Dundee
PRECIOUS METALS

2016
THIRD QUARTER REPORT

Dundee Precious Metals

THIRD QUARTER REPORT – Q3 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations

for the Three and Nine Months Ended September 30, 2016

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

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Dundee Precious Metals Inc. ("DPM" and, together with its consolidated subsidiaries, collectively referred to as the "Company") for the three and nine months ended September 30, 2016. This MD&A should be read in conjunction with DPM's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2016 prepared in accordance with International Financial Reporting Standards ("IFRS") and the MD&A for the year ended December 31, 2015. Additional Company information, including the Company's most recent annual information form ("AIF") and other continuous disclosure documents, can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and the Company's website at www.dundeeprecious.com. To the extent applicable, updated information contained in this MD&A supersedes older information contained in previously filed continuous disclosure documents. Capitalized terms used in this MD&A that have not been defined have the same meanings attributed to them in DPM's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2016. Information contained on the Company's website is not incorporated by reference herein and does not form part of this MD&A. This MD&A contains forward looking statements that are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may vary materially from management's expectations. See the "Cautionary Note Regarding Forward Looking Statements" and "Risks and Uncertainties" sections later in this MD&A for further information.

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

This MD&A has been prepared as at November 8, 2016.

OVERVIEW

Our Business

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

Continuing operations:

DPM’s principal subsidiaries include:

- 100% of Dundee Precious Metals Chelopech EAD (“Chelopech”), which owns and operates a gold, copper and silver mine located east of Sofia, Bulgaria;
- 100% of Dundee Precious Metals Krumovgrad EAD (“Krumovgrad”), which owns a permitted-for-construction gold property located in south eastern Bulgaria, near the town of Krumovgrad, that is scheduled 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 owns 100% of Avala Resources Ltd. (“Avala”), which is incorporated in British Columbia, Canada, and focused on the exploration and development of the Lenovac project, the Timok gold project, the Tulare copper and gold project and other early stage projects in Serbia. In April 2016, the Company acquired all of the issued and outstanding shares of Avala not already owned by DPM.

Discontinued operations:

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

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

KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS

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

$ thousands, unless otherwise indicated	Three Months		Nine Months	
Ended September 30,	**2016**	2015[13]	**2016**	2015[13]
Operational Highlights				
Payable metals in concentrate sold from continuing operations:				
Gold *(ounces)*[1]	**32,447**	40,424	**102,065**	113,051
Copper *('000s pounds)*	**9,704**	8,859	**27,288**	28,099
Silver *(ounces)*	**47,096**	41,565	**122,597**	141,182
Payable metals in concentrate sold from continuing and discontinued operations:				
Gold *(ounces)*	**32,447**	44,948	**109,369**	126,871
Copper *('000s pounds)*	**9,704**	9,382	**28,125**	29,652
Zinc *('000s pounds)*	**-**	2,114	**2,688**	7,197
Silver (ounces)	**47,096**	110,383	**242,879**	372,696
Cash cost per tonne of ore processed *($)*[3],[4],[12]	**31.51**	37.98	**33.08**	36.50
Cash cost per ounce of gold sold, net of by-product credits *($)*[2],[3],[5],[6],[12]	**825**	194	**574**	303
Cash cost per ounce of gold sold in pyrite concentrate *($)*[3],[9]	**883**	904	**820**	927
All-in sustaining cost per ounce of gold *($)*[2],[3],[6],[8],[12]	**1,150**	358	**788**	451
Complex concentrate smelted at Tsumeb *(tonnes)*	**37,035**	43,452	**139,002**	140,274
Cash cost per tonne of complex concentrate smelted at Tsumeb, net of by-products credits *($)*[3],[10]	**642**	501	**471**	451
Financial Results				
Revenue[12]	**54,790**	52,797	**197,428**	171,426
Cost of sales	**67,068**	53,728	**189,050**	166,851
Gross (loss) profit[7],[12]	**(12,278)**	(931)	**8,378**	4,575
Depreciation and amortization[12]	**20,240**	14,727	**58,645**	45,037
Adjusted EBITDA[3],[12]	**3,472**	23,594	**42,764**	62,641
Other (expense) income[12]	**(9,802)**	13,436	**(19,863)**	27,941
(Loss) earnings before income taxes from continuing operations	**(30,183)**	5,262	**(40,699)**	7,934
Income tax expense[12]	**(104)**	(2,160)	**(2,280)**	(5,188)
Net (loss) earnings attributable to common shareholders from continuing operations	**(29,783)**	3,373	**(42,475)**	3,657
Net (loss) earnings attributable to common shareholders	**(29,860)**	2,746	**(41,582)**	1,520
Basic (loss) earnings per share from continuing operations	**(0.19)**	0.03	**(0.29)**	0.03
Basic (loss) earnings per share attributable to common shareholders	**(0.19)**	0.02	**(0.28)**	0.01
Adjusted (loss) earnings before income taxes from continuing operations[3]	**(19,734)**	6,665	**(25,618)**	10,680
Adjusted net (loss) earnings from continuing operations[3]	**(19,360)**	4,438	**(28,033)**	5,793
Adjusted basic (loss) earnings per share from continuing operations[3]	**(0.12)**	0.03	**(0.19)**	0.04
Cash provided from operating activities of continuing operations	**56,187**	13,424	**68,381**	48,144

Cash provided from operating activities of continuing operations, before changes in non-cash working capital(3)	**50,861**	20,874	**97,236**	56,659
Free cash flow from continuing operations(3)	**41,049**	14,351	**63,832**	30,533
Capital expenditures incurred from continuing operations:				
Growth(3)	**3,947**	18,161	**20,008**	45,155
Sustaining(3)	**8,318**	6,879	**16,750**	14,025
Total capital expenditures	**12,265**	25,040	**36,758**	59,180

As at,	**September 30, 2016**	December 31, 2015
Financial Position		
Cash and cash equivalents	**61,919**	26,570
Investments at fair value	**27,975**	13,911
Total assets	**910,188**	906,151
Debt(11)	**94,166**	147,035
Equity	**669,154**	638,113
Common shares outstanding *('000s)*	**160,588**	140,576
Share price *(Cdn$ per share)*	**3.24**	1.28

1) *Includes payable gold in pyrite concentrate sold in the third quarter and first nine months of 2016 of 8,130 ounces and 23,240 ounces, respectively, compared to 12,069 ounces and 28,377 ounces for the corresponding periods in 2015.*
2) *Excludes metals in pyrite concentrate sold, and where applicable, the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, which is reported separately. Cash cost per ounce of gold sold, net of by-product credits, including payable gold in pyrite concentrate sold, in the third quarter and first nine months of 2016 was $839 and $630, respectively, compared to $406 and $459 for the corresponding periods in 2015. All-in sustaining cost per ounce of gold, including payable gold in pyrite concentrate sold, in the third quarter and first nine months of 2016 was $1,083 and $795, respectively, compared to $521 and $570 for the corresponding periods in 2015.*
3) *Cash cost per tonne of ore processed, cash cost per ounce of gold sold, net of by-product credits; cash cost per ounce of gold sold in pyrite concentrate; all-in sustaining cost per ounce of gold; cash cost per tonne of complex concentrate smelted, net of by-product credits; adjusted EBITDA; adjusted (loss) earnings before income taxes; adjusted net (loss) earnings; adjusted basic (loss) earnings per share; cash provided from operating activities, before changes in non-cash working capital; free cash flow; and growth and sustaining capital expenditures are not defined measures under GAAP. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS.*
4) *Cash cost per tonne of ore processed represents Chelopech related production expenses, including mining, processing, services, royalties and general and administrative, divided by tonnes of ore processed.*
5) *Cash cost per ounce of gold sold, net of by-product credits, represents cost of sales at Chelopech less depreciation, amortization and other non-cash expenses plus treatment charges, penalties, transportation and other selling costs less by-product copper and silver revenues, including realized gains on copper swap contracts, divided by the payable gold in copper concentrate sold.*
6) *Includes realized gains on copper derivative contracts, entered to hedge a portion of projected payable production, of $0.9 million and $3.1 million during the third quarter and first nine months of 2016, respectively, compared with $7.7 million and $17.3 million for the corresponding periods in 2015.*
7) *Gross (loss) profit is regarded as an additional GAAP measure and is presented in the Company's consolidated statements of (loss) earnings. Gross (loss) profit represents revenue less cost of sales and is one of several measures used by management and investors to assess the underlying operating profitability of a business.*
8) *All-in sustaining cost per ounce of gold represents cost of sales at Chelopech less depreciation, amortization and other non-cash items plus treatment charges, penalties, transportation and other selling costs, sustaining capital expenditures, rehabilitation related accretion expenses and an allocated portion of the Company's general and administrative expenses and corporate social responsibility expenses, less by-product revenues in respect of copper and silver, including realized gains on copper swap contracts, divided by the payable gold in copper concentrate sold.*
9) *Cash cost per ounce of gold sold in pyrite concentrate represents treatment charges and freight costs associated with the sale of pyrite concentrate divided by the payable gold in pyrite concentrate sold.*
10) *Cash cost per tonne of complex concentrate smelted, net of by-product credits at Tsumeb represents cost of sales less depreciation and amortization, net of revenue related to the sale of acid and arsenic divided by the volumes of complex concentrate smelted.*
11) *Long-term debt, including current portion.*
12) *Information relates to continuing operations.*
13) *Certain comparative figures have been reclassified as a consequence of several expenses previously classified as general and administrative expenses being classified as operating costs and included in cost of sales to better reflect the operating results of each segment.*

REVIEW OF SELECTED 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 tied to the South African rand ("ZAR") on a 1:1 basis, and the Canadian dollar ("Cdn$") can also impact the Company's results of operations and financial condition.

The following table summarizes the average trading price for gold, copper 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 nine months ended September 30, 2016 and 2015 and highlights the overall year over year strength (weakness) in commodity prices.

Metal Market Prices (Average) Ended September 30,	Three Months 2016	2015	Change	Nine Months 2016	2015	Change
LBMA gold *($/ounce)*	**1,335**	1,124	**19%**	**1,258**	1,179	**7%**
LME settlement copper *($/pound)*	**2.17**	2.38	**(9%)**	**2.14**	2.59	**(17%)**
LBMA spot silver *($/ounce)*	**19.62**	14.91	**32%**	**17.08**	16.01	**7%**

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

Average Foreign Exchange Rates Ended September 30,	Three Months 2016	2015	Change	Nine Months 2016	2015	Change
US$/Cdn$	**1.3047**	1.3088	**0%**	**1.3224**	1.2597	**5%**
Euro/US$	**1.1157**	1.1124	**0%**	**1.1160**	1.1155	**0%**
US$/ZAR	**14.0713**	12.9658	**9%**	**14.9558**	12.2574	**22%**

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

Closing Foreign Exchange Rates As at September 30,	2016	2015	Change
US$/Cdn$	**1.3117**	1.3345	**(2%)**
Euro/US$	**1.1211**	1.1243	**0%**
US$/ZAR	**13.8528**	14.0202	**(1%)**

Operational Highlights

Deliveries from continuing operations

In the third quarter of 2016, payable gold in concentrate sold decreased by 20% to 32,447 ounces, payable copper increased by 10% to 9.7 million pounds and payable silver increased by 13% to 47,096 ounces, in each case, relative to the corresponding period in 2015. The decrease in payable gold was due primarily to lower grades and recoveries, which were in line with the mine plan. The increase in payable copper was consistent with the increase in copper concentrate deliveries as a result of the timing of shipments.

In the first nine months of 2016, payable gold in copper concentrate sold decreased by 10% to 102,065 ounces, payable copper decreased by 3% to 27.3 million pounds and payable silver decreased by 13% to 122,597 ounces, in each case, relative to the corresponding period in 2015. These decreases were due primarily to lower copper concentrate deliveries as a result of the timing of shipments, and lower grades for all metals.

Concentrate smelted

Complex concentrate smelted during the third quarter of 2016 of 37,035 tonnes was 15% lower than the corresponding period in 2015 due primarily to the unplanned maintenance shutdown following a regional power outage in Namibia on July 22, 2016, during which the emergency power system and water circulation systems malfunctioned leading to damage to the refractory lining of the Ausmelt furnace. As a result, the refractory lining was fully replaced over a three week period. Complex concentrate smelted during the first nine months of 2016 of 139,002 tonnes was slightly lower than the corresponding period in 2015 due primarily to the unplanned maintenance shutdown, partially offset by increased on-line time at the Ausmelt furnace.

Performance of the smelter in the third quarter of 2016 was significantly impacted by 21 days of unplanned downtime and 15 days of planned downtime (2015 – 22 days) resulting in the smelter operating only 60% of the time. This unplanned and planned downtime reduced concentrate throughput in the third quarter of 2016 by approximately 14,000 tonnes and 10,000 tonnes, respectively. Continuing post commissioning issues in the smelter complex, following the installation of the acid plant and new converter emission controls, also contributed to an 11% or 8,000 tonne shortfall relative to targeted performance. These issues are being addressed and operating performance is expected to improve over the next two to three quarters.

Financial Highlights

Revenue from continuing operations

Revenue during the third quarter of 2016 of $54.8 million was $2.0 million higher than the corresponding period in 2015 due primarily to higher market gold prices, reduced unfavourable mark-to-market price adjustments on provisionally priced sales, reduced deductions for estimated metals exposure and the sale of acid following the commencement of commercial production in the fourth quarter of 2015. These favourable variances were partially offset by higher deductions for treatment charges at Chelopech as a result of the unplanned and planned outages at Tsumeb and a greater proportion of copper concentrate deliveries to Tsumeb, lower volumes of payable metals in concentrate sold as a result of lower grades for all metals, lower volumes of complex concentrate smelted as a result of 14 days of additional downtime in 2016, and lower market copper prices. Revenue in the third quarter of 2016 excluded realized gains of $0.6 million (2015 - $8.7 million) on copper and gold derivative contracts related to payable copper and gold sold in the period, which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

Revenue during the first nine months of 2016 of $197.4 million was $26.0 million higher than the corresponding period in 2015 due primarily to favourable mark-to-market price adjustments on provisionally priced sales, the sale of acid following the commencement of commercial production in the fourth quarter of 2015, higher market gold prices and reduced deductions for estimated metals exposure. These favourable variances were partially offset by lower market copper prices and lower volumes of payable metals in concentrate sold as a result of the timing of deliveries and lower grades for all metals. Revenue in the first nine months of 2016 excluded realized gains of $3.0 million (2015 – $18.5 million) on copper and gold derivative contracts related to payable copper and gold sold in the period, which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

Included in revenue were unfavourable metal price adjustments on provisionally priced sales of $0.6 million (2015 – $4.9 million) and favourable metal price adjustments on provisionally priced sales of $5.2 million (2015 – unfavourable adjustments of $10.7 million) during the third quarter and first nine months of 2016, respectively. These adjustments were offset by hedge gains or losses on cash settled derivative contracts entered to mitigate the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales (“QP Hedges”). These QP Hedge losses or gains were recorded in other expense (income) in the consolidated statements of (loss) earnings.

The average realized gold price, including realized hedging losses and gains, for the third quarter and first nine months of 2016 was $1,325 per ounce and $1,262 per ounce, respectively, up 17% and 7% compared to the corresponding periods in 2015. The average realized copper price, including realized hedging gains, for the third quarter and first nine months of 2016 was $2.30 per pound in each period, down 28% compared to the corresponding periods in 2015. Realized gold and copper prices are not defined measures under GAAP. Refer to the “Non-GAAP Financial Measures” section of this MD&A for reconciliations to IFRS.

Cost of sales from continuing operations

Cost of sales in the third quarter and first nine months of 2016 of $67.0 million and $189.0 million, respectively, was $13.3 million and $22.2 million higher than the corresponding periods in 2015 due primarily to higher depreciation and local currency operating expenses related to contractors, consumables, labour and electricity at Tsumeb, and additional expenses related to the acid plant, partially offset by the favourable impact of a stronger U.S. dollar.

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

All-in sustaining cost per ounce of gold in the third quarter of 2016 of $1,150 was $792 higher than all-in sustaining cost of $358 in the corresponding period in 2015. Approximately $268 of this increase was due to higher treatment charges resulting from unplanned and planned outages at Tsumeb during the quarter and a greater proportion of copper concentrate deliveries to Tsumeb, $243 was due to a 28% decrease in realized copper prices, and the balance was due to higher cash outlays for sustaining capital expenditures as a result of the timing of payments to suppliers.

All-in sustaining cost per ounce of gold in the first nine months of 2016 of $788 was $337 higher than all-in sustaining cost of $451 in the corresponding period in 2015 due primarily to a 28% decrease in realized copper prices, resulting in an increase in cash cost per ounce of approximately $340, and higher treatment charges, resulting in an increase in cash cost per ounce of approximately $58. These unfavourable variances were partially offset by a lower cost per tonne as a result of higher ore mined and processed. The Company's all-in sustaining cost per ounce of gold for 2016 is expected to remain within guidance of $750 to $850, which was lowered in July 2016 from the original issued in February 2016.

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 third quarter of 2016 of $642 was 28% higher than the corresponding period in 2015 due primarily to reduced throughput as a result of 36 days of unplanned and planned downtime in the third quarter of 2016 (2015 – 22 days) and higher local operating costs related to contractors, consumables, labour and electricity, partially offset by a weaker ZAR and net cash generated from the sale of sulphuric acid, a by-product of the smelting operation. The 36 days of downtime had the effect of increasing Tsumeb's cash cost by approximately 35% or $225 per tonne during the third quarter of 2016.

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the first nine months of 2016 of $471 was 4% higher than the corresponding period in 2015 due primarily to higher local operating costs related to contractors, consumables, labour and electricity, partially offset by the net cash generated from the sale of sulphuric acid, a by-product of the smelting operation, and a weaker ZAR. The unplanned downtime of 21 days had the effect of increasing Tsumeb's cash cost by approximately 8% or $35 per tonne during the first nine months of 2016.

Gross (loss) profit from continuing operations

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

$ thousands	**Three Months**		**Nine Months**	
Ended September 30,	**2016**	2015	**2016**	2015
Chelopech	**1,803**	7,192	**35,964**	23,978
Tsumeb	**(14,081)**	(8,123)	**(27,586)**	(19,403)
Total gross (loss) profit	**(12,278)**	(931)	**8,378**	4,575

Other (expense) income from continuing operations

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

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

$ thousands **Ended September 30,**	**Three Months** **2016**	 2015	**Nine Months** **2016**	 2015
Net gains (losses) on Sabina special warrants	**567**	(108)	**1,371**	(389)
Net gains (losses) on commodity swap and option contracts	**857**	10,137	**(9,285)**	23,091
Net gains on forward foreign exchange contracts	**1,527**	2,550	**3,561**	2,550
Net gains on equity settled warrants	**-**	436	**-**	2,607
Impairment losses on publicly traded securities	**-**	(14)	**(24)**	(642)
Impairment losses on property, plant and equipment	**(11,200)**	(1)	**(11,134)**	(8)
Net foreign exchange (losses) gains	**(759)**	1,465	**(2,819)**	2,370
Interest income	**58**	50	**169**	157
Other expense, net	**(852)**	(1,079)	**(1,702)**	(1,795)
Total other (expense) income	**(9,802)**	13,436	**(19,863)**	27,941

During the third quarter and first nine months of 2016, the Company reported unrealized gains on commodity swap and option contracts related to continuing operations of $2.6 million (2015 – unrealized losses of $3.3 million) and unrealized losses of $7.5 million (2015 – $6.2 million), respectively. The Company also reported realized losses on the settlement of certain commodity swap contracts related to continuing operations of $1.8 million (2015 – realized gains of $13.4 million) and $1.8 million (2015 – realized gains of $29.3 million) during the third quarter and first nine months of 2016, respectively.

Included in the impairment losses on property, plant and equipment for the three and nine months ended September 30, 2016 is a write-down of $11.2 million reflecting management's decision to discontinue production of arsenic trioxide, a by-product of the Tsumeb smelter process, by the end of 2016.

Income tax expense

The effective tax rate of the Company can vary significantly from quarter to quarter based on a number of factors. For the three and nine months ended September 30, 2016 and 2015, the Company's effective tax rate was impacted primarily by unrecognized tax benefits relating to corporate operating, exploration and development costs, and the Company's mix of foreign earnings and losses, which are subject to lower tax rates in certain jurisdictions.

$ thousands **Ended September 30,**	**Three Months** **2016**	 2015	**Nine Months** **2016**	 2015
(Loss) earnings before income taxes from continuing operations	**(30,183)**	5,262	**(40,699)**	7,934
Combined Canadian federal and provincial statutory income tax rates	**26.5%**	26.5%	**26.5%**	26.5%
Expected income tax (recovery) expense	**(7,998)**	1,395	**(10,785)**	2,103
Lower rates on foreign loss (earnings)	**6,269**	(2,462)	**6,444**	(3,873)
Unrecognized tax benefits relating to losses	**1,781**	2,821	**6,777**	6,363
Non-taxable portion of capital (gains) losses	**(56)**	774	**(254)**	811
Non-deductible share based compensation expense	**83**	117	**331**	423
Other, net	**25**	(485)	**(233)**	(639)
Income tax expense	**104**	2,160	**2,280**	5,188
Effective income tax rates	**(0.3%)**	41.0%	**(5.6%)**	65.4%

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

In the third quarter of 2016, the Company reported a net loss attributable to common shareholders from continuing operations of $29.8 million compared to net earnings of $3.4 million in the corresponding period in 2015. This loss was due primarily to an impairment charge of $11.2 million in respect of the arsenic plant at Tsumeb, higher deductions for treatment charges at Chelopech resulting from unplanned and planned outages at Tsumeb and higher copper concentrate deliveries to Tsumeb, higher local currency operating expenses and depreciation at Tsumeb, a 28% decrease in realized copper prices, lower volumes of payable metals in concentrate sold as a result of lower grades and recoveries, and lower volumes of complex concentrate smelted reflecting 14 days of additional downtime in 2016. These unfavourable variances were partially offset by a 17% increase in realized gold prices, reduced deductions for estimated metals exposure and a stronger U.S. dollar.

In the first nine months of 2016, the Company reported a net loss attributable to common shareholders of $42.5 million compared to net earnings of $3.7 million in the corresponding period in 2015. This loss was due primarily to a 28% decrease in realized copper price, higher local currency operating expenses and depreciation at Tsumeb, an impairment charge of $11.2 million in respect of the arsenic plant at Tsumeb, and higher general and administrative expenses and financing costs. These unfavourable variances were partially offset by a 7% increase in realized gold prices, a stronger U.S. dollar, reduced deductions for estimated metals exposure and lower transportation costs for Chelopech.

Net loss attributable to common shareholders from continuing operations for the third quarter and first nine months of 2016 was impacted by net after-tax losses of $10.4 million (2015 – $1.0 million) and net after-tax losses of $14.4 million (2015 – $2.1 million), respectively, related to several items not reflective of the Company's underlying operating performance, including impairment losses on property, plant and equipment, unrealized losses on commodity swap and option contracts entered into to hedge a portion of future production, unrealized gains on the forward point component of the forward foreign exchange contracts entered to hedge a portion of foreign denominated operating costs, and net gains and losses on Sabina special warrants, each of which are excluded from adjusted net (loss) earnings.

Adjusted net (loss) earnings from continuing operations

Adjusted net loss from continuing operations in the third quarter and first nine months of 2016 was $19.4 million and $28.1 million, respectively, compared to adjusted net earnings of $4.5 million and $5.8 million in the corresponding periods in 2015. Adjusted net (loss) earnings from continuing operations was impacted by the same factors affecting net (loss) earnings attributable to common shareholders from continuing operations, except for net gains and losses on Sabina special warrants, unrealized gains on the forward point component of the forward foreign exchange contracts entered to hedge a portion of foreign denominated operating costs, unrealized losses on commodity swap and option contracts entered to hedge a portion of future production and impairment losses, each of which are excluded from adjusted net (loss) earnings from continuing operations.

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

($ millions) **Ended September 30,**	**Three Months**	**Nine Months**
Adjusted net earnings - 2015	**4.4**	**5.8**
Lower metal prices [1]	(1.7)	(16.7)
Higher depreciation	(5.5)	(13.6)
Higher treatment charges for Chelopech [3],[4]	(9.8)	(6.6)
Higher smelter local currency operating costs [2]	(2.4)	(8.5)
Higher general and administrative, exploration and finance costs	(1.3)	(5.2)
Other	(0.5)	(2.4)
Lower volumes of metals sold	(6.6)	(2.2)
Lower smelter volumes	(5.0)	(1.5)
Stronger U.S. dollar	1.5	6.1
Reduced deductions for metals exposure	3.5	5.8
Higher toll rates at Tsumeb [4]	2.8	5.9
Lower transportation costs at Chelopech	1.2	5.0
Adjusted net loss - 2016	**(19.4)**	**(28.1)**

1) *Includes gains and losses on commodity swap contracts, except unrealized gains and losses on commodity swap and option contracts related to projected payable production, and metal price adjustments related to provisionally priced sales.*
2) *Excludes impact of depreciation and foreign exchange.*
3) *Reflects lower copper concentrate deliveries to Xiangguang Copper Co. ("XGC") and higher deliveries to Tsumeb in the third quarter of 2016 relative to the corresponding period in 2015, resulting in higher overall treatment charges at Chelopech.*
4) *As a result of the timing of the annual maintenance shutdown, the unplanned maintenance shutdown following the power outage in July 2016 and the associated decrease in volumes of concentrate smelted, cost of sales per tonne at Tsumeb in the third quarter and first nine months of 2016*

were higher than the corresponding periods in 2015 resulting in higher treatment charges for Chelopech, which are based on a cost plus arrangement, and higher tolling revenue for Tsumeb.

Adjusted EBITDA from continuing operations

Adjusted EBITDA in the third quarter and first nine months of 2016 was $3.5 million and $42.8 million, respectively, compared to $23.6 million and $62.6 million in the corresponding periods in 2015. These decreases were due to the same factors affecting adjusted net (loss) earnings, except for depreciation, interest and income taxes, which are excluded from adjusted EBITDA.

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

$ thousands	**Three Months**		**Nine Months**	
Ended September 30,	**2016**	2015	**2016**	2015
Chelopech	**12,039**	28,748	**58,742**	81,575
Tsumeb	**(3,281)**	(1,188)	**3,075**	(1,668)
Corporate & Other	**(5,286)**	(3,966)	**(19,053)**	(17,266)
Total adjusted EBITDA	**3,472**	23,594	**42,764**	62,641

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

Net earnings (loss) from discontinued operations

Net loss from the discontinued Kapan operation in the third quarter of 2016 was $0.1 million compared to $0.6 million in the corresponding period in 2015. Net earnings from discontinued operations in the first nine months of 2016 were $0.9 million compared to a net loss of $2.2 million in the corresponding period in 2015. Refer to the “Review of Operating Results from Discontinued Operations” section of this MD&A for a more detailed discussion of the Kapan Disposition and results of discontinued operations.

Cash provided from operating activities of continuing operations

Cash provided from operating activities in the third quarter of 2016 was $56.2 million compared to $13.4 million in the corresponding period in 2015. This increase was due primarily to proceeds from the prepaid forward sales of gold of $50.0 million, favourable changes in non-cash working capital and higher realized gold prices, partially offset by lower realized copper prices, lower volumes of concentrate smelted and lower volumes of payable metals in concentrate sold. Cash provided from operating activities in the first nine months of 2016 was $68.4 million compared to $48.1 million in the corresponding period in 2015. This increase was due primarily to proceeds from the prepaid forward sales of gold of $50.0 million and higher realized gold prices, partially offset by unfavourable changes in non-cash working capital, lower realized copper prices and lower volumes of payable metals in concentrate sold.

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 45,986 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 condensed interim consolidated statements of financial position, and will be recognized as revenue when deliveries are made under the prepaid forward gold sales arrangement.

The favourable change in non-cash working capital in the third quarter of 2016 of $5.3 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers and a decrease in inventories. The unfavourable change in non-cash working capital in the third quarter of 2015 of $7.4 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers and an increase in inventories, partially offset by an increase in accounts payable and accrued liabilities as a result of the timing associated with supplier payments.

The unfavourable change in non-cash working capital in the first nine months of 2016 of $28.9 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers, a decrease in accounts payable and accrued liabilities as a result of the timing associated with supplier payments and an increase in inventories as a result of the timing of deliveries. The unfavourable change in non-cash working capital in the first nine months of 2015 of $8.5 million was due primarily to an increase in accounts receivables and a decrease in accounts payable and accrued liabilities, partially offset by a decrease in inventories.

Cash provided from operating activities, before changes in non-cash working capital, during the third quarter and first nine months of 2016 was $50.9 million and $97.3 million, respectively, compared to $20.8 million and $56.6 million in the corresponding periods in 2015.

Free cash flow from continuing operations

Free cash flow in the third quarter and first nine months of 2016 was $41.0 million and $63.8 million, respectively, compared to $14.4 million and $30.5 million in the corresponding periods in 2015. These increases were due primarily to the same factors affecting adjusted cash flow from operations, except for changes in non-cash working capital which are excluded from free cash flow, partially offset by higher cash outlays for sustaining capital expenditures as a result of the timing of expenditures.

Capital expenditures from continuing operations

Capital expenditures during the third quarter and first nine months of 2016 totaled $12.3 million and $36.8 million, respectively, compared to $25.0 million and $59.2 million in the corresponding periods in 2015.

Growth capital expenditures during the third quarter and first nine months of 2016 were $3.9 million and $20.0 million, respectively, compared to $18.1 million and $45.2 million in the corresponding periods in 2015. These decreases were due primarily to lower spending on the acid plant and new copper converters at Tsumeb compared to the corresponding periods in 2015. Sustaining capital expenditures during the third quarter and first nine months of 2016 were $8.4 million and $16.8 million, respectively, compared to $6.9 million and $14.0 million in the corresponding periods in 2015.

2016 GUIDANCE

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

In May 2016, the Company revised its original guidance for Kapan to reflect only four months of operation as a result of the Kapan Disposition occurring on April 28, 2016 and revised its consolidated production guidance accordingly. In July 2016, the Company revised its original guidance for Chelopech to reflect higher production in the first half of 2016 and for Tsumeb to reflect reduced 2016 throughput as a result of the unplanned maintenance shutdown following a regional power outage in Namibia in July 2016.

The table below sets out the Company's current guidance. Mine production, mine costs and sustaining capital expenditure guidance for 2016 is unchanged from the Company's prior guidance. Tsumeb's production and cash cost per tonne of complex concentrate smelted, net of by-product credits, guidance has been updated.

U.S. millions, unless otherwise indicated	Chelopech	Tsumeb	Kapan(5)	Consolidated Guidance(6)
Ore mined/milled *('000s tonnes)*	2,030 - 2,250	-	131	2,161 - 2,381
Complex concentrate smelted *('000s tonnes)*	-	195 - 205	-	195 - 205
Metals contained in copper and zinc concentrates produced(1),(2)				
Gold *('000s ounces)*	108 - 118	-	6	114 - 124
Copper *(million pounds)*	35.0 – 39.0	-	0.7	35.7 – 39.7
Zinc *(million pounds)*	-	-	2.8	2.8
Silver *('000s ounces)*	204 - 234	-	111	315 - 345
Payable gold in pyrite concentrate sold *('000s ounces)*	26 - 40	-	-	26 - 40
Cash cost per tonne of ore processed *($)*(3),(4)	32 - 36	-	81	32 - 36
Cash cost per ounce of gold sold, net of by-product credits *($)*(1),(3),(4)	550 - 650	-	1,136	550 - 650
All-in sustaining cost per ounce of gold *($)*(1),(3),(4)	-	-	-	750 - 850
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*(3),(4)	-	430 – 450	-	430 – 450
Cash cost per ounce of gold sold in pyrite concentrate *($)*(4)	750 - 850	-	-	750 - 850
General & administrative expenses(3)	-	-	-	17 - 21
Exploration expenses(3)	-	-	-	5 - 6
Sustaining capital expenditures(3)	10 - 12	12 - 16	3	22 - 28

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

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

As expected, Chelopech gold production in the third quarter of 2016 decreased relative to second quarter production due to lower grades in the zones being mined in the period, in line with the mine plan. During the fourth quarter of 2016, gold production is expected to be comparable to second quarter production, while copper production is expected to decrease compared to third quarter production. Gold and copper production at Chelopech is forecast to finish the year in line with the current guidance.

At the Tsumeb smelter, smelting rates in the third quarter of 2016 were impacted by the planned annual Ausmelt furnace reline and an additional unplanned maintenance shutdown following a regional power outage in Namibia in July 2016, which required the refractory lining to be fully replaced over a three week period. Complex concentrate volumes to be smelted in 2016 are expected to be at the lower end of the previous guidance of 200,000 to 220,000 tonnes, and as a result, it was lowered to 195,000 to 205,000 tonnes.

In the first nine months of 2016, the majority of the Company's growth capital expenditures related to continuing operations were for the completion of the new copper converters at Tsumeb, and securing the remaining permits and completing the detailed engineering to support moving forward with the construction of the Krumovgrad project in the second half of 2016. Following receipt of the main construction permit for Krumovgrad in August 2016, the Company expects to spend between $8 million and $10 million in the fourth quarter of 2016 on the Krumovgrad project on an early works program and commencement of earthworks activities at the site. Growth expenditures for 2016 are now expected to range between $32 million and $37 million, an increase of approximately $5 million reflecting year-to-date spending, and the commencement of Krumovgrad construction activities and down payments on long-lead items.

Review of Operating Results by Segment From Continuing Operations

Chelopech – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	Three Months		Nine Months	
Ended September 30,	**2016**	2015[11]	**2016**	2015[11]
Operational Highlights				
Ore mined *(mt)*	**551,591**	497,852	**1,667,564**	1,523,216
Ore processed *(mt)*	**560,038**	511,849	**1,665,323**	1,536,741
Head grade / Recoveries in copper concentrate *(ore milled)*				
Gold *(g/mt) / %*	**3.22 / 41.3**	3.99 / 45.3	**3.43 / 47.3**	3.71 / 46.6
Copper *(%) / %*	**0.98 / 78.1**	1.14 / 79.8	**1.01 / 79.8**	1.05 / 79.8
Silver *(g/mt) / %*	**10.05 / 31.7**	12.09 / 32.9	**9.48 / 34.8**	10.50 / 34.2
Copper concentrate produced *(mt)*	**25,748**	28,962	**82,074**	80,451
Metals contained in copper concentrate produced[1]:				
Gold *(ounces)*	**23,891**	29,722	**86,851**	85,369
Copper *(pounds)*	**9,423,314**	10,291,957	**29,642,267**	28,320,400
Silver *(ounces)*	**57,386**	65,555	**176,638**	177,502
Cash cost per tonne of ore processed *($)*[2],[4],[5]	**31.51**	37.98	**33.08**	36.50
Cash cost per ounce of gold in copper concentrate produced *($)*[1],[2],[3],[4]	**420**	356	**376**	360
Cash cost per pound of copper in copper concentrate produced *($)*[2],[3],[4]	**0.69**	0.77	**0.66**	0.80
Copper concentrate delivered *(mt)*	**28,220**	26,362	**80,520**	84,943
Payable metals in copper concentrate sold:				
Gold *(ounces)*[1],[6]	**24,317**	28,355	**78,825**	84,674
Copper *(pounds)*[6]	**9,704,537**	8,859,786	**27,288,373**	28,099,414
Silver *(ounces)*[6]	**47,096**	41,565	**122,597**	141,182
Cash cost per ounce of gold sold, net of by-product credits *($)*[1],[4],[7],[8]	**825**	194	**574**	303
Pyrite concentrate produced *(mt)*	**61,867**	69,797	**161,138**	177,977
Gold contained in pyrite concentrate produced *(ounces)*	**12,900**	16,352	**34,850**	41,118
Pyrite concentrate delivered *(mt)*	**60,379**	70,722	**165,276**	167,597
Payable gold in pyrite concentrate sold *(ounces)*	**8,130**	12,069	**23,240**	28,377
Cash cost per ounce of gold sold in pyrite concentrate *($)*[4]	**883**	904	**820**	927
Financial Highlights				
Net revenue[9],[10]	**30,446**	33,334	**116,089**	109,117
Cost of sales	**28,643**	26,142	**80,125**	85,139
Gross profit	**1,803**	7,192	**35,964**	23,978
Earnings before income taxes	**2,408**	16,099	**24,270**	47,578
Adjusted EBITDA[4]	**12,039**	28,748	**58,742**	81,575
Adjusted earnings before income taxes[4]	**2,665**	19,493	**30,660**	53,689
Depreciation	**9,233**	9,058	**27,613**	27,221
Capital expenditures incurred:				
Growth[4]	**576**	1,626	**1,983**	4,405
Sustaining[4]	**5,270**	5,473	**8,514**	9,595
Total capital expenditures	**5,846**	7,099	**10,497**	14,000

1) *Excludes metals in pyrite concentrate produced and/or sold, and where applicable, the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, which is reported separately. Cash cost per ounce of gold sold, net of by-product credits, including payable gold in pyrite concentrate sold and related costs, in the third quarter and first nine months of 2016 was $839 and $630, respectively, compared to $406 and $459 in the corresponding periods in 2015.*
2) *Cash costs are reported in U.S. dollars, although the majority of costs incurred are denominated in non-U.S. dollars, and consist of all production related expenses including mining, processing, services, royalties and general and administrative.*
3) *Gold and copper are accounted for as co-products. Total cash costs are net of by-product silver sales revenue.*
4) *Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of these non-GAAP measures.*
5) *Cash cost per tonne of ore processed, excluding royalties, was $28.81 and $30.25 in the third quarter and first nine months of 2016, respectively, compared to $34.88 and $33.43 in the corresponding periods in 2015.*
6) *Represents payable metals in copper concentrate sold based on provisional invoices.*

7) *Cash cost per ounce of gold sold, net of by-product credits, represents cost of sales, less depreciation, amortization and other non-cash expenses, plus treatment charges, penalties, transportation and other selling costs, less by-product copper and silver revenues, including realized gains on copper swap contracts, divided by the payable gold in copper concentrate sold.*
8) *Includes realized gains on copper swap contracts, entered to hedge a portion of projected payable production, of $0.9 million and $3.1 million during the third quarter and first nine months of 2016, respectively, compared to $7.7 million and $17.3 million in the corresponding periods in 2015.*
9) *Net revenue includes the value of payable metals sold, deductions for treatment charges, penalties, transportation and other selling costs, and mark-to-market adjustments and final settlements to reflect any physical and cost adjustments on provisionally priced sales. Net unfavourable mark-to-market adjustments and final settlements of $4.0 million and favourable mark-to-market adjustments of $2.2 million were recognized during the third quarter and first nine months of 2016, respectively, compared to net unfavourable mark-to-market adjustments and final settlements of $4.6 million and $11.7 million in the corresponding periods in 2015. Deductions during the third quarter and first nine months of 2016 were $31.3 million and $77.1 million, respectively, compared to $28.5 million and $86.1 million in the corresponding periods in 2015.*
10) *Net revenue excludes realized and unrealized gains and losses on commodity swap and option contracts entered to hedge the mark-to-market impacts associated with provisionally priced sales and future production. Under IFRS, these gains and losses are reported in other expense (income).*
11) *Certain comparative figures have been reclassified as a consequence of several expenses previously classified as general and administrative expenses being classified as operating costs and included in cost of sales to better reflect the operating results of each segment*

Operational Highlights – Chelopech

Ore mined

Ore mined in the third quarter and first nine months of 2016 of 551,591 tonnes and 1,667,564 tonnes, respectively, was 11% and 9% higher than the corresponding periods in 2015 due to an increased production rate.

Ore processed

Ore processed during the third quarter and first nine months of 2016 of 560,038 tonnes and 1,665,323 tonnes, respectively, was 9% and 8% higher than the corresponding periods in 2015 as a result of increased ore mined.

Concentrate and metal production

Copper concentrate produced during the third quarter of 2016 of 25,748 tonnes was 11% lower than the corresponding period in 2015 due primarily to lower copper grades, partially offset by higher volumes of ore mined and processed. Copper concentrate produced during the first nine months of 2016 of 82,074 tonnes was 2% higher than the corresponding period in 2015 due primarily to higher volumes of ore mined and processed, partially offset by lower copper grades. Pyrite concentrate produced during the third quarter and first nine months of 2016 of 61,867 tonnes and 161,138 tonnes, respectively, was 11% and 9% lower than the corresponding periods in 2015. These results were in line with the mine plan.

Relative to the third quarter of 2015, gold contained in copper concentrate produced in the third quarter of 2016 decreased by 20% to 23,891 ounces, copper production decreased by 8% to 9.4 million pounds and silver production decreased by 12% to 57,386 ounces. These decreases were due primarily to lower grades for all metals and lower gold recoveries as a result of lower gold grades and different mineralogy of ore mined, partially offset by higher volumes of ore mined and processed.

Relative to the first nine months of 2015, gold contained in copper concentrate produced in the first nine months of 2016 increased by 2% to 86,851 ounces and copper production increased by 5% to 29.6 million pounds. Silver production in the first nine months of 2016 of 176,638 ounces was comparable to the corresponding period in 2015. The increases in gold and copper production were due primarily to higher volumes of ore mined and processed, partially offset by lower grades.

Gold contained in pyrite concentrate produced during the third quarter and first nine months of 2016 was 12,900 ounces and 34,850 ounces, respectively, compared to 16,352 ounces and 41,118 ounces in the corresponding periods in 2015. These decreases were due primarily to the decrease in pyrite concentrate production.

As expected, Chelopech gold production in the third quarter of 2016 decreased relative to second quarter production due to lower gold grades in the zones being mined in the period. During the fourth quarter of 2016, gold production is expected to be comparable to second quarter production, while copper production is expected to decrease compared to third quarter production. Both gold and copper production are expected to be in line with 2016 guidance.

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

Deliveries

Deliveries of copper concentrate during the third quarter and first nine months of 2016 of 28,220 tonnes and 80,520 tonnes, respectively, were 7% higher and 5% lower than the corresponding periods in 2015 due primarily to the timing of deliveries.

Deliveries of pyrite concentrate in the third quarter of 2016 of 60,379 tonnes were 15% lower than the corresponding period in 2015 due primarily to lower pyrite concentrate production. Deliveries of pyrite concentrate in the first nine months of 2016 of 165,276 tonnes were comparable to the corresponding period in 2015.

In the third quarter of 2016, payable gold in copper concentrate sold decreased by 14% to 24,317 ounces, payable copper increased by 10% to 9.7 million pounds and payable silver increased by 13% to 47,096 ounces, in each case, relative to the corresponding period in 2015. The decrease in payable gold was due primarily to lower grades and recoveries. The increase in payable copper was consistent with the increase in copper concentrate deliveries. Payable gold in pyrite concentrate sold in the third quarter of 2016 of 8,130 ounces was 33% lower than the corresponding period in 2015 consistent with the decrease in pyrite concentrate produced and delivered.

In the first nine months of 2016, payable gold in copper concentrate sold decreased by 7% to 78,825 ounces, payable copper decreased by 3% to 27.3 million pounds and payable silver decreased by 13% to 122,597 ounces, in each case, relative to the corresponding period in 2015. These decreases were due primarily to lower copper concentrate deliveries and lower grades for all metals. Payable gold in pyrite concentrate sold in the first nine months of 2016 of 23,240 ounces was 18% lower than the corresponding period in 2015 due primarily to lower gold recoveries in pyrite concentrate produced in 2016.

Inventory

Copper concentrate inventory totaled 8,983 tonnes at September 30, 2016, up from 7,429 tonnes at December 31, 2015, reflecting the timing of deliveries.

Financial Highlights – Chelopech

Net revenue

Net revenue in the third quarter of 2016 of $30.4 million was $2.9 million lower than the corresponding period in 2015 due primarily to higher deductions for treatment charges as a result of unplanned and planned outages at Tsumeb in the period and a greater proportion of copper concentrate deliveries to Tsumeb, lower volumes of payable gold in concentrate sold as a result of lower gold grades and recoveries, and lower market copper prices, partially offset by higher market gold prices, reduced unfavourable mark-to-market price adjustments on provisionally priced sales and lower transportation costs. Net revenue in the third quarter of 2016 excluded realized gains on copper and gold derivative contracts related to payable metals sold in the period of $0.6 million (2015 - $8.7 million), which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

Net revenue of $116.1 million in the first nine months of 2016 was $7.0 million higher than the corresponding period in 2015 due primarily to favourable mark-to-market price adjustments on provisionally priced sales, higher market gold prices and lower transportation costs, partially offset by lower market copper prices, lower volumes of payable metals in concentrate sold as a result of lower grades for all metals and the timing of deliveries, and higher treatment charges as a result of unplanned and planned outages at Tsumeb. Net revenue in the first nine months of 2016 excluded realized gains on copper and gold derivative contracts related to payable metals sold in the period of $3.0 million (2015 - $18.5 million), which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

Included in net revenue were unfavourable mark-to-market price adjustments on provisionally priced sales of $0.6 million (2015 – $4.9 million) and favourable adjustments of $5.3 million (2015 – unfavourable adjustments of $10.7 million) during the third quarter and first nine months of 2016, respectively. These adjustments were offset by losses or gains on QP Hedges, which were recorded in other expense (income) in the consolidated statements of (loss) earnings.

Cost of sales

Cost of sales in the third quarter of 2016 of $28.6 million was $2.5 million higher than the corresponding period in 2015 consistent with the increase in copper concentrate deliveries, partially offset by lower operating expenses as a result of the timing of maintenance activities and on-going improvement initiatives. Cost of sales in the first nine months of 2016 of $80.1 million was $5.0 million lower than the corresponding period in 2015 consistent with the decrease in copper concentrate deliveries.

Cash cost measures

Cash cost per tonne of ore processed in the third quarter of 2016 of $31.51 was 17% lower than the corresponding cash cost in 2015 of $37.98 due primarily to higher volumes of ore mined and processed, decreased maintenance activities, lower input costs for certain supplies and services, and on-going improvement activities, partially offset by increased backfill activities.

Cash cost per tonne of ore processed in the first nine months of 2016 of $33.08 was 9% lower than the corresponding cash cost in 2015 of $36.50 due primarily to higher volumes of mined and processed and on-going improvement initiatives, partially offset by higher employment costs, increased backfill activities and higher electricity rates.

Cash cost per ounce of gold sold, net of by-product credits, during the third quarter of 2016 of $825 was $631 higher than cash cost of $194 in the corresponding period in 2015. Approximately $268 of this increase was due to higher treatment charges resulting from unplanned and planned outages at Tsumeb during the quarter and a greater proportion of copper concentrate deliveries to Tsumeb, $243 was due to a 28% decrease in realized copper prices, and the balance to lower volumes of payable gold in copper concentrate sold.

Cash cost per ounce of gold sold, net of by-product credits, in the first nine months of 2016 of $574 was $271 higher than cash cost of $303 in the corresponding period in 2015 due primarily to a 28% decrease in realized copper prices, resulting in an increase in cash cost per ounce of approximately $340, and higher treatment charges resulting in an increase in cash cost per ounce of approximately $58. These unfavourable variances were partially offset by a lower cost per tonne as a result of higher ore mined and processed. Cash cost per ounce of gold, net of by-product credits for 2016 is expected to remain within guidance of $550 to $650.

Cash cost per ounce of gold sold in pyrite concentrate in the third quarter and first nine months of 2016 was $883 and $820, respectively, compared to $904 and $927 in the corresponding periods in 2015. These decreases were due primarily to lower transportation costs.

Earnings before income taxes

Earnings before income taxes in the third quarter of 2016 of $2.4 million were $13.7 million lower than the corresponding period in 2015 due primarily to a 28% decrease in realized copper prices, higher treatment charges and lower volumes of payable metals in concentrate sold partially offset by a 17% increase in realized gold prices and lower transportation costs. Earnings before income taxes in the first nine months of 2016 of $24.3 million were $23.3 million lower than the corresponding period in 2015 due primarily to a 28% decrease in realized copper prices and higher treatment charges, partially offset by a 7% increase in realized gold prices and lower transportation costs.

Earnings before income taxes were also impacted by unrealized losses of $0.3 million (2015 – $3.2 million) and $6.3 million (2015 – $5.8 million) in the third quarter and first nine months of 2016, respectively, on copper and gold derivative contracts related to projected payable production.

Adjusted EBITDA

Adjusted EBITDA in the third quarter and first nine months of 2016 was $12.0 million and $58.7 million, respectively, down from $28.7 million and $81.6 million in the corresponding periods in 2015. These decreases were due to the same factors affecting earnings before income taxes, except for depreciation and unrealized losses on copper and gold derivative contracts related to projected payable production, which were excluded from adjusted EBITDA.

Adjusted earnings before income taxes

Adjusted earnings before income taxes in the third quarter and first nine months of 2016 were $2.7 million and $30.7 million, respectively, compared to $19.5 million and $53.7 million in the corresponding periods in 2015.

Unrealized losses of $0.3 million (2015 – $3.2 million) and $6.3 million (2015 – $5.8 million) in the third quarter and first nine months of 2016, respectively, on copper and gold derivative contracts related to projected payable production, which were included in earnings before income taxes, were excluded from adjusted earnings before income taxes.

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

($ millions) **Ended September 30,**	**Three Months**	**Nine Months**
Adjusted earnings before income taxes - 2015	**19.5**	**53.7**
Lower metal prices [(1)]	(1.7)	(16.7)
Higher treatment charges [(2)]	(9.8)	(6.6)
Lower volumes of metals sold	(6.6)	(2.2)
Other	0.1	(2.5)
Lower transportation costs [(3)]	1.2	5.0
Adjusted earnings before income taxes - 2016	**2.7**	**30.7**

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 on provisionally priced sales.*
2) *Reflects lower copper concentrate deliveries to XGC and higher deliveries to Tsumeb in the third quarter of 2016 relative to the corresponding period in 2015 resulting in higher overall treatment charges. As a result of the timing of the annual maintenance shutdown, the unplanned maintenance shutdown following the power outage in July 2016 and the associated decrease in volumes of concentrate smelted, cost of sales per tonne at Tsumeb in the third quarter and first nine months of 2016 were higher than the corresponding periods in 2015 resulting in higher treatment charges for Chelopech, which are based on a cost plus arrangement.*
3) *Reflects lower freight rates.*

Capital expenditures

Capital expenditures during the third quarter and first nine months of 2016 of $5.9 million and $10.5 million, respectively, were $1.2 million and $3.5 million lower than the corresponding periods in 2015 due primarily to the completion of major projects in 2015.

Tsumeb – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	Three Months		Nine Months	
Ended September 30,	**2016**	2015[3]	**2016**	2015[3]
Operational Highlights				
Complex concentrate smelted *(mt)*:				
Chelopech	**10,944**	15,472	**49,763**	52,925
Third party	**26,091**	27,980	**89,239**	87,349
Total complex concentrate smelted	**37,035**	43,452	**139,002**	140,274
Cash cost per tonne of complex concentrate smelted, net of by-product credits ($)[(1),(2)]	**642**	501	**471**	451
Acid production (*mt*)	**37,721**	-	**130,035**	-
Acid deliveries (*mt*)	**34,329**	-	**117,522**	-
Financial Highlights				
Toll revenue	**21,576**	18,956	**71,380**	61,159
Acid revenue	**2,423**	-	**8,925**	-
Arsenic trioxide revenue	**345**	507	**1,034**	1,150
Total revenue	**24,344**	19,463	**81,339**	62,309
Cost of sales	**38,425**	27,586	**108,925**	81,712
Gross loss	**(14,081)**	(8,123)	**(27,586)**	(19,403)
Loss before income taxes	**(25,611)**	(5,066)	**(39,711)**	(19,001)
Adjusted (loss) earnings before interest, taxes, depreciation and amortization[(2)]	**(3,281)**	(1,188)	**3,075**	(1,668)
Adjusted loss before income taxes[(2)]	**(14,852)**	(7,545)	**(29,673)**	(21,593)
Depreciation	**10,761**	5,476	**30,354**	17,252
Capital expenditures incurred:				
Growth[(2)]	**1,444**	12,599	**8,791**	30,333
Sustaining[(2)]	**2,845**	1,926	**8,081**	4,094
Total capital expenditures	**4,289**	14,525	**16,872**	34,427

1) *Cash cost per tonne of concentrate smelted, net of by-product credit, represents cost of sales less depreciation and amortization, net of revenue related to the sale of acid and arsenic divided by the volume of complex concentrate smelted.*
2) *Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations of these non-GAAP measures.*
3) *Certain comparative figures have been reclassified as a consequence of several expenses previously classified as general and administrative expenses being classified as operating costs and included in cost of sales to better reflect the operating results of each segment.*

Operational Highlights – Tsumeb

Production

Complex concentrate smelted during the third quarter of 2016 of 37,035 tonnes was 15% lower than the corresponding period in 2015 due primarily to an unplanned shutdown following a regional power outage in Namibia in July 2016 that resulted in damage to, and the replacement of, the refractory lining of the Ausmelt furnace over a three week period. Complex concentrate smelted during the first nine months of 2016 of 139,002 tonnes was slightly lower than the corresponding period in 2015 due primarily to the unplanned maintenance shutdown of the Ausmelt furnace, partially offset by increased availability of the Ausmelt furnace.

Performance of the smelter in the third quarter of 2016 was significantly impacted by 21 days of unplanned downtime and 15 days of planned downtime resulting in the smelter operating only 60% of the time. This unplanned and planned downtime reduced concentrate throughput in the quarter by approximately 14,000 tonnes and 10,000 tonnes, respectively. Continuing post commissioning issues in the smelter complex following the installation of the acid plant and new converter emission controls also contributed to an 11% or 8,000 tonne shortfall relative to targeted performance levels for the quarter. These unanticipated issues related to the integration of this new equipment into the smelter, which was complicated by the interdependent and integrated nature of the smelter complex. These issues are being addressed and operating performance is expected to improve over the next two to three quarters as experience with the new equipment increases and operational hindrances are mitigated. Complex concentrate volumes to be smelted in 2016 are expected to be at the lower end of the Company's previous guidance of 200,000 to 220,000 tonnes, and as a result, it was lowered to 195,000 to 205,000 tonnes. Throughput for 2017 is expected to exceed 220,000 tonnes and formal guidance will be issued in early 2017. Production in excess of this level will be limited due to the generation of above normal volumes of secondary or rework material during the construction and commissioning of the acid plant and converters, which is currently consuming approximately 30% to 40% of Tsumeb's existing smelting capacity. This compares with a level of 20%, or less, in a mature and stable operation, representing approximately 20,000 to 40,000 tonnes of additional annual concentrate capacity. This is expected to be a constraint for the next four to five quarters.

In October 2016, Tsumeb announced its decision to discontinue production of arsenic trioxide, a by-product of the smelting process, following the fulfillment of existing customer contractual obligations, which is expected to be completed by the end of 2016. This decision reflects the results of its assessment of the arsenic trioxide plant and market, the low returns being generated, and the expectation that additional capital investment would be required to sustain existing production levels. The closure of this plant will ensure efforts are focused on optimizing and expanding the smelter's core operations.

Financial Highlights - Tsumeb

Net revenue

Net revenue in the third quarter of 2016 of $24.3 million was $4.9 million higher than the corresponding period in 2015 due primarily to reduced deductions for estimated metals exposure, acid revenue from the new acid plant and higher toll rates generated on Chelopech material due to the cost plus nature of the arrangement, partially offset by lower volumes of complex concentrate smelted resulting from 14 days of additional downtime in 2016. Deliveries of acid in the third quarter of 2016 generated revenue of $2.4 million (2015 - $nil).

Net revenue in the first nine months of 2016 of $81.3 million was $19.0 million higher than the corresponding period in 2015 due primarily to the acid revenue from the new acid plant, higher toll rates generated on Chelopech material due to the cost plus nature of the arrangement and reduced deductions for estimated metals exposure. Deliveries of acid in the first nine months of 2016 generated revenue of $8.9 million (2015 - $nil).

Secondary material levels have remained at elevated levels in 2016 as Tsumeb has focused on stabilizing the operation following the installation of the new converters and acid plant. This activity is expected to continue in the fourth quarter with secondary materials expected to decline in the fourth quarter of 2016 and in 2017, which is expected to reduce stockpile interest deductions and ultimately support increased throughput.

Cost of sales

Cost of sales in the third quarter and first nine months of 2016 of $38.4 million and $108.9 million, respectively, was $10.8 million and $27.2 million higher than the corresponding periods in 2015 due primarily to higher depreciation related to the new acid plant and copper converters, additional expenses related to the acid plant which commenced commercial production in the fourth quarter of 2015, and higher local operating expenses related to related to contractors, consumables, labour and electricity, partially offset by a weaker ZAR.

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

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the third quarter of 2016 of $642 was 28% higher than the corresponding period in 2015 due primarily to reduced throughput as a result of 36 days of unplanned and planned downtime in the third quarter of 2016 (2015 – 22 days) and higher local operating costs related to contractors, consumables, labour and electricity, partially offset by a weaker ZAR and net cash generated from the sale of sulphuric acid, a by-product of the smelting operation. This 36 day downtime had the effect of increasing cash cost by approximately $225 per tonne during the third quarter of 2016.

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the first nine months of 2016 of $471 was 4% higher than the corresponding period in 2015 due primarily to higher local operating costs related to contractors, consumables, labour and electricity, partially offset by the net cash generated from the sale of sulphuric acid, a by-product of the smelting operation, and a weaker ZAR. The unplanned downtime of 21 days had the effect of increasing cash cost by approximately 8% or $35 per tonne during the first nine months of 2016.

Loss before income taxes

Loss before income taxes in the third quarter of 2016 was $25.6 million compared to $5.1 million in the corresponding period in 2015. The higher loss was due primarily to an $11.2 million write-down of the arsenic plant, higher depreciation with the start-up of the acid plant and converters, lower volumes of complex concentrate smelted as a result of 14 days of additional downtime in 2016 and higher local currency operating expenses, partially offset by reduced deductions for estimated metals exposure, higher toll rates and a weaker ZAR. Loss before income taxes in the first nine months of 2016 was $39.7 million compared to $19.0 million in the corresponding period in 2015. The higher loss was due primarily to higher depreciation, an $11.2 million write-down of the arsenic plant and higher local currency operating expenses, partially offset by a weaker ZAR, reduced deductions for estimated metals exposure and higher toll rates.

Loss before income taxes was also impacted by unrealized gains of $0.5 million (2015 – $2.6 million) and $1.2 million (2015 – $2.6 million) on the forward point component of the forward foreign exchange contracts in the third quarter and the first nine months of 2016, respectively.

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

Adjusted loss before interest, taxes, depreciation and amortization in the third quarter of 2016 was $3.3 million compared to $1.2 million in the corresponding period in 2015. Adjusted EBITDA in the first nine months of 2016 was $3.1 million compared to an adjusted loss before interest, taxes, depreciation and amortization of $1.7 million in the corresponding prior year period. These variances were due primarily to the same factors affecting loss before income taxes, except depreciation, income taxes and unrealized gains on the forward point component of the forward foreign exchange contract which were excluded from adjusted (loss) earnings before interest, taxes, depreciation and amortization.

Adjusted loss before income taxes

Adjusted loss before income taxes during the third quarter and first nine months of 2016 was $14.9 million and $29.7 million, respectively, compared to $7.5 million and $21.6 million in the corresponding periods in 2015.

Unrealized gains of $0.5 million (2015 – $2.6 million) and $1.2 million (2015 – $2.6 million) on the forward point component of the forward foreign exchange contracts, which were recognized in loss before income taxes in the third quarter and the first nine months of 2016, respectively, were excluded from adjusted loss before income taxes.

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

($ millions) **Ended September 30,**	**Three Months**	**Nine Months**
Adjusted loss before income taxes - 2015	**(7.5)**	**(21.6)**
Higher depreciation	(5.3)	(13.1)
Higher operating expenses [(1)]	(2.4)	(8.5)
Other	(2.5)	(2.8)
Lower volumes	(5.0)	(1.5)
Weaker ZAR [(2)]	1.5	6.1
Reduced deductions for metals exposure	3.5	5.8
Higher toll rates	2.8	5.9
Adjusted loss before income taxes - 2016	**(14.9)**	**(29.7)**

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

Capital expenditures

Capital expenditures during the third quarter and first nine months of 2016 were $4.3 million and $16.9 million, respectively, compared to $14.5 million and $34.4 million in the corresponding periods in 2015. These decreases were due primarily to lower spending on the acid plant and the new copper converters compared to the corresponding periods in 2015. Refer to the “Development and Other Major Projects” section of this MD&A for a more detailed discussion of Tsumeb’s major capital projects.

REVIEW OF CORPORATE AND OTHER SEGMENT RESULTS

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

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

$ thousands	Three Months		Nine Months	
Ended September 30,	**2016**	2015(2)	**2016**	2015(2)
Financial Highlights				
General and administrative expenses, excluding depreciation	**(4,092)**	(2,966)	**(13,585)**	(11,585)
Corporate social responsibility expenses	**(201)**	(519)	**(866)**	(1,209)
Exploration expenses	**(500)**	(832)	**(3,768)**	(3,114)
Other (expense) income(1)	**(493)**	351	**(834)**	(1,358)
Adjusted loss before interest, taxes, depreciation and amortization	**(5,286)**	(3,966)	**(19,053)**	(17,266)

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

General and administrative expenses

General and administrative expenses, excluding depreciation, of $4.1 million and $13.6 million during the third quarter and first nine months of 2016, respectively, were $1.1 million and $2.0 million higher than the corresponding periods in 2015 due primarily to mark-to-market adjustments related to share based compensation.

Exploration expenses

Exploration expenses during the third quarter and first nine months of 2016 of $0.5 million and $3.8 million, respectively, were $0.3 million lower and $0.7 million higher than the corresponding periods in 2015. Refer to the "Exploration" section of this MD&A for a more detailed discussion of the Company's exploration activities.

REVIEW OF OPERATING RESULTS FROM DISCONTINUED OPERATIONS

Kapan – Key Operational and Financial Highlights

$ thousands, unless otherwise indicated	Three Months		Nine Months	
Ended September 30,	**2016**	2015[5]	**2016**	2015[5]
Operational Highlights				
Ore mined *(mt)*	**-**	111,778	**130,982**	322,178
Ore processed *(mt)*	**-**	108,666	**129,521**	319,719
Head grade / Recoveries *(ore milled)*				
Gold *(g/mt) / %*	**- / -**	2.34 / 83.0	**1.85 / 81.9**	2.16 / 83.8
Copper *(%) / %*	**- / -**	0.35 / 91.2	**0.28 / 89.0**	0.32 / 90.5
Zinc *(%) / %*	**- / -**	1.63 / 83.6	**1.16 /83.7**	1.53 / 85.2
Silver (g/mt) / %	**- / -**	43.12 / 84.1	**32.15 / 83.1**	39.54 / 84.0
Concentrate produced *(mt)*				
Copper	**-**	1,594	**1,586**	4,265
Zinc	**-**	2,423	**2,132**	6,901
Metals contained in concentrate produced:				
Gold *(ounces)*	**-**	6,802	**6,317**	18,597
Copper *(pounds)*	**-**	756,740	**712,358**	2,040,398
Zinc *(pounds)*	**-**	3,272,406	**2,784,359**	9,215,972
Silver *(ounces)*	**-**	126,636	**111,279**	341,608
Cash cost per tonne of ore processed *($)*[4]	**-**	75.45	**80.96**	76.07
Concentrate delivered *(mt)*				
Copper	**-**	1,097	**2,000**	3,469
Zinc	**-**	1,816	**2,455**	6,335
Payable metals in concentrate sold:				
Gold *(ounces)*[1]	**-**	4,524	**7,304**	13,820
Copper *(pounds)*[1]	**-**	521,897	**837,599**	1,552,427
Zinc *(pounds)*[1]	**-**	2,114,264	**2,687,889**	7,197,477
Silver *(ounces)*[1]	**-**	68,818	**120,282**	231,514
Cash cost per ounce of gold sold, net of by-product credits *($)*[4]	**-**	630	**1,136**	727
Financial Highlights				
Net revenue[2],[3]	**-**	6,766	**14,380**	24,212
Cost of sales	**-**	8,002	**13,045**	27,400
Gross (loss) profit	**-**	(1,236)	**1,335**	(3,188)
(Loss) gain on Kapan Disposition	**(77)**	-	**5,912**	-
Net (loss) earnings from discontinued operations	**(77)**	(627)	**893**	(2,137)
Capital expenditures incurred	**-**	2,552	**2,684**	7,421

1) *Represents payable metals in concentrate sold based on provisional invoices.*
2) *Net revenue includes the value of payable metals sold, deductions for treatment charges, penalties, transportation and other selling costs, and mark-to-market adjustments and final settlements to reflect any physical and cost adjustments on provisionally priced sales. Net favourable mark-to-market adjustments and final settlements of $nil and $0.9 million were recorded during the third quarter and first nine months of 2016, respectively, compared to unfavourable mark-to-market adjustments and final settlements of $1.1 million and $2.3 million in the corresponding periods in 2015. Deductions during the third quarter and first nine months of 2016 were $nil and $1.7 million, respectively, compared to $1.1 million and $3.8 million in the corresponding periods in 2015.*
3) *Net revenue excludes realized and unrealized gains and losses on commodity swap contracts entered to hedge the mark-to-market impacts associated with provisionally priced sales and future production.*
4) *Refer to the "Non-GAAP Financial Measures" of this MD&A for reconciliations of these non-GAAP measures.*
5) *Certain comparative figures have been reclassified as a consequence of several expenses previously classified as general and administrative expenses being classified as operating costs and included in cost of sales to better reflect the operating results of each segment.*

Kapan Disposition

In March 2016, the Company entered into a definitive agreement with Polymetal for the sale of its interest in Kapan through the disposition of all of the issued and outstanding shares of Kapan. Under the Kapan Disposition, the Company received on April 28, 2016 consideration consisting of (i) $10 million in cash from the buyer, (ii) a working capital adjustment estimated at $7.3 million, which is expected to be finalized in the fourth quarter of 2016, (iii) $15.2 million in ordinary shares of Polymetal, which were subsequently sold for net cash proceeds of $14.8 million and (iv) a 2% net smelter royalty on future production from the Kapan property having an estimated value of $9.5 million. As a result, a gain of $5.9 million was recognized in the first nine months of 2016 and was included in the results from discontinued operations. The Kapan Disposition was subject to customary representations, warranties, covenants and indemnities for a transaction of this nature.

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

Financial Highlights – Kapan

Net revenue from discontinued operations

Net revenue during the first nine months of 2016 was $14.4 million compared to $24.2 million in the corresponding period in 2015 due primarily to lower volumes of payable metals in concentrate sold as a result of the Kapan Disposition.

Included in revenue were favourable metal price adjustments on provisionally priced sales of $1.2 million (2015 – unfavourable adjustments of $0.8 million) on provisionally priced sales during the first nine months of 2016. These adjustments were offset by losses or gains on QP Hedges.

Gross profit (loss) from discontinued operations

Gross profit in the first nine months of 2016 was $1.3 million compared to a gross loss of $3.2 million in the corresponding period in 2015 due primarily to lower depreciation and favourable metal price adjustments on provisionally priced sales, partially offset by lower volumes of payable metals in concentrate sold as a result of the Kapan Disposition.

Net earnings (loss) from discontinued operations

Net earnings from discontinued operations in the first nine months of 2016 were $0.9 million compared to a net loss of $2.2 million in the corresponding period in 2015. A gain on the Kapan Disposition of $5.9 million was recognized in the first nine months of 2016.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2016, the Company had cash and cash equivalents of $61.9 million, investments at fair value of $28.0 million, and $205 million of undrawn lines of credit under its $275 million committed RCF.

The Company's liquidity is impacted by several factors which include, but are not limited to, gold, copper and silver market prices, production levels, capital expenditures, operating cash costs, interest rates and foreign exchange rates. These factors are monitored by the Company on a regular basis. At September 30, 2016, the Company's cash resources and available lines of credit under its RCF continue to provide sufficient liquidity and cash resources to meet its current operating requirements, as well as all contractual commitments, mandatory principal repayments and non-discretionary capital expenditures. The Company may, from time to time, raise additional capital to ensure it maintains its financial strength and has sufficient liquidity to support its discretionary growth capital projects and the overall needs of the business.

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

$ thousands	Three Months		Nine Months	
Ended September 30,	**2016**	2015	**2016**	2015
Cash provided from operating activities of continuing operations, before changes in non-cash working capital	**50,861**	20,874	**97,236**	56,659
Changes in non-cash working capital	**5,326**	(7,450)	**(28,855)**	(8,515)
Cash provided from operating activities of continuing operations	**56,187**	13,424	**68,381**	48,144
Cash used in investing activities of continuing operations	**(11,800)**	(20,714)	**(10,085)**	(49,818)
Cash used in financing activities of continuing operations	**(6,313)**	(2,707)	**(19,772)**	(16,853)
Increase (decrease) in cash and cash equivalents of continuing operations	**38,074**	(9,997)	**38,524**	(18,527)
Cash and cash equivalents of continuing operations, beginning of period	**23,845**	26,217	**23,395**	34,747
Cash and cash equivalents of continuing operations, end of period	**61,919**	16,220	**61,919**	16,220

Cash and cash equivalents balance of continuing operations as at September 30, 2016 of $61.9 million was $45.7 million higher than the corresponding period in 2015. The primary factors impacting these cash flow movements are summarized below.

Operating Activities of Continuing Operations

Cash provided from operating activities in the third quarter of 2016 was $56.2 million compared to $13.4 million in the corresponding period in 2015. This increase was due primarily to proceeds from the prepaid forward sales of gold of $50.0 million, favourable changes in non-cash working capital and higher realized gold prices, partially offset by lower realized copper prices, lower volumes of concentrate smelted and lower volumes of payable metals in concentrate sold. Cash provided from operating activities in the first nine months of 2016 was $68.4 million compared to $48.1 million in the corresponding period in 2015. This increase was due primarily to proceeds from the prepaid forward sales of gold of $50.0 million and higher realized gold prices, partially offset by unfavourable changes in non-cash working capital, lower realized copper prices and lower volumes of payable metals in concentrate sold.

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 45,986 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 condensed interim consolidated statements of financial position, and will be recognized as revenue when deliveries are made under the prepaid forward gold sales arrangement.

The favourable change in non-cash working capital in the third quarter of 2016 of $5.3 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers and a decrease in inventories. The unfavourable change in non-cash working capital in the third quarter of 2015 of $7.4 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers and an increase in inventories, partially offset by an increase in accounts payable and accrued liabilities as a result of the timing associated with supplier payments.

The unfavourable change in non-cash working capital in the first nine months of 2016 of $28.9 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers, a decrease in accounts payable and accrued liabilities as a result of the timing associated with supplier payments and an increase in inventories as a result of the timing of deliveries. The unfavourable change in non-cash working capital in the first nine months of 2015 of $8.5 million was due primarily to an increase in accounts receivables and a decrease in accounts payable and accrued liabilities, partially offset by a decrease in inventories.

Investing Activities of Continuing Operations

Cash used in investing activities in the third quarter and first nine months of 2016 was $11.8 million and $10.1 million, respectively, compared to $20.7 million and $49.8 million in the corresponding periods in 2015.

Proceeds from the Kapan Disposition, which closed on April 28, 2016, of $24.8 million were received in the first nine months of 2016.

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

$ thousands	Three Months		Nine Months	
Ended September 30,	**2016**	2015	**2016**	2015
Chelopech	**5,629**	3,724	**10,632**	9,732
Tsumeb	**4,517**	13,173	**15,685**	31,602
Krumovgrad	**1,217**	3,658	**8,162**	8,343
Other	**463**	193	**518**	318
Total cash capital expenditures of continuing operations	**11,826**	20,748	**34,997**	49,995

Cash outlays for capital expenditures in the third quarter and first nine months of 2016 were lower than the corresponding periods in 2015 due primarily to lower spending on the acid plant and copper converters at Tsumeb.

Financing Activities of Continuing Operations

Net cash used in financing activities in the third quarter and first nine months of 2016 was $6.3 million and $19.8 million, respectively, compared to $2.7 million and $16.8 million in the corresponding periods in 2015.

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 closed a non-brokered private placement of 840,000 common shares of the Company at a price of Cdn$3.00 per share, for additional gross proceeds of $1.9 million (Cdn$2.5 million). Cash proceeds from the Offering and the private placement, net of the share issuance costs of $2.4 million, were $41.4 million. DPM used the net proceeds of the Offering and the private placement to reduce borrowings under the RCF that were incurred to fund the construction of the sulphuric acid plant and the installation of new converters at Tsumeb.

Repayments under the RCF in the third quarter and first nine months of 2016 were each $45.0 million compared to $nil in the corresponding periods in 2015.

Scheduled repayments of term-loan debt in the third quarter and first nine months of 2016 of $nil and $8.1 million, respectively, were comparable to the corresponding periods in 2015.

Interest paid of $1.9 million and $5.7 million during the third quarter and first nine months of 2016, respectively, compared to $2.3 million and $7.0 million in the corresponding periods in 2015.

Repayments of finance lease obligations of $0.4 million and $1.2 million during the third quarter and first nine months of 2016, respectively, compared to $0.4 million and $1.3 million in the corresponding periods in 2015.

Cash Flows from Discontinued Operations

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

$ thousands	**Three Months**		**Nine Months**	
Ended September 30,	**2016**	2015	**2016**	2015
Cash (used in) provided from operating activities of discontinued operations	**-**	(233)	**(861)**	6,529
Cash used in investing activities of discontinued operations	**-**	(2,265)	**(2,314)**	(6,813)
Decrease in cash and cash equivalents of discontinued operations	**-**	(2,498)	**(3,175)**	(284)
Cash and cash equivalents of discontinued operations, beginning of period	**-**	3,759	**3,175**	1,545
Cash and cash equivalents of discontinued operations, end of period	**-**	1,261	**-**	1,261

Financial Position

$ thousands **As at,**	**September 30, 2016**	December 31, 2015	**Increase/ (Decrease)**
Cash and cash equivalents	**61,919**	26,570	**35,349**
Accounts receivable, inventories and other current assets	**72,143**	80,147	**(8,004)**
Investments at fair value	**27,975**	13,911	**14,064**
Non-current assets, excluding investments at fair value	**748,151**	785,523	**(37,372)**
Total assets	**910,188**	906,151	**4,037**
Current liabilities	**56,161**	72,738	**(16,577)**
Non-current liabilities	**184,873**	195,300	**(10,427)**
Equity attributable to common shareholders	**668,934**	637,457	**31,477**
Non-controlling interests	**220**	656	**(436)**

Cash and cash equivalents increased by $35.3 million to $61.9 million in the first nine months of 2016 due primarily to the timing of the receipt of the proceeds from the forward sales of gold. Accounts receivable, inventories and other current assets decreased by $8.0 million to $72.1 million due primarily to the Kapan Disposition, partially offset by an increase in accounts receivable and inventories from continuing operations, reflecting the timing of payments from customers and deliveries. Non-current assets, excluding investments at fair value, decreased by $37.4 million to $748.2 million due primarily to the Kapan Disposition, an impairment charge in respect of the arsenic plant at Tsumeb, and depreciation, partially offset by capital expenditures at Chelopech, Tsumeb and Krumovgrad.

Current liabilities decreased by $16.6 million to $56.2 million in the first nine months of 2016 due primarily to the Kapan Disposition and a reduced fair value loss on outstanding forward foreign exchange contracts. Non-current liabilities decreased by $10.4 million to $184.9 million in the first nine months of 2016 due primarily to the scheduled principal repayments under the Term Loans and repayments of drawdowns under the RCF, partially offset by an increase in deferred revenue related to the prepaid forward gold sales arrangement. Equity attributable to common shareholders increased by $31.5 million to $668.9 million due primarily to the equity issue in the period.

Contractual Obligations

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

$ thousands	**up to 1 year**	**1 – 5 years**	**over 5 years**	**Total**
Debt	16,250	78,125	-	**94,375**
Finance lease obligations	3,087	10,972	9,471	**23,530**
Capital commitments	11,173	-	-	**11,173**
Purchase obligations	8,681	-	-	**8,681**
Operating lease obligations	3,613	16,438	1,508	**21,559**
Other obligations	1,867	753	67	**2,687**
Total contractual obligations	**44,671**	**106,288**	**11,046**	**162,005**

Debt

As at September 30, 2016, the Company's total debt was $94.4 million, of which $24.4 million related to the Company's secured term loans ("Term Loans") and $70.0 million to the Company's RCF. As at September 30, 2016, the Company's total debt, as a percentage of total capital, was 12% (December 31, 2015 – 19%) and the Company's total debt, net of cash and cash equivalents, as a percentage of total capital, was 5% (December 31, 2015 – 16%). As at September 30, 2016, the Company was in compliance with all of its debt covenants.

Term Loans

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

The Term Loans contain financial covenants (the "Financial Covenants") that require DPM to maintain: (i) a debt leverage ratio (funded net debt to adjusted EBITDA, as defined in the Term Loans agreement) below 3.5:1 (below 4.0:1 during any period in which Krumovgrad construction is in progress), (ii) a current ratio (including the unutilized credit within the $150.0 million tranche of the committed RCF in 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 September 30, 2016, the Term Loans had an outstanding balance of $24.4 million.

Credit Agreements and Guarantees

Chelopech

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

Chelopech also has a Euro 21.0 million ($23.5 million) credit facility to support the Chelopech mine closure and rehabilitation plan. This credit facility matures on November 15, 2016 and is guaranteed by DPM. As at September 30, 2016, $15.6 million (December 31, 2015 - $22.9 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

DPM

DPM has a committed RCF with a consortium of banks. In February 2015 and April 2016, the RCF was amended to extend the terms of tranche A and tranche B by an additional year. In August 2016, the RCF was further amended to extend the term of tranche C by an additional two years. As at September 30, 2016, the RCF is comprised of a $45.0 million tranche A maturing in February 2021, a $150.0 million tranche B maturing in February 2019, 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 debt leverage ratio (funded net debt to adjusted EBITDA), as defined in the RCF agreement. The RCF contains the same Financial Covenants and shares in the same security package as the Term Loans. As at September 30, 2016, DPM was in compliance with all financial covenants and $70.0 million was drawn under the RCF.

Outstanding Share Data

DPM's common shares are traded on the TSX under the symbol DPM. As at November 8, 2016, 160,588,112 common shares were issued and outstanding.

In July 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. Concurrent with the Offering, the Company has also closed a non-brokered private placement of 840,000 common shares of the Company at a price of Cdn$3.00 per share.

DPM also has 5,638,966 stock options outstanding as of the date of this MD&A with exercise prices ranging from Cdn$2.21 to Cdn$10.33 per share (weighted average exercise price – Cdn$4.44 per share).

Other

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

FINANCIAL INSTRUMENTS

Investments at fair value

As at September 30, 2016, the Company's investments at fair value were $28.0 million, the vast majority of which related to the value of its investment in Sabina common shares and special warrants.

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

As at September 30 2016, DPM held: (i) 23,539,713 common shares of Sabina or 10.7% of the outstanding common shares (fair value of Cdn$33.0 million) and (ii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the Back River project or upon the occurrence of certain other events. Each of the special warrants is exercisable for a period of 35 years into one common share.

As at September 30, 2016, the estimated fair value of the special warrants was $2.8 million (December 31, 2015 - $1.5 million). Refer to the "Risks and Uncertainties" section of the Company's MD&A for the year ended December 31, 2015 for a discussion on the risks related to the Company's investment portfolio.

For the three and nine months ended September 30, 2016, the Company recognized unrealized gains on the Sabina special warrants of $0.6 million (2015 – unrealized losses of $0.1 million) and $1.4 million (2015 – unrealized losses of $0.4 million), respectively, in other expense (income) in the condensed interim consolidated statements of (loss) earnings.

For the three and nine months ended September 30, 2016, the Company recognized impairment losses of $nil (2015 – $0.01 million) and $0.02 million (2015 – $0.6 million), respectively, on its publicly traded securities, relating primarily to Sabina common shares, due to the significant and prolonged decline in the fair value of these publicly traded securities.

Commodity swap and option contracts

The Company enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales. As at September 30, 2016, the Company had outstanding commodity swap contracts in respect of this exposure as summarized in the table below:

Commodity hedged	Volume hedged	Average fixed price of QP Hedges
Payable gold	31,490 ounces	$1,327.17/ounce
Payable copper	9,479,866 pounds	$2.20/pound
Payable silver	24,850 ounces	$18.76/ounce

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

Year of projected payable copper production	Volume hedged (pounds)	Average fixed price of Production Hedges ($/pound)
Balance of 2016	6,316,236	2.32
2017	14,550,492	2.17
	20,866,728	**2.21**

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

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

Year of projected payable gold production	Volume hedged (ounces)	Average fixed price of gold production swaps ($/ounce)
Balance of 2016	2,010	1,150

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

Year of projected payable gold production	Volume hedged (ounces)	Call options sold Average ceiling price ($/ounce)	Put options purchased Floor price ($/ounce)
Balance of 2016	3,300	1,484	1,200
2017	45,000	1,497	1,200
	48,300	**1,496**	**1,200**

The fair value gain or loss on commodity swap contracts was calculated based on the corresponding LME forward copper 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 September 30, 2016, the net fair value loss on all outstanding commodity swap and option contracts was $0.2 million (December 31, 2015 – a net fair value gain of $7.5 million), of which $0.4 million (December 31, 2015 – $7.1 million) was included in other current assets, $0.4 million (December 31, 2015 – $nil) in accounts payable and accrued liabilities, $nil (December 31, 2015 – $0.4 million) in other long-term assets, and $0.2 million (December 31, 2015 – $nil) in other long-term liabilities.

For the three and nine months ended September 30, 2016, the Company reported unrealized gains on the commodity swap and option contracts related to continuing operations of $2.6 million (2015 – unrealized losses of $3.3 million) and unrealized losses of $7.5 million (2015 – $6.2 million), respectively, in other expense (income). The Company also reported realized losses on the settlement of certain of these commodity swap contracts related to continuing operations of $1.8 million (2015 – realized gains $13.4 million) and $1.8 million (2015 – realized gains of $29.3 million), respectively, in other expense (income) for the three and nine months ended September 30, 2016.

For the three and nine months ended September 30, 2016, the Company reported unrealized gains of $0.2 million (2015 – unrealized losses of $0.7 million) and unrealized losses of $0.3 million (2015 – $0.9 million), respectively, on commodity swap contracts related to discontinued operations in net (loss) earnings from discontinued operations. The Company also reported realized losses on the settlement of certain of these commodity swap contracts related to discontinued operations of $0.4 million (2015 – realized gains of $1.5

million) and $1.5 million (2015 – realized gains of $2.3 million), respectively, in net (loss) earnings from discontinued operations for the three and nine months ended September 30, 2016.

Approximately 75% and 38% of the Company's expected copper production for the balance of 2016 and 2017, respectively, has been hedged. Approximately 15% of the expected payable gold production for the balance of 2016 has been hedged and approximately 30% of the expected payable gold production for 2017 has been hedged. The Company's reported earnings are exposed to unrealized mark-to-market gains and losses from future price movements during the term of the forward sales contracts.

Forward foreign exchange contracts

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

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

Year of projected operating expenses	Foreign currency hedged	Amount hedged in foreign currency	Average exchange rate Foreign currency/US$
Balance of 2016	Euro	2,925,000	1.1166
	South African rand	189,000,000	13.3230
2017	Euro	10,800,000	1.1287
	South African rand	720,000,000	13.8699
Total	**Euro**	**13,725,000**	**1.1261**
	South African rand	**909,000,000**	**13.7525**

Euro hedges represent approximately 23% of projected Euro operating expenses for the balance of 2016 and all of 2017, respectively. ZAR hedges represent approximately 62% and 63% of projected Namibian dollar, which is tied to the ZAR, operating expenses for the balance of 2016 and all of 2017, respectively.

The fair value gain or loss on these outstanding contracts was calculated based on the forward foreign exchange rates quoted in the market. As at September 30, 2016, the net fair value loss on all outstanding forward foreign exchange contracts was $2.5 million (December 31, 2015 - $21.3 million), of which $0.1 million (December 31, 2015 - $nil) was included in other current assets, $1.9 million (December 31, 2015 - $10.1 million) in accounts payable and other accrued liabilities, and $0.7 million (December 31, 2015 - $11.2 million) in other long-term liabilities.

For the three and nine months ended September 30, 2016, the Company recognized unrealized gains of $7.1 million (2015 – unrealized losses of $15.9 million) and $17.7 million (2015 – unrealized losses of $15.0 million), respectively, in other comprehensive income (loss) on the spot component of the outstanding forward foreign exchange contracts. The Company also recognized realized losses of $2.0 million (2015 – $0.7 million) and $8.3 million (2015 – $0.6 million) for the three and nine months ended September 30, 2016, respectively, in cost of sales on the spot component of those contracts which have been settled.

For the three and nine months ended September 30, 2016, the Company reported unrealized gains of $0.5 million (2015 – $2.3 million) and $1.1 million (2015 – $2.3 million), respectively, in other expense (income) on the forward point component of the outstanding forward foreign exchange contracts. The Company also reported realized gains of $1.0 million (2015 – 0.2 million) and $2.5 million (2015 – $0.2 million) for the three and nine months ended September 30, 2016, respectively, in other expense (income) on the forward point component of those contracts which have been settled.

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

EXPLORATION

Chelopech

In the third quarter of 2016, a total of 10,281 metres of underground resource development diamond drilling was completed. Of those, extensional drilling comprised 5,134 metres, focusing primarily on confirming and adding resources on the upper levels of Block 19 and exploring of Block 10 from the following locations: 17-395 in Block 19 and ND-730-440-VH in Block 10. Holes drilled near historical cave zones were subject to a geotechnical assessment to understand the ground conditions for future mining.

The Block 10 area in the southeast part of the deposit has been defined as a high potential target for extending the known mineralization outlines and discovering new mineralized zones, based on historic drilling results in combination with structural and geology models.

A total of 5,148 metres of grade control drilling was completed in the period, the majority of which was conducted in Block 19 from Levels 290 and 350. The drilling program from Level 350 was designed to improve the resource confidence in order to deliver reserves to the life of mine plan between 410 mRL and 310 mRL, whereas the drilled metres from Level 290 aimed to better define the boundaries and the shape of the ore body between 290 mRL and 230 mRL.

Grade control drilling was completed in Block 150, aiming to better define the eastern boundary of the silica envelope and the shape of the ore body between 240 mRL and 200 mRL.

Central Area

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

In the third quarter of 2016, the drilling program from location 17-395 was completed. Subsequently, three additional exploration holes were drilled to the northwest on the upper levels in proximity to historical sub-level caving zones. Drill holes were designed to define mineralization extents and allow a geotechnical assessment to better understand risk in cave zones, before consideration for conversion to Mineral Reserves. As a result, the contour of economical mineralization of Block 19W was extended between 400 mRL and 370 mRL in a northwest direction and further minor mineralized zones were added to the silica envelope.

Twenty-two grade control holes were drilled from two locations in Block 19 during the third quarter of 2016. Drilling from location 19E-290-P14 was designed to check the continuity of mineralization in a north-northeasterly direction from Block 19E. Based on earlier positive results, five holes with a total length of 756 metres were completed. They extended the orebody and re-defined the silica envelope boundary (significant intercepts are shown in holes G19E_290_21, 22). As a result of 18 holes drilled from Level 350 in Block 19 (3,329 metres), Block 19W was extended in a northwest direction between 410 mRL and 310 mRL. Significant results are presented in the table below within hole "G19W_350_29" and "G19W_350_23".

The drilling program will continue in the fourth quarter of 2016 from the same drill cuddy by means of extensional drilling in a northerly direction targeting a poorly tested area. A single high Cu/Au intersection may indicate the presence of potential economic mineralization in this region.

In the period, seven exploration holes (1,077 metres) were drilled in Block 17 from the 17-395 level. Following an initial wide-spaced drilling program, which commenced in the second quarter of 2016 and generated positive results, extra holes were drilled in the period to explore the east part of Block 17. They extended the silica envelope and defined several small mineralized zones which will be included in future Mineral Resource updates. Drilling from this location will continue in the fourth quarter of 2016, since the mineralized zone remains open to the east (significant intercepts are shown in holes EXT19W_400_19, 21).

For the Block 10 drilling program, nine holes with a cumulative length of 2,594 metres were completed in the second quarter of 2016 from drill cuddy ND-730-440-VH. The objective was to further explore Block 10 and test for new orebodies nearby. The ore zone has been extended as a result of this program (significant intercepts are shown in holes EXT10_555_10, EXT10_555_16) and drilling will continue in 2017 to further delineate this block.

Western Area

Grade control drilling in Block 150 was conducted from one position – drill cuddy 150-225-P27VH. Drilling aimed to verify the northeastern contact of the block and increase the ore body in size (eight holes with a combined total length of 1,197 metres). Currently the boundary of economic mineralization to the south-east remains open and requires further drilling. A significant intercept from this zone is reported from drillhole "G150_225_27" and is shown in the table below.

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

- Extensional drilling in a southerly direction between Blocks 17 and 18 is planned based on results of drilled holes and recent re-interpretation of both mineralized zones;
- Grade control drilling in a northwesterly direction from Level 405 (405-P421-VOZDOL) on the upper levels of Block 150 above Level 405, to expand the known orebody and convert Mineral Resources into Mineral Reserves;
- Grade control drilling in Block 148 from location 150-225-P2. This area has been tested using a wide-spaced drill pattern to date. A single high-grade intercept that aligns with known structural trends indicates this area may possess untested mineralization; and
- Extensional drilling from location R20-450-405-DDC1 in a north-northeasterly direction. This is an area of high potential for new discoveries based on presence of numerous advanced argillic alteration zones, some bearing ore-grade mineralization, between 420mRL and 240mRL.

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

HOLE ID	EAST	NORTH	RL	AZ	DIP	FROM	TO	True Width (m)	AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)
EXT10_555_09	6635	30026.5	558	214.4	-38	195	221	17.8	14.67	11.18	6.14	1.7
EXT10_555_10	6635	30026.6	558	215.9	-47.1	222.4	230	3.9	3.84	2.62	5.76	0.59
EXT10_555_11	6635	30026.8	558	225.6	-35	180	198	6.5	4.67	2.3	4.24	1.15
EXT10_555_16	6635	30027.1	558	213.4	-42.6	208.5	233	13.8	20.01	15.94	11.06	1.98
EXT19W_400_15	5988	29697.6	399	312.5	-1.7	117	159	42	4.82	3.38	13.71	0.7
EXT19W_400_19	5987	29692.1	399	201.2	-19	109.5	117	5.4	12.88	4.52	20.26	4.06
EXT19W_400_21	5987	29692.2	399	199.6	6.2	142.5	168	8.5	4.51	2.65	5.64	0.9
G150_225_27	5687	29470.7	229	0.8	-26.4	6	27	13	3.49	2.07	4.04	0.69
G19E_290_17	5972	29888.8	291	27.8	-14.2	0	25.5	25.5	3.7	2.47	7.06	0.6
G19E_290_21	5971	29888.6	290	15.2	-24.9	120	129	5.9	3.54	1.89	6.85	0.8
G19E_290_22	5971	29888.6	291	7.5	-6.8	15	49.5	34.5	3.54	2.13	4	0.68
G19W_350_17	5915	29945.8	356	262	-4	150	180	27	5.53	3.4	8.5	1.03
G19W_350_23	5916	29946.2	355	247.7	-9.6	73.5	99	25.5	4.51	2.62	9.23	0.92
G19W_350_24	5915	29944.1	357	238	25.9	111	162	25	4.08	2.25	8.48	0.89
G19W_350_29	5915	29944.8	356	248.7	5	139.5	146	6	3.08	1.94	5.43	0.55

1) *Significant intercepts are located within the Chelopech Mine Concession and proximal to the mine workings.*
2) *AuEq calculation is based on the following formula: Au g/t + 2.06xCu%.*
3) *Minimum downhole width reported is 1.5 metres with a maximum internal dilution of 4.5 metres.*
4) *Drill holes with prefix G indicate grade control drilling which is performed using BQ diamond drill core. All other holes are drilled with NQ diamond core.*
5) *Coordinates are in mine-grid.*
6) *No factors of material effect have hindered the accuracy and reliability of the data presented above.*

7) *No upper cuts applied.*

8) *For detailed information on drilling, sampling and analytical methodologies refer to the NI 43-101 Technical Report entitled "Mineral Reserve Update, Chelopech Project, Chelopech, Bulgaria" filed on SEDAR at www.sedar.com on March 28, 2016.*

Sampling and Analysis

All drill cores are sampled in intervals up to a maximum of three metres, with 1.5 metre sample intervals being the common length within mineralized zones. The dimensions of the mineralized zones far exceed the standard sample length. Two sizes of core are drilled; NQ for extensional and BQ for grade control drilling. NQ core is cut by diamond saw, where one half of the core sample is submitted for assaying and the remaining half is retained in steel core trays. BQ core samples are submitted for analysis as a whole core. All drill cores are photographed prior to cutting and/or sampling. Following DPM exploration standard procedures, a full suite of field and laboratory duplicates and replicates along with internationally accredited standards are submitted with each batch of samples. Diamond drill core is prepared and assayed at the SGS managed laboratory at Chelopech in Bulgaria. Samples are routinely assayed for copper, gold, silver, sulphur, arsenic, lead and zinc.

Sample tickets are entered into the bags with a numbering system, which reconciles sample and assayed results in the acQuire database. The average core recovery within the modeled resource constraints is 99.6% and the various phases of drill data show no issues with regards to recoveries. No relationship was evident between core recoveries and the copper assay data, or the gold assay data. The weight of a core sample varies between three and seven kilograms.

Brownfields Exploration - Chelopech Concession and Sveta Petka Exploration Licence

The main brownfield exploration target at Chelopech is the SE Breccia Pipe Zone, which is approximately 650-700 metres in length, 100-150 metres in width and is separated from the main Chelopech diatreme by a 250-600 metre screen of coherent diorite (at the 400 level). An underground drilling program to test the SE Breccia Pipe Zone started in September.

Krumovgrad

A drilling program to follow up mineralization recently discovered at Kupel North started in late September 2016 and is expected to continue to the end of the year. The drilling targets possible extensions in all directions using a new stratigraphic-structural model for the epithermal system.

Serbia

Exploration activities in the third quarter of 2016 focused on the evaluation of additional targets close to existing Inferred and Indicated Resources at the Timok Gold Project. By the end of September 2016, 732 metres were drilled with drilling expected to continue until November. In addition, 52 line kilometres of induced polarization ("IP") and resistivity geophysical survey was carried out.

At the Lenovac joint venture project, a ground magnetics and gravity survey was completed over the property during the second quarter of 2016, and an additional deep resistivity survey (NSAMT) was carried out over selected areas during the period. On the basis of the results delivered from these geophysical surveys and in consultation with the joint venture partner, Rio Tinto Mining & Exploration Limited, a drilling program commenced in September 2016.

Other

In Armenia, fieldwork commenced during the second quarter of 2016 on DPM's projects which are held under option agreements signed in June 2015. During the third quarter of 2016, DPM completed a 1,250 metres diamond drilling program on one of the target areas. Results are pending.

DPM continues to conduct reviews of projects and prospective belts in other parts of the world.

Sampling and Analysis of Exploration Drill Core

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

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

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

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

DEVELOPMENT AND OTHER MAJOR PROJECTS

Krumovgrad

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

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

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

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

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

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

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

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

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

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

The project underwent a national environmental impact assessment ("EIA") in 2010 and an environmental permit was issued and entered into force in March 2013. Following an independent review of the EIA reports, the European Bank for Reconstruction and Development ("EBRD") required a number of supplementary environmental and social studies and documents to meet the EBRD Performance Requirements ("PRs") and international good practices. In addition to the EBRD PRs, certain lenders participating in the consortium refer to the Equator Principles and therefore the project also references the International Finance Corporation ("IFC") Performance Standards (2012). The final package of supplementary environmental and social documents was approved by EBRD's Board in April 2015, following completion of the public disclosure and shareholder consultation process.

Following the final approval of the Detailed Development Plan ("DDP"), the Company submitted an application to the Executive Forestry Agency ("EFA") in November 2015 for final re-designation of the land from forestry land to industrial land. This final approval was received in March 2016 and the land purchase process and formal transfer of land ownership to DPM were completed in May 2016. The main approved construction permit was received in August 2016, and tree clearing on the project site was initiated in the third quarter to support earthworks, which commenced in the fourth quarter.

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

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

- completion of the early works program, including tree clearing on the site;
- complete mobilization and set up of the project team at Krumovgrad;
- mobilization and set up of the earthworks contractor at the site;
- complete the temporary access road to the site; and
- commence earthworks activities at the site.

The current project baseline schedule contemplates the following milestones:

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

The Company continues to engage in an active dialogue with the municipality, government and other stakeholders, and will do so throughout construction and the process of obtaining the final permanent access road and discharge pipeline approvals and the subsequent operating approvals to support the Krumovgrad project advancing to operations in late 2018, as planned.

Tsumeb - Capital Projects

Sulphuric Acid Plant and Copper Converters

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

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

Pursuant to a definitive supply agreement with Rössing Uranium Limited ("Rössing"), 225,000 tonnes of sulphuric acid is to be sold to Rössing on an annual basis. Tsumeb also has an agreement with Weatherly International ("WTI") for the supply of acid to WTI's Tschudi copper project. These agreements provide for the sale of all acid production over the next five years.

The final capital cost for the construction of the acid plant and new copper converters was $243 million.

Holding Furnace

The Company is continuing to assess opportunities to further optimize the smelter operation, including the installation of a holding furnace which is expected to provide surge capacity between the Ausmelt furnace and converters. This is expected to debottleneck and increase the throughput of complex concentrate by over 50% to up to 370,000 tonnes and, in turn, generate significant incremental margins given the fixed cost nature of the facility. A pre-feasibility study, completed by Worley Parsons in 2015, evaluated a number of options to increase throughput. A feasibility study, based upon the preferred option, is well underway and is expected to be concluded in 2016.

OFF BALANCE SHEET ARRANGEMENTS

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

SELECTED QUARTERLY INFORMATION

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

$ millions	**2016**			2015(1)				2014(1)
except per share amounts	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Revenue from continuing operations	**54.8**	72.5	70.1	53.7	52.8	58.6	60.0	75.8
Net (loss) earnings	**(30.4)**	(5.3)	(6.4)	(48.6)	2.5	1.5	(3.4)	21.0
Net (loss) earnings attributable to:								
• Non-controlling interest	**(0.5)**	0.3	(0.3)	(0.1)	(0.2)	(0.4)	(0.3)	(0.5)
• Discontinued operations	**(0.1)**	3.3	(2.3)	(47.6)	(0.7)	0.0	(1.5)	(0.9)
• Continuing operations	**(29.8)**	(8.9)	(3.8)	(0.9)	3.4	1.9	(1.6)	22.4
Net (loss) earnings per share:								
• Discontinued operations	**(0.00)**	0.02	(0.01)	(0.34)	(0.01)	0.00	(0.01)	(0.01)
• Continuing operations	**(0.19)**	(0.06)	(0.03)	(0.01)	0.03	0.01	(0.01)	0.16
Adjusted net (loss) earnings from continuing operations	**(19.4)**	(7.4)	(1.3)	(0.9)	4.4	1.4	(0.1)	16.6
Adjusted basic (loss) earnings per share from continuing operations	**(0.12)**	(0.05)	(0.01)	(0.01)	0.03	0.01	(0.00)	0.12

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

The variations in the Company's quarterly results were driven largely by fluctuations in gold, copper and silver prices as well as foreign exchange rates, fluctuations in ore mined, grades, recoveries and concentrate smelted, realized and unrealized gains and losses on the Company's equity settled warrants, net gains and losses related to Sabina special warrants, unrealized and realized gains and losses on commodity swap and option contracts related to hedging the Company's metal price exposures, unrealized gains or losses on forward foreign exchange contracts, and impairment losses.

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

	2016			2015				2014
Average	**Q3**	Q2	Q1	Q4	Q3	Q2	Q1	Q4
London Bullion gold ($/oz)	**1,335**	1,259	1,180	1,105	1,124	1,193	1,220	1,200
LME settlement copper ($/lb)	**2.17**	2.15	2.12	2.22	2.38	2.75	2.64	3.00
LBMA spot silver ($/oz)	**19.62**	16.78	14.83	14.76	14.91	16.41	16.72	16.47

CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities on the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The significant areas of estimation and uncertainty considered by management in preparing the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2016 are the same as those described in the Company's MD&A for the year ended December 31, 2015.

NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

The following new standards are not yet effective for the year ending December 31, 2016, and have not been applied when preparing the Company's unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2016. The Company's assessment of the impact of these new standards is set out below.

IFRS 9, *Financial Instruments*
IFRS 9, published in July 2014, replaces International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new model for the impairment of financial assets and requires an economic relationship between the hedged item and hedging instrument. This standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company continues to assess the full impact of this standard.

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

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

NON-GAAP FINANCIAL MEASURES

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

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

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

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

$ thousands, unless otherwise indicated **For the quarter ended September 30, 2016**	**Chelopech**	**Tsumeb**	**Total**
Ore processed *(mt)*	**560,038**	**-**	
Metals contained in copper concentrate produced:			
Gold *(ounces)*	**23,891**	**-**	
Copper *(pounds)*	**9,423,314**	**-**	
Complex concentrate smelted *(mt)*	**-**	**37,035**	
Cost of sales	**28,643**	**38,425**	**67,068**
Add/(deduct):			
Depreciation, amortization & other	**(9,441)**	**(10,761)**	
Realized losses (gains) on forward foreign exchange contracts(1)	**44**	**(1,074)**	
Change in concentrate inventory	**(1,596)**	**-**	
Total cash cost before by-product credits	**17,650**	**26,590**	
By-product credits	**(1,127)**	**(2,795)**	
Total cash cost after by-product credits	**16,523**	**23,795**	
Cash cost per tonne ore processed *($)*	**31.51**	**-**	
Cash cost per pound copper produced *($)*(2)	**0.69**	**-**	
Cash cost per ounce gold produced *($)*(2)	**420**	**-**	
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	**-**	**642**	

$ thousands, unless otherwise indicated **For the quarter ended September 30, 2015**	**Chelopech**	**Tsumeb**	**Total**
Ore processed *(mt)*	511,849	-	
Metals contained in copper concentrate produced:			
Gold *(ounces)*	29,722	-	
Copper *(pounds)*	10,291,957	-	
Complex concentrate smelted *(mt)*	-	43,452	
Cost of sales	26,142	27,586	53,728
Add/(deduct):			
Depreciation, amortization & other	(9,048)	(5,476)	
Realized losses (gains) on forward foreign exchange contracts(1)	14	(199)	
Change in concentrate inventory	2,332	-	
Total cash cost before by-product credits	19,440	21,911	
By-product credits	(975)	(158)	
Total cash cost after by-product credits	18,465	21,753	
Cash cost per tonne ore processed *($)*	37.98	-	
Cash cost per pound copper produced *($)*(2)	0.77	-	
Cash cost per ounce gold produced *($)*(2)	356	-	
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	-	501	

1) Includes realized gains or losses on the forward point component of the forward foreign exchange contracts.
2) 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 nine months ended September 30, 2016**	**Chelopech**	**Tsumeb**	**Total**
Ore processed *(mt)*	**1,665,323**	**-**	
Metals contained in copper concentrate produced:			
Gold *(ounces)*	**86,851**	**-**	
Copper *(pounds)*	**29,642,267**	**-**	
Complex concentrate smelted *(mt)*	**-**	**139,002**	
Cost of sales	**80,125**	**108,925**	**189,050**
Add/(deduct):			
Depreciation, amortization & other	**(27,890)**	**(30,354)**	
Realized losses (gains) on forward foreign exchange contracts(1)	**104**	**(2,588)**	
Change in concentrate inventory	**2,752**	**-**	
Total cash cost before by-product credits	**55,091**	**75,983**	
By-product credits	**(3,001)**	**(10,455)**	
Total cash cost after by-product credits	**52,090**	**65,528**	
Cash cost per tonne ore processed *($)*	**33.08**	**-**	
Cash cost per pound copper produced *($)*(2)	**0.66**	**-**	
Cash cost per ounce gold produced *($)*(2)	**376**	**-**	
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	**-**	**471**	

$ thousands, unless otherwise indicated **For the nine months ended September 30, 2015**	**Chelopech**	**Tsumeb**	**Total**
Ore processed *(mt)*	1,536,741	-	
Metals contained in copper concentrate produced:			
Gold *(ounces)*	85,369	-	
Copper *(pounds)*	28,320,400	-	
Complex concentrate smelted *(mt)*	-	140,274	
Cost of sales	85,139	81,712	166,851
Add/(deduct):			
Depreciation, amortization & other	(27,303)	(17,252)	
Realized losses (gains) on forward foreign exchange contracts(1)	18	(224)	
Change in concentrate inventory	(1,768)	-	
Total cash cost before by-product credits	56,086	64,236	
By-product credits	(2,832)	(965)	
Total cash cost after by-product credits	53,254	63,271	
Cash cost per tonne ore processed *($)*	36.50	-	
Cash cost per pound copper produced *($)*(2)	0.80	-	
Cash cost per ounce gold produced *($)*(2)	360	-	
Cash cost per tonne of complex concentrate smelted, net of by-product credits *($)*	-	451	

1) Includes realized gains or losses on the forward point component of the forward foreign exchange contracts.
2) Gold and copper are accounted for as co-products. Total cash costs are net of by-product silver revenue.

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

$ thousands, unless otherwise indicated	Three Months		Nine Months	
Ended September 30,	**2016**	2015	**2016**	2015
Cost of sales[(1)]	**28,687**	26,156	**80,229**	85,157
Add/(deduct):				
Depreciation, amortization & other	**(9,441)**	(9,048)	**(27,890)**	(27,303)
Other charges, including freight[(2)]	**24,126**	17,615	**58,013**	59,843
By-product credits[(3)]	**(23,322)**	(29,228)	**(65,096)**	(92,071)
Cash cost of sales, net of by-product credits	**20,050**	5,495	**45,256**	25,626
Payable gold in concentrate sold *(ounces)*[(4)]	**24,317**	28,355	**78,825**	84,674
Cash cost per ounce of gold sold, net of by-product credits *($)*	**825**	194	**574**	303

1) *Includes realized losses on the forward point component of the forward foreign exchange contracts in the three and nine months ended September 30, 2016 and 2015.*
2) *Excludes treatment charges, transportation and other selling costs related to the sale of pyrite concentrate in the three and nine months ended September 30, 2016 and 2015.*
3) *Includes realized gains on copper derivative contracts, entered to hedge a portion of projected payable production, of $0.9 million and $3.1 million, respectively, during the third quarter and first nine months of 2016, compared to $7.7 million and $17.3 million in the corresponding periods in 2015.*
4) *Excludes payable gold in pyrite concentrate sold in the three and nine months ended September 30, 2016 and 2015.*

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

$ thousands, unless otherwise indicated	Three Months		Nine Months	
Ended September 30,	**2016**	2015	**2016**	2015
Cash cost of sales, net of by-product credits[(1)]	**20,050**	5,495	**45,256**	25,626
Accretion expenses[(1)]	**91**	147	**278**	467
General and administrative expenses[(2)]	**2,805**	2,300	**8,457**	7,151
Cash outlays for sustaining capital[(1)]	**5,026**	2,214	**8,137**	4,949
All-in sustaining costs	**27,972**	10,156	**62,128**	38,193
Payable gold in copper concentrate sold *(ounces)*	**24,317**	28,355	**78,825**	84,674
All-in sustaining cost per ounce of gold *($)*	**1,150**	358	**788**	451

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

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

$ thousands, unless otherwise indicated	Three Months		Nine Months	
Ended September 30,	**2016**	2015	**2016**	2015
Treatment charges and refining costs	**3,218**	5,781	**8,277**	13,692
Transportation costs	**3,964**	5,127	**10,784**	12,616
Cash cost of sales related to pyrite concentrate sold	**7,182**	10,908	**19,061**	26,308
Payable gold in pyrite concentrate sold *(ounces)*	**8,130**	12,069	**23,240**	28,377
Cash cost of sales per ounce of gold sold in pyrite concentrate *($)*	**883**	904	**820**	927

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

$ thousands, unless otherwise indicated	**Three Months**		**Nine Months**	
Ended September 30,		2015	**2016**	2015
Cost of sales	**-**	8,002	**13,045**	27,400
Add/(deduct):	**-**			
Depreciation, amortization & other	**-**	(1,798)	**(332)**	(5,579)
Change in concentrate inventory	**-**	1,995	**(2,227)**	2,500
Total cash cost of production	**-**	8,199	**10,486**	24,321
Ore processed *(tonnes)*	**-**	108,666	**129,521**	319,719
Cash cost per tonne of ore processed *($)*	**-**	75.45	**80.96**	76.07

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

$ thousands, unless otherwise indicated	**Three Months**		**Nine Months**	
Ended September 30,	**2016**	2015	**2016**	2015
Cost of sales	**-**	8,002	**13,045**	27,400
Add/(deduct):				
Depreciation, amortization & other	**-**	(1,798)	**(332)**	(5,579)
Other charges, including freight	**-**	1,123	**1,738**	3,834
By-product credits[1]	**-**	(4,478)	**(6,151)**	(15,605)
Cash cost of sales, net of by-product credits	**-**	2,849	**8,300**	10,050
Payable gold in concentrate sold *(ounces)*	**-**	4,524	**7,304**	13,820
Cash cost per ounce of gold sold, net of by-product credits *($)*	**-**	630	**1,136**	727

1) Includes realized gains on copper derivative contracts, entered to hedge a portion of projected payable production, of $nil and $0.1 million during the third quarter and first nine months of 2016, respectively, compared to $0.6 million and $1.3 million in the corresponding periods in 2015.

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

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

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

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

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

$ thousands, except per share amounts **Ended September 30,**	**Three Months**		**Nine Months**	
	2016	2015	**2016**	2015
Net (loss) earnings from continuing operations attributable to common shareholders	**(29,783)**	3,373	**(42,475)**	3,657
Add/(deduct) after-tax adjustments:				
Unrealized losses on commodity swap and option contracts, net of income tax recovery of $31 (2015 - $322) and $630 (2015 - $586), respectively	**281**	2,902	**5,674**	5,277
Unrealized gains on the forward point component of forward foreign exchange contracts net of income tax expense of $5 (2015 – income tax recovery of $16) and income tax recovery of $9 (2015 - $24), respectively	**(491)**	(2,326)	**(1,085)**	(2,368)
Impairment charge in respect of Tsumeb's arsenic plant	**11,200**	-	**11,200**	-
Net (gains) losses related to Sabina special warrants, net of income tax expense and recovery of $nil for all periods	**(567)**	108	**(1,371)**	389
Impairment losses on exploration and evaluation assets, net of income tax recovery of $nil for all periods	**-**	803	**-**	803
Net gains on equity settled warrants, net of income tax expense of $nil for all periods	**-**	(436)	**-**	(2,607)
Impairment losses on publicly traded securities net of income tax recovery of $nil in all periods	**-**	14	**24**	642
Adjusted net (loss) earnings from continuing operations	**(19,360)**	4,438	**(28,033)**	5,793
Basic (loss) earnings per share from continuing operations	**(0.19)**	0.03	**(0.29)**	0.03
Adjusted basic (loss) earnings per share from continuing operations	**(0.12)**	0.03	**(0.19)**	0.04

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

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

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

$ thousands, except per share amounts **Ended September 30,**	**Three Months**		**Nine Months**	
	2016	2015	**2016**	2015
(Loss) earnings before income taxes from continuing operations	**(30,183)**	5,262	**(40,699)**	7,934
Add/(deduct) adjustments:				
Unrealized losses on commodity swap and option contracts	**312**	3,224	**6,304**	5,863
Unrealized gains on the forward point component of forward foreign exchange contracts	**(496)**	(2,310)	**(1,076)**	(2,344)
Net (gains) losses related to Sabina special warrants	**(567)**	108	**(1,371)**	389
Impairment charge in respect of Tsumeb's arsenic plant	**11,200**	-	**11,200**	-
Impairment losses on exploration and evaluation assets	**-**	803	**-**	803
Net gains on equity settled warrants	**-**	(436)	**-**	(2,607)
Impairment losses on publicly traded securities	**-**	14	**24**	642
Adjusted (loss) earnings before income taxes from continuing operations	**(19,734)**	6,665	**(25,618)**	10,680

Adjusted EBITDA from continuing operations

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

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

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

$ thousands	Three Months		Nine Months	
Ended September 30,	**2016**	2015	**2016**	2015
(Loss) earnings before income taxes from continuing operations	**(30,183)**	5,262	**(40,699)**	7,934
Add/(deduct):				
Depreciation and amortization	**20,240**	14,727	**58,645**	45,037
Finance cost	**3,024**	2,252	**9,906**	7,081
Interest income	**(58)**	(50)	**(169)**	(157)
Net (gains) losses related to Sabina special warrants	**(567)**	108	**(1,371)**	389
Unrealized losses on commodity swap and option contracts	**312**	3,224	**6,304**	5,863
Unrealized gains on the forward point component of forward foreign exchange contracts	**(496)**	(2,310)	**(1,076)**	(2,344)
Impairment charge in respect of Tsumeb's arsenic plant	**11,200**	-	**11,200**	-
Impairment losses on exploration and evaluation assets	**-**	803	**-**	803
Net gains on equity settled warrants	**-**	(436)	**-**	(2,607)
Impairment losses on publicly traded securities	**-**	14	**24**	642
Adjusted EBITDA from continuing operations	**3,472**	23,594	**42,764**	62,641

Free cash flow from continuing operations

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

The following table provides a reconciliation of free cash flow from continuing operations:

$ thousands	Three Months		Nine Months	
Ended September 30,	**2016**	2015	**2016**	2015
Cash provided from operating activities of continuing operations	**56,187**	13,424	**68,381**	48,144
(Deduct) add back changes in non-cash working capital	**(5,326)**	7,450	**28,855**	8,515
Cash provided from operating activities of continuing operations, excluding changes in non-cash working capital	**50,861**	20,874	**97,236**	56,659
Cash outlays for sustaining capital	**(7,532)**	(3,816)	**(18,358)**	(9,663)
Mandatory principal repayments related to debt	**-**	-	**(8,125)**	(8,125)
Principal repayments related to finance leases	**(409)**	(407)	**(1,180)**	(1,317)
Interest payments	**(1,871)**	(2,300)	**(5,741)**	(7,021)
Free cash flow from continuing activities	**41,049**	14,351	**63,832**	30,533

Average realized price reconciliation

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

$ thousands, unless otherwise indicated	Three Months		Nine Months	
Ended September 30,	**2016**	2015	**2016**	2015
Total Revenue	**54,790**	52,797	**197,428**	171,426
Add (deduct):				
Smelter revenue	**(24,344)**	(19,463)	**(81,339)**	(62,309)
Treatment charges and other deductions	**31,308**	28,523	**77,074**	86,151
Realized hedging gains on Production Hedges	**577**	8,747	**2,979**	18,531
Unfavourable (favourable) mark-to-market adjustments and final settlements	**3,968**	4,548	**(2,244)**	11,710
Silver revenue	**(1,039)**	(799)	**(2,440)**	(2,440)
Revenue from gold and copper	**65,260**	74,353	**191,458**	223,069
Revenue from gold	**42,978**	45,923	**128,802**	133,438
Payable gold in concentrate sold *(ounces)*	**32,447**	40,424	**102,065**	113,051
Realized gold price per ounce *($/oz)*	**1,325**	1,136	**1,262**	1,180
Revenue from copper	**22,282**	28,430	**62,656**	89,631
Payable copper in concentrate sold *('000s pounds)*	**9,704**	8,859	**27,288**	28,099
Realized copper price per pound *($/lb)*	**2.30**	3.21	**2.30**	3.19

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

Cash provided from operating activities of continuing operations, before changes in non-cash working capital, is defined as cash provided from operating activities of continuing operations excluding changes in non-cash working capital as set out in the Company's consolidated statements of cash flows. This measure is used by the Company and investors to measure the cash flow generated by the Company's operating segments prior to any changes in non-cash working capital, which at times can distort performance.

Growth Capital Expenditures from Continuing Operations

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

Sustaining Capital Expenditures from Continuing Operations

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

RISKS AND UNCERTAINTIES

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Company's management, under the supervision of the CEO and the CFO, has evaluated its DC&P and ICFR and concluded that, as of September 30, 2016, they have been designed effectively to provide reasonable assurance regarding required disclosures and the reliability of financial reporting and the preparation of financial statements for external purposes.

NI 52-109 also requires Canadian public companies to disclose any change in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to the internal controls in the first nine months of 2016.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2016 and December 31, 2015

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

	September 30, 2016	December 31, 2015
ASSETS		
Current Assets		
Cash and cash equivalents	**61,919**	26,570
Accounts receivable	**39,609**	29,903
Inventories	**30,246**	41,663
Other current assets *(note 5(c) & 5(d))*	**2,288**	8,581
	134,062	106,717
Non-Current Assets		
Investments at fair value *(note 5(a) &5(b))*	**27,975**	13,911
Exploration and evaluation assets	**106,175**	101,166
Mine properties	**89,945**	99,711
Property, plant & equipment	**515,187**	555,595
Intangible assets	**27,995**	21,632
Deferred income tax assets	**4,283**	2,891
Other long-term assets	**4,566**	4,528
	776,126	799,434
TOTAL ASSETS	**910,188**	906,151
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**36,614**	53,225
Income tax liabilities	**1,250**	1,343
Current portion of long-term debt *(note 6)*	**16,250**	16,250
Current portion of long-term liabilities	**2,047**	1,920
	56,161	72,738
Non-Current Liabilities		
Long-term debt *(note 6)*	**77,916**	130,785
Deferred revenue *(note 7)*	**50,000**	-
Rehabilitation provisions *(note 8)*	**36,386**	35,127
Share based compensation plans *(note 9)*	**4,908**	1,456
Deferred income tax liabilities	**13**	13
Other long-term liabilities	**15,650**	27,919
	184,873	195,300
TOTAL LIABILITIES	**241,034**	268,038
EQUITY		
Share capital	**482,809**	439,736
Contributed surplus	**10,763**	9,695
Retained earnings	**166,868**	208,450
Accumulated other comprehensive income (loss)	**8,494**	(20,424)
Equity attributable to common shareholders of the Company	**668,934**	637,457
Non-controlling interests	**220**	656
TOTAL EQUITY	**669,154**	638,113
TOTAL LIABILITIES AND EQUITY	**910,188**	906,151

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF (LOSS) EARNINGS

For the three and nine months ended September 30, 2016 and 2015

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Continuing Operations				
Revenue	**54,790**	52,797	**197,428**	171,426
Cost of sales	**67,068**	53,728	**189,050**	166,851
Gross (loss) profit	**(12,278)**	(931)	**8,378**	4,575
General and administrative expenses	**4,262**	3,158	**14,094**	12,150
Corporate social responsibility	**201**	519	**866**	1,209
Exploration expenses	**616**	1,314	**4,348**	4,142
Finance cost	**3,024**	2,252	**9,906**	7,081
Other expense (income) *(note 10)*	**9,802**	(13,436)	**19,863**	(27,941)
(Loss) earnings before income taxes	**(30,183)**	5,262	**(40,699)**	7,934
Current income tax expense	**160**	2,570	**3,734**	6,251
Deferred income tax recovery	**(56)**	(410)	**(1,454)**	(1,063)
Net (loss) earnings from continuing operations	**(30,287)**	3,102	**(42,979)**	2,746
Discontinued Operations *(note 3)*				
Net (loss) earnings from discontinued operations	**(77)**	(627)	**893**	(2,137)
Net (loss) earnings	**(30,364)**	2,475	**(42,086)**	609
Net (loss) earnings attributable to:				
Common shareholders of the Company				
From continuing operations	**(29,783)**	3,373	**(42,475)**	3,657
From discontinued operations	**(77)**	(627)	**893**	(2,137)
Non-controlling interests	**(504)**	(271)	**(504)**	(911)
Net (loss) earnings	**(30,364)**	2,475	**(42,086)**	609
Basic (loss) earnings per share attributable to common shareholders of the Company *(note 11)*				
From continuing operations	**(0.19)**	0.03	**(0.29)**	0.03
From discontinued operations	**(0.00)**	(0.01)	**0.01**	(0.02)
Basic (loss) earnings per share	**(0.19)**	0.02	**(0.28)**	0.01
Diluted (loss) earnings per share attributable to common shareholders of the Company *(note 11)*				
From continuing operations	**(0.19)**	0.03	**(0.29)**	0.03
From discontinued operations	**(0.00)**	(0.01)	**0.01**	(0.02)
Diluted (loss) earnings per share	**(0.19)**	0.02	**(0.28)**	0.01

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

For the three and nine months ended September 30, 2016 and 2015

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Net (loss) earnings	**(30,364)**	2,475	**(42,086)**	609
Other comprehensive income (loss)				
Items that may be reclassified subsequently to profit or loss:				
Unrealized gains (losses) on forward foreign exchange contracts designated as cash flow hedges, net of income tax expense of $20 (2015 - $16) and $78 (2015 - $105), respectively	**5,104**	(16,694)	**9,387**	(15,710)
Realized losses on forward foreign exchange contracts, transferred to net (loss) earnings, net of income tax expense of $5 (2015 - $22) and $16 (2015 - $35), respectively	**1,979**	715	**8,284**	602
Unrealized gains (losses) on publicly traded securities, net of income tax expense of $nil (2015 - $nil) and $nil (2015 - $nil), respectively	**4,911**	(963)	**12,692**	(310)
Impairment loss on publicly traded securities, transferred to net (loss) earnings, net of income tax recovery of $nil (2015 - $nil) and $nil (2015 - $nil), respectively	**-**	14	**24**	642
Currency translation adjustments	**-**	(62)	**13**	(344)
	11,994	(16,990)	**30,400**	(15,120)
Comprehensive loss, net of income taxes	**(18,370)**	(14,515)	**(11,686)**	(14,511)
Comprehensive (loss) income attributable to:				
Common shareholders of the Company				
From continuing operations	**(17,789)**	(13,586)	**(12,075)**	(11,292)
From discontinued operations	**(77)**	(627)	**893**	(2,137)
Non-controlling interests	**(504)**	(302)	**(504)**	(1,082)
Comprehensive loss, net of income taxes	**(18,370)**	(14,515)	**(11,686)**	(14,511)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30, 2016 and 2015

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
OPERATING ACTIVITIES				
(Loss) earnings before income taxes from continuing operations	**(30,183)**	5,262	**(40,699)**	7,934
Items not affecting cash and other adjustments *(note 13(a))*	**34,170**	6,720	**93,125**	27,986
Changes in non-cash working capital *(note 13(b))*	**5,326**	(7,450)	**(28,855)**	(8,515)
Prepayment of forward sale of gold *(note 7)*	**50,000**	-	**50,000**	-
(Payments for) proceeds from settlement of derivative contracts	**(2,209)**	9,952	**(1,059)**	26,363
Income taxes paid	**(917)**	(1,060)	**(4,131)**	(5,624)
Cash provided from operating activities of continuing operations	**56,187**	13,424	**68,381**	48,144
Cash (used in) provided from operating activities of discontinued operations	**-**	(233)	**(861)**	6,529
INVESTING ACTIVITIES				
Proceeds from Kapan Disposition *(note 3)*	**-**	-	**24,778**	-
Proceeds from disposal of mine properties and property, plant and equipment	**26**	34	**134**	177
Expenditures on exploration and evaluation assets	**(1,217)**	(3,658)	**(4,028)**	(8,308)
Expenditures on mine properties	**(1,143)**	(724)	**(7,720)**	(3,041)
Expenditures on property, plant and equipment	**(9,493)**	(16,361)	**(23,106)**	(38,349)
Expenditures on intangible assets	**27**	(5)	**(143)**	(297)
Cash used in investing activities of continuing operations	**(11,800)**	(20,714)	**(10,085)**	(49,818)
Cash used in investing activities of discontinued operations	**-**	(2,265)	**(2,314)**	(6,813)
FINANCING ACTIVITIES				
Proceeds from shares issued *(note 14(a))*	**43,842**	-	**43,842**	-
Share issuance costs *(note 14(a))*	**(2,377)**	-	**(2,377)**	-
Repayments of revolving credit facility *(note 6(b))*	**(45,000)**	-	**(45,000)**	-
Repayments of term loans *(note 6(a))*	**-**	-	**(8,125)**	(8,125)
Financing fees on debt	**(498)**	-	**(1,191)**	(390)
Finance lease obligation	**(409)**	(407)	**(1,180)**	(1,317)
Interest paid	**(1,871)**	(2,300)	**(5,741)**	(7,021)
Cash used in financing activities of continuing operations	**(6,313)**	(2,707)	**(19,772)**	(16,853)
Increase (decrease) in cash and cash equivalents of continuing operations	**38,074**	(9,997)	**38,524**	(18,527)
Decrease in cash and cash equivalents of discontinued operations	**-**	(2,498)	**(3,175)**	(284)
Cash and cash equivalents of continuing operations, beginning of period	**23,845**	26,217	**23,395**	34,747
Cash and cash equivalents of discontinued operations, beginning of period	**-**	3,759	**3,175**	1,545
Cash and cash equivalents of continuing operations, end of period	**61,919**	16,220	**61,919**	16,220
Cash and cash equivalents of discontinued operations, end of period	**-**	1,261	**-**	1,261

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended September 30, 2016 and 2015

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

	September 30, 2016		September 30, 2015	
	Number	**Amount**	Number	Amount
Share Capital				
Authorized				
Unlimited common and preference shares with no par value				
Issued				
Fully paid common shares with one vote per share				
Balance at beginning of period	**140,575,783**	**439,736**	140,575,783	439,736
Shares issued on financing *(note 14(a))*	**19,056,000**	**43,842**	-	-
Share issuance costs *(note 14(a))*	**-**	**(2,377)**	-	-
Shares issued upon Avala acquisition *(note 4)*	**956,329**	**1,608**	-	-
Balance at end of period	**160,588,112**	**482,809**	140,575,783	439,736
Contributed surplus				
Balance at beginning of period		**9,695**		7,723
Share based compensation expense		**1,249**		1,599
Other changes in contributed surplus		**(181)**		(2)
Balance at end of period		**10,763**		9,320
Retained earnings				
Balance at beginning of period		**208,450**		255,439
Net (loss) earnings attributable to common shareholders of the Company		**(41,582)**		1,520
Balance at end of period		**166,868**		256,959
Accumulated other comprehensive income (loss) *(note 14(b))*				
Balance at beginning of period		**(20,424)**		(888)
Other comprehensive income (loss)		**28,918**		(14,949)
Balance at end of period		**8,494**		(15,837)
Total equity attributable to common shareholders of the Company		**668,934**		690,178
Non-controlling interests				
Balance at beginning of period		**656**		1,896
Net loss attributable to non-controlling interests		**(504)**		(911)
Other comprehensive loss attributable to non-controlling interests		**-**		(171)
Other changes in non-controlling interests		**68**		2
Balance at end of period		**220**		816
Total equity at end of period		**669,154**		690,994

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

1. CORPORATE INFORMATION

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

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

Continuing operations:

DPM's principal subsidiaries include:

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

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

Discontinued operations *(note 3)*:

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

2. BASIS OF PREPARATION

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

The accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2015.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 8, 2016.

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

3. KAPAN DISPOSITION AND DISCONTINUED OPERATIONS

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

Kapan Disposition

Consideration received:	
Cash and cash equivalents	**10,000**
Working capital adjustment *(i)*	**7,329**
Polymetal ordinary shares *(ii)*	**15,214**
Net smelter royalty stream *(iii)*	**9,500**
Total consideration received	**42,043**
Less: transaction costs	**(661)**
Net consideration received	**41,382**
Net assets disposed of:	
Cash and cash equivalents	**960**
Accounts receivable	**11,880**
Inventories	**12,023**
Other current assets	**155**
Mine properties	**11,827**
Property, plant & equipment	**8,613**
Total assets disposed of	**45,458**
Accounts payable and accrued liabilities	**3,867**
Rehabilitation provisions	**6,121**
Total liabilities disposed of	**9,988**
Net assets disposed of	**35,470**
Gain on Kapan Disposition included in net (loss) earnings from discontinued operations	**5,912**

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

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

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

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

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

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

The estimated fair value of the net smelter royalty was recognized as an intangible asset in the condensed interim consolidated statements of financial position and will be amortized based on the unit-of-production method over the estimated economic life of the Kapan mine, which corresponds with timing when the net smelter royalty income is expected to be recognized. The net smelter royalty income and the amortization expense were both recorded in other expense (income) *(note 10)* in the condensed interim consolidated statements of (loss) earnings.

Discontinued operations

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Revenue	**-**	6,766	**14,380**	24,212
Cost of sales	**-**	8,002	**13,045**	27,400
Gross (loss) profit	**-**	(1,236)	**1,335**	(3,188)
Exploration expenses	**-**	373	**97**	652
Finance cost	**-**	226	**287**	600
Other expense (income)	**-**	(706)	**5,606**	(1,529)
Loss before income taxes	**-**	(1,129)	**(4,655)**	(2,911)
Current income tax expense	**-**	-	**364**	83
Deferred income tax recovery	**-**	(502)	**-**	(857)
Net loss from discontinued operations before gain on Kapan Disposition	**-**	(627)	**(5,019)**	(2,137)
(Loss) gain on Kapan Disposition	**(77)**	-	**5,912**	-
Net (loss) earnings from discontinued operations	**(77)**	(627)	**893**	(2,137)

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

4. SIGNIFICANT TRANSACTIONS

Avala

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

As at September 30, 2016, DPM held a 100% (December 31, 2015 – 50.1%) ownership interest in Avala. The non–controlling interests' share of Avala's net loss resulting from its exploration activities for the three and nine months ended September 30, 2015 was $0.3 million and $0.9 million, respectively. The non-controlling interests' share of Avala's net assets as at December 31, 2015 was $0.7 million.

5. FINANCIAL INSTRUMENTS

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

		Carrying Amount	
	Financial instrument classification	**September 30, 2016**	December 31, 2015
Financial assets			
Cash and cash equivalents	Loans and receivables	**61,919**	26,570
Accounts receivable	Loans and receivables	**39,609**	29,903
Restricted cash	Loans and receivables	**2,198**	2,026
Sabina special warrants *(a)*	Held for trading	**2,822**	1,451
Publicly traded securities *(b)*	Available for sale	**25,153**	12,460
Commodity swap and option contracts *(c)*	Derivatives held for trading	**436**	7,548
Forward foreign exchange contracts *(d)*	Derivatives for cash flow hedges	**130**	-
Financial liabilities			
Accounts payable and accrued liabilities	Other financial liabilities	**34,310**	43,108
Debt *(note 6)*	Other financial liabilities	**94,166**	147,035
Commodity swap and option contracts *(c)*	Derivatives held for trading	**619**	-
Forward foreign exchange contracts *(d)*	Derivatives for cash flow hedges	**2,665**	21,345

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

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

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

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

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

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

For the three and nine months ended September 30, 2016, the Company recorded unrealized gains on the Sabina special warrants of $0.6 million (2015 – unrealized losses of $0.1 million) and $1.4 million (2015 – unrealized losses of $0.4 million), respectively, in other expense (income) *(note 10)* in the condensed interim consolidated statements of (loss) earnings.

(b) Publicly traded securities

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

For the three and nine months ended September 30, 2016, the Company recognized unrealized gains on these publicly traded securities of $4.9 million (2015 – unrealized losses of $1.0 million) and $12.7 million (2015 – unrealized losses of $0.3 million), respectively, in other comprehensive income (loss). Unrealized losses in respect of publicly traded securities considered to be impaired of $nil (2015 - $0.01 million) and $0.02 million (2015 - $0.6 million) for the three and nine months ended September 30, 2016, respectively, were transferred to other expense (income) *(note 10)*.

(c) Commodity swap and option contracts

The Company enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales ("QP Hedges"). As at September 30, 2016, the Company had outstanding commodity swap contracts in respect of this exposure as summarized in the table below:

Commodity hedged	Volume hedged	Average fixed price of QP Hedges
Payable gold	31,490 ounces	$1,327.17/ounce
Payable copper	9,479,866 pounds	$2.20/pound
Payable silver	24,850 ounces	$18.76/ounce

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

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

Year of projected payable copper production	Volume hedged (pounds)	Average fixed price of Production Hedges ($/pound)
Balance of 2016	6,316,236	2.32
2017	14,550,492	2.17
	20,866,728	**2.21**

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

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

Year of projected payable gold production	Volume hedged (ounces)	Average fixed price of gold production swaps ($/ounce)
Balance of 2016	2,010	1,150

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

Year of projected payable gold production	Volume hedged (ounces)	Call options sold Average ceiling price ($/ounce)	Put options purchased Floor price ($/ounce)
Balance of 2016	3,300	1,484	1,200
2017	45,000	1,497	1,200
	48,300	**1,496**	**1,200**

The fair value gain or loss on commodity swap contracts was calculated based on the corresponding London Metal Exchange forward copper and zinc prices and New York Commodity Exchange forward gold and silver prices, as applicable. The fair value gain or loss on commodity option contracts was calculated based on the option prices quoted on the Commodity Exchange (a part of the Chicago Mercantile Exchange). As at September 30, 2016, the net fair value loss on all outstanding commodity swap and option contracts was $0.2 million (December 31, 2015 – a net fair value gain of $7.5 million), of which $0.4 million (December 31, 2015 – $7.1 million) was included in other current assets, $0.4 million (December 31, 2015 – $nil) in accounts payable and accrued liabilities, $nil (December 31, 2015 – $0.4 million) in other long-term assets, and $0.2 million (December 31, 2015 – $nil) in other long-term liabilities.

For the three and nine months ended September 30, 2016, the Company reported unrealized gains of $2.6 million (2015 – unrealized losses of $3.3 million) and unrealized losses of $7.5 million (2015 - $6.2 million), respectively, on the commodity swap and option contracts related to continuing operations in other expense (income) *(note 10)*. The Company also reported realized losses on the settlement of certain of these commodity swap contracts related to continuing operations of $1.8 million (2015 – realized gains of $13.4 million) and $1.8 million (2015 – realized gains of $29.3 million), respectively, in other expense (income) *(note 10)* for the three and nine months ended September 30, 2016.

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

For the three and nine months ended September 30, 2016, the Company reported unrealized gains of $0.2 million (2015 – unrealized losses of $0.7 million) and unrealized losses of $0.3 million (2015 - $0.9 million), respectively, on commodity swap contracts related to discontinued operations in net (loss) earnings from discontinued operations. The Company also reported realized losses on the settlement of certain of these commodity swap contracts related to discontinued operations of $0.4 million (2015 – realized gains of $1.5 million) and $1.5 million (2015 – realized gains of $2.3 million), respectively, in net (loss) earnings from discontinued operations for the three and nine months ended September 30, 2016.

(d) Forward foreign exchange contracts

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

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

Year of projected operating expenses	Foreign currency hedged	Amount hedged in foreign currency	Average exchange rate Foreign currency/US$
Balance of 2016	Euro	2,925,000	1.1166
	South African rand	189,000,000	13.3230
2017	Euro	10,800,000	1.1287
	South African rand	720,000,000	13.8699
Total	**Euro**	**13,725,000**	**1.1261**
	South African rand	**909,000,000**	**13.7525**

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 September 30, 2016, the net fair value loss on all outstanding forward foreign exchange contracts was $2.5 million (December 31, 2015 – $21.3 million), of which $0.1 million (December 31, 2015 - $nil) was included in other current assets, $1.9 million (December 31, 2015 – $10.1 million) in accounts payable and accrued liabilities, and $0.7 million (December 31, 2015 – $11.2 million) in other long-term liabilities.

For the three and nine months ended September 30, 2016, the Company recognized unrealized gains of $7.1 million (2015 – unrealized losses of $15.9 million) and $17.7 million (2015 – unrealized losses of $15.0 million), respectively, in other comprehensive income (loss) on the spot component of the outstanding forward foreign exchange contracts. The Company also recognized realized losses of $2.0 million (2015 – $0.7 million) and $8.3 million (2015 – $0.6 million) for the three and nine months ended September 30, 2016, respectively, in cost of sales on the spot component of those contracts which have been settled.

For the three and nine months ended September 30, 2016, the Company reported unrealized gains of $0.5 million (2015 – $2.3 million) and $1.1 million (2015 - $2.3 million), respectively, in other expense (income) *(note 10)* on the forward point component of the outstanding forward foreign exchange contracts. The Company also reported realized gains of $1.0 million (2015 – $0.2 million) and $2.5 million (2015 - $0.2 million) for the three and nine months ended September 30, 2016, respectively, in other expense (income) *(note 10)* on the forward point component of those contracts which have been settled.

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

Fair value hierarchy

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

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2016 and December 31, 2015:

				As at September 30, 2016
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Sabina special warrants	**-**	**-**	**2,822**	**2,822**
Publicly traded securities	**25,153**	**-**	**-**	**25,153**
Commodity swap and option contracts	**-**	**436**	**-**	**436**
Forward foreign exchange contracts	**-**	**130**	**-**	**130**
Financial liabilities				
Commodity swap and option contracts	**-**	**619**	**-**	**619**
Forward foreign exchange contracts	**-**	**2,665**	**-**	**2,665**

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

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

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

Balance as at January 1, 2015	1,173
Unrealized gains included in net loss	278
Balance as at December 31, 2015	1,451
Unrealized gains included in net loss *(note 10)*	**1,371**
Balance as at September 30, 2016	**2,822**

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

6. DEBT

	September 30, 2016	December 31, 2015
Current portion of debt		
Term loans *(a)*	**16,250**	16,250
	16,250	16,250
Long-term portion of debt		
Term loans *(a)*	**7,916**	15,785
Revolving credit facility *(b)*	**70,000**	115,000
	77,916	130,785
Total debt	**94,166**	147,035

(a) Term Loans

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

The Term Loans contain financial covenants that require DPM to maintain: (i) a debt leverage ratio (funded net debt to adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA"), as defined in the Term Loans agreement) below 3.5:1 (below 4.0:1 during any period in which Krumovgrad construction is in progress), (ii) a current ratio (including the unutilized credit within the $150.0 million tranche of the committed revolving credit facility ("RCF") in current assets) 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 September 30, 2016, the Term Loans had an outstanding balance of $24.4 million and DPM was in compliance with all financial covenants.

(b) Credit agreements and guarantees

Chelopech

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

Chelopech also has a Euro 21.0 million ($23.5 million) credit facility to support the Chelopech mine closure and rehabilitation plan. This credit facility matures on November 15, 2016 and is guaranteed by DPM. As at September 30, 2016, $15.6 million (December 31, 2015 – $22.9 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

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

DPM

DPM has a committed RCF with a consortium of banks. In February 2015 and April 2016, the RCF was amended to extend the terms of tranche A and tranche B by an additional year. In August 2016, the RCF was further amended to extend the term of tranche C by an additional two years. As at September 30, 2016, the RCF is comprised of a $45.0 million tranche A maturing in February 2021, a $150.0 million tranche B maturing in February 2019, 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 debt leverage ratio (funded net debt to adjusted EBITDA), as defined in the RCF agreement. The RCF contains the same financial covenants and shares in the same security package as the Term Loans. As at September 30, 2016, DPM was in compliance with all financial covenants and $70.0 million was drawn under the RCF.

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

	Payments Due by Period		
	up to 1 year	**1 - 5 years**	**Total**
Term loans	16,250	8,125	**24,375**
Revolving credit facility	-	70,000	**70,000**
	16,250	**78,125**	**94,375**
Unamortized deferred financing costs			**(209)**
Total debt			**94,166**

7. 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 45,986 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 condensed interim consolidated statements of financial position, and will be recognized as revenue when deliveries are made under the prepaid forward gold sales arrangement.

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

8. 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 2017 and 2039.

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

	September 30, 2016	December 31, 2015
Discount period		
Chelopech	**2017 - 2029**	2017 - 2029
Tsumeb	**2017 - 2039**	2016 - 2039
Kapan	**N/A**	2025 - 2027
Discount rate		
Chelopech	**2.2%**	2.4%
Tsumeb	**9.7%**	10.7%
Kapan	**N/A**	16.9%
Inflation rate		
Chelopech	**2.0%**	2.0%
Tsumeb	**5.5%**	5.5%
Kapan	**N/A**	4.0%

Changes to rehabilitation provisions were as follows:

	Chelopech	**Tsumeb**	**Kapan**	**Total**
Balance as at January 1, 2015	24,953	22,939	5,893	53,785
Change in cost estimate *(a)*	(9,902)	-	-	(9,902)
Remeasurement of provisions *(b)*	(1,079)	(9,360)	(1,697)	(12,136)
Accretion expense	610	1,945	825	3,380
Balance as at December 31, 2015	14,582	15,524	5,021	35,127
Remeasurement of provisions *(b)*	**717**	**4,003**	**813**	**5,533**
Accretion expense	**278**	**1,282**	**287**	**1,847**
Disposed of due to Kapan Disposition *(note 3)*	**-**	**-**	**(6,121)**	**(6,121)**
Balance as at September 30, 2016	**15,577**	**20,809**	**-**	**36,386**

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

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

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

9. SHARE BASED COMPENSATION PLANS

Restricted Share Unit ("RSU") plan

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

(a) Non-performance based RSUs

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

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

	Number of RSUs	Amount
Balance as at January 1, 2015	1,761,474	2,101
RSUs granted	1,080,650	2,768
RSUs redeemed	(747,358)	(1,762)
RSUs forfeited	(155,637)	(122)
Mark-to-market adjustments		(2,020)
Balance as at December 31, 2015	1,939,129	965
RSUs granted	**1,824,700**	**2,511**
RSUs redeemed	**(920,012)**	**(1,560)**
RSUs forfeited	**(35,435)**	**(12)**
Mark-to-market adjustments		**998**
Balance as at September 30, 2016	**2,808,382**	**2,902**

As at September 30, 2016, there was $2.6 million (December 31, 2015 – $1.7 million) of expenses remaining to be charged to net earnings in future periods relating to these RSUs.

(b) Performance share units ("PSUs")

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

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

As at September 30, 2016, there was $1.4 million (December 31, 2015 – $0.5 million) of expenses remaining to be charged to net earnings in future periods relating to these PSUs.

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

Deferred Share Unit ("DSU") plan

DPM has a DSU plan for directors and certain employees.

Under the employee DSU plan, grants to employees of the Company are determined by the Board of Directors, or the compensation committee, in lieu of a cash bonus. The DSUs are redeemable in cash based on the market value of DPM's publicly traded common shares at any time before the end of the year following the year in which the employee ceases to be employed by DPM or a subsidiary thereof.

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

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

	Number of DSUs	Amount
Balance as at January 1, 2015	826,411	1,850
DSUs granted	295,609	452
Mark-to-market adjustments		(1,253)
Balance as at December 31, 2015	1,122,020	1,049
DSUs granted	**181,887**	**378**
DSUs redeemed	**(121,383)**	**(225)**
Mark-to-market adjustments		**1,695**
Balance as at September 30, 2016	**1,182,524**	**2,897**

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 nine months ended September 30, 2016, the Company granted 1,231,364 (2015 – 1,660,754) stock options with a fair value of $1.1 million (2015 – $2.0 million). The estimated value of the options granted will be recognized as an expense in the condensed interim consolidated statements of (loss) earnings and an addition to contributed surplus in the condensed interim consolidated statements of changes in shareholders' equity over the vesting period. The Company recorded a stock option expense of $0.3 million (2015 – $0.4 million) and $1.2 million (2015 - $1.6 million), respectively, for the three and nine months ended September 30, 2016 under this stock option plan.

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

As at September 30, 2016, there was $1.1 million (December 31, 2015 – $1.1 million) of share based compensation cost remaining to be charged to net earnings in future periods relating to stock option grants. The fair value of options granted was estimated using the Black-Scholes option pricing model. The expected volatility is estimated based on the historic average share price volatility. The inputs used in the measurement of the fair values at the time the options were granted were as follows:

	September 30, 2016	September 30, 2015
Five year risk free interest rate	**0.5%**	0.5%
Expected life in years	**4.75**	4.75
Expected volatility	**64.8%**	59.6%
Dividends per share	**-**	-

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

	Number of options	**Weighted average exercise price per share (Cdn$)**
Balance as at January 1, 2015	5,977,802	6.56
Options granted	1,660,754	2.97
Options forfeited	(73,867)	3.74
Options expired	(1,437,752)	4.82
Balance as at December 31, 2015	6,126,937	6.03
Options granted	**1,231,364**	**2.21**
Options forfeited	**(29,600)**	**2.21**
Options expired	**(1,614,133)**	**8.81**
Balance as at September 30, 2016	**5,714,568**	**4.45**

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

	Options outstanding			**Options exercisable**	
Range of exercise prices per share (Cdn$)	**Number of options outstanding**	**Weighted average remaining years**	**Weighted average exercise price per share (Cdn$)**	**Number of options exercisable**	**Weighted average exercise price per share (Cdn$)**
2.21 - 3.96	4,219,518	3.43	3.06	1,472,327	3.55
6.56 - 7.84	717,850	1.43	7.82	717,850	7.82
8.34 - 10.33	777,200	0.54	8.89	777,200	8.89
2.21 - 10.33	**5,714,568**	**2.79**	**4.45**	**2,967,377**	**5.98**

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

10. OTHER (EXPENSE) INCOME

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Net gains (losses) on Sabina special warrants *(note 5(a))*	**567**	(108)	**1,371**	(389)
Net gains (losses) on commodity swap and option contracts *(note 5(c))*	**857**	10,137	**(9,285)**	23,091
Net gains on forward foreign exchange contracts *(note 5(d))*	**1,527**	2,550	**3,561**	2,550
Impairment losses on publicly traded securities *(note 5(b))*	**-**	(14)	**(24)**	(642)
Impairment charge on property, plant and equipment *(a)*	**(11,200)**	(1)	**(11,134)**	(8)
Net foreign exchange (losses) gains	**(759)**	1,465	**(2,819)**	2,370
Interest income	**58**	50	**169**	157
Other (expense) income, net	**(852)**	(643)	**(1,702)**	812
	(9,802)	13,436	**(19,863)**	27,941

(a) Included in the impairment charge on property, plant and equipment for the three and nine months ended September 30, 2016 was an $11.2 million write-down reflecting management's decision to discontinue producing arsenic trioxide, a by-product of the Tsumeb smelter process, by the end of 2016.

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

11. (LOSS) EARNINGS PER SHARE

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Net (loss) earnings attributable to common shareholders of the Company				
From continuing operations	**(29,783)**	3,373	**(42,475)**	3,657
From discontinued operations	**(77)**	(627)	**893**	(2,137)
Net (loss) earnings	**(29,860)**	2,746	**(41,582)**	1,520
Basic weighted average number of common shares	**158,309,677**	140,575,783	**146,819,920**	140,575,783
Effect of stock options	**753,749**	-	**249,914**	-
Diluted weighted average number of common shares	**159,063,426**	140,575,783	**147,069,834**	140,575,783
Basic (loss) earnings per share attributable to common shareholders of the Company				
From continuing operations	**(0.19)**	0.03	**(0.29)**	0.03
From discontinued operations	**(0.00)**	(0.01)	**0.01**	(0.02)
Basic (loss) earnings per share	**(0.19)**	0.02	**(0.28)**	0.01
Diluted (loss) earnings per share attributable to common shareholders of the Company				
From continuing operations	**(0.19)**	0.03	**(0.29)**	0.03
From discontinued operations	**(0.00)**	(0.01)	**0.01**	(0.02)
Diluted (loss) earnings per share	**(0.19)**	0.02	**(0.28)**	0.01

12. KEY MANAGEMENT REMUNERATION

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Salaries, management bonuses and director fees	**1,125**	1,122	**3,333**	3,532
Other benefits	**90**	79	**272**	279
Share based compensation	**1,045**	310	**4,654**	1,841
Total remuneration	**2,260**	1,511	**8,259**	5,652

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

13. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Items not affecting cash and other adjustments

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Depreciation and amortization	**20,240**	14,727	**58,645**	45,037
Net interest expense	**2,429**	1,559	**8,177**	4,957
Accretion expense related to rehabilitation provisions	**537**	643	**1,560**	1,968
Share based compensation expense	**313**	438	**1,249**	1,599
Net (gains) losses on Sabina special warrants	**(567)**	108	**(1,371)**	389
Net (gains) losses on commodity swap and option contracts	**(857)**	(10,137)	**9,285**	(23,091)
Net losses (gains) on forward foreign exchange contracts	**447**	(1,984)	**4,707**	(1,984)
Impairment losses on publicly traded securities	**-**	14	**24**	642
Impairment charge on property, plant and equipment	**11,200**	1	**11,134**	8
Other, net	**428**	1,351	**(285)**	(1,539)
	34,170	6,720	**93,125**	27,986

(b) Changes in non-cash working capital

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Decrease (increase) in accounts receivable and other assets	**4,102**	(9,303)	**(17,611)**	(6,738)
Decrease (increase) in inventories	**477**	(1,638)	**(5,035)**	3,698
Increase (decrease) in accounts payable and accrued liabilities	**256**	3,558	**(8,823)**	(5,958)
Increase (decrease) in other liabilities	**491**	(67)	**2,614**	483
	5,326	(7,450)	**(28,855)**	(8,515)

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

14. SUPPLEMENTARY SHAREHOLDERS' EQUITY INFORMATION

(a) Equity financing

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 closed a non-brokered private placement of 840,000 common shares of the Company at a price of Cdn$3.00 per share, for additional gross proceeds of $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 $2.4 million, were reported in financing activities of continuing operations in the condensed interim consolidated statements of cash flows for the three and nine months ended September 30, 2016.

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

	Nine months ended September 30,	
	2016	2015
Unrealized losses on forward foreign exchange contracts designated as cash flow hedges		
Balance at beginning of period	**(25,405)**	-
Unrealized gains (losses) on forward foreign exchange contracts designated as cash flow hedges, net of income taxes	**9,387**	(15,710)
Realized losses on forward foreign exchange contracts transferred to net (loss) earnings, net of income taxes	**8,284**	602
Balance at end of period	**(7,734)**	(15,108)
Unrealized gains on publicly traded securities		
Balance at beginning of period	**6,095**	35
Unrealized gains (losses) on publicly traded securities, net of income taxes	**12,692**	(310)
Impairment loss on publicly traded securities transferred to net (loss) earnings, net of income taxes	**24**	642
Balance at end of period	**18,811**	367
Accumulated currency translation adjustments		
Balance at beginning of period	**(1,114)**	(923)
Currency translation adjustments	**(1,469)**	(173)
Balance at end of period	**(2,583)**	(1,096)
Accumulated other comprehensive income (loss)	**8,494**	(15,837)

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

15. COMMITMENTS AND CONTINGENCIES

(a) Commitments

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

	up to 1 year	1 - 5 years	over 5 years	Total
Capital commitments	11,173	-	-	**11,173**
Purchase obligations	8,681	-	-	**8,681**
Operating lease obligations	3,613	16,438	1,508	**21,559**
Total commitments	**23,467**	**16,438**	**1,508**	**41,413**

(b) Contingencies

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

16. 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 and development projects, and other income and cost items that do not pertain directly to an operating segment. There are no significant inter-segment transactions that have not been eliminated on consolidation.

The operating results of Kapan have been presented as a discontinued operation as a result of the Kapan Disposition *(note 3).*

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

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

	Three months ended September 30, 2016			
	Chelopech	**Tsumeb**	**Corporate & Other**	**Total**
Continuing Operations				
Revenue *(a)*	**30,446**	**24,344**	**-**	**54,790**
Earnings (loss) before income taxes	**2,408**	**(25,611)**	**(6,980)**	**(30,183)**
Capital expenditures	**5,846**	**4,289**	**2,130**	**12,265**

	Three months ended September 30, 2015			
	Chelopech	Tsumeb	Corporate & Other	Total
Continuing Operations				
Revenue *(a)*	33,334	19,463	-	52,797
Earnings (loss) before income taxes	16,099	(5,066)	(5,771)	5,262
Capital expenditures	7,099	14,525	3,416	25,040

	Nine months ended September 30, 2016			
	Chelopech	**Tsumeb**	**Corporate & Other**	**Total**
Continuing Operations				
Revenue *(a)*	**116,089**	**81,339**	**-**	**197,428**
Earnings (loss) before income taxes	**24,270**	**(39,711)**	**(25,258)**	**(40,699)**
Capital expenditures	**10,497**	**16,872**	**9,389**	**36,758**

	Nine months ended September 30, 2015			
	Chelopech	Tsumeb	Corporate & Other	Total
Continuing Operations				
Revenue *(a)*	109,117	62,309	-	171,426
Earnings (loss) before income taxes	47,578	(19,001)	(20,643)	7,934
Capital expenditures	14,000	34,427	10,753	59,180

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

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

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

					As at September 30, 2016
	Chelopech	**Tsumeb**	**Corporate & Other**	**Kapan** *(note 3)*	**Total**
Total current assets	**51,776**	**16,288**	**65,998**	**-**	**134,062**
Total non-current assets	**234,112**	**384,104**	**157,910**	**-**	**776,126**
Total assets	**285,888**	**400,392**	**223,908**	**-**	**910,188**
Total liabilities	**31,644**	**50,336**	**159,054**	**-**	**241,034**

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

17. COMPARATIVE FIGURES

Certain comparative figures in the condensed interim consolidated statements of (loss) earnings and cash flows have been reclassified as a consequence of (i) the Kapan Disposition *(note 3)*, which results in Kapan being presented as a discontinued operation for the three and nine months ended September 30, 2016 and 2015; and (ii) several expenses previously classified as general and administrative expenses being classified as operating costs to better reflect the operating results of each segment. For the three and nine months ended September 30, 2016, $1.3 million (2015 – $1.1 million) and $4.4 million (2015 - $3.5 million), respectively, was reclassified to cost of sales, of which $1.3 million (2015 – $0.8 million) and $4.0 million (2015 - $2.5 million), respectively, was included in cost of sales from continuing operations and $nil (2015 – $0.3 million) and $0.4 million (2015 - $1.0 million), respectively, in net (loss) earnings from discontinued operations.

CORPORATE INFORMATION

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3 Corporate Governance and Nominating Committee
4 Health, Safety and Environment Committee
5 Lead Director

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President and Chief Executive Officer

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

Michael Dorfman
Senior Vice President, Corporate Development

Richard Gosse
Senior Vice President, Exploration

Nikolay Hristov
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John Lindsay
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Stock Listing and Symbols

The Toronto Stock Exchange
DPM – Common Shares

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

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