for the year ended December 31, 2017.
- (ii) The Polymetal ordinary shares were sold subsequent to the closing for net cash proceeds of \$14.8 million, which was included in the proceeds from Kapan Disposition in the consolidated financial statements of cash flows for the year ended December 31, 2016.
- (iii) The estimated fair value of the net smelter royalty component of the total consideration received was based on management's estimated future pre-tax cash flows of Kapan utilizing the latest information available, including metal prices, available Mineral Resources, ore mined, grades, recoveries, certain operating costs and foreign exchange rates. These projected cash flows were prepared in current dollars and discounted using a real discount rate of 10% representing the estimated pre-tax real weighted average cost of capital. This rate was estimated based on the Capital Asset Pricing Model where the cost of equity and debt were built up based on estimated risk free interest rates, market returns on equity and debt, volatility, debt-to-equity ratios and risks specific to the Company and mining sector.

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

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

The estimated fair value of the net smelter royalty was recognized as an intangible asset in the consolidated statements of financial position and is being amortized based on the unit-of-production method over the estimated economic life of the Kapan mine, which corresponds with timing when the net smelter royalty income is expected to be recognized. The net smelter royalty income and the amortization expense were both recorded in other expense (*note 21*) in the consolidated statements of earnings (loss).

Discontinued operations

The following table summarizes the operating results of Kapan, up to the date of disposition, which have been aggregated and presented as discontinued operations for the year ended December 31, 2016:

	2016
Revenue	14,380
Costs and expenses	
Cost of sales	13,045
Exploration expenses	97
Impairment charges	206
Finance cost	287
Other expense	5,400
Loss before income taxes	(4,655)
Current income tax expense	364
Net loss from discontinued operations before gain on Kapan Disposition	(5,019)
Gain on Kapan Disposition	3,414
Net loss from discontinued operations	(1,605)

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4. IMPAIRMENT CHARGES

As at December 31, 2017, the Company assessed the recoverable amount of each of its CGUs as a result of the market capitalization of its shares being less than their carrying value. Based on this assessment, the carrying values of all CGUs were considered to be recoverable.

As at December 31, 2017, the FVLCD of the Tsumeb CGU was \$8 million higher than its carrying value of \$250 million. The projected cash flows and estimated FVLCD can be affected by any one or more changes in the estimates used. Changes in volumes of concentrate smelted, third party toll rates and operating costs have the greatest impact on value, where a 5% change in volumes, third party toll rates, or operating costs would each change FVLCD by approximately \$40 million. In addition, if Tsumeb were to not proceed with its expansion plan, there would be an impairment charge.

As at December 31, 2016, the carrying value of Tsumeb exceeded its estimated recoverable amount resulting in an impairment charge of \$107.0 million being recognized in the consolidated statements of earnings (loss), of which \$102.9 million related to property, plant and equipment and \$4.1 million related to intangible assets. This impairment charge was primarily attributable to lower forecast third party toll rates and lower forecast volumes related to a slower ramp-up of throughput to 370,000 tonnes per year.

Tsumeb's recoverable amount of \$266 million as at December 31, 2016 was determined using FVLCD, which was calculated based on projected future cash flows utilizing the latest information available and management's estimates including throughput, toll rates, which were based on historical terms received and the Company's knowledge of the complex concentrate market, operating costs, capital expenditures and foreign exchange rates. These projected cash flows were prepared in current dollars and discounted using a real discount rate of 10.3%, representing the estimated weighted average real cost of capital. This rate was estimated based on the Capital Asset Pricing Model where the costs of equity and debt were based on, among other things, estimated interest rates, market returns on equity, share volatility, leverage and risks specific to the mining sector and Tsumeb. Management's estimates of Tsumeb's FVLCD are classified as level 3 in the fair value hierarchy.

Other impairments on property, plant and equipment

During the year ended December 31, 2016, Tsumeb also recognized an \$11.2 million impairment charge reflecting management's decision to discontinue producing arsenic trioxide, a by-product of the Tsumeb smelter process, by the end of the first quarter of 2017.

During the year ended December 31, 2016, Chelopech recognized a \$7.7 million impairment charge on certain equipment that it did not expect to use.

These impairment charges, as summarized in the table below, were recognized in the consolidated statements of earnings (loss) for the year ended December 31, 2016 and reduced carrying values to their estimated fair values as at December 31, 2016.

Impairment charges on property, plant & equipment (<i>note 10</i>)	122,232
Impairment charges on intangible assets (<i>note 11</i>)	4,107
	126,339

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5. SIGNIFICANT TRANSACTIONS

MineRP

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

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

Consideration paid

Total cash paid	20,000
Less: Cash paid for settlement of debt and other liabilities (i)	(8,125)
Cash consideration paid	11,875
Non-cash consideration through transfer of Terrative assets	700
Total consideration paid	12,575

Recognized amounts of identifiable assets acquired and liabilities assumed

Cash	471
Accounts receivable	2,353
Inventories	174
Investment in associate	142
Property, plant and equipment	307
Intangible assets	4,707
Bank debt (i)	(5,525)
Accounts payable and accrued liabilities (i)	(7,729)
Income tax liabilities (i)	(577)
Deferred income tax liabilities	(430)
Total identifiable net liabilities	(6,107)
Non-controlling interest	(5,914)
Goodwill	24,596
Total net assets acquired	12,575

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

The fair value of the acquired intangible assets included \$3.8 million of intellectual property assets, the valuation of which is provisional and pending finalization. The fair value of the non-controlling interest in MineRP, an unlisted company, was estimated based on the amount of total cash paid and assets transferred for the acquisition of a 78% equity interest in MineRP. The goodwill recognized upon the acquisition of MineRP is attributable to a number of factors that cannot specifically be allocated to an identifiable asset, including its market reputation and brand identity, the potential for significant future overall market and MineRP revenue growth, synergies between Terrative and MineRP technologies, and the unique skills and knowledge of its existing employees.

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Transaction costs related to acquisition of MineRP of \$1.3 million were recorded in other expense (*note 21*). The Company recognized post-acquisition revenue of \$1.8 million and a net loss of \$1.5 million from MineRP in the consolidated statements of earnings (loss) for the year ended December 31, 2017. Had MineRP been consolidated from January 1, 2017, the Company would have reported pro-forma revenue of \$13.0 million and a net loss of \$4.0 million in its consolidated statements of earnings (loss) for the year ended December 31, 2017.

Avala

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

6. ACCOUNTS RECEIVABLE

	December 31, 2017	December 31, 2016
Accounts receivable	21,039	29,985
Value added tax recoverable	5,300	8,220
Supplier advances and other prepaids	7,515	6,926
	33,854	45,131

7. INVENTORIES

	December 31, 2017	December 31, 2016
Ore and concentrates	5,590	7,568
Spare parts, supplies and other	22,503	20,767
	28,093	28,335

For the year ended December 31, 2017, the cost of inventories recognized as an expense and included in cost of sales was \$115.5 million (2016 – \$112.6 million).

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8. FINANCIAL INSTRUMENTS

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

	Financial instrument classification	Carrying Amount	
		December 31, 2017	December 31, 2016
Financial assets			
Cash	Loans and receivables	28,767	11,757
Accounts receivable (note 6)	Loans and receivables	33,854	45,131
Restricted cash	Loans and receivables	2,392	2,216
Sabina special warrants (a)	Held for trading	5,239	2,008
Publicly traded securities (b)	Available for sale	43,172	17,208
Commodity swap and option contracts (c)	Derivatives held for trading	-	6,941
Forward foreign exchange contracts (d)	Derivatives for cash flow hedges	6,326	-
Financial liabilities			
Accounts payable and accrued liabilities (note 13)	Other financial liabilities	60,122	33,905
Debt (note 14)	Other financial liabilities	23,000	41,110
Commodity swap and option contracts (c)	Derivatives held for trading	15,018	4,685
Forward foreign exchange contracts (d)	Derivatives for cash flow hedges	-	1,955

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

(a) Sabina special warrants

As at December 31, 2017, DPM held: (i) 23,539,713 common shares of Sabina; and (ii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the Back River project or upon the occurrence of certain other events. Each of the special warrants is exercisable into one common share until 2044.

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

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

For the year ended December 31, 2017, the Company recognized an unrealized gain on the Sabina special warrants of \$3.0 million (2016 – \$0.6 million) in other expense (note 21) in the consolidated statements of earnings (loss).

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(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 consolidated statements of comprehensive income (loss). When these investments are sold or considered to be impaired due to a significant or prolonged decline in fair value, the cumulative gain or loss is removed from accumulated other comprehensive income or loss and recognized in other income or expense in the consolidated statements of earnings (loss). Any future unrealized loss below the carrying value of these investments, immediately after recognizing any such impairment charge, is recognized as an impairment charge in other expense while any future unrealized gain is recognized in other comprehensive income.

For the year ended December 31, 2017, the Company recognized unrealized gains on these publicly traded securities of \$24.6 million (2016 – \$4.7 million) in other comprehensive income (loss). Unrealized losses in respect of publicly traded securities considered to be impaired of \$nil (2016 – \$0.02 million) for the year ended December 31, 2017 were transferred to other expense (*note 21*).

(c) Commodity swap and option contracts

The Company enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to eliminate or substantially reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales (“QP Hedges”). As at December 31, 2017, the Company had outstanding commodity swap contracts in respect of this exposure as summarized in the table below:

Commodity hedged	Volume hedged	Average fixed price of QP Hedges
Payable gold	9,865 ounces	\$1,284.29 /ounce
Payable copper	1,014,125 pounds	\$3.09/pound
Payable silver	5,805 ounces	\$17.00/ounce

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

As at December 31, 2017, the Company had outstanding commodity swap contracts in place in respect of its projected copper production as summarized in the table below:

Year of projected production	Volume of copper hedged (pounds)	Average fixed price (\$/pound)
2018	19,166,966	2.62

As at December 31, 2017, the Company had outstanding commodity option contracts in respect of its projected copper production as summarized in the table below:

Year of projected production	Volume of copper hedged (pounds)	Call options sold Average ceiling price (\$/pound)	Put options purchased Average floor price (\$/pound)
2018	12,698,611	3.32	2.80

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The fair value gain or loss on commodity swap contracts was calculated based on the corresponding London Metal Exchange forward copper prices and New York Commodity Exchange forward gold and silver prices, as applicable. The fair value gain or loss on commodity option contracts was calculated based on the option prices quoted on the Commodity Exchange (a part of the Chicago Mercantile Exchange). As at December 31, 2017, the net fair value loss on all outstanding commodity swap and option contracts was \$15.0 million (December 31, 2016 – net fair value gain of \$2.3 million), of which \$nil (December 31, 2016 – \$4.8 million) was included in other current assets, \$15.0 million (December 31, 2016 – \$4.7 million) in accounts payable and accrued liabilities, and \$nil (December 31, 2016 – \$2.2 million) in other long-term assets.

All commodity swap and option contracts are subject to master netting agreements. As at December 31, 2017 and 2016, there was no cash collateral pledged in connection with any of the commodity swap and option contracts. The following table summarizes those assets and liabilities subject to set-off, which were included in the assets and liabilities presented net in the consolidated statements of financial position.

As at December 31, 2017			
	Gross assets	Gross liabilities	Net liabilities
Commodity swap and option contract liabilities	-	(15,018)	(15,018)
Total	-	(15,018)	(15,018)

As at December 31, 2016			
	Gross assets	Gross liabilities	Net assets
Commodity swap and option contract assets	7,348	(407)	6,941
Commodity swap and option contract liabilities	1,483	(6,168)	(4,685)
Total	8,831	(6,575)	2,256

For the year ended December 31, 2017, the Company recognized unrealized losses of \$17.3 million (2016 – \$5.0 million) on commodity swap and option contracts related to continuing operations in other expense (note 21). The Company also recognized realized losses on the settlement of certain commodity swap and option contracts related to continuing operations of \$15.3 million (2016 – \$0.9 million) in other expense (note 21) for the year ended December 31, 2017.

For the year ended December 31, 2016, the Company recognized unrealized losses of \$0.3 million on commodity swap and options contracts related to discontinued operations in net loss from discontinued operations. The Company also recognized realized losses on the settlement of certain commodity swap and options contracts related to discontinued operations of \$1.5 million in net loss from discontinued operations for the year ended December 31, 2016.

(d) Forward foreign exchange contracts

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

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As at December 31, 2017, the Company had outstanding forward foreign exchange contracts in respect of its 2018 projected foreign denominated operating expenses and capital expenditures as summarized in the table below:

Exposures hedged	Foreign currency hedged (i)	Amount hedged in foreign currency	Average exchange rate Foreign currency/US\$
Operating expenses	South African Rand	475,681,917	13.5909
Capital expenditures	Euro	56,045,000	1.1429

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

The fair value gain or loss on these outstanding contracts was calculated based on the forward foreign exchange rates quoted in the market. As at December 31, 2017, the fair value gain on all outstanding forward foreign exchange contracts was \$6.3 million (December 31, 2016 – fair value loss of \$2.0 million), of which \$6.3 million (December 31, 2016 - \$nil) was included in other current assets and \$nil (December 31, 2016 – \$2.0 million) was included in accounts payable and accrued liabilities. All forward foreign exchange contracts are subject to master netting agreements. As at December 31, 2017 and 2016, there was no set-off of assets and liabilities in the consolidated statements of financial position.

For the year ended December 31, 2017, the Company recognized unrealized gains of \$13.4 million (2016 – \$18.5 million) in other comprehensive income (loss) on the spot component of the outstanding forward foreign exchange contracts. The Company also recognized realized losses of \$4.4 million (2016 – \$10.2 million) for the year ended December 31, 2017 in cost of sales on the spot component of those contracts which have been settled. The Company also recognized realized gains of \$4.7 million (2016 – \$nil) for the year ended December 31, 2017 as reductions to mine properties on the spot component of the settled contracts in respect of foreign denominated capital expenditures.

For the year ended December 31, 2017, the Company recognized unrealized losses of \$5.1 million (2016 – unrealized gains of \$0.9 million) in other expense (*note 21*) on the forward point component of the outstanding forward foreign exchange contracts. The Company also recognized realized gains of \$6.1 million (2016 – \$3.7 million) for the year ended December 31, 2017 in other expense (*note 21*) 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.

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

	As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets				
Sabina special warrants	-	-	5,239	5,239
Publicly traded securities	43,172	-	-	43,172
Forward foreign exchange contracts	-	6,326	-	6,326
Financial liabilities				
Commodity swap and option contracts	-	15,018	-	15,018

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

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

The following table reconciles level 3 fair value measurements from January 1, 2016 to December 31, 2017:

	December 31, 2017	December 31, 2016
Balance at beginning of year	2,008	1,451
Purchase of other warrants	216	-
Unrealized gains included in net loss (note 21)	3,015	557
Balance at end of year	5,239	2,008

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9. MINE PROPERTIES

	Producing Mines	Mines under Construction	Total
Cost:			
Balance as at January 1, 2016	157,666	52	157,718
Additions	7,850	12,716	20,566
Capitalized depreciation	562	65	627
Change in rehabilitation provisions	316	306	622
Disposals	(14)	-	(14)
Reclassified from exploration and evaluation assets	-	106,167	106,167
Kapan Disposition (note 3)	(12,019)	-	(12,019)
Balance as at December 31, 2016	154,361	119,306	273,667
Additions	4,976	69,832	74,808
Capitalized depreciation	527	358	885
Change in rehabilitation provisions	274	2,593	2,867
Disposals	(22)	-	(22)
Balance as at December 31, 2017	160,116	192,089	352,205
Accumulated depletion and impairment:			
Balance as at January 1, 2016	58,007	-	58,007
Depletion	12,305	-	12,305
Kapan Disposition (note 3)	(192)	-	(192)
Balance as at December 31, 2016	70,120	-	70,120
Depletion	12,488	-	12,488
Balance as at December 31, 2017	82,608	-	82,608
Net book value:			
As at December 31, 2016	84,241	119,306	203,547
As at December 31, 2017	77,508	192,089	269,597

(a) Included in additions were capitalized borrowing costs amounting to \$0.4 million (2016 – \$0.1 million) for the year ended December 31, 2017, at a weighted average interest rate of 3.93% (2016 – 4.81%).

The depletion expense for producing mines from continuing operations has been charged to cost of sales in the consolidated statements of earnings (loss) for the years ended December 31, 2017 and 2016.

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10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Construction Work-in- Progress	Total
Cost:				
Balance as at January 1, 2016	54,661	609,677	76,893	741,231
Additions	249	9,218	18,444	27,911
Capitalized depreciation	-	31	-	31
Currency translation adjustment	6	5	-	11
Disposals	(188)	(9,904)	-	(10,092)
Impairment charge (note 4)	(16,166)	(163,254)	(1,612)	(181,032)
Change in rehabilitation provisions	118	(1,695)	-	(1,577)
Transfers	15,731	63,610	(79,341)	-
Kapan Disposition (note 3)	(4,718)	(2,444)	(1,574)	(8,736)
Balance as at December 31, 2016	49,693	505,244	12,810	567,747
Additions	970	7,091	9,365	17,426
Acquisition of MineRP (note 5)	-	307	-	307
Disposals	(4)	(4,763)	-	(4,767)
Change in rehabilitation provisions	521	2,866	-	3,387
Transfers	1,055	9,512	(10,567)	-
Balance as at December 31, 2017	52,235	520,257	11,608	584,100
Accumulated depreciation and impairment:				
Balance as at January 1, 2016	10,940	174,696	-	185,636
Depreciation expense	3,044	59,462	-	62,506
Capitalized depreciation	171	643	-	814
Currency translation adjustment	3	10	-	13
Depreciation relating to disposals	(110)	(7,316)	-	(7,426)
Impairment charge (note 4)	(3,550)	(55,043)	-	(58,593)
Kapan Disposition (note 3)	(27)	(96)	-	(123)
Balance as at December 31, 2016	10,471	172,356	-	182,827
Depreciation expense	2,644	42,919	-	45,563
Capitalized depreciation	159	700	-	859
Depreciation relating to disposals	-	(4,413)	-	(4,413)
Balance as at December 31, 2017	13,274	211,562	-	224,836
Net book value:				
As at December 31, 2016	39,222	332,888	12,810	384,920
As at December 31, 2017	38,961	308,695	11,608	359,264

Of the total depreciation expense from continuing operations, \$45.0 million (2016 – \$61.7 million) was charged to cost of sales and \$0.6 million (2016 – \$0.6 million) was charged to general and administrative expenses for the year ended December 31, 2017.

The carrying value of equipment held under finance leases as at December 31, 2017 was \$11.3 million (December 31, 2016 – \$12.6 million). Leased assets are pledged as security for the related finance lease obligations.

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11. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
Cost:			
Balance as at January 1, 2016	-	44,575	44,575
Additions	-	9,770	9,770
Disposals and impairment charge (note 3 & 4)	-	(25,898)	(25,898)
Balance as at December 31, 2016	-	28,447	28,447
Additions	-	3,745	3,745
Acquisition of MineRP (note 5)	24,596	4,707	29,303
Currency translation adjustment	3,064	480	3,544
Disposals and impairment charge (note 3 & 4)	-	(14)	(14)
Balance as at December 31, 2017	27,660	37,365	65,025
Accumulated depreciation and impairment:			
Balance as at January 1, 2016	-	22,943	22,943
Amortization	-	4,511	4,511
Capitalized amortization	-	28	28
Amortization relating to disposals and impairment charge (note 3 & 4)	-	(21,789)	(21,789)
Balance as at December 31, 2016	-	5,693	5,693
Amortization	-	3,800	3,800
Capitalized amortization	-	26	26
Currency translation adjustment	-	16	16
Amortization relating to disposals and impairment charge (note 3 & 4)	-	(4)	(4)
Balance as at December 31, 2017	-	9,531	9,531
Net book value:			
As at December 31, 2016	-	22,754	22,754
As at December 31, 2017	27,660	27,834	55,494

As at December 31, 2017, intangible assets included a \$9.5 million net smelter royalty as part of the Kapan Disposition (note 3). For the year ended December 31, 2017, the Company recorded a \$0.5 million (2016 - \$0.3 million) amortization expense on this intangible asset.

Intangible assets also included \$7.1 million (December 31, 2016 - \$9.5 million) related to a toll processing contract acquired as part of the Company's 2010 acquisition of Tsumeb. For the year ended December 31, 2017, the Company recorded a \$2.4 million (2016 - \$3.2 million) amortization expense on this intangible asset. The remaining useful life of this intangible asset is expected to be four years from the reporting date.

Of the total intangible asset amortization expense from continuing operations, \$3.1 million (2016 - \$4.1 million) was charged to cost of sales, \$0.5 million (2016 - \$0.3 million) was charged to other expense (note 21), and \$0.2 million (2016 - \$0.1 million) was charged to general and administrative expenses for the year ended December 31, 2017.

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12. OTHER LONG-TERM ASSETS

	December 31, 2017	December 31, 2016
Restricted cash	1,789	1,614
Commodity swap and option contracts (note 8(c))	-	2,169
Value added tax recoverable	148	153
Other	2,508	2,718
	4,445	6,654

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Accounts payable	19,123	12,892
Accrued liabilities	40,355	20,913
Commodity swap and option contracts (note 8(c))	15,018	4,685
Forward foreign exchange contracts (note 8(d))	-	1,955
Other payables	644	100
	75,140	40,545

14. DEBT

	December 31, 2017	December 31, 2016
Current portion of debt		
Term loans (a)	-	16,110
	-	16,110
Long-term portion of debt		
Revolving credit facility (b)	23,000	25,000
	23,000	25,000
Total debt	23,000	41,110

(a) Loans

Term Loans

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

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(b) Credit Agreements and Guarantees

Chelopech and Krumovgrad

Chelopech and Krumovgrad have a \$16.0 million multi-purpose credit facility that matures on November 30, 2018. This credit facility is guaranteed by DPM. Advances under the multi-purpose revolving credit facilities bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 2.5%. As at December 31, 2017, \$5.5 million (December 31, 2016 – \$4.2 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech and Krumovgrad also have a Euro 21.0 million (\$25.2 million) credit facility to support mine closure and rehabilitation plans. This credit facility matures on November 30, 2018 and is guaranteed by DPM. As at December 31, 2017, \$23.0 million (December 31, 2016 – \$15.3 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

Krumovgrad has a \$5.3 million multi-purpose credit facility which was amended and extended on December 7, 2017 and matures on November 30, 2018. 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 2.5%. As at December 31, 2017, \$0.1 million (December 31, 2016 – \$nil) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

DPM

DPM has a committed revolving credit facility (“RCF”) with a consortium of banks. In March 2017, the RCF was amended to extend the terms of tranche A and tranche B by an additional year. As at December 31, 2017, the RCF is comprised of a \$45.0 million tranche A maturing in February 2022, a \$150.0 million tranche B maturing in February 2020, and an \$80.0 million tranche C maturing in September 2021 that has quarterly availability reductions of \$4.0 million beginning in the third quarter of 2018.

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

The RCF contains financial covenants that require DPM to maintain: (i) a Debt Leverage Ratio below 4.0:1 during the construction of the Krumovgrad gold project (below 3.5:1 thereafter), (ii) a current ratio (including the addition of any unutilized credit within tranche B to current assets) of greater than 1.5:1, and (iii) a minimum net worth of \$500.0 million plus (minus) 50% of ongoing annual net earnings (losses).

As at December 31, 2017, DPM was in compliance with all financial covenants and \$23.0 million was drawn under the RCF.

15. DEFERRED REVENUE

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

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16. REHABILITATION PROVISIONS

The rehabilitation provisions represent the present value of rehabilitation costs relating to the Chelopech and Tsumeb sites, which are expected to be incurred between 2018 and 2039.

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

	December 31, 2017	December 31, 2016
Discount period		
Chelopech	2018 - 2029	2017 - 2029
Tsumeb	2021 - 2039	2017 - 2039
Krumovgrad	2019 -2041	2019 - 2041
Local discount rate		
Chelopech/Krumovgrad	2.4%	1.8%
Tsumeb	10.1%	10.0%
Local inflation rate		
Chelopech/Krumovgrad	2.3%	2.0%
Tsumeb	7.0%	5.0%

Changes to rehabilitation provisions were as follows:

	Chelopech	Tsumeb	Krumovgrad	Kapan	Total
Balance as at January 1, 2016	14,582	15,524	-	5,021	35,127
Change in cost estimate (a)	-	(4,753)	306	-	(4,447)
Remeasurement of provisions (b)	341	2,167	-	813	3,321
Accretion expense (note 20)	358	1,771	-	287	2,416
Kapan Disposition (note 3)	-	-	-	(6,121)	(6,121)
Balance as at December 31, 2016	15,281	14,709	306	-	30,296
Change in cost estimate (a)	-	-	2,351	-	2,351
Remeasurement of provisions (b)	1,824	1,515	242	-	3,581
Accretion expense (note 20)	288	1,504	21	-	1,813
Balance as at December 31, 2017	17,393	17,728	2,920	-	38,041

- (a) During the year ended December 31, 2016, Tsumeb decreased its estimated rehabilitation costs based on its current activities, updated closure plan and existing closure obligations.

During the year ended December 31, 2016, Krumovgrad commenced construction of its gold mine and as a result, a mine closure plan has been developed and a rehabilitation provision was recognized to reflect its rehabilitation obligations related to this work.

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

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17. OTHER LONG-TERM LIABILITIES

	December 31, 2017	December 31, 2016
Finance leases (a)	14,028	14,636
Environmental commitment	602	602
Other liabilities	1,535	963
	16,165	16,201
Less: Current portion	(2,184)	(2,030)
	13,981	14,171

(a) Tsumeb has a long-term lease agreement for the supply of oxygen. The term of the lease was 15 years extending to 2025, payable on a monthly basis. The lease payments were discounted at a rate of 12.5%.

Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	Payments Due by Period			Total
	up to 1 year	1 - 5 years	over 5 years	
Minimum lease payments	1,588	7,105	5,335	14,028
Finance charges	1,475	4,231	826	6,532
Present value of minimum lease payments	3,063	11,336	6,161	20,560

18. SHARE BASED COMPENSATION PLANS

RSU Plan

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

(a) Non-performance based RSUs

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

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

	Number of RSUs	Amount
Balance as at January 1, 2016	1,939,129	965
RSUs granted	1,824,700	3,138
RSUs redeemed	(920,012)	(1,560)
RSUs forfeited	(83,837)	(55)
Mark-to-market adjustments		(2)
Balance as at December 31, 2016	2,759,980	2,486
RSUs granted	1,667,400	3,189
RSUs redeemed	(1,190,339)	(2,453)
RSUs forfeited	(241,604)	(275)
Mark-to-market adjustments		1,194
Balance as at December 31, 2017	2,995,437	4,141

As at December 31, 2017, there was \$2.2 million (December 31, 2016 – \$2.0 million) of RSU expenses remaining to be charged to net earnings in future periods relating to the RSU plan.

(b) PSUs

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

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

	Number of PSUs	Amount
Balance as at January 1, 2016	369,800	79
PSUs granted	854,500	592
PSUs forfeited	(62,500)	(25)
Mark-to-market adjustments		(6)
Balance as at December 31, 2016	1,161,800	640
PSUs granted	654,850	1,007
PSUs forfeited	(104,300)	(83)
Mark-to-market adjustments		88
Balance as at December 31, 2017	1,712,350	1,652

As at December 31, 2017, there was \$1.5 million (December 31, 2016 – \$1.2 million) of expenses remaining to be charged to net earnings in future periods relating to these PSUs.

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 Price of DPM's publicly traded common shares on the date the employee ceases to be employed by DPM or a subsidiary thereof.

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

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

	Number of DSUs	Amount
Balance as at January 1, 2016	1,122,020	1,049
DSUs granted	254,750	500
DSUs redeemed	(121,383)	(225)
Mark-to-market adjustments		755
Balance as at December 31, 2016	1,255,387	2,079
DSUs granted	263,524	565
DSUs redeemed	(178,875)	(363)
Mark-to-market adjustments		919
Balance as at December 31, 2017	1,340,036	3,200

DPM stock option plan

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

During the year ended December 31, 2017, the Company granted 996,065 (2016 – 1,262,584) stock options with a fair value of \$1.2 million (2016 – \$1.1 million). The estimated value of the options granted will be recognized as an expense in the consolidated statements of earnings (loss) and an addition to contributed surplus in the consolidated statements of changes in shareholders' equity over the vesting period. The Company recorded stock option expenses of \$1.2 million (2016 – \$1.5 million) for the year ended December 31, 2017 under the DPM stock option plan.

As at December 31, 2017, there was \$0.8 million (December 31, 2016 – \$0.9 million) of share based compensation cost remaining to be charged to net earnings in future periods relating to stock option grants. The fair value of options granted was estimated using the Black-Scholes option pricing model. The expected volatility is estimated based on the historic average share price volatility. The inputs used in the measurement of the fair values at the time the options were granted were as follows:

	2017	2016
Five year risk free interest rate	1.0% - 1.6%	0.5% - 0.6%
Expected life in years	4.75	4.75
Expected volatility	68.4% - 69.4%	64.8% - 66.3%
Dividends per share	-	-

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

	Number of options	Weighted average exercise price per share (Cdn\$)
Balance as at January 1, 2016	6,126,937	6.03
Options granted	1,262,584	2.21
Options forfeited	(103,735)	2.64
Options expired	(1,638,133)	8.81
Balance as at December 31, 2016	5,647,653	4.44
Options granted	996,065	2.82
Options exercised	(51,334)	2.63
Options forfeited	(122,199)	2.69
Options expired	(1,004,782)	7.71
Balance as at December 31, 2017	5,465,403	3.60

The following lists the options outstanding and exercisable as at December 31, 2017:

Options outstanding				Options exercisable	
Range of exercise prices per share (Cdn\$)	Number of options outstanding	Weighted average remaining years	Weighted average exercise price per share (Cdn\$)	Number of options exercisable	Weighted average exercise price per share (Cdn\$)
2.05 - 3.96	4,797,703	2.62	3.00	2,594,938	3.30
7.84 - 8.54	667,700	0.22	7.88	667,700	7.88
2.05 - 8.54	5,465,403	2.33	3.60	3,262,638	4.24

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19. EXPENSES BY NATURE

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

	2017	2016
Raw materials, consumables and spare parts	97,254	94,059
Staff costs	63,651	45,710
Service costs	44,059	31,489
Share based compensation expense	7,804	6,481
Royalties	7,089	6,238
Drilling, assaying and other exploration expenses	4,182	3,271
Insurance	2,084	1,732
Net losses on forward foreign exchange contracts (note 8(d))	4,399	10,215
Depletion of mine properties (note 9)	12,488	12,113
Depreciation of property, plant and equipment (note 10)	45,563	62,367
Amortization of intangible assets (note 11)	3,251	4,211
Other costs	6,456	2,672
Total operating costs	298,280	280,558

20. FINANCE COST

	2017	2016
Interest on borrowings (a)	4,169	8,549
Finance charges under finance leases	1,588	1,683
Accretion expense related to rehabilitation provisions (note 16)	1,813	2,129
	7,570	12,361

(a) Interest on borrowings for the years ended December 31, 2017 and 2016 was net of interest capitalized to mine properties (note 9(a)).

21. OTHER EXPENSE

	2017	2016
Net gains on Sabina special warrants (note 8(a))	3,015	557
Net losses on commodity swap and option contracts (note 8(c))	(32,567)	(5,922)
Net gains on forward foreign exchange contracts (note 8(d))	878	4,639
Impairment charges on publicly traded securities (note 8(b))	-	(24)
Net foreign exchange losses	(8,600)	(3,037)
Interest income	294	239
Other income (expense), net	690	(2,090)
	(36,290)	(5,638)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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22. INCOME TAXES

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

	2017	2016
Current income tax expense on earnings	9,607	6,000
Deferred income tax recovery related to origination and reversal of temporary differences	(4,397)	(2,347)
Income tax expense	5,210	3,653

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

	2017	2016
Earnings (loss) before income taxes from continuing operations	4,849	(146,929)
Combined Canadian federal and provincial statutory income tax rates	26.5%	26.5%
Expected income tax expense (recovery)	1,285	(38,936)
Lower rates on foreign (earnings) losses	(3,852)	34,378
Unrecognized tax benefit relating to losses	9,448	7,048
Non-taxable portion of capital (gains) losses	(1,617)	433
Non-deductible share based compensation expense	318	400
Other, net	(372)	330
Income tax expense	5,210	3,653

Income taxes recognized in other comprehensive income (loss) for the year ended December 31, 2017 was \$1.4 million (2016 – \$(0.02) million) relating to the deferred income tax expense (recovery) on gains (losses) on forward foreign exchange contracts designated as cash flow hedges and \$1.2 million (2016 - \$nil) related to deferred income tax expense on gains on publicly traded securities.

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The significant components of the Company's deferred income taxes as at December 31, 2017 and 2016 were as follows:

	December 31, 2017	December 31, 2016
Deferred income tax assets		
Non-capital losses	44,866	44,605
Cumulative Canadian exploration expenses	1,700	1,700
Depreciable property, plant and equipment	6,445	5,247
Share based compensation expense	1,570	968
Investments	1,502	2,659
Rehabilitation provisions	1,472	1,068
Financing costs	290	623
Other	1,450	1,495
Gross deferred income tax assets	59,295	58,365
Unrecognized tax benefit relating to tax losses	(48,645)	(52,814)
Total deferred income tax assets	10,650	5,551
Deferred income tax liabilities		
Investments	1,639	247
Depreciable property, plant and equipment	37	41
Other	499	13
Total deferred income tax liabilities	2,175	301
Net deferred income tax assets	8,475	5,250

As at December 31, 2017, the Company had \$9.0 million (December 31, 2016 – \$5.3 million) of net deferred income tax assets and \$0.5 million (December 31, 2016 – \$nil) of net deferred income tax liabilities after offsetting deferred income tax assets and liabilities incurred by the same legal entities in the same jurisdictions in its consolidated statements of financial position.

Of the total deferred income tax assets recognized in 2017, \$8.8 million (2016 – \$5.3 million) is expected to be recovered after more than 12 months. Of the total deferred income tax liabilities recognized in 2017, \$1.3 million (2016 – \$0.3 million) is expected to be payable after more than 12 months.

As at December 31, 2017, the Company had Canadian non-capital losses of \$144.8 million (December 31, 2016 – \$133.4 million) expiring between 2026 and 2037, Serbian non-capital losses of \$33.0 million (December 31, 2016 – \$59.1 million) expiring between 2018 and 2022, and Bulgarian non-capital losses of \$0.5 million (December 31, 2016 – \$1.2 million) expiring in 2018, for which no deferred income tax assets had been recognized.

The Company is subject to assessments by various taxation authorities which may interpret tax legislation and tax filing positions differently than the Company. Such differences are provided for when it is probable that the Company's filing position will not be upheld and the amount of the tax exposure can be reasonably estimated. As at December 31, 2017 and 2016, no provisions have been made in the consolidated financial statements for potential tax liabilities relating to such assessments and interpretations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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23. EARNINGS (LOSS) PER SHARE

	2017	2016
Net earnings (loss) attributable to common shareholders of the Company		
From continuing operations	217	(149,947)
From discontinued operations	-	(1,605)
Net earnings (loss)	217	(151,552)
Basic and diluted weighted average number of common shares	177,277,989	150,280,777
Effect of stock options	212,605	-
Diluted weighted average number of common shares	177,490,594	150,280,777
Basic and diluted earnings (loss) per share attributable to common shareholders of the Company		
From continuing operations	0.00	(1.00)
From discontinued operations	-	(0.01)
Basic and diluted earnings (loss) per share	0.00	(1.01)

24. KEY MANAGEMENT REMUNERATION

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

The remuneration of the key management of the Company recognized in the consolidated statements of earnings (loss) for the years ended December 31, 2017 and 2016 was as follows:

	2017	2016
Salaries, management bonuses and director fees	5,339	4,469
Other benefits	403	385
Share based compensation (a)	5,273	3,906
Total remuneration	11,015	8,760

(a) Included in share based compensation for the year ended December 31, 2017 were MineRP stock options of \$0.6 million granted to certain directors of the Company relating to MineRP transaction costs (note 5).

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25. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Items not affecting cash and other adjustments:

	2017	2016
Depreciation and amortization	61,851	78,991
Net interest expense	5,463	9,993
Accretion expense related to rehabilitation provisions	1,813	2,129
Share based compensation expense	1,791	1,510
Net gains on Sabina special warrants	(3,015)	(557)
Net losses on commodity swap and options contracts	32,567	5,922
Net losses on forward foreign exchange contracts	3,521	5,576
Impairment charges on publicly traded securities	-	24
Impairment charges on property, plant & equipment	-	122,232
Impairment charges on intangible assets	-	4,107
Other, net	1,238	(1,309)
	105,229	228,618

(b) Changes in non-cash working capital:

	2017	2016
Decrease (increase) in accounts receivable and other assets	7,534	(23,903)
Decrease (increase) in inventories	242	(3,124)
Increase (decrease) in accounts payable and accrued liabilities	8,911	(12,192)
Increase in other liabilities	3,331	1,227
	20,018	(37,992)

26. SUPPLEMENTARY SHAREHOLDERS' EQUITY INFORMATION

(a) Equity financing

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

On July 11, 2016, the Company completed a bought deal financing with a syndicate of underwriters, pursuant to which the Company issued 18,216,000 common shares of the Company at a price of Cdn\$3.00 per share, for aggregate gross proceeds of \$41.9 million (Cdn\$54.6 million) (the "Offering"). Concurrent with the Offering, the Company has also completed a non-brokered private placement of 840,000 common shares of the Company at a price of Cdn\$3.00 per share, for additional gross proceeds of \$1.9 million (Cdn\$2.5 million). The gross cash proceeds of \$43.8 million from the Offering and the private placement and the share issuance costs of \$2.5 million were included in financing activities of continuing operations in the consolidated statements of cash flows for the year ended December 31, 2016.

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(b) Changes in accumulated other comprehensive income

	2017	2016
Unrealized gains (losses) on forward foreign exchange contracts designated as cash flow hedges		
Balance at beginning of year	(6,924)	(25,405)
Unrealized gains on forward foreign exchange contracts designated as cash flow hedges, net of income taxes	12,635	8,258
Realized losses on forward foreign exchange contracts transferred to net loss, net of income taxes	4,441	10,223
Realized gains on forward foreign exchange contracts transferred to Mine Properties, net of income taxes	(4,186)	-
Balance at end of year	5,966	(6,924)
Unrealized gains on publicly traded securities		
Balance at beginning of year	10,867	6,095
Unrealized gains on publicly traded securities, net of income taxes	24,590	4,748
Impairment charges on publicly traded securities transferred to net loss, net of income taxes	-	24
Balance at end of year	35,457	10,867
Accumulated currency translation adjustments		
Balance at beginning of year	(2,583)	(1,114)
Currency translation adjustments	2,980	(1,469)
Balance at end of year	397	(2,583)
Accumulated other comprehensive income	41,820	1,360

27. COMMITMENTS AND OTHER CONTINGENCIES

(a) Commitments

The Company had the following minimum contractual commitments as at December 31, 2017:

	up to 1 year	1 - 5 years	over 5 years	Total
Capital commitments	54,301	-	-	54,301
Purchase commitments	14,445	13,529	8	27,982
Operating lease payments	1,789	3,630	950	6,369
Total commitments	70,535	17,159	958	88,652

As at December 31, 2017, Tsumeb had approximately \$112.2 million (December 31, 2016 – \$130.0 million) of recoverable third party in-process secondary materials, which it is obligated to process and return, generally in the form of blister, to Louis Dreyfus Company Metals Suisse (“LD”) pursuant to a tolling agreement.

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In July 2017, the Company and LD agreed to amend the existing tolling agreement to provide for, among other things, lower stockpile interest deductions on excess secondary materials, specified quarterly targeted reductions designed to eliminate excess secondary materials representing at that time approximately \$90.0 million over a period that extends to December 31, 2020, the purchase of secondary materials in excess of established quarterly targeted levels, and the extension of the tolling agreement by one year. In 2017, the purchase of secondary materials was not required. As at December 31, 2017, the value of excess secondary materials was approximately \$86.0 million.

(b) Other

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

28. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise accounts payable and accrued liabilities and long-term debt. The main purpose of these financial instruments is to assist with the management of the Company's short term and long term cash flow requirements. The Company has various financial assets, such as cash and accounts receivable, which arise directly from its operations.

The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are market risk (which includes commodity price risk, interest rate risk and foreign currency risk), liquidity risk and credit risk. Management reviews each of these risks and establishes policies for managing them as summarized below.

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and the impact on net loss and shareholders' equity, where applicable. Financial instruments affected by market risk include cash, accounts receivable, investments at fair value, commodity swap and option contracts, forward foreign exchange contracts, long-term debt, accounts payable and accrued liabilities. The sensitivity has been prepared using financial assets and liabilities held as at the reporting dates. The Company has designated the forward foreign exchange contracts as cash flow hedges and applies hedge accounting on these contracts. The commodity swap and option contracts that the Company has entered into do not meet existing IFRS criteria for hedge accounting and therefore do not receive hedge accounting treatment notwithstanding the fact that they serve as effective economic hedges.

The Company has established risk management policies to identify and analyze the risks of the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees involved in risk management activities understand their roles and obligations.

Market risk

Market risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risks: commodity price risk, interest rate risk and foreign currency risk. The impact of each of these components is discussed below.

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Commodity price risk

The Company is subject to price risk associated with fluctuations in the market prices for metals. The Company sells its products at prices that are effectively determined by reference to the traded prices on the London Metal Exchange and London Bullion Market. The prices of gold, copper and silver are major factors influencing the Company's business, results of operations and financial condition. The Company regularly enters into commodity swap contracts to reduce the price exposure associated with the time lag between the provisional and final determination of its concentrate sales. In addition, the Company periodically enters into commodity swap and options contracts to reduce the price exposure associated with the projected payable copper production. The Company also selectively enters into commodity swap and options contracts to reduce its price exposure applicable to the projected payable gold contained in Chelopech's pyrite concentrate production.

As at December 31, 2017, the impact of a 5% increase or decrease in metal prices impacting the Company's accounts receivable and outstanding commodity swap and options contracts, with all other variables held constant, would decrease or increase earnings before income taxes from continuing operations by \$3.5 million (2016 – \$8.4 million). The impact on equity is the same as the impact on net loss.

The following table demonstrates the effect on 2017 and 2016 earnings before income taxes from continuing operations of a 5% increase in commodity prices on its sales, excluding the impact of any hedges and with all other variables held constant. The impact on equity is the same as the impact on net loss.

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

	2017	2016
Gold	10,872	8,675
Copper	4,878	4,036
Silver	156	160
Total increase on earnings before income taxes	15,906	12,871

The effect of a 5% decrease in metal prices would decrease earnings before income taxes from continuing operations by an equivalent amount.

Interest rate risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash, floating rate denominated long-term debt and finance lease obligations, the majority of which have associated cash flows based on floating interest rates. For the year ended December 31, 2017, a 100 basis point increase or decrease in interest rates across the yield curve, with all other variables held constant, would increase or decrease earnings from continuing operations by \$0.3 million (2016 – \$0.3 million), excluding a \$0.2 million (2016 – \$0.02 million) increase or decrease related to capitalized interest. The impact on equity is the same as the impact on net loss.

Foreign currency risk

The Company's foreign currency exposures arise primarily from a significant portion of its operating and capital costs being denominated in currencies other than the U.S. dollar, the Company's functional currency. The Company periodically undertakes to purchase, in advance, a portion of its foreign denominated cash flow requirements on a spot or forward basis to reduce this exposure. The Company also entered into forward foreign exchange contracts in order to reduce the foreign exchange exposure associated with projected operating expenses and capital expenditures denominated in foreign currencies.

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The following table demonstrates the effect on 2017 and 2016 earnings before income taxes and equity from continuing operations of a 5% appreciation of the U.S. dollar relative to the Company's key foreign currencies on the Company's outstanding forward foreign exchange contracts, with all other variables held constant.

	<i>Effect of a 5% appreciation of the U.S. dollar on</i>			
	<u>Earnings before income taxes</u>		<u>Equity</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Euro	(36)	(7)	(3,398)	(574)
South African Rand	51	85	(1,782)	(2,412)
Total increase (decrease)	15	78	(5,180)	(2,986)

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

The following table demonstrates the effect on 2017 and 2016 earnings before income taxes and equity from continuing operations of a 5% appreciation of the U.S. dollar relative to the Company's key foreign currencies on the Company's outstanding financial assets and liabilities denominated in foreign currencies, excluding the impact of any outstanding forward foreign exchange contracts and with all other variables held constant.

	<i>Effect of a 5% appreciation of the U.S. dollar on</i>			
	<u>Earnings before income taxes</u>		<u>Equity</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Euro	280	418	280	418
Namibian Dollar	618	470	618	470
Canadian Dollar	371	348	(1,684)	(471)
Total increase (decrease)	1,269	1,236	(786)	417

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

Credit risk

The exposure to credit risk arises through the potential failure of a customer or another third party to meet its contractual obligations to the Company. During 2017, the Company had contracts with eight customers in connection with its mining and smelting operations, one of whom accounted for approximately 79% (2016 – 56%) of the Company's revenue. Under the terms of the Company's concentrate sales contracts, the purchasers make an initial advance payment equal to 70% to 95% of the provisional value of each lot at the time title transfers. This serves to mitigate a portion of the Company's credit risk.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash, equity investments and derivative financial assets, the Company's maximum exposure is equal to the carrying amount of these instruments. The Company limits its counterparty credit risk on these assets by dealing with highly rated counterparties, issuers that are subject to minimum credit ratings, and/or maximum prescribed exposures.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

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

Liquidity risk

The Company relies on the cash flows generated from its operations, including provisional payments received from its customers, retained cash balances, available lines of credit under its RCF and its ability to raise debt and equity from the capital markets to fund its operating, investment and liquidity needs. The cyclical nature of the Company's businesses and the volatility of capital markets are such that conditions could change dramatically, affecting the Company's cash flow generating capability, its ability to maintain, or draw upon, its RCF or the existing terms under its concentrate sales and/or smelting agreements, as well as its liquidity, cost of capital and its ability to access new capital, which could adversely affect the Company's earnings and cash flows and, in turn, could affect total shareholder returns. To reduce these risks, the Company: (i) prepares regular cash flow forecasts to monitor its capital requirements, available liquidity and compliance to debt covenants; (ii) strives to maintain a prudent capital structure that is comprised primarily of equity financing and long-term debt, currently in the form of a committed RCF; and (iii) targets a minimum level of liquidity comprised of surplus cash balances and/or undrawn committed lines of credit to avoid having to raise additional capital at times when the costs or terms would be regarded as unfavourable.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

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

	As at December 31, 2016			
	up to 1 year	1 - 5 years	over 5 years	Total
Accounts payable and accrued liabilities	32,305	-	-	32,305
Commodity swap and option contracts	4,685	-	-	4,685
Forward foreign exchange contracts	1,955	-	-	1,955
Long term debt	16,250	25,000	-	41,250
Finance lease obligations	3,048	10,848	8,816	22,712
Other obligations	1,800	451	370	2,621
	60,043	36,299	9,186	105,528

Capital management

The Company's objective for capital management is to: (i) maintain sufficient levels of liquidity to fund and support its exploration, development and operating activities; (ii) maintain a strong financial position to ensure it has ready access to debt and equity markets to supplement free cash flow being invested in its growth projects; and (iii) comply with all financial covenants set out in its credit agreements and guarantees. See *note 14* for discussion on the Company's compliance with these requirements. The Company monitors its financial position and the potential impact of adverse market conditions on an ongoing basis. The Company manages its capital structure and makes adjustments to it based on prevailing market conditions and according to its business plan. The Company's long term funding strategy is to maintain a capital structure comprised primarily of equity sourced from equity offerings and net earnings generated from its businesses and, as a result, the targeted level of debt making up the Company's capital base is relatively low. Given the long term nature of the assets being funded and the U.S. dollar denominated revenue stream generated therefrom, the Company's general strategy around any debt financing is to raise long-term U.S. dollar denominated debt to supplement these equity financings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

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

Overall financial leverage is monitored based upon a number of non-financial and financial factors, including a number of credit related ratios contained in DPM's loan agreements and net debt (defined as total debt less cash and cash equivalents) as a percentage of total capital (defined as total equity plus net debt). As of December 31, 2017, the Company was in compliance with all loan covenants and its net debt as a percentage of total capital was negative 1% (December 31, 2016 – 5%).

29. 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, products and services are described in *note 1, Corporate Information*. These segments are organized predominantly by the products and services provided to customers and geography of the businesses. The Corporate and Other segment includes corporate, exploration, development projects, the results of MineRP and other income and cost items that do not pertain directly to an operating segment. There are no significant inter-segment transactions that have not been eliminated on consolidation.

The operating results of Kapan have been presented as a discontinued operation as a result of the Kapan Disposition (*note 3*).

The accounting policies of the segments are the same as those described in *note 2.2, Significant Accounting Policies*. Segment performance is evaluated based on several operating and financial measures, including net earnings (loss), which is measured consistently with net earnings (loss) in the consolidated financial statements.

The following table summarizes the net earnings (loss) and other relevant information by segment for the years ended December 31, 2017 and 2016:

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

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

	Year ended December 31, 2016			
	Chelopech	Tsumeb	Corporate & Other	Total
Continuing Operations				
Revenue (a)	161,626	117,863	-	279,489
Costs and expenses				
Cost of sales	108,180	149,833	-	258,013
General and administrative expenses	-	-	16,065	16,065
Corporate social responsibility expenses	-	-	1,522	1,522
Exploration expenses	742	-	5,738	6,480
Impairment charges	7,641	118,695	3	126,339
Finance cost	608	3,408	8,345	12,361
Other expense (income)	6,694	(2,155)	1,099	5,638
Earnings (loss) before income taxes	37,761	(151,918)	(32,772)	(146,929)
Income tax expense (recovery)	4,097	-	(444)	3,653
Net earnings (loss) from continuing operations	33,664	(151,918)	(32,328)	(150,582)
Other disclosures				
Depreciation and amortization	36,822	41,181	988	78,991
Impairment charges (b)	7,641	118,695	27	126,363
Capital expenditures (c)	13,277	19,294	18,310	50,881

- (a) Chelopech's revenues were generated from the sale of concentrate, Tsumeb's revenues were generated from processing concentrate, and revenues for Corporate and Other were generated from MineRP's sale of software licenses and delivery of consulting services. For the year ended December 31, 2017, revenues from the sale of concentrate of \$153.6 million or 74% (2016 – \$97.3 million or 60%) and revenues from processing concentrate of \$120.9 million (2016 – \$102.3 million) or 86% (2016 – 87%) were derived from a single external customer. Revenues from the sale of concentrate of \$40.6 million or 20% (2016 – \$55.5 million or 34%) were also derived from another single external customer.
- (b) Included in the impairment charges were charges in respect of property, plant and equipment and intangible assets (*note 4*), and charges on publicly traded securities recognized in other expense (*note 21*) for the year ended December 31, 2016.
- (c) Capital expenditures represent cash and non-cash additions to mine properties (*note 9*), property, plant and equipment (*note 10*) and intangible assets (*note 11*) except those assets that were acquired as part of the MineRP acquisition (*note 5*).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

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

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

	As at December 31, 2017			
	Chelopech	Tsumeb	Corporate & Other	Total
Total current assets	45,101	23,693	29,783	98,577
Total non-current assets	206,537	247,235	292,401	746,173
Total assets	251,638	270,928	322,184	844,750
Total liabilities	51,245	44,533	115,484	211,262

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

DPM is domiciled in Canada. Revenues by geographic location are based on the location in which the revenues originate. Revenues by geographic location for the years ended December 31, 2017 and 2016 are summarized below:

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

	Year ended December 31, 2016			
	Canada	Europe	Africa	Total
Revenue	-	161,626	117,863	279,489

Assets by geographic location as at December 31, 2017 and 2016 are summarized below:

	As at December 31, 2017			
	Canada	Europe	Africa	Total
Total current assets	7,711	63,144	27,722	98,577
Financial assets	48,411	2,423	5,692	56,526
Deferred income tax assets	-	8,962	-	8,962
Other non-current assets	11,375	394,823	274,487	680,685
Total assets	67,497	469,352	307,901	844,750

	As at December 31, 2016			
	Canada	Europe	Africa	Total
Total current assets	10,057	61,953	19,596	91,606
Financial assets	19,216	2,169	1,614	22,999
Deferred income tax assets	-	5,255	-	5,255
Other non-current assets	12,262	341,670	260,160	614,092
Total assets	41,535	411,047	281,370	733,952

Directors

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Toronto, Ontario, Canada

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Vancouver, British Columbia,
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Hume Kyle

Executive Vice President and
Chief Financial Officer

David Rae

Executive Vice President and
Chief Operating Officer

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Senior Vice President,
Corporate Development

Richard Gosse

Senior Vice President, Exploration

Nikolay Hristov

Senior Vice President,
Sustainable Business Development

John Lindsay

Senior Vice President, Projects

Paul Proulx

Senior Vice President, Corporate Services

Mark Crawley

Vice President, Commercial

Iliya Garkov

Vice President and General Manager,
Bulgaria

Zebra Kasete

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

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Vice President, Legal, and
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¹ Audit Committee

² Compensation Committee

³ Corporate Governance and Nominating Committee

⁴ Health, Safety and Environment Committee

⁵ Lead Director

⁶ Chair

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Stock Listing and Symbol

The Toronto Stock Exchange

DPM - Common Shares

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

Registrar

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Annual General Meeting

Thursday, May 3, 2018 at 4:00 pm
TMX Broadcast Centre - Gallery
The Exchange Tower
130 King Street West
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