

2018 SECOND QUARTER REPORT

DELIVERING ON OUR STRATEGY



MANAGEMENT'S DISCUSSION AND ANALYSIS

of Consolidated Financial Condition and Results of Operations
for the Three and Six Months Ended June 30, 2018
(All monetary figures are expressed in U.S. dollars unless otherwise stated)

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Dundee Precious Metals Inc. ("DPM" and, together with its consolidated subsidiaries, collectively referred to as the "Company") for the three and six months ended June 30, 2018. This MD&A should be read in conjunction with DPM's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2018 prepared in accordance with International Financial Reporting Standards ("IFRS") and the MD&A for the year ended December 31, 2017. Additional Company information, including the Company's most recent annual information form ("AIF") and other continuous disclosure documents, can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at www.sedar.com and the Company's website at www.dundeeprecious.com. To the extent applicable, updated information contained in this MD&A supersedes older information contained in previously filed continuous disclosure documents. Capitalized terms used in this MD&A that have not been defined have the same meanings attributed to them in DPM's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2018. Information contained on the Company's website is not incorporated by reference herein and does not form part of this MD&A. This MD&A contains forward looking statements that are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may vary materially from management's expectations. See the "Cautionary Note Regarding Forward Looking Statements" and "Risks and Uncertainties" sections later in this MD&A for further information.

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

This MD&A has been prepared as at July 31, 2018.

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”).

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.

DPM’s principal subsidiaries include:

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

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

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

DPM also owns:

- 78% equity interest in MineRP Holdings (Proprietary) Limited, an independent mining software vendor with operations in Canada, South Africa, Australia and Chile, through MineRP Holdings Inc. (“MineRP”).

Summary of Significant Operational and Financial Highlights – Second Quarter of 2018

Financial results in the second quarter of 2018 reflected higher copper concentrate deliveries and higher realized copper and gold prices, partially offset by lower volumes of complex concentrate smelted as a result of the timing of the Ausmelt furnace maintenance shutdown at Tsumeb and a weaker U.S. dollar relative to the Euro and the ZAR.

Chelopech

- Achieved gold production of 48,272 ounces, down 10% relative to the corresponding period in 2017 as a result of lower grades, while copper production of 8.5 million pounds was comparable to 2017. Overall production was in line with the mine plan. 2018 gold production guidance has been increased, reflecting higher than anticipated grades and recoveries in the first half of 2018.
- Sold 54,660 ounces of payable gold and 10.4 million pounds of payable copper, generating revenue of \$72.0 million, reflecting, in part, the impact of the shipping schedule.
- Generated earnings before income taxes of \$36.2 million and adjusted EBITDA of \$40.5 million.

Tsumeb

- Successfully completed the Ausmelt furnace maintenance shutdown.
- Smelted 46,409 tonnes of complex concentrate, in line with expectations, and 23% lower than the corresponding period in 2017, due primarily to the timing of the Ausmelt furnace maintenance shutdown.
- Generated a loss before income taxes of \$7.7 million and adjusted loss before interest, taxes, depreciation and amortization of \$1.0 million.

Krumovgrad

- Construction continued through the first half of the year and, as at June 30, 2018, the project was approximately 71% complete, based on installed quantities, compared with a planned completion of 78%. Additional civil construction resources were mobilized to site to mitigate delays experienced with concrete installation. First concentrate production is forecast for late in the fourth quarter of 2018.

Serbia

- A total of 3,174 metres of diamond drilling was completed at the Timok gold project. A Mineral Resource update is currently in progress and the results are expected in September 2018. The Mineral Resource update will reflect updated geologic interpretations and weathering profiles for Bigar Hill, Korkan, Korkan West and Kraku Pester, as well as additional exploration results.
- Metallurgical test work, concluded in June 2018, included coarse ore bottle roll tests as well as column leach tests. The nine-week column leach results indicated gold extractions of 94% for the Korkan and Bigar Hill oxide samples, 76% for the Korkan West oxide sample and 68% for the Korkan transitional sample. DPM now plans to undertake a more comprehensive ore characterization test work program to support moving forward with a potential scoping study.

Exploration

- Diamond drilling at the Krasta target, approximately 1.5 kilometres northwest of the main Chelopech orebodies, outlined a new zone of gold-copper mineralization over a strike length of about 250 metres between 130 and 280 metres from surface. All six holes drilled in the second quarter and an additional two holes completed in July intersected gold-copper mineralization, including 94 metres at 0.61 g/t gold and 0.27 % copper (1.17 g/t AuEq) in hole EX_KR_06 (true width estimated to be 70 metres). The mineralization at Krasta is open to the northeast and southwest as well as above and below the current level of drilling.
- At Surnak, located approximately four kilometres to the east of the Krumovgrad gold project mine site, the last holes of Phase 1 resource drilling were completed. Assays from all holes were received and show that the mineralization continues down-dip and is open to the east.
- At the Malartic Joint Venture Project in Quebec, all assay results were received for the 1,942 metre scout drilling program completed in early April 2018. Significant results, in addition to those reported in the first quarter of 2018, include 7.15 g/t gold over 3.3 metres in hole MLDD007.

Other

- Cash resources, including DPM's long-term revolving credit facility ("RCF"), were \$249.9 million as at June 30, 2018.
- On May 17, 2018, DPM announced it has further strengthened its stakeholder partnerships in Namibia through a transaction to address the empowerment initiatives being developed to aid previously disadvantaged Namibians whereby it has entered into an agreement with Greyhorse Mining (Pty) Ltd. ("GHM") pursuant to which GHM will acquire an indirect 8% equity interest in Tsumeb. The GHM transaction is subject to execution of definitive documentation which has been substantially agreed between the parties and closing is expected to occur by the end of the third quarter of 2018. An additional 2% indirect equity interest in Tsumeb is also expected to be acquired by an employee trust benefiting Tsumeb's employees.

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

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

| <i>\$ thousands, unless otherwise indicated</i> Ended June 30, | Three Months | | Six Months | |
|-------------------------------------------------------------------------------------------------------------|--------------|---------|------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Financial Results | | | | |
| Revenue | 102,877 | 86,853 | 189,765 | 161,521 |
| Cost of sales | 75,559 | 63,455 | 137,300 | 126,388 |
| Depreciation and amortization | 14,288 | 15,605 | 28,715 | 31,500 |
| Other expense | (1,740) | (2,465) | (4,872) | (15,026) |
| Earnings before income taxes | 18,758 | 12,812 | 24,393 | 1,298 |
| Income tax expense | (2,705) | (1,850) | (5,667) | (2,908) |
| Net earnings (loss) attributable to common shareholders | 16,372 | 11,039 | 19,079 | (1,479) |
| Basic earnings (loss) per share | 0.09 | 0.06 | 0.11 | (0.01) |
| Adjusted EBITDA ⁽¹⁾ | 31,608 | 31,176 | 51,128 | 44,691 |
| Adjusted earnings before income taxes ⁽¹⁾ | 15,684 | 13,651 | 18,904 | 9,273 |
| Adjusted net earnings ⁽¹⁾ | 13,662 | 11,847 | 14,307 | 5,683 |
| Adjusted basic earnings per share ⁽¹⁾ | 0.08 | 0.07 | 0.08 | 0.03 |
| Cash provided from operating activities | 19,943 | 17,098 | 30,986 | 51,664 |
| Cash provided from operating activities, before changes in non-cash working capital ⁽¹⁾ | 28,622 | 25,676 | 47,066 | 42,656 |
| Free cash flow ⁽¹⁾ | 22,065 | 2,353 | 33,052 | 13,606 |
| Capital expenditures incurred: | | | | |
| Growth ⁽¹⁾ | 20,839 | 16,843 | 45,933 | 33,148 |
| Sustaining ⁽¹⁾ | 5,966 | 3,922 | 11,306 | 9,601 |
| Total capital expenditures | 26,805 | 20,765 | 57,239 | 42,749 |
| Operational Highlights | | | | |
| Metals contained in concentrate produced: | | | | |
| Gold (ounces) ⁽²⁾ | 48,272 | 53,474 | 105,603 | 99,845 |
| Copper ('000s pounds) | 8,545 | 8,664 | 17,806 | 16,843 |
| Payable metals in concentrate sold: | | | | |
| Gold (ounces) ⁽³⁾ | 54,660 | 37,659 | 89,816 | 81,137 |
| Copper ('000s pounds) | 10,398 | 6,761 | 16,482 | 15,077 |
| Cash cost per tonne of ore processed ^{(1),(4)} | 35.62 | 31.66 | 36.43 | 32.44 |
| Cash cost per ounce of gold sold, net of by-product credits ^{(1),(5),(6),(7)} | 472 | 578 | 512 | 580 |
| All-in sustaining cost per ounce of gold ^{(1),(5),(7),(8)} | 540 | 704 | 601 | 707 |
| Complex concentrate smelted at Tsumeb (mt) | 46,409 | 60,643 | 100,551 | 102,278 |
| Cash cost per tonne of complex concentrate smelted at Tsumeb, net of by-products credits ^{(1),(9)} | 548 | 417 | 522 | 472 |

| As at, | June 30, 2018 | December 31, 2017 |
|---------------------------------------------|---------------|-------------------|
| Financial Position | | |
| Cash | 13,861 | 28,767 |
| Investments at fair value | 35,009 | 48,411 |
| Total assets | 861,793 | 844,750 |
| Debt ⁽¹⁰⁾ | 40,806 | 23,000 |
| Equity | 628,912 | 633,488 |
| Number of common shares outstanding ('000s) | 178,514 | 178,493 |
| Share price (Cdn\$ per share) | 3.14 | 3.00 |

1) Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"); adjusted earnings before income taxes; adjusted net earnings; adjusted basic earnings per share; cash provided from operating activities, before changes in non-cash working capital; free cash flow; growth and sustaining capital expenditures; cash cost per tonne of ore processed; cash cost per ounce of gold sold, net of by-product credits; all-in sustaining cost per ounce of gold; and

cash cost per tonne of complex concentrate smelted, net of by-product credits, are not defined measures under IFRS. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS measures.

- 2) Includes gold contained in pyrite concentrate produced in the second quarter and first six months of 2018 of 14,852 ounces and 30,000 ounces, respectively, compared to 15,525 ounces and 29,223 ounces for the corresponding periods in 2017.
- 3) Includes payable gold in pyrite concentrate sold in the second quarter and first six months of 2018 of 9,559 ounces and 20,114 ounces, respectively, compared to 7,889 ounces and 17,629 ounces for the corresponding periods in 2017.
- 4) Cash cost per tonne of ore processed represents Chelopech related production expenses, including mining, processing, services, royalties and general and administrative, divided by tonnes of ore processed.
- 5) Includes payable gold in pyrite concentrate sold, and the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate of \$6.7 million and \$13.3 million in the second quarter and first six months of 2018, respectively, compared to \$6.1 million and \$12.7 million in the corresponding periods in 2017. Cash cost per ounce of gold sold, net of by-product credits, excluding payable gold in pyrite concentrate sold and related costs, in the second quarter and first six months of 2018 was \$424 and \$468, respectively, compared to \$526 and \$541 for the corresponding periods in 2017. All-in sustaining cost per ounce of gold, excluding payable gold in pyrite concentrate sold and related costs, in the second quarter and first six months of 2018 was \$507 and \$583, respectively, compared to \$685 and \$703 for the corresponding periods in 2017.
- 6) Cash cost per ounce of gold sold, net of by-product credits, represents cost of sales at Chelopech less depreciation, amortization and other non-cash expenses plus treatment charges, penalties, transportation and other selling costs less by-product copper and silver revenues, including realized losses on copper swap and option contracts, divided by the payable gold in copper and pyrite concentrates sold.
- 7) Includes realized losses on copper swap and option contracts, entered to hedge a portion of projected payable production, of \$2.4 million and \$5.0 million during the second quarter and first six months of 2018, respectively, compared to \$1.3 million and \$3.3 million for the corresponding periods in 2017.
- 8) All-in sustaining cost per ounce of gold represents cost of sales at Chelopech less depreciation, amortization and other non-cash items plus treatment charges, penalties, transportation and other selling costs, sustaining capital expenditures, rehabilitation related accretion expenses and an allocated portion of the Company's general and administrative expenses and corporate social responsibility expenses, less by-product revenues in respect of copper and silver, including realized losses on copper swap and option contracts, divided by the payable gold in copper and pyrite concentrates sold.
- 9) 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 divided by the volumes of complex concentrate smelted.
- 10) Includes drawdowns of \$39.0 million under the Company's RCF and \$1.8 million under Tsumeb's overdraft facility.

REVIEW OF CONSOLIDATED RESULTS

Market Trends

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

The following table summarizes the average trading price for gold, copper and silver based on the London Bullion Market Association ("LBMA") for gold and silver, and the London Metal Exchange ("LME") for copper (Grade A) for the three and six months ended June 30, 2018 and 2017 and highlights the overall year over year strength (weakness) in commodity prices.

| Metal Market Prices (Average) Ended June 30, | Three Months | | | Six Months | | |
|-------------------------------------------------|--------------|-------|--------|------------|-------|--------|
| | 2018 | 2017 | Change | 2018 | 2017 | Change |
| LBMA gold (\$/ounce) | 1,307 | 1,257 | 4% | 1,318 | 1,238 | 6% |
| LME settlement copper (\$/pound) | 3.12 | 2.57 | 21% | 3.14 | 2.61 | 20% |
| LBMA spot silver (\$/ounce) | 16.53 | 17.26 | (4%) | 16.65 | 17.34 | (4%) |

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

| Average Foreign Exchange Rates Ended June 30, | Three Months | | | Six Months | | |
|--------------------------------------------------|--------------|---------|--------|------------|---------|--------|
| | 2018 | 2017 | Change | 2018 | 2017 | Change |
| US\$/Cdn\$ | 1.2912 | 1.3448 | (4%) | 1.2780 | 1.3339 | (4%) |
| Euro/US\$ | 1.1924 | 1.0996 | (8%) | 1.2108 | 1.0825 | (12%) |
| US\$/ZAR | 12.6233 | 13.1834 | (4%) | 12.2840 | 13.1969 | (7%) |

The following table sets out the applicable closing foreign exchange rates as at June 30, 2018 and 2017 and the extent to which the U.S. dollar has strengthened (weakened) relative to each of the currencies.

| Closing Foreign Exchange Rates Ended June 30, | 2018 | 2017 | Change |
|--------------------------------------------------|------------|---------|--------|
| | US\$/Cdn\$ | 1.3168 | 1.2977 |
| Euro/US\$ | 1.1681 | 1.1423 | (2%) |
| US\$/ZAR | 13.7007 | 13.0447 | 5% |

Operational Highlights

Production

In the second quarter of 2018, gold contained in concentrate produced decreased by 10% to 48,272 ounces relative to the corresponding period in 2017 due primarily to lower gold grades, partially offset by higher gold recoveries. Copper production in the second quarter of 2018 of 8.5 million pounds was comparable to the corresponding period in 2017.

In the first six months of 2018, gold contained in concentrate produced increased by 6% to 105,603 ounces and copper production increased by 6% to 17.8 million pounds, in each case, relative to the corresponding period in 2017. The increase in gold production was due primarily to higher gold recoveries and higher than anticipated gold grades. The increase in gold recoveries was due primarily to different ore mineralogy and the benefits of various initiatives with a specific focus on improving metallurgical performance. The increase in copper production was due primarily to higher copper grades.

Gold production in the first six months of 2018 was higher than anticipated due to higher gold grades in the zones mined and higher recoveries, resulting in an increase in 2018 gold production guidance.

Deliveries

In the second quarter of 2018, payable gold in concentrate sold increased by 45% to 54,660 ounces and payable copper increased by 54% to 10.4 million pounds, in each case, relative to the corresponding period in 2017. These increases were consistent with the increase in copper concentrate deliveries due to the timing of deliveries.

In the first six months of 2018, payable gold in concentrate sold increased by 11% to 89,816 ounces and payable copper increased by 9% to 16.5 million pounds, in each case, relative to the corresponding period in 2017. These increases were consistent with the increase in copper concentrate deliveries as a result of increased copper concentrate production as well as higher gold and copper grades and higher gold recoveries.

Complex concentrate smelted

Complex concentrate smelted during the second quarter of 2018 of 46,409 tonnes was 23% or 14,234 tonnes lower than the corresponding period in 2017 due primarily to the timing of the Ausmelt furnace maintenance shutdown that resulted in 24 days of downtime in the period. Continued improvement in refractory performance enabled the Ausmelt furnace maintenance shutdown to be deferred from March to May 2018.

Complex concentrate smelted during the first six months of 2018 of 100,551 tonnes was essentially the same as the corresponding period in 2017 affected by power related instability during the first quarter rainy season and Ausmelt off-gas system related downtime. The off-gas system refurbishment during the May maintenance shutdown is expected to provide improved operating continuity in the second half of 2018 and, as such, the full year 2018 concentrate throughput is expected to be within guidance.

Financial Highlights

Revenue

Revenue during the second quarter of 2018 of \$102.9 million was \$16.0 million higher than the corresponding period in 2017 due primarily to the timing of copper concentrate deliveries and higher realized gold and copper prices, partially offset by lower volumes of complex concentrate smelted and acid deliveries as a result of the Ausmelt furnace maintenance shutdown in the period, and increased stockpile interest and lower estimated metal recoveries at Tsumeb. Revenue in the second quarter of 2018 also included \$2.5 million from MineRP, which was acquired in the fourth quarter of 2017.

Revenue during the first six months of 2018 of \$189.8 million was \$28.3 million higher than the corresponding period in 2017 due primarily to higher realized gold and copper prices and higher volumes of payable metals in concentrate sold as a result of increased gold and copper production. Revenue in the first six months of 2018 also included \$6.7 million from MineRP.

The average realized gold price for the second quarter and first six months of 2018 was \$1,298 per ounce and \$1,311 per ounce, respectively, up 3% and 5% compared to \$1,262 per ounce and \$1,245 per ounce in the corresponding periods in 2017. The average realized copper price, including the impact of hedging, for the second quarter and first six months of 2018 was \$2.84 per pound and \$2.81 per pound, respectively, up 19% and 17% compared to \$2.39 per pound and \$2.40 per pound in the corresponding periods in 2017. Average realized gold and copper prices are not defined measures under IFRS. Refer to the “Non-GAAP Financial Measures” section of this MD&A for reconciliation to IFRS.

Cost of sales

Cost of sales in the second quarter of 2018 of \$75.6 million was \$12.1 million higher than the corresponding period in 2017 due primarily to higher copper concentrate deliveries and a weaker U.S. dollar relative to the Euro and the ZAR, partially offset by lower depreciation and a decrease in variable operating costs at Tsumeb as a result of the Ausmelt furnace maintenance shutdown in the period. Cost of sales in the second quarter of 2018 also included a \$5.5 million adjustment to reclassify certain costs previously reported as general and administrative expenses in respect of MineRP, which was acquired in the fourth quarter of 2017.

Cost of sales in the first six months of 2018 of \$137.3 million was \$10.9 million higher than the corresponding period in 2017 due primarily to higher copper concentrate deliveries as a result of increased copper concentrate production and a weaker U.S. dollar relative to the Euro and the ZAR, partially offset by lower depreciation. Cost of sales in the first six months of 2018 also included \$6.1 million from MineRP.

All-in sustaining cost per ounce of gold

All-in sustaining cost per ounce of gold in the second quarter and first six months of 2018 of \$540 and \$601, respectively, was \$164 and \$106 lower than the corresponding periods in 2017. These decreases were due primarily to higher by-product credits as a result of higher realized copper prices and volumes of copper sold, and lower cash outlays for sustaining capital expenditures, partially offset by a stronger Euro relative to the U.S. dollar.

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

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the second quarter of 2018 of \$548 was 31% or \$131 higher than the corresponding period in 2017 due primarily to lower volumes of complex concentrate smelted, higher labour costs and electricity rates, a stronger ZAR relative to the U.S. dollar and lower acid by-product credits, partially offset by Tsumeb’s cost reduction program, which resulted in lower contractor and consultant expenses.

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the first six months of 2018 of \$522 was 11% or \$50 higher than the corresponding period in 2017 due primarily to higher labour costs and electricity rates and a stronger ZAR relative to the U.S. dollar, partially offset by higher acid by-product credits and Tsumeb’s cost reduction program, which resulted in lower contractor and consultant expenses.

Other expense

Other expense is primarily comprised of foreign exchange translation gains or losses, unrealized gains or losses on Sabina special warrants and interest income.

The following table summarizes the items making up other expense:

| <i>\$ thousands</i> Ended June 30, | Three Months | | Six Months | |
|----------------------------------------------------------|---------------------|---------|-------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Net gains (losses) on Sabina special and other warrants | (559) | 838 | (1,676) | 2,015 |
| Net losses on commodity swap and option contracts | - | (1,061) | - | (14,069) |
| Net gains (losses) on forward foreign exchange contracts | - | (283) | - | 597 |
| Net foreign exchange gains (losses) ⁽¹⁾ | 1,303 | (2,420) | 157 | (4,306) |
| Interest income | 105 | 76 | 155 | 141 |
| Other income (expense), net ⁽²⁾ | (2,589) | 385 | (3,508) | 596 |
| Total other expense | (1,740) | (2,465) | (4,872) | (15,026) |

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

2) Includes \$1.1 million and \$1.6 million in the second quarter and first six months of 2018, respectively, in respect of test work being done to treat arsenic using an arsenic vitrification demonstration plant.

With the adoption of IFRS 9 on January 1, 2018, unrealized gains and losses on commodity and foreign exchange contracts that receive hedge accounting treatment are recognized in other comprehensive income (loss). As a result, for the three and six months ended June 30, 2018, the Company recognized unrealized losses of \$1.0 million and unrealized gains of \$3.8 million, respectively, in other comprehensive income (loss) on outstanding commodity swap and option contracts. The Company also recognized net gains of \$1.4 million and \$2.4 million for the three and six months ended June 30, 2018, respectively, in revenue on settled commodity swap and option contracts. Had the Company not adopted IFRS 9, net gains of \$0.4 million and \$6.2 million for the three and six months of 2018, respectively, would have been recognized in other expense in the condensed interim consolidated statements of earnings (loss). Refer to the "Changes in Accounting Policies" section of this MD&A for further discussion concerning this change in accounting policy.

Income tax expense

The effective tax rate of the Company can vary significantly from one period to the next based on a number of factors. For the three and six months ended June 30, 2018 and 2017, 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.

| <i>\$ thousands, unless otherwise indicated</i> Ended June 30, | Three Months | | Six Months | |
|--------------------------------------------------------------------------|---------------------|---------|-------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Earnings before income taxes | 18,758 | 12,812 | 24,393 | 1,298 |
| Combined Canadian federal and provincial statutory income tax rates | 26.5% | 26.5% | 26.5% | 26.5% |
| Expected income tax expense | 4,971 | 3,395 | 6,464 | 344 |
| Lower rates on foreign earnings | (5,308) | (3,608) | (8,715) | (1,461) |
| Unrecognized tax benefits relating to losses | 1,717 | 2,542 | 7,024 | 4,264 |
| Non-taxable portion of capital gains (losses) | 606 | (728) | 470 | (1,022) |
| Non-deductible share based compensation expense | 71 | 72 | 161 | 179 |
| Other, net | 648 | 177 | 263 | 604 |
| Income tax expense | 2,705 | 1,850 | 5,667 | 2,908 |
| Effective income tax rates | 14.4% | 14.4% | 23.2% | 224.0% |

Net earnings (loss) attributable to common shareholders

In the second quarter of 2018, the Company reported net earnings attributable to common shareholders of \$16.4 million compared to \$11.0 million in the corresponding period in 2017. This increase was due primarily to higher volumes of copper concentrate deliveries as a result of the timing of deliveries and higher realized gold and copper prices, partially offset by lower volumes of complex concentrate smelted and acid deliveries

as a result of the Ausmelt furnace maintenance shutdown, a weaker U.S. dollar relative to the Euro and the ZAR, and higher stockpile interest and lower estimated metal recoveries at Tsumeb.

In the first six months of 2018, the Company reported net earnings attributable to common shareholders of \$19.1 million compared to a net loss of \$1.5 million in the corresponding period in 2017. This improvement was due primarily to higher realized gold and copper prices, higher volumes of payable gold and copper in concentrate sold as a result of increased gold and copper production and higher estimated metal recoveries at Tsumeb, partially offset by a weaker U.S. dollar relative to the Euro and the ZAR, and lower third party toll rates and increased stockpile interest at Tsumeb.

Net earnings (loss) attributable to common shareholders for the second quarter and first six months of 2018 were also impacted by net after-tax gains of \$2.7 million (2017 – after-tax losses of \$0.9 million) and \$4.8 million (2017 – after-tax losses of \$7.2 million), respectively, related to several items not reflective of the Company’s underlying operating performance, including unrealized gains and losses on commodity price and foreign exchange hedges that in 2017, prior to the adoption of IFRS 9, did not receive hedge accounting and net gains and losses on Sabina special warrants, each of which are excluded from adjusted net earnings.

Adjusted net earnings

Adjusted net earnings in the second quarter and first six months of 2018 were \$13.7 million and \$14.3 million, respectively, compared to \$11.9 million and \$5.7 million in the corresponding periods in 2017.

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

| <i>(\$ millions)</i> | Three | Six |
|------------------------------------------------------------------|---------------|---------------|
| Ended June 30, | Months | Months |
| Adjusted net earnings - 2017 | 11.9 | 5.7 |
| Higher metal prices ⁽¹⁾ | 6.7 | 12.6 |
| Higher volumes of metals sold | 10.6 | 3.3 |
| Lower depreciation | 1.5 | 3.0 |
| Lower treatment charges and transportation costs at Chelopech | 0.7 | 2.4 |
| Higher (lower) estimated metal recoveries at Tsumeb | (2.8) | 1.8 |
| Lower (higher) cost per tonne of concentrate sold ⁽²⁾ | (1.5) | 1.5 |
| Higher (lower) smelter volumes | (9.3) | 0.5 |
| Weaker U.S. dollar ⁽³⁾ | (2.8) | (7.1) |
| Income taxes and other | (1.8) | (3.8) |
| Lower toll rates at Tsumeb | (0.1) | (2.7) |
| Higher stockpile interest | (2.0) | (2.4) |
| Lower (higher) smelter operating expenses ⁽²⁾ | 2.6 | (0.5) |
| Adjusted net earnings - 2018 | 13.7 | 14.3 |

1) Includes net gains and losses on commodity swap and option contracts.

2) Excludes impact of depreciation and foreign exchange.

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

Adjusted EBITDA

Adjusted EBITDA in the second quarter and first six months of 2018 was \$31.6 million and \$51.1 million, respectively, compared to \$31.2 million and \$44.7 million in the corresponding periods in 2017 reflecting the same factors that affected adjusted net earnings, except for depreciation, interest and income taxes, which are excluded from adjusted EBITDA.

The following table summarizes adjusted EBITDA by segment:

| <i>\$ thousands</i> | Three Months | | Six Months | |
|------------------------------|---------------------|-------------|-------------------|-------------|
| Ended June 30, | 2018 | 2017 | 2018 | 2017 |
| Chelopech | 40,463 | 26,123 | 66,986 | 52,690 |
| Tsumeb | (1,030) | 10,483 | 1,163 | 5,469 |
| Corporate & Other | (7,825) | (5,430) | (17,021) | (13,468) |
| Total adjusted EBITDA | 31,608 | 31,176 | 51,128 | 44,691 |

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

Cash provided from operating activities

Cash provided from operating activities in the second quarter of 2018 was \$19.9 million compared to \$17.1 million in the corresponding period in 2017. This increase was due primarily to the timing of the settlement of derivative contracts. Cash provided from operating activities in the first six months of 2018 was \$30.9 million compared to \$51.7 million in the corresponding period in 2017. This decrease was due primarily to an unfavourable period over period change in non-cash working capital and higher income taxes paid, partially offset by improved financial results.

The unfavourable change in non-cash working capital in the second quarter of 2018 of \$8.7 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers, partially offset by a decrease in inventories as a result of the timing of deliveries. The unfavourable change in non-cash working capital in the second quarter of 2017 of \$8.6 million was due primarily to an increase in inventories as a result of the timing of concentrate deliveries and an increase in accounts receivable as a result of the timing of receipts from customers, partially offset by an increase in accounts payable.

The unfavourable change in non-cash working capital in the first six months of 2018 of \$16.1 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers, partially offset by an increase in accounts payable and accrued liabilities. The favourable change in non-cash working capital in the first six months of 2017 of \$9.0 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers.

Cash provided from operating activities, before changes in non-cash working capital, during the second quarter and first six months of 2018 was \$28.6 million and \$47.0 million, respectively, compared to \$25.7 million and \$42.7 million in the corresponding periods in 2017.

Free cash flow

Free cash flow in the second quarter and first six months of 2018 was \$22.1 million and \$33.1 million, respectively, compared to \$2.3 million and \$13.6 million in the corresponding periods in 2017. These increases were due primarily to the repayment of term loans of \$16.3 million in the second quarter of 2017 and higher cash provided from operating activities before changes in non-cash working capital.

Capital expenditures

Capital expenditures during the second quarter and first six months of 2018 were \$26.8 million and \$57.2 million, respectively, compared to \$20.7 million and \$42.7 million in the corresponding periods in 2017.

Growth capital expenditures during the second quarter and first six months of 2018 were \$20.8 million and \$45.9 million, respectively, compared to \$16.8 million and \$33.1 million in the corresponding periods in 2017. These increases were due primarily to increased construction activities at the Krumovgrad gold project in 2018. Sustaining capital expenditures during the second quarter and first six months of 2018 were \$6.0 million and \$11.3 million, respectively, compared to \$3.9 million and \$9.6 million in the corresponding periods in 2017, in line with higher planned 2018 expenditures.

2018 GUIDANCE

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

2018 gold production and sales guidance for Chelopech has been increased to reflect the strong performance achieved in the first six months of 2018. Sustaining capital expenditures have been revised to reflect the timing of expenditures in respect of certain projects to 2019. As a result of these changes, all-in sustaining cost per ounce of gold guidance was also revised. 2018 cash cost per tonne of complex concentrate smelted, net of by-product credits, has been revised to reflect additional ZAR hedges put in place in the second quarter of 2018.

The Company's updated guidance for 2018, together with its original guidance, is set out in the following table:

| <i>\$ millions, unless otherwise indicated</i> | Chelopech | Tsumeb | Updated Consolidated Guidance | Original Consolidated Guidance |
|--------------------------------------------------------------------------------------------------|------------------|---------------|--------------------------------------|---------------------------------------|
| Ore milled ('000s tonnes) | 2,100 – 2,200 | - | 2,100 – 2,200 | 2,100 – 2,200 |
| Cash cost per tonne of ore processed ^{(3),(4)} | 35 – 38 | - | 35 – 38 | 37 – 40 |
| Metals contained in concentrate produced ^{(1),(2)} | | | | |
| Gold ('000s ounces) | 180 – 200 | - | 180 – 200 | 165 – 195 |
| Copper (million pounds) | 33.7 – 40.4 | - | 33.7 – 40.4 | 33.7 – 40.4 |
| Payable metals in concentrate sold ⁽¹⁾ | | | | |
| Gold ('000s ounces) | 155 – 172 | - | 155 – 172 | 140 – 170 |
| Copper (million pounds) | 31.0 – 37.0 | - | 31.0 – 37.0 | 31.0 – 37.0 |
| All-in sustaining cost per ounce of gold ^{(3),(4),(5)} | - | - | 640 – 755 | 640 – 855 |
| Complex concentrate smelted ('000s tonnes) | - | 220 – 250 | 220 – 250 | 220 – 250 |
| Cash cost per tonne of complex concentrate smelted, net of by-product credits ^{(3),(4)} | - | 430 – 480 | 430 – 480 | 440 – 500 |
| Corporate general and administrative expenses ^{(3),(6)} | - | - | 20 – 24 | 20 – 24 |
| Exploration expenses ⁽³⁾ | - | - | 10 – 15 | 10 – 15 |
| Sustaining capital expenditures ^{(3),(4)} | 13 – 15 | 15 – 18 | 28 – 33 | 29 – 39 |

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

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

3) Based on Euro/US\$ exchange rate of 1.20, US\$/ZAR exchange rate of 12.89 and copper price of \$2.76 per pound, where applicable.

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

5) Includes the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, and payable gold in pyrite concentrate sold. All-in sustaining cost per ounce of gold, excluding payable gold in pyrite concentrate sold and related costs, is expected to be between \$630 and \$750 in 2018.

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

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

Chelopech

Total gold production in the first six months of 2018 was higher than anticipated as a result of higher gold grades in the zones mined and higher recoveries, resulting in an increase in 2018 gold production and sales guidance.

Tsumeb

The 24-day maintenance shutdown was successfully executed in the second quarter of 2018 and concentrate smelted in the period was in line with expectations. The maintenance shutdown was deferred from March to May due to a significantly improved refractory campaign of 15 months representing both a time and tonnage record and it is expected that these campaigns can be extended in the future so as to support further improvements in performance. Complex concentrate smelted in the first half of 2018 was affected by power related instability during the first quarter rainy season and Ausmelt off-gas system related downtime. The off-gas system refurbishment during the May shutdown is expected to provide improved operating continuity in the second half of 2018 and, as such, the full year 2018 concentrate throughput is expected to be within guidance. Following the furnace maintenance shutdown, the smelter has performed well and concentrate smelted in July surpassed the prior production record demonstrating the incremental improvements being achieved in smelting operations.

Krumovgrad

Construction continued through the quarter in accordance with the project execution plan. As at June 30, 2018, the project was approximately 71% complete, based on installed quantities, compared with a planned completion of 78%. Additional civil construction resources were mobilized to site to mitigate delays experienced with concrete installation. Mine blasting and ore stockpiling commenced in July as per schedule. First concentrate production is forecast for late in the fourth quarter of 2018. The final estimated construction cost continues to be between \$164 million and \$168 million, compared with the original budget of \$178 million.

Serbia

Following the discovery of the Korkan West deposit in 2017, DPM is continuing to advance exploration of this area in 2018 with the goal of adding more ounces to the existing Timok gold resource. DPM is working on an updated resource estimate for Timok, expected in the third quarter of 2018, which will factor in updated drilling at Korkan West and reporting of oxide, transitional and sulfide zones within the mineralization. Following encouraging column leach tests, DPM now plans to undertake a more comprehensive ore characterization test work program to support moving forward with a potential scoping study.

Growth capital

The Company's total growth capital expenditures are expected to range between \$94 million and \$100 million, which primarily relate to the completion of the Krumovgrad gold project. The balance of \$9 million to \$11 million of additional growth capital includes \$2 million of resource development drilling at Chelopech, as well as \$7 million to \$9 million of margin improvement projects at Chelopech and Tsumeb.

Growth and Exploration

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

The exploration budget for 2018 was increased to approximately \$14 million from \$9 million in 2017. The increased budget will fund major drilling programs at Chelopech, consisting of 10,000 metres of underground drilling on the South East Breccia Pipe Zone ("SEBPZ") and 5,000 metres of surface drilling on the Krasta target, to follow up on 2017 drilling. Drill programs at Krumovgrad include resource development drilling at Surnak that is within the concession and scout drilling on nearby exploration licenses. A further 11,500 metres is planned for exploration and resource drilling at the Timok gold project in Serbia. The remaining exploration budget will be deployed primarily to other greenfield projects in Bulgaria, Serbia and the Malartic project in Quebec. Drill programs have commenced and were generally on schedule at the end of the second quarter.

REVIEW OF OPERATING RESULTS BY SEGMENT

Chelopech – Key Operational and Financial Highlights

| \$ thousands, unless otherwise indicated Ended June 30, | Three Months | | Six Months | |
|----------------------------------------------------------------------------------------|--------------------|-------------|--------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Operational Highlights | | | | |
| Ore mined (mt) | 568,897 | 569,711 | 1,125,914 | 1,132,098 |
| Ore processed (mt) | 554,997 | 584,794 | 1,113,146 | 1,125,388 |
| Head grade / Recoveries in copper concentrate (ore milled) | | | | |
| Gold (g/mt) / % | 3.35 / 55.9 | 3.74 / 53.9 | 3.90 / 54.1 | 3.76 / 52.0 |
| Copper (%) / % | 0.86 / 81.4 | 0.83 / 81.1 | 0.90 / 81.0 | 0.85 / 80.0 |
| Silver (g/mt) / % | 6.32 / 39.7 | 6.30 / 37.4 | 7.18 / 38.6 | 7.32 / 36.2 |
| Copper concentrate produced (mt) | 23,521 | 23,727 | 50,495 | 47,237 |
| Pyrite concentrate produced (mt) | 68,973 | 68,486 | 127,225 | 125,243 |
| Metals contained in copper and pyrite concentrates produced: | | | | |
| Gold in copper concentrate (ounces) | 33,420 | 37,949 | 75,603 | 70,622 |
| Gold in pyrite concentrate (ounces) | 14,852 | 15,525 | 30,000 | 29,223 |
| Copper (pounds) | 8,544,717 | 8,663,764 | 17,805,901 | 16,842,920 |
| Silver (ounces) | 44,708 | 44,278 | 99,075 | 95,913 |
| Cash cost per tonne of ore processed ^{(1),(3),(4)} | 35.62 | 31.66 | 36.43 | 32.44 |
| Cash cost per ounce of gold in copper concentrate produced ^{(1),(3),(5)} | 354 | 317 | 329 | 328 |
| Cash cost per pound of copper in copper concentrate produced ^{(1),(3),(5)} | 0.84 | 0.66 | 0.79 | 0.70 |
| Copper concentrate delivered (mt) | 31,409 | 20,087 | 50,705 | 45,603 |
| Pyrite concentrate delivered (mt) | 67,483 | 53,439 | 134,544 | 119,568 |
| Payable metals in copper and pyrite concentrates sold: | | | | |
| Gold in copper concentrate (ounces) ⁽⁶⁾ | 45,101 | 29,770 | 69,702 | 63,508 |
| Gold in pyrite concentrate (ounces) ⁽⁶⁾ | 9,559 | 7,889 | 20,114 | 17,629 |
| Copper (pounds) ⁽⁶⁾ | 10,397,638 | 6,761,505 | 16,481,797 | 15,077,130 |
| Silver (ounces) ⁽⁶⁾ | 54,090 | 36,324 | 90,587 | 78,753 |
| Cash cost per ounce of gold sold, net of by-product credits ^{(2),(3),(7),(8)} | 472 | 578 | 512 | 580 |
| Cost per tonne of copper concentrate sold ⁽⁹⁾ | 1,092 | 1,206 | 1,121 | 1,165 |
| Financial Highlights | | | | |
| Revenue ^{(10),(11)} | 72,017 | 42,980 | 117,890 | 95,018 |
| Cost of sales | 34,295 | 24,224 | 56,841 | 53,142 |
| Earnings before income taxes | 36,172 | 17,120 | 58,212 | 26,648 |
| Adjusted EBITDA ⁽³⁾ | 40,463 | 26,123 | 66,986 | 52,690 |
| Adjusted earnings before income taxes ⁽³⁾ | 32,538 | 16,990 | 51,046 | 34,333 |
| Depreciation | 7,769 | 9,035 | 15,616 | 18,127 |
| Capital expenditures incurred: | | | | |
| Growth ⁽³⁾ | 1,256 | 960 | 2,066 | 1,720 |
| Sustaining ⁽³⁾ | 1,439 | 3,656 | 2,268 | 5,248 |
| Total capital expenditures | 2,695 | 4,616 | 4,334 | 6,968 |

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

2) Includes payable gold in pyrite concentrate sold, and the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate of \$6.7 million and \$13.3 million in the second quarter and first six months of 2018, respectively, compared to \$6.1 million and \$12.7 million in the corresponding periods in 2017. Cash cost per ounce of gold sold, net of by-product credits, excluding payable gold in pyrite concentrate sold and related costs, in the second quarter and first six months of 2018 was \$424 and \$468, respectively, compared to \$526 and \$541 in the corresponding periods in 2017.

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

4) Cash cost per tonne of ore processed, excluding royalties, was \$32.50 and \$32.93 in the second quarter and first six months of 2018, respectively, compared to \$28.72 and \$29.39 in the corresponding periods in 2017.

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

6) Represents payable metals in copper and pyrite concentrates 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 and losses on copper swap and option contracts, divided by the payable gold in copper and pyrite concentrates sold.
- 8) Includes realized losses on copper swap and option contracts, entered to hedge a portion of projected payable production, of \$2.4 million and \$5.0 million during the second quarter and first six months of 2018, respectively, compared to \$1.3 million and \$3.3 million in the corresponding periods in 2017.
- 9) Represents cost of sales divided by volumes of copper concentrate delivered.
- 10) Revenue includes the value of payable metals sold, deductions for treatment charges, penalties, transportation and other selling costs, and mark-to-market adjustments and final settlements to reflect any physical and cost adjustments on provisionally priced sales. Net unfavourable mark-to-market adjustments and final settlements of \$3.1 million and \$2.0 million were recognized during the second quarter and first six months of 2018, respectively, compared to net favourable mark-to-market adjustments and final settlements of \$0.8 million and \$2.9 million in the corresponding periods in 2017. Deductions during the second quarter and first six months of 2018 were \$29.9 million and \$53.0 million, respectively, compared to \$23.5 million and \$49.8 million in the corresponding periods in 2017.
- 11) Following the implementation of IFRS 9 on January 1, 2018, revenue in the second quarter and first six months of 2018 includes 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. In 2017, these gains and losses were reported in other expense.

Operational Highlights – Chelopech

Concentrate and metal production

Copper concentrate produced during the second quarter of 2018 of 23,521 tonnes was comparable to the corresponding period in 2017. Copper concentrate produced during the first six months of 2018 of 50,495 tonnes was 7% higher than the corresponding period in 2017 due primarily to higher copper grades.

Pyrite concentrate produced during the second quarter and first six months of 2018 of 68,973 tonnes and 127,225 tonnes, respectively, was slightly higher than the corresponding periods in 2017.

Gold contained in copper concentrate produced during the second quarter of 2018 of 33,420 ounces was 12% lower than the corresponding period in 2017 due primarily to lower gold grades, partially offset by higher gold recoveries. Copper production in the second quarter of 2018 of 8.5 million pounds and silver production of 44,708 ounces were both comparable to the corresponding period in 2017.

In the first six months of 2018, gold contained in copper concentrate produced increased by 7% to 75,603 ounces, copper production increased by 6% to 17.8 million pounds and silver production increased by 3% to 99,075 ounces, in each case, relative to the corresponding period in 2017. The increase in gold production was due primarily to higher recoveries and higher than anticipated grades. The increase in gold recoveries was due primarily to different ore mineralogy and the benefits of various initiatives with a specific focus on improving metallurgical performance. The increase in copper production was due primarily to higher copper grades.

Gold contained in pyrite concentrate produced during the second quarter of 2018 of 14,852 ounces was 4% lower than the corresponding period in 2017 due primarily to lower than anticipated gold grades. Gold contained in pyrite concentrate produced during the first six months of 2018 of 30,000 ounces was 3% higher than the corresponding period in 2017 due primarily to the increase in pyrite concentrate produced.

Total gold production in the first six months of 2018 was higher than anticipated as a result of higher gold grades in the zones mined and higher recoveries, resulting in an increase in 2018 gold production guidance.

Deliveries

Deliveries of copper concentrate during the second quarter and first six months of 2018 of 31,409 tonnes and 50,705 tonnes, respectively, were 56% and 11% higher than the corresponding periods in 2017 due primarily to the timing of deliveries as well as the increase in concentrate produced in the first six months of 2018 relative to the corresponding period in 2017.

Deliveries of pyrite concentrate in the second quarter and first six months of 2018 of 67,483 tonnes and 134,544 tonnes, respectively, were 26% and 13% higher than the corresponding periods in 2017 due primarily to the timing of deliveries and increased demand.

In the second quarter of 2018, payable gold in copper concentrate sold increased by 51% to 45,101 ounces, payable copper increased by 54% to 10.4 million pounds and payable silver increased by 49% to 54,090 ounces, in each case, relative to the corresponding period in 2017. The increases in payable gold and copper were consistent with the increase in copper concentrate deliveries. Payable gold in pyrite

concentrate sold in the second quarter of 2018 was 9,559 ounces compared to 7,889 ounces in the corresponding period in 2017 due primarily to the increase in pyrite concentrate deliveries.

In the first six months of 2018, payable gold in copper concentrate sold increased by 10% to 69,702 ounces, payable copper increased by 9% to 16.5 million pounds and payable silver increased by 15% to 90,587 ounces, in each case, relative to the corresponding period in 2017. The increases in payable gold and copper were consistent with the increase in copper concentrate deliveries and higher gold and copper grades and higher gold recoveries. Payable gold in pyrite concentrate sold in the first six months of 2018 was 20,114 ounces compared to 17,629 ounces in the corresponding period in 2017 due primarily to the increase in pyrite concentrate deliveries.

Inventory

Copper concentrate inventory totaled 4,925 tonnes at June 30, 2018, down slightly from 5,135 tonnes at December 31, 2017.

Financial Highlights – Chelopech

Revenue

Revenue in the second quarter of 2018 of \$72.0 million was \$29.0 million higher than the corresponding period in 2017 due primarily to higher volumes of payable gold and copper in concentrate sold reflecting the timing of concentrate deliveries and higher realized gold and copper prices.

Revenue in the first six months of 2018 of \$117.9 million was \$22.9 million higher than the corresponding period in 2017 due primarily to higher realized gold and copper prices and higher volumes of payable gold and copper in concentrate sold as a result of higher gold and copper grades and higher gold recoveries.

Included in revenue were unfavourable mark-to-market price adjustments on provisionally priced sales of \$0.9 million and favourable adjustments of \$3.1 million during the second quarter and first six months of 2017, respectively. These adjustments were offset by gains and losses on QP Hedges, as defined in the “Financial Instrument” section of this MD&A under commodity swap and option contracts. In 2017, all gains or losses on QP Hedges were recorded in other expense. With the adoption of IFRS 9 on January 1, 2018, all gains or losses on QP Hedges are reported in revenue as they are now considered to be effective hedges under the new standard.

Cost of sales

Cost of sales in the second quarter and first six months of 2018 of \$34.3 million and \$56.8 million, respectively, was \$10.1 million and \$3.7 million higher than the corresponding periods in 2017 due primarily to higher copper concentrate deliveries and a stronger Euro relative to the U.S. dollar, partially offset by lower depreciation.

Cash cost measures

Cash cost per tonne of ore processed in the second quarter and first six months of 2018 of \$35.62 and \$36.43, respectively, was 13% and 12% higher than the corresponding periods in 2017 due primarily to a stronger Euro relative to the U.S. dollar.

Cash cost per ounce of gold sold, net of by-product credits, during the second quarter and first six months of 2018 of \$472 and \$512, respectively, was \$106 and \$68 lower than the corresponding periods in 2017 due primarily to higher by-product credits as a result of higher realized copper prices and volumes of copper sold, partially offset by a stronger Euro relative to the U.S. dollar.

Earnings before income taxes

Earnings before income taxes in the second quarter of 2018 of \$36.2 million were \$19.1 million higher than the corresponding period in 2017. This increase was due primarily to higher volumes of payable gold and copper in concentrate sold reflecting the timing of concentrate deliveries and higher realized gold and copper prices, partially offset by a stronger Euro relative to the U.S. dollar.

Earnings before income taxes in the first six months of 2018 of \$58.2 million were \$31.6 million higher than the corresponding period in 2017. This increase was due primarily to unrealized losses on commodity swap and option contracts in the first six months of 2017, which prior to the adoption of IFRS 9 did not receive hedge accounting, higher realized copper and gold prices and higher volumes of payable gold and copper in concentrate sold as a result of higher gold and copper grades and higher gold recoveries, partially offset by a stronger Euro relative to the U.S. dollar.

Adjusted EBITDA

Adjusted EBITDA in the second quarter of 2018 of \$40.5 million was \$14.4 million higher than the corresponding period in 2017 due primarily to higher volumes of payable gold and copper in concentrate sold reflecting the timing of deliveries and higher realized copper and gold prices, partially offset by a stronger Euro relative to the U.S. dollar.

Adjusted EBITDA in the first six months of 2018 of \$67.0 million was \$14.3 million higher than the corresponding period in 2017 due primarily to higher realized copper and gold prices and higher volumes of payable gold and copper in concentrate sold as a result of higher gold and copper grades and higher gold recoveries, partially offset by a stronger Euro relative to the U.S. dollar.

Adjusted earnings before income taxes

Adjusted earnings before income taxes in the second quarter and first six months of 2018 were \$32.5 million and \$51.0 million, respectively, compared to \$17.0 million and \$34.3 million in the corresponding periods in 2017.

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

| <i>(\$ millions)</i> | Three | Six |
|------------------------------------------------------------------|---------------|---------------|
| Ended June 30, | Months | Months |
| Adjusted earnings before income taxes - 2017 | 17.0 | 34.3 |
| Higher metal prices ⁽¹⁾ | 6.7 | 12.6 |
| Lower treatment charges and transportation costs | 0.7 | 2.4 |
| Higher volumes of metals sold | 10.6 | 3.3 |
| Lower (higher) cost per tonne of concentrate sold ⁽²⁾ | (1.5) | 1.5 |
| Other | 0.3 | 0.7 |
| Stronger Euro | (1.3) | (3.8) |
| Adjusted earnings before income taxes - 2018 | 32.5 | 51.0 |

1) Includes net gains and losses on commodity swap and option contracts.

2) Excludes impact of depreciation and foreign exchange.

Capital expenditures

Capital expenditures during the second quarter and first six months of 2018 of \$2.7 million and \$4.3 million, respectively, were \$1.9 million and \$2.7 million lower than the corresponding periods in 2017. These decreases were due primarily to the timing of expenditures.

Tsumeb – Key Operational and Financial Highlights

\$ thousands, unless otherwise indicated

| Ended June 30, | Three Months | | Six Months | |
|--------------------------------------------------------------------------------------------------|--------------|--------|------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Operational Highlights | | | | |
| Complex concentrate smelted (mt): | | | | |
| Chelopech | 21,184 | 23,099 | 41,327 | 37,705 |
| Third party | 25,225 | 37,544 | 59,224 | 64,573 |
| Total complex concentrate smelted | 46,409 | 60,643 | 100,551 | 102,278 |
| Cash cost per tonne of complex concentrate smelted, net of by-product credits ^{(1),(2)} | 548 | 417 | 522 | 472 |
| Acid production (mt) | 46,749 | 60,959 | 102,460 | 99,757 |
| Acid deliveries (mt) | 40,482 | 65,780 | 103,616 | 92,379 |
| Financial Highlights | | | | |
| Toll revenue ⁽³⁾ | 24,279 | 38,155 | 55,312 | 57,932 |
| Acid revenue | 4,101 | 5,567 | 9,897 | 8,225 |
| Arsenic trioxide revenue | - | 151 | - | 346 |
| Total revenue | 28,380 | 43,873 | 65,209 | 66,503 |
| Cost of sales | 35,363 | 39,231 | 74,355 | 73,246 |
| Earnings (loss) before income taxes | (7,740) | 2,174 | (12,394) | (10,565) |
| Adjusted earnings (loss) before interest, taxes, depreciation and amortization ⁽²⁾ | (1,030) | 10,483 | 1,163 | 5,469 |
| Adjusted earnings (loss) before income taxes ⁽²⁾ | (7,740) | 3,538 | (12,394) | (8,710) |
| Depreciation | 5,957 | 6,239 | 12,021 | 12,766 |
| Capital expenditures incurred: | | | | |
| Growth ⁽²⁾ | - | 607 | - | 1,338 |
| Sustaining ⁽²⁾ | 4,494 | 237 | 8,834 | 3,969 |
| Total capital expenditures | 4,494 | 844 | 8,834 | 5,307 |

1) Cash cost per tonne of complex concentrate smelted, net of by-product credits, represents cost of sales less depreciation and amortization, net of revenue related to the sale of acid divided by the volumes of complex concentrate smelted.

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

3) Includes deductions for stockpile interest and slag mill concentrate returns, and favourable or unfavourable estimated metals exposure.

Operational Highlights – Tsumeb

Production & Acid Deliveries

Complex concentrate smelted during the second quarter of 2018 of 46,409 tonnes was 23% or 14,234 tonnes lower than the corresponding period in 2017 due primarily to the timing of the Ausmelt furnace maintenance shutdown that resulted in 24 days of downtime in the second quarter of 2018.

Complex concentrate smelted during the first six months of 2018 of 100,551 tonnes was essentially the same as the corresponding period in 2017 affected by power related instability during the first quarter rainy season and Ausmelt off-gas system related downtime. The off-gas system refurbishment during the May maintenance shutdown is expected to provide improved operating continuity in the second half of 2018 and, as such, the full year 2018 concentrate throughput is expected to be within guidance. Following the furnace maintenance shutdown, the smelter has performed well and concentrate smelted in July surpassed the prior production record demonstrating the incremental improvements being achieved in smelting operations.

The 24-day maintenance shutdown was successfully executed in the second quarter of 2018 and concentrate smelted in the period was in line with expectations. The maintenance shutdown was deferred from March to May due to a significantly improved refractory campaign of 15 months representing both a time and tonnage record and it is expected that these campaigns can be extended in the future so as to support further improvements in performance.

Acid production in the second quarter of 2018 of 46,749 tonnes was 23% lower than the corresponding period in 2017 due primarily to lower volumes of complex concentrate smelted as a result of the timing of

the Ausmelt furnace maintenance shutdown, during which, the acid plant maintenance occurred. Acid production in the first six months of 2018 of 102,460 tonnes was 3% higher than the corresponding period in 2017 as a result of improved process efficiency and increased average sulphur content in concentrate smelted.

Acid deliveries in the second quarter of 2018 of 40,482 tonnes were 38% lower than the corresponding period in 2017 due primarily to the acid plant shutdown. Acid deliveries in the first six months of 2018 of 103,616 tonnes were 12% higher than the corresponding period in 2017 due primarily to increased acid production in 2018 and the timing of deliveries.

Financial Highlights - Tsumeb

Revenue

Revenue in the second quarter of 2018 of \$28.4 million was \$15.5 million lower than the corresponding period in 2017 due primarily to the timing of the Ausmelt furnace maintenance shutdown, which resulted in lower volumes of complex concentrate smelted and acid production in the period, lower estimated metal recoveries and higher stockpile interest as a result of increased metal prices and interest rates.

Revenue in the first six months of 2018 of \$65.2 million was \$1.3 million lower than the corresponding period in 2017 due primarily to lower third party toll rates and higher stockpile interest, partially offset by higher acid deliveries and higher estimated metal recoveries.

Cost of sales

Cost of sales in the second quarter of 2018 of \$35.4 million was \$3.8 million lower than the corresponding period in 2017 due primarily to lower volumes of complex concentrate smelted in the period resulting in a decrease in variable costs.

Cost of sales in the first six months of 2018 of \$74.4 million was \$1.2 million higher than the corresponding period in 2017 due primarily to a stronger ZAR relative to the U.S. dollar, partially offset by lower local currency operating expenses.

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

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the second quarter of 2018 of \$548 was 31% or \$131 higher than the corresponding period in 2017 due primarily to lower volumes of complex concentrate smelted, higher labour costs and electricity rates, a stronger ZAR relative to the U.S. dollar and lower acid by-product credits, partially offset by benefits realized from the cost reduction program, which resulted in lower contractor and consultant expenses.

Cash cost per tonne of complex concentrate smelted, net of by-product credits, during the first six months of 2018 of \$522 was 11% or \$50 higher than the corresponding period in 2017 due primarily to higher labour costs and electricity rates and a stronger ZAR relative to the U.S. dollar, partially offset by higher acid by-product credits and benefits realized from the cost reduction program, which resulted in lower contractor and consultant expenses.

Earnings (loss) before income taxes

Loss before income taxes in the second quarter of 2018 was \$7.7 million compared to earnings before income taxes of \$2.1 million in the corresponding period in 2017. This loss was due primarily to lower volumes of complex concentrate smelted and acid deliveries as a result of the Ausmelt furnace maintenance shutdown, lower estimated metal recoveries, higher stockpile interest as a result of increased metal prices and interest rates, and a stronger ZAR relative to the U.S. dollar.

Loss before income taxes in the first six months of 2018 was \$12.4 million compared to \$10.6 million in the corresponding period in 2017. The higher loss was due primarily to lower third party toll rates, a stronger

ZAR relative to the U.S. dollar and higher stockpile interest, partially offset by higher acid deliveries and higher estimated metal recoveries.

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

Adjusted loss before interest, taxes, depreciation and amortization in the second quarter of 2018 was \$1.0 million and adjusted EBITDA in the first six months of 2018 was \$1.2 million, respectively, compared to adjusted EBITDA of \$10.5 million and \$5.5 million in the corresponding periods in 2017 reflecting the same factors affecting loss before income taxes.

Adjusted earnings (loss) before income taxes

Adjusted loss before income taxes during the second quarter of 2018 was \$7.7 million compared to adjusted earnings before income taxes of \$3.5 million in the corresponding period in 2017. Adjusted loss before income taxes during the first six months of 2018 was \$12.4 million compared to \$8.7 million in the corresponding period in 2017.

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

| <i>(\$ millions)</i> | Three | Six |
|------------------------------------------------------------|---------------|---------------|
| Ended June 30, | Months | Months |
| Adjusted earnings (loss) before income taxes - 2017 | 3.5 | (8.7) |
| Stronger ZAR ⁽¹⁾ | (1.5) | (3.3) |
| Lower toll rates | (0.1) | (2.7) |
| Higher stockpile interest | (2.0) | (2.4) |
| Lower (higher) operating expenses ⁽²⁾ | 2.6 | (0.5) |
| Other ⁽³⁾ | 1.9 | 2.9 |
| Higher (lower) estimated metal recoveries | (2.8) | 1.8 |
| Higher (lower) volumes | (9.3) | 0.5 |
| Adjusted loss before income taxes - 2018 | (7.7) | (12.4) |

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

2) Excludes impact of depreciation and foreign exchange.

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

Capital expenditures

Capital expenditures during the second quarter and first six months of 2018 of \$4.5 million and \$8.8 million, respectively, were \$3.7 million and \$3.5 million higher than the corresponding periods in 2017 reflecting higher planned capital expenditures for 2018.

REVIEW OF CORPORATE AND OTHER SEGMENT RESULTS

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

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

| \$ thousands Ended June 30, | Three Months | | Six Months | |
|---------------------------------------------------------------------------------------|--------------|---------|------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Financial Highlights | | | | |
| General and administrative expenses, excluding depreciation and MineRP ⁽¹⁾ | (3,491) | (2,908) | (10,494) | (9,403) |
| Corporate social responsibility expenses | (245) | (465) | (504) | (800) |
| Exploration expenses | (2,650) | (2,430) | (4,164) | (3,851) |
| MineRP | (1,306) | - | (2,280) | - |
| Other income (expense) ^{(2),(3)} | (133) | 373 | 421 | 586 |
| Adjusted loss before interest, taxes, depreciation and amortization | (7,825) | (5,430) | (17,021) | (13,468) |

1) Excludes depreciation of \$0.2 million and \$0.3 million in the second quarter and first six months of 2018, respectively, compared to \$0.2 million and \$0.3 million in the corresponding periods in 2017.

2) In the second quarter and first six months of 2018, excludes net losses on Sabina special and other warrants.

3) In the second quarter and first six months of 2017, excludes net gains on Sabina special warrants and unrealized gains and losses on commodity swap and option contracts entered to hedge a portion of future production and unrealized losses on forward foreign exchange contracts, which are now included in other comprehensive income (loss).

General and administrative expenses

General and administrative expenses, excluding depreciation, in the second quarter and first six months of 2018 of \$3.5 million and \$10.5 million, respectively, were \$0.6 million and \$1.1 million higher than the corresponding periods in 2017 due primarily to unfavourable mark-to-market adjustments related to share based compensation.

Exploration expenses

Exploration expenses during the second quarter and first six months of 2018 of \$2.7 million and \$4.2 million, respectively, were comparable to the corresponding periods in 2017. Refer to the "Exploration" section of this MD&A for a more detailed discussion of the Company's exploration activities.

MineRP

The following table summarizes MineRP's results:

| \$ thousands Ended June 30, | Three Months | | Six Months | |
|---------------------------------------------------------------------|--------------|---------------------|------------|---------------------|
| | 2018 | 2017 ⁽¹⁾ | 2018 | 2017 ⁽¹⁾ |
| Revenue | 2,480 | - | 6,666 | - |
| Cost of sales | 5,901 | - | 6,104 | - |
| General and administrative expenses | (2,134) | - | 2,750 | - |
| Adjusted loss before interest, taxes, depreciation and amortization | (1,306) | - | (2,280) | - |

1) MineRP was acquired in October 2017.

Revenue for the second quarter and first six months of 2018 was below expectation due primarily to lower software sales and related project implementation fees as a result of the timing associated with entering contracts with several new customers, which is expected to begin in the second half of 2018. Income related to support and maintenance and software assurance remained in line with expectation. During the second quarter of 2018, certain costs amounting to \$2.6 million that were directly associated with the generation of

revenue previously reported in MineRP's general and administrative expenses in the first quarter of 2018 were reclassified to cost of sales.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2018, the Company had cash of \$13.9 million, investments valued at \$35.0 million primarily related to its 10% interest in Sabina, and \$236.0 million of undrawn capacity under its RCF.

The Company's liquidity is impacted by several factors which include, but are not limited to, gold, copper and silver market prices, production levels, capital expenditures, operating cash costs, interest rates and foreign exchange rates. These factors are monitored by the Company on a regular basis. As at June 30, 2018, the Company's cash resources and available lines of credit under its RCF continue to provide sufficient liquidity and cash resources to meet its current operating and capital expenditure requirements, as well as all contractual commitments. The Company may, from time to time, raise additional capital to ensure it maintains its financial strength and has sufficient liquidity to support its discretionary growth capital projects and the overall needs of the business.

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

| <i>\$ thousands</i> | Three Months | | Six Months | |
|-------------------------------------------------------------------------------------|---------------------|----------|-------------------|----------|
| Ended June 30, | 2018 | 2017 | 2018 | 2017 |
| Cash provided from operating activities, before changes in non-cash working capital | 28,622 | 25,676 | 47,066 | 42,656 |
| Changes in non-cash working capital | (8,679) | (8,578) | (16,080) | 9,008 |
| Cash provided from operating activities | 19,943 | 17,098 | 30,986 | 51,664 |
| Cash used in investing activities | (25,859) | (14,643) | (58,836) | (31,103) |
| Cash provided from (used in) financing activities | 5,011 | (18,137) | 12,944 | (12,452) |
| Increase (decrease) in cash | (905) | (15,682) | (14,906) | 8,109 |
| Cash at beginning of period | 14,766 | 35,548 | 28,767 | 11,757 |
| Cash at end of period | 13,861 | 19,866 | 13,861 | 19,866 |

Cash at June 30, 2018 of \$13.9 million was \$6.0 million lower than the corresponding period in 2017. The primary factors impacting these cash flow movements are summarized below.

Operating Activities

Cash provided from operating activities in the second quarter of 2018 was \$19.9 million compared to \$17.1 million in the corresponding period in 2017. This increase was due primarily to the timing of the settlement of derivative contracts. Cash provided from operating activities in the first six months of 2018 was \$30.9 million compared to \$51.7 million in the corresponding period in 2017. This decrease was due primarily to an unfavourable period over period change in non-cash working capital and higher income taxes paid, partially offset by improved financial results.

The unfavourable change in non-cash working capital in the second quarter of 2018 of \$8.7 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers, partially offset by a decrease in inventories as a result of the timing of deliveries. The unfavourable change in non-cash working capital in the second quarter of 2017 of \$8.6 million was due primarily to an increase in inventories as a result of the timing of concentrate deliveries and an increase in accounts receivable as a result of the timing of receipts from customers, partially offset by an increase in accounts payable.

The unfavourable change in non-cash working capital in the first six months of 2018 of \$16.1 million was due primarily to an increase in accounts receivable as a result of the timing of receipts from customers, partially offset by an increase in accounts payable and accrued liabilities. The favourable change in non-cash working capital in the first six months of 2017 of \$9.0 million was due primarily to a decrease in accounts receivable as a result of the timing of receipts from customers.

Cash provided from operating activities, before changes in non-cash working capital, during the second quarter and first six months of 2018 was \$28.6 million and \$47.0 million, respectively, compared to \$25.7 million and \$42.7 million in the corresponding periods in 2017.

Investing Activities

Cash used in investing activities in the second quarter and first six months of 2018 was \$25.8 million and \$58.8 million, respectively, compared to \$14.6 million and \$31.1 million in the corresponding periods in 2017.

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

| <i>\$ thousands</i> Ended June 30, | Three Months | | Six Months | |
|----------------------------------------------|---------------------|--------|-------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Chelopech | 1,799 | 3,779 | 3,475 | 5,816 |
| Tsumeb | 3,406 | 3,198 | 7,649 | 6,443 |
| Krumovgrad ⁽¹⁾ | 19,173 | 12,072 | 42,104 | 22,868 |
| Other | 75 | 42 | 229 | 444 |
| Total cash capital expenditures | 24,453 | 19,091 | 53,457 | 35,571 |

1) Includes proceeds from the settlement of derivative contracts of \$1.3 million (2017 - \$nil) and \$2.9 million (2017 - \$nil) in the second quarter and first six months of 2018, respectively.

Cash outlays for capital expenditures in the second quarter and first six months of 2018 of \$24.4 million and \$53.4 million, respectively, were \$5.3 million and \$17.8 million higher than the corresponding periods in 2017 due primarily to increased construction activities at the Krumovgrad gold project.

During the six months ended June 30, 2018, as a result of equity issuances undertaken by Sabina, the Company purchased 3.2 million common shares of Sabina at an average price of \$1.66 (Cdn\$2.10) per share for a total cost of \$5.4 million (Cdn \$6.7 million) so as to maintain its ownership in Sabina in excess of 10%.

Financing Activities

Cash provided from financing activities in the second quarter and first six months of 2018 was \$5.0 million and \$13.0 million, respectively, compared to cash used in financing activities of \$18.1 million and \$12.4 million in the corresponding periods in 2017.

Drawdowns under the RCF to partially fund Krumovgrad construction in the second quarter and first six months of 2018 totaled \$6.0 million and \$16.0 million, respectively, compared to repayments of \$nil and \$25.0 million in the corresponding periods in 2017.

In the first six months of 2017, the Company completed a non-brokered private placement with the European Bank for Reconstruction and Development ("EBRD") for gross proceeds of \$33.2 million (Cdn\$43.7 million).

In the second quarter of 2017, repayment of debt was \$16.3 million following DPM's decision to prepay the final installment of its Term Loans, which were scheduled to be repaid in December 2017.

Interest paid in the second quarter and first six months of 2018 was \$1.7 million and \$3.4 million, respectively, compared to \$1.4 million and \$2.8 million in the corresponding periods in 2017 reflecting drawdowns under the RCF and higher interest rates.

Financial Position

| <i>\$ thousands</i> | June | December | Increase/ |
|-----------------------------------------------------------|-----------------|----------|-------------------|
| As at, | 30, 2018 | 31, 2017 | (Decrease) |
| Cash | 13,861 | 28,767 | (14,906) |
| Accounts receivable, inventories and other current assets | 86,061 | 69,810 | 16,251 |
| Investments at fair value | 35,009 | 48,411 | (13,402) |
| Non-current assets, excluding investments at fair value | 726,862 | 697,762 | 29,100 |
| Total assets | 861,793 | 844,750 | 17,043 |
| Current liabilities | 75,714 | 80,317 | (4,603) |
| Non-current liabilities | 157,167 | 130,945 | 26,222 |
| Equity attributable to common shareholders | 622,151 | 626,162 | (4,011) |
| Non-controlling interests | 6,761 | 7,326 | (565) |

Cash decreased by \$14.9 million to \$13.9 million during the first six months of 2018 reflecting the timing of drawdowns and repayments under the RCF. Accounts receivable, inventories and other current assets increased by \$16.3 million to \$86.1 million due primarily to the timing of receipts from customers. Investments at fair value decreased by \$13.4 million to \$35.0 million due primarily to the decrease in Sabina's share price. Non-current assets, excluding investments at fair value, increased by \$29.1 million to \$726.9 million due primarily to capital expenditures at Krumovgrad, Tsumeb and Chelopech, partially offset by depreciation expense.

Non-current liabilities increased by \$26.2 million to \$157.2 million during the first six months of 2018 due primarily to drawdowns under the RCF, an increase in deferred revenue related to the deemed financing expense in respect of the prepaid forward gold sales arrangement as a result of adoption of IFRS 15 (refer to the "Changes in Accounting Policies" section of this MD&A for further discussion concerning this change in accounting policy) and an increase in financial leases related to Krumovgrad's mobile equipment fleet.

Contractual Obligations, Commitments and Contingencies

The Company had the following minimum contractual obligations and commitments as at June 30, 2018:

| <i>\$ thousands</i> | up to 1 year | 1 – 5 years | over 5 years | Total |
|------------------------------------------------------|---------------------|--------------------|---------------------|----------------|
| Debt | 1,806 | 39,000 | - | 40,806 |
| Finance lease obligations | 3,714 | 15,347 | 5,886 | 24,947 |
| Capital commitments | 46,815 | - | - | 46,815 |
| Purchase commitments | 12,530 | 11,999 | 8 | 24,537 |
| Operating lease obligations | 1,155 | 2,446 | 832 | 4,433 |
| Other obligations | 421 | 502 | 21 | 944 |
| Total contractual obligations and commitments | 66,441 | 69,294 | 6,747 | 142,482 |

As at June 30, 2018, Tsumeb had approximately \$76.9 million (December 31, 2017 – \$112.2 million) of recoverable third party in-process secondary materials, which it is obligated to process and return, generally in the form of blister, to IXM S.A. ("IXM") (formerly Louis Dreyfus Company Metals Suisse) pursuant to a tolling agreement.

In July 2017, the Company and IXM agreed to amend the existing tolling agreement to provide for, among other things, lower stockpile interest deductions on excess secondary materials, specified quarterly targeted reductions designed to eliminate excess secondary materials, representing at that time approximately \$90.0 million, over a period that extends to December 31, 2020, the purchase of secondary materials in excess of established quarterly targeted levels, and the extension of the tolling agreement by one year. During the six months ended June 30, 2018, the purchase of secondary materials was not required. Since July 2017, the Company has reduced the quantity of copper-in-secondaries by approximately 40%. As at June 30, 2018, the value of excess secondary materials was approximately \$50.0 million.

Debt

As at June 30, 2018, the Company's total outstanding debt was \$40.8 million. As at June 30, 2018, the Company's total debt, as a percentage of total capital, was 6% (December 31, 2017 – 4%) and the Company's total debt, net of cash, as a percentage of total capital, was 4% (December 31, 2017 – negative 1%). As at June 30, 2018, the Company was in compliance with all of its debt covenants.

DPM RCF

DPM has a committed RCF with a consortium of banks. In April 2018, the RCF was amended to extend the terms of tranche B by an additional year. As at June 30, 2018, the RCF is comprised of a \$45.0 million tranche A maturing in February 2022, a \$150.0 million tranche B maturing in February 2021, and an \$80.0 million tranche C maturing in September 2021 that has quarterly availability reductions of \$4.0 million beginning in the third quarter of 2018.

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

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

As at June 30, 2018, \$39.0 million (December 31, 2017 – \$23.0 million) was drawn under the RCF.

Tsumeb Overdraft Facility

In April 2018, Tsumeb entered into a Namibian \$50.0 million (\$3.6 million) demand overdraft facility that is guaranteed by DPM. This facility bears interest at a rate equal to the Namibian Prime Lending Rate minus 0.50%. As at June 30, 2018, \$1.8 million was drawn from this facility, which was included in accounts payable and accrued liabilities.

Credit Agreements and Guarantees

Chelopech and Krumovgrad have a \$16.0 million multi-purpose credit facility that matures on November 30, 2018. This credit facility is guaranteed by DPM. As at June 30, 2018, \$4.1 million (December 31, 2017 – \$5.5 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech and Krumovgrad also have a Euro 21.0 million (\$24.5 million) credit facility to support mine closure and rehabilitation obligations. This credit facility matures on November 30, 2018 and is guaranteed by DPM. As at June 30, 2018, \$22.4 million (December 31, 2017 - \$23.0 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

Krumovgrad has a \$5.3 million multi-purpose credit facility that matures on November 30, 2018. This credit facility is guaranteed by DPM. As at June 30, 2018, \$0.1 million (December 31, 2017 – \$0.1 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Advances under these facilities bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 2.5%. The letters of credit and guarantee bear a fee of 0.6% based on the amounts issued.

Outstanding Share Data

DPM's common shares are traded on the TSX under the symbol DPM. As at July 31, 2018, 178,513,805 common shares were issued and outstanding.

DPM also has 5,579,162 stock options outstanding as at July 31, 2018 with exercise prices ranging from Cdn\$2.05 to Cdn\$3.96 per share (weighted average exercise price – Cdn\$3.08 per share).

Normal Course Issuer Bid

On May 11, 2018, DPM announced that the TSX accepted its notice of intention to renew its normal course issuer bid (the "New Bid") to repurchase certain of its common shares through the facilities of the TSX. The Company commenced a normal course issuer bid on May 16, 2017, which was set to expire on May 15, 2018. Under the New Bid, the Company can purchase up to 8.9 million common shares during the period of the New Bid, which commenced on May 16, 2018 and terminates on May 15, 2019, representing approximately 5% of the 178.5 million outstanding common shares as of May 3, 2018. The actual timing and number of common shares that may be purchased pursuant to the New Bid will be subject to the requirements of the TSX, DPM's ongoing capital requirements and management's view that, from time to time, DPM's common shares trade at prices well below the underlying value of the Company and during these periods the repurchase of common shares represents an excellent opportunity to enhance shareholder value.

As at July 31, 2018, the Company had not purchased any common shares under the Bid.

Other

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

FINANCIAL INSTRUMENTS

Investments at fair value

As at June 30, 2018, the Company's investments at fair value were \$35.0 million, the vast majority of which related to the value of its investment in Sabina common shares and special warrants. Sabina is an emerging precious metals company with district scale, undeveloped assets in Nunavut, Canada. Its 100% owned Back River project is advancing through the environmental assessment process with final hearings with the Nunavut Impact Review Board ("NIRB") completed between May 31 and June 3, 2017. On December 20, 2017, Sabina announced that the NIRB had issued the final Project Certificate, which allows Sabina to advance through the final licensing and permitting stage. In April 2018, Sabina and Kitikmeot Inuit Association finalized a 20-year benefit and land tenure agreements.

During the six months ended June 30, 2018, as a result of equity issuances undertaken by Sabina, the Company purchased 3.2 million common shares of Sabina at an average price of \$1.66 (Cdn\$2.10) for a total cost of \$5.4 million (Cdn\$6.7 million), including 2.2 million common shares of Sabina purchased from Jonathan Goodman, a director of the Company, at the market price of \$1.81 (Cdn \$2.26) per share, so as to maintain an ownership interest in Sabina in excess of 10%. As at June 30, 2018, DPM held: (i) 26,785,913 common shares of Sabina or 10.2% of the outstanding common shares (fair value of Cdn \$40.4 million) and (ii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the Back River project or upon the occurrence of certain other events. Each of the special warrants is exercisable into one common share until 2044.

The fair value of the Sabina Series B special warrants, including significant assumptions, is detailed in note 4(a) to DPM's condensed interim consolidated financial statements for the three and six months ended June 30, 2018. For the three and six months ended June 30, 2018, the Company recognized unrealized losses on the Sabina special warrants of \$0.2 million (2017 – unrealized gains of \$0.8 million) and \$1.8

million (2017 – unrealized gains of \$2.0 million), respectively, in other expense in the condensed interim consolidated statements of earnings (loss).

Publicly traded securities, which are comprised primarily of Sabina common shares, were previously classified as available-for-sale under International Accounting Standard (“IAS”) 39 as management intended to hold them for the medium to long-term. Upon adoption of IFRS 9, the Company elected to present changes in the fair value of all its equity investments previously classified as available-for-sale in other comprehensive income or loss, as these investments are not held for trading. Refer to the “Changes in Accounting Policies” section of this MD&A for further discussion concerning this change in accounting policy.

For the three and six months ended June 30, 2018, the Company recognized unrealized losses on these publicly traded securities of \$2.6 million (2017 – unrealized gains of \$8.9 million) and \$17.1 million (2017 – unrealized gains of \$19.0 million), respectively, in other comprehensive income (loss) that will not be reclassified subsequently to profit or loss. Had the Company not adopted IFRS 9, these unrealized losses for the three and six months ended June 30, 2018 would have been presented in other comprehensive income or loss and would have been subsequently reclassified to the consolidated statements of earnings (loss) once realized.

Commodity swap and option contracts

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

As at June 30, 2018, the Company had outstanding QP Hedges as summarized in the table below:

| Commodity hedged | Volume hedged | Average fixed price of QP Hedges |
|-------------------------|----------------------|-----------------------------------------|
| Payable gold | 18,530 ounces | \$1,256.66/ounce |
| Payable copper | 3,328,976 pounds | \$2.99/pound |
| Payable silver | 15,080 ounces | \$15.98/ounce |

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

As at June 30, 2018, the Company had outstanding commodity swap contracts in respect of its projected copper production as summarized in the table below:

| Year of projected production | Volume of copper hedged (pounds) | Average fixed price of Production Hedges (\$/pound) |
|-------------------------------------|-----------------------------------------|------------------------------------------------------------|
| Balance of 2018 | 9,583,483 | 2.62 |

As at June 30, 2018, the Company had outstanding commodity option contracts in respect of its projected copper production as summarized in the table below:

| Year of projected production | Volume of copper hedged (pounds) | Call options sold Average ceiling price (\$/pound) | Put options purchased Average floor price (\$/pound) |
|-------------------------------------|-----------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------|
| Balance of 2018 | 6,349,306 | 3.32 | 2.80 |

The commodity swap and option contracts did not qualify for hedge accounting previously as component hedging was not permitted under IAS 39. Upon adoption of IFRS 9, the Company is now able to designate

the spot component of commodity swap contracts and the intrinsic value of the commodity option contracts in respect of Production Hedges as cash flow hedges and the spot component of commodity swap contracts in respect of QP Hedges as fair value hedges. Refer to the “Changes in Accounting Policies” section of this MD&A for further discussion concerning this change in accounting policy.

The fair value gain or loss on commodity swap contracts was calculated based on the corresponding LME forward copper prices and New York Commodity Exchange forward gold and silver prices, as applicable. The fair value gain or loss on commodity option contracts was calculated based on the option prices quoted on the Commodity Exchange (a part of the Chicago Mercantile Exchange). As at June 30, 2018, the net fair value loss on all outstanding commodity swap and option contracts was \$3.6 million (December 31, 2017 – \$15.0 million), of which \$0.1 million (December 31, 2017 – \$nil) was included in other current assets and \$3.7 million (December 31, 2017 – \$15.0 million) in accounts payable and accrued liabilities.

For the three and six months ended June 30, 2018, the Company recognized unrealized losses of \$1.0 million and unrealized gains of \$3.8 million, respectively, in other comprehensive income (loss) on outstanding commodity swap and option contracts. The Company also recognized net gains of \$1.4 million and \$2.4 million for the three and six months ended June 30, 2018, respectively, in revenue on settled contracts. Had the Company not adopted IFRS 9, net gains of \$0.4 million and \$6.2 million for the three and six months ended June 30, 2018, respectively, would have been recognized in other expense in the condensed interim consolidated statements of earnings (loss).

For the three and six months ended June 30, 2017, the Company recognized unrealized gains of \$1.4 million and unrealized losses of \$8.5 million, respectively, on commodity swap and option contracts in other expense. The Company also recognized realized losses on settled contracts of \$2.5 million and \$5.6 million in other expense for the three and six months ended June 30, 2017, respectively, in other expense.

Approximately 85% of the Company’s expected payable copper production for the balance of 2018 has been hedged.

Forward foreign exchange contracts

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

As at June 30, 2018, the Company had outstanding forward foreign exchange contracts in respect of its projected foreign denominated operating expenses and capital expenditures over the balance of 2018 as summarized in the table below:

| Exposures hedged | Foreign currency hedged | Amount hedged in foreign currency | Average exchange rate Foreign currency/US\$ |
|-------------------------|--------------------------------|------------------------------------------|----------------------------------------------------|
| Operating expenses | ZAR | 759,497,125 | 13.1629 |
| Capital expenditures | Euro | 16,489,000 | 1.1328 |

Namibian dollar (which is pegged to the ZAR) operating expenses relating to Tsumeb have been largely hedged for the balance of 2018. The Euro capital expenditure hedges relating to the construction of the Krumovgrad gold project represent approximately 50% of all projected Euro capital expenditures for the balance of 2018.

The Company continues to designate the spot component of the forward foreign exchange contracts as a cash flow hedge. Upon adoption of IFRS 9, the forward point component of forward foreign exchange contracts is now treated as a separate cost of hedging. Refer to the “Changes in Accounting Policies” section of this MD&A for further discussion concerning this change in accounting policy.

The fair value gain or loss on these outstanding contracts was calculated based on forward foreign exchange rates quoted in the market. As at June 30, 2018, the fair value loss on all outstanding forward foreign exchange contracts was \$2.4 million, which was included in accounts payable and accrued

liabilities. As at December 31, 2017, the fair value gain on all outstanding forward foreign exchange contracts was \$6.3 million, which was included in other current assets.

For the three and six months ended June 30, 2018, the Company recognized unrealized losses of \$9.5 million (2017 – unrealized gains of \$6.7 million) and \$9.2 million (2017 – unrealized gains of \$9.6 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 \$0.3 million (2017 – \$0.5 million) and realized gains of \$0.7 million (2017 – realized losses of \$1.7 million) for the three and six months ended June 30, 2018, respectively, in cost of sales on the spot component of the settled contracts in respect of foreign denominated operating expenses. The Company also recognized realized gains of \$1.2 million (2017 – \$nil) and \$3.4 million (2017 – \$nil) for the three and six months ended June 30, 2018, respectively, as reductions to mine properties on the spot component of the settled contracts in respect of foreign denominated capital expenditures.

For the three and six months ended June 30, 2018, the Company recognized \$0.3 million and \$0.5 million, respectively, of unrealized gains on the forward point component of the outstanding forward foreign exchange contracts in other comprehensive income (loss) as a deferred cost of hedging. The Company also recognized realized gains of \$0.4 million and \$0.6 million for the three and six months ended June 30, 2018, respectively, in cost of sales on the forward point component of the settled contracts in respect of foreign denominated operating expenses. The Company also recognized realized losses of \$0.5 million and \$0.8 million for the three and six months ended June 30, 2018, respectively, as additions to mine properties on the forward point component of the settled contracts in respect of foreign denominated capital expenditures. Had the Company not adopted IFRS 9, net gains of \$0.2 million and \$0.3 million in the second quarter and first six months of 2018, respectively, would have been recorded in other expense in the condensed interim consolidated statements of earnings (loss).

For the three and six months ended June 30, 2017, the Company recognized unrealized losses of \$1.8 million and \$2.3 million, respectively, in other expense on the forward point component of the outstanding forward foreign exchange contracts. The Company also recognized realized gains of \$1.5 million and \$2.9 million for the three and six months ended June 30, 2017, respectively, in other expense on the forward point component of the settled contracts.

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

EXPLORATION

Chelopech Overview

In the second quarter of 2018, a total of 8,977 metres of resource development diamond drilling was completed, which comprised 2,715 metres of grade control drilling aimed to better define the shape and volume of existing ore bodies and 6,262 metres of extensional drilling designed to explore for new mineralization along modeled trends.

Resource development drilling concentrated on the upper levels of Blocks 150 and 18 with the aim to expand the current orebody extents and convert Mineral Resources into Mineral Reserves. Further to this, the areas down plunge of Blocks 151 and 19 were also drilled during the quarter.

A detailed review of the second quarter of 2018 drilling program and the attributable results is discussed below.

Central Area

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

concentrated on Target 7, which is an exploration target located close to existing underground infrastructure.

Target 7

As a result of the drilling from position G31-505-DDC1, high-grade mineralization was discovered within a new advanced-argillic alteration zone. It is located about 200 metres east of Block 18 between 570 mRL and 460 mRL. The new zone was intersected by nine holes which returned a narrow, steeply dipping zone of mineralization. Mineralization is still open in a southeasterly direction. The mineralization is a typical high-sulfidation mineral assemblage presented as a stockwork bearing pyrite, enargite and tennantite. The current density of drilling along the Target 7 is variable and additional drilling is required to ensure a regular grid of data. Significant results are shown in the table below (see drillholes "EXT18_505_13", "EXT18_505_17", "EXT18_505_18", and "EXT18_505_20").

Block 18

Approximately 1,970 metres were drilled toward Block 18 from cuddy G31-505-DDC1 on 505 level. As a result of drilling, the mineralization contours in the northeastern part of the block were extended between 450 mRL and 280 mRL (see drillholes "EXT18_505_14", "EXT18_505_17", "EXT18_505_18", "EXT18_505_19"). The drilling will continue during the fourth quarter of 2018 to improve the data coverage in this area.

Additionally, four grade control drillholes from position 19E-290-P2 were drilled toward Block 18 in the period. Assay results are pending.

Block 19

During the first quarter of 2018 a series of grade control holes were completed from position 19E-230-P7, which aimed to improve the orebody contours in the northeastern part of Block 19. The results were received in the second quarter and significant intervals from drillholes "G19E_230_10", "G19E_230_11", "G19E_230_12" and "G19E_230_13" are shown in table below.

Subsequently, grade control drilling was completed from cuddy 19-320-P5 on level 435m, targeting Block 19. These holes were designed to check the continuity of mineralization in a southerly direction and to facilitate the conversion of Mineral Resources to Mineral Reserves. As a result of this drilling, the shape and volume of Block 19 were better defined between 370 mRL and 270 mRL. Significant results are presented in the table below within holes "G19_320_18", "G19_320_20", "G19_320_21" and "G19_320_24".

Block 8

Three drillholes were completed during the second quarter, targeting Block 8 from drill location G31-505-DDC1. Assay results are pending.

Surface drilling

At the end of the second quarter of 2018, a new surface drilling program commenced that aimed to determine the potential of a new mineralized zone termed "700". The target area coincides with a NW – SE structural trend which has been assessed as having high potential for hosting new mineralization. Based on historical mapping of silica envelope on the upper levels of the southeast mining area and several historical holes which returned ore-grade mineralization, a 3D model of the target was generated and will be used for drill testing.

Western Area

Block 150

During the second quarter of 2018, an extensional drilling program commenced from position G421-405-DDC on level 405 targeting the upper levels of Blocks 150. A large advanced-argillic alteration envelope was previously identified in this area as part of the upper levels drilling program. The drilling program was

designed to investigate this alteration zone, with the view that an extension to the Block 150 ore body might be present. This area is viewed as an attractive target due to the potential for it to host ore-grade mineralization close to current underground infrastructure.

The results from this program confirm the presence of high-grade mineralization within the north-eastern part of Block 150. As an outcome, the contours of mineralization have been significantly extended along strike between 500 mRL and 320 mRL.

The intersected mineralization is typical for the upper levels of Block 150, presented as a stockwork body bearing pyrite, enargite and tennantite that transitions from semi-massive to massive sulphide mineralization. The first 16 intercepts are presented within the table below, with significant results attributable to Block 150 referred to within the "EXT150_405" drillhole series. Testing of this high potential area will continue in the third quarter of 2018 to allow this new extension to be included in subsequent Mineral Resource updates.

Block 151

In the second quarter of 2018, a total of 1,267 metres of grade control drilling was completed targeting Block 151. The drillholes from position 151-330-P2 expanded the northeastern part of the ore body between 350 mRL and 300 mRL. Refer to drillholes "G151_330_36", "G151_330_39", "G151_330_42", "G151_330_43" and "G151_330_44" in the table below for assay results.

Additionally, a short program from position 103-240-SD was directed toward the western part of Block 103 and southeastern part of Block 151. Drillholes aimed to better define the shape and volume of existing ore bodies. Refer to drillhole "G151_240_03" for a significant result returned from this program, which is interpreted as a small offshoot from the main Block 151 ore body.

Block 153

The remaining assay results from the Block 153 program that was completed in the first quarter of 2018 have been received. Significant intercepts are shown from holes "EXT153_505_18" and "EXT153_505_21". Results to date indicate a series of discrete zones of high-grade mineralization, encompassed within a wide envelope of silica alteration.

Outlook

The resource development drilling planned for the next quarter is focused on the upper levels of Block 150 and to the northeast of Block 18. As a consequence of the positive results from the Block 150 extensional drilling program on level 405, the drilling will continue from this location during the third quarter of 2018. Drilling will aim to expand the current ore body contours in upper levels of Block 150 and to allow the new extension to be included in subsequent Mineral Resource updates.

The surface drilling program for Target 700 will be continuing, with the aim of exploring for new zones of mineralization. This area is viewed as having high potential to host new mineralization.

Drilling towards Target 148 will re-commence in the fourth quarter of 2018. The purpose of the next program of drilling is to determine the continuity of mineralization, with the goal of converting this discovery to higher confidence Mineral Resource categories and ultimately Mineral Reserves.

Additionally, DPM plans to test the following targets:

- Grade control drilling in Block 151 between levels 260 mRL and 225 mRL to test the current ore contours and possibly extend them in a southwest direction;
- Grade control drilling in the south-western part of Block 19 between 360 mRL and 310 mRL and in eastern part of Block 19E between 330 mRL and 260 mRL;
- Grade control drilling in Block 147 to check the continuity of mineralization, to better define the ore body contours and for geotechnical purposes;
- Extensional drilling for Target 7 with the goal of determining the continuity and south-easterly extents of mineralization;
- Extensional drilling in a new target area termed "North", located in the northeast section of Chelopech deposit close to the boundary of Block 19 between 140 mRL and 160 mRL. The

mineralization is presented as semi-massive to massive copper-gold mineralization constrained within steeply dipping structures. This section of the mine has been poorly explored to date; and

- Extensional drilling in the areas close to Block 8, targeting the discovery of new and expansion of known ore bodies. Historic drilling results in combination with structural and geologic models indicate un-tested mineralization may be present in this area.

Significant intercepts (gold equivalent (“AuEq”) cut-off grade of 3 g/t) received during the second quarter of 2018:

| HOLE ID | EAST | NORTH | RL | AZ | DIP | FROM | TO | True Width (m) | AuEq (g/t) | Au (g/t) | Ag (g/t) | Cu (%) |
|--------------|------|-------|-----|-------|-------|-------|-------|----------------|------------|----------|----------|--------|
| EXT150_405_0 | 5769 | 29497 | 412 | 282.9 | -14.9 | 79.5 | 105.0 | 24.0 | 6.97 | 4.06 | 8.09 | 1.41 |
| EXT150_405_0 | 5769 | 29497 | 412 | 282.9 | -14.9 | 111.0 | 154.5 | 43.0 | 4.52 | 2.50 | 17.46 | 0.98 |
| EXT150_405_0 | 5769 | 29497 | 413 | 283.5 | 5.8 | 148.5 | 181.5 | 32.0 | 4.70 | 3.48 | 7.24 | 0.59 |
| EXT150_405_1 | 5769 | 29497 | 413 | 277.8 | 7.3 | 136.5 | 156.0 | 19.5 | 10.47 | 6.93 | 34.32 | 1.72 |
| EXT150_405_1 | 5770 | 29497 | 413 | 276.7 | 15.5 | 157.5 | 187.9 | 26.0 | 5.43 | 3.26 | 5.09 | 1.06 |
| EXT150_405_1 | 5769 | 29497 | 413 | 283.3 | 15.8 | 151.5 | 180.0 | 27.5 | 6.54 | 4.03 | 5.49 | 1.22 |
| EXT150_405_1 | 5769 | 29497 | 413 | 276.3 | 2.9 | 99.0 | 141.0 | 42.0 | 3.90 | 1.89 | 7.58 | 0.98 |
| EXT150_405_1 | 5769 | 29497 | 413 | 276.3 | 12.8 | 97.5 | 130.5 | 32.0 | 4.03 | 2.79 | 6.70 | 0.60 |
| EXT150_405_2 | 5769 | 29496 | 413 | 275.2 | 15.8 | 220.5 | 246.7 | 25.5 | 15.40 | 8.99 | 57.71 | 3.11 |
| EXT150_405_2 | 5769 | 29496 | 413 | 276.3 | 8.2 | 107.5 | 127.5 | 20.0 | 15.36 | 8.88 | 33.29 | 3.14 |
| EXT150_405_2 | 5769 | 29496 | 413 | 269.3 | 10.0 | 211.5 | 246.8 | 34.0 | 19.27 | 9.07 | 59.27 | 4.95 |
| EXT150_405_2 | 5769 | 29496 | 413 | 272.7 | 7.2 | 102.7 | 151.5 | 47.0 | 11.68 | 8.65 | 42.32 | 1.47 |
| EXT150_405_2 | 5769 | 29497 | 412 | 288.6 | -25.1 | 75.0 | 118.5 | 36.5 | 4.35 | 2.15 | 7.07 | 1.07 |
| EXT150_405_2 | 5769 | 29496 | 413 | 266.3 | 12.7 | 88.5 | 117.0 | 26.0 | 7.61 | 4.94 | 9.04 | 1.29 |
| EXT150_405_2 | 5770 | 29496 | 413 | 267.8 | 18.1 | 204.0 | 268.5 | 61.0 | 8.25 | 6.98 | 28.58 | 0.61 |
| EXT150_405_3 | 5769 | 29496 | 413 | 269.5 | 19.9 | 94.5 | 112.5 | 16.0 | 8.40 | 4.92 | 16.11 | 1.69 |
| EXT153_505_1 | 6072 | 29366 | 507 | 252.6 | -10.8 | 196.5 | 208.5 | 11.5 | 16.10 | 12.6 | 7.34 | 1.69 |
| EXT153_505_2 | 6072 | 29367 | 508 | 272.9 | 5.6 | 357.0 | 373.5 | 16.5 | 6.39 | 4.53 | 1.06 | 0.90 |
| EXT18_505_13 | 6378 | 29863 | 510 | 230.8 | 15.0 | 61.5 | 70.5 | 9.0 | 9.73 | 3.42 | 22.40 | 3.06 |
| EXT18_505_14 | 6379 | 29864 | 508 | 233.2 | -49.5 | 274.5 | 301.5 | 18.5 | 7.13 | 5.71 | 13.22 | 0.69 |
| EXT18_505_17 | 6379 | 29863 | 509 | 242.6 | -34.5 | 79.5 | 85.5 | 5.0 | 3.86 | 2.75 | 9.03 | 0.54 |
| EXT18_505_17 | 6379 | 29863 | 509 | 242.6 | -34.5 | 228.0 | 250.5 | 18.5 | 4.70 | 2.51 | 6.51 | 1.06 |
| EXT18_505_18 | 6379 | 29863 | 509 | 243.2 | -21.3 | 86.0 | 96.0 | 9.5 | 21.63 | 7.60 | 96.33 | 6.81 |
| EXT18_505_18 | 6379 | 29863 | 509 | 243.2 | -21.3 | 168.0 | 186.5 | 15.0 | 4.09 | 2.62 | 4.54 | 0.71 |
| EXT18_505_20 | 6378 | 29864 | 510 | 248.4 | 9.2 | 66.0 | 78.0 | 12.0 | 3.48 | 2.31 | 8.68 | 0.57 |
| EXT18_505_20 | 6378 | 29864 | 510 | 248.4 | 9.2 | 88.5 | 96.1 | 7.6 | 29.35 | 13.4 | 77.06 | 7.73 |
| G151_240_03 | 5665 | 29141 | 254 | 266.5 | -1.7 | 83.7 | 97.5 | 13.8 | 4.95 | 0.30 | 44.58 | 2.26 |
| G151_330_36 | 5471 | 29344 | 334 | 307.2 | -1.5 | 33.0 | 66.0 | 33.0 | 3.13 | 1.96 | 12.03 | 0.57 |
| G151_330_39 | 5444 | 29317 | 333 | 281.6 | -24.8 | 42.0 | 57.0 | 13.0 | 4.50 | 2.59 | 6.49 | 0.93 |
| G151_330_42 | 5471 | 29344 | 332 | 285.4 | -49.3 | 1.5 | 30.0 | 22.0 | 4.31 | 2.56 | 6.28 | 0.85 |
| G151_330_43 | 5470 | 29344 | 333 | 284.7 | -25.3 | 1.5 | 31.5 | 27.0 | 4.14 | 2.67 | 7.39 | 0.71 |
| G151_330_44 | 5471 | 29344 | 334 | 285.9 | 1.6 | 87.0 | 111.0 | 23.5 | 3.87 | 2.29 | 4.53 | 0.77 |
| G19_320_18 | 5937 | 29798 | 317 | 97.5 | -21.9 | 0.0 | 15.0 | 14.0 | 4.53 | 3.17 | 34.88 | 0.66 |
| G19_320_20 | 5932 | 29796 | 318 | 280.5 | -7.2 | 39.0 | 63.0 | 24.0 | 5.02 | 3.01 | 15.80 | 0.97 |
| G19_320_21 | 5932 | 29796 | 317 | 270.9 | -17.9 | 3.0 | 19.5 | 15.5 | 3.26 | 1.85 | 26.05 | 0.69 |
| G19_320_24 | 5932 | 29797 | 316 | 299.8 | -58.4 | 7.5 | 30.0 | 15.0 | 4.82 | 2.59 | 38.60 | 1.08 |
| G19E_230_10 | 6082 | 29894 | 234 | 69.8 | -1.5 | 0.0 | 27.0 | 27.0 | 3.90 | 3.02 | 4.82 | 0.43 |
| G19E_230_11 | 6082 | 29894 | 233 | 67.6 | -17.2 | 1.5 | 15.0 | 13.0 | 4.88 | 3.07 | 3.78 | 0.88 |
| G19E_230_12 | 6081 | 29895 | 233 | 81.8 | -4.5 | 70.5 | 99.0 | 28.5 | 4.51 | 3.55 | 6.63 | 0.47 |
| G19E_230_13 | 6081 | 29895 | 234 | 78.0 | 3.6 | 1.5 | 24.0 | 22.5 | 4.31 | 3.35 | 4.57 | 0.47 |

1) Significant intercepts are located within the Chelopech Mine Concession and proximal to the mine workings.

2) AuEq calculation is based on the following formula: $Au\ g/t + 2.06 \times Cu\ \%$.

3) Minimum downhole width reported is 1.5 metres with a maximum internal dilution of 4.5 metres.

4) Drill holes with prefix G indicate grade control drilling which is performed using BQ diamond drill core. All other holes are drilled with NQ diamond core.

5) Coordinates are in mine-grid.

6) No factors of material effect have hindered the accuracy and reliability of the data presented above.

7) No upper cuts applied.

8) For detailed information on drilling, sampling and analytical methodologies refer to the NI 43-101 Technical Report entitled "Mineral Resource & Reserve Update, Chelopech Project, Chelopech, Bulgaria" (the "Chelopech Technical Report") filed on SEDAR at www.sedar.com on March 28, 2018.

Sampling and Analysis

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

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

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

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

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

Chelopech Brownfield Exploration

During the second quarter of 2018, exploration activities focused on the continuation of underground drilling in the SEBPZ and the commencement of surface diamond drilling at the Krasta target. Twelve holes were completed during the quarter for a total of 3,954 metres.

Underground Exploration Drilling

Six underground diamond drill holes totaling 1,918 metres were completed in the SEBPZ from drill cuddies located at Block 8 and east of Block 103. Assays were received for three holes (see table below). Like hole EX_SEBP_31_01 (25 metres at 4.53 g/t AuEq reported in the first quarter of 2018), holes EX_SEBP_31_02, 03 and 04 will extend the Block 8. More importantly, from an exploration perspective, the zone of advanced argillic alteration with lower grades (for example 85 metres at 1.19 g/t AuEq in hole EX_SEBP_31_02 and 48 metres at 1.92 g/t AuEq in hole EX_SEBP_31_03) that encloses Block 8 is much larger than previously known and is open to the northeast and southeast. The potential for higher grade zones within this zone is considered to be good and fill-in drilling will be conducted. Further to the southeast, several new 20-50 metre wide zones of phyllic and advanced argillic altered phreatomagmatic breccias were identified, which include a four metre interval with 3.29 g/t AuEq from 469 metres downhole (hole EX_SEBP_31_02).

Significant intercepts from the SEBPZ during the second quarter of 2018:

| HOLE ID | EAST | NORTH | RL | AZ | DIP | From (m) | To (m) | Length (m) | AuEq (g/t) | Au (g/t) | Cu (%) |
|-------------------|------|-------|-----|-------|-------|----------|--------|------------|------------|----------|--------|
| EX_SEBP_31_02 | 5970 | 29270 | 451 | 144.6 | -60.1 | 0 | 85 | 85 | 1.19 | 1.05 | 0.08 |
| <i>including:</i> | | | | | | 0 | 6 | 6 | 3.18 | 1.86 | 0.64 |
| <i>and:</i> | | | | | | 14 | 20 | 6 | 3.12 | 3.06 | 0.03 |
| <i>and:</i> | | | | | | 67.9 | 72 | 4.1 | 3.60 | 3.53 | 0.01 |
| <i>and:</i> | | | | | | 469 | 473 | 4 | 3.33 | 3.28 | 0.03 |
| EX_SEBP_31_03 | 5972 | 29273 | 451 | 55.0 | -38.0 | 0 | 48 | 48 | 1.96 | 1.21 | 0.37 |
| <i>including:</i> | | | | | | 0 | 9 | 9 | 7.72 | 4.50 | 1.56 |
| <i>and:</i> | | | | | | 26 | 28 | 2 | 3.79 | 2.65 | 0.55 |
| <i>and:</i> | | | | | | 264 | 267 | 3 | 1.21 | 0.63 | 0.28 |
| <i>and:</i> | | | | | | 324 | 325.8 | 1.8 | 1.82 | 1.12 | 0.31 |
| EX_SEBP_31_04 | 5965 | 29274 | 451 | 270 | -70.0 | 0 | 29 | 29 | 3.07 | 1.80 | 0.62 |
| <i>including:</i> | | | | | | 0 | 8 | 8 | 9.48 | 5.51 | 1.92 |
| <i>and:</i> | | | | | | 49 | 54 | 5 | 1.34 | 0.94 | 0.19 |
| <i>and:</i> | | | | | | 123.3 | 147 | 23.7 | 1.09 | 0.45 | 0.31 |
| <i>including:</i> | | | | | | 125 | 128.1 | 3.1 | 2.75 | 1.71 | 0.51 |
| <i>and:</i> | | | | | | 134 | 135.2 | 1.2 | 9.78 | 1.75 | 3.90 |

1) Coordinates are in mine-grid.

2) AuEq calculation is based on the following formula: $Au\ g/t + 2.06 \times Cu\ \%$.

The true widths of these mineralized intervals are not known but are estimated to be approximately 70-80% of the downhole lengths. Drilling is ongoing for the remainder of 2018, as part of the original plan to drill along the strike of the SEBPZ on sections that are 250 metres apart.

Surface Exploration and Drilling

Diamond drilling at the Krasta target, approximately 1.5 kilometres northwest of the main Chelopech orebodies, outlined a new zone of gold-copper mineralization over a strike length of about 250 metres between 130 and 280 metres from surface. Drilling commenced in April 2018 and a total of 2,037 metres was completed by the end of the second quarter in six diamond drill holes with an additional two holes completed in July. Zones of breccia with advanced argillic alteration (kaolinite-dickite), vuggy silica and gold-copper mineralization were intersected in all holes. The mineralization is open to the northeast and southwest as well as above and below the current level of drilling.

The first hole at Krasta, EX_KR_01 drilled towards the northwest at a dip of -57°, intersected 41 metres averaging 0.65 g/t AuEq from 178 metres downhole (see table below for individual gold and copper values). A hanging-wall sequence of epiclastic 'rock avalanche breccia' (RAB) from 7 to 185 metres contains occasional clasts of mineralized advanced-argillic altered diorite. Mineralized advanced-argillic altered phreatomagmatic breccia (similar to those at Chelopech) occurs below a faulted contact with the RAB. Hole EX_KR_02, also drilled towards the northwest but at dip of -45°, intersected similar geology as EX_KR_01, with breccia and advanced argillic-alteration between 135 to 154 metres including a 7.7 metre interval averaging 0.92 g/t AuEq.

Hole EX_KR_06 was drilled from the same drill site towards the north at a dip of -55°. Results from hole EX_KR_06 include 94 metres at 1.17 g/t AuEq from 186 metres downhole (true width is estimated to be about 70 metres), including 10 metres at 3.04 g/t AuEq. The mineralization is hosted by advanced argillic altered phreatomagmatic breccia with both semi-massive and disseminated pyrite, chalcopyrite, tennantite and enargite.

Results to date show the widest intervals of gold-copper mineralization and advanced argillic alteration occur in the northeast. Interpretation and plans for follow up drilling are in progress. Results for holes KR_01, KR_02 and KR_06, and their estimated true thicknesses are shown in the table below. Final assays are pending for all other holes.

Significant intercepts from the Krasta target, Chelopech:

| HOLE ID | EAST | NORTH | RL | AZ | DIP | From (m) | To (m) | Length (m) | True width (m) | AuEq (g/t) | Au (g/t) | Cu (%) |
|------------|------|-------|-----|-------|-------|----------|--------|------------|----------------|------------|----------|--------|
| EX_KR_01 | 7019 | 30883 | 856 | 280.8 | -56.9 | 178 | 219 | 41.0 | 30 | 0.65 | 0.36 | 0.14 |
| including: | | | | | | 178 | 181 | 3.0 | 2 | 1.61 | 0.58 | 0.50 |
| EX_KR_02 | 7019 | 30884 | 856 | 284.2 | -44.6 | 135.3 | 143 | 7.7 | 5-6 | 0.92 | 0.56 | 0.17 |
| including: | | | | | | 137 | 138 | 1.0 | 0.7 | 3.05 | 1.59 | 0.71 |
| EX_KR_06 | 7025 | 30887 | 856 | 5.4 | -54.7 | 186 | 280 | 94.0 | 70 | 1.17 | 0.61 | 0.27 |
| including: | | | | | | 192 | 202 | 10.0 | 7-8 | 3.04 | 1.45 | 0.77 |

1) Coordinates are in mine-grid

2) AuEq calculation is based on the following formula: Au g/t + 2.06 x Cu %.

3) True Widths are estimates only.

Surface exploration plans for the next quarter include a magnetic survey in the northern part of the project area, geological mapping and infill soil sampling on the Brevene and Sveta Petka exploration licenses.

Krumovgrad, Bulgaria

At Surnak, located approximately four kilometres to the east of the Krumovgrad gold project mine site, the last three holes (total 290 metres) of Phase 1 resource drilling that started in the first quarter of 2018 were completed. The aim of the first phase was to explore the eastern and southern sides of the Surnak deposit. Assays from all holes were received and significant intervals are shown in the table below, including SUDD028 reported in the first quarter of 2018. The results show that mineralization continues down-dip and is open to the east while no extension was found to the south of the deposit. Permitting for Phase 2 drill sites is in progress and is expected to be completed in the third quarter of 2018.

Significant intercepts from the Surnak deposit (2018), Krumovgrad:

| HOLE ID | EAST | NORTH | RL | AZ | DIP | From (m) | To (m) | Length (m) | Au (ppm) | Ag (ppm) |
|---------|---------|---------|-----|-------|-------|----------|--------|------------|----------|----------|
| SUDD028 | 9432424 | 4523071 | 463 | 260.2 | -60.9 | 106 | 119 | 13 | 1.29 | 8.94 |
| SUDD029 | 9432448 | 4523064 | 461 | 227.4 | -60 | 130 | 145 | 15 | 1.22 | 14.96 |
| SUDD033 | 9432327 | 4522887 | 464 | 84.5 | -76 | 78 | 80 | 2 | 2.92 | NR |
| SUDD034 | 9432419 | 4522955 | 437 | 278 | -60.8 | 78 | 92 | 14 | 1.72 | NR |
| SUDD035 | 9432425 | 4522915 | 441 | 271.4 | -49.4 | 89 | 99 | 10 | 1.46 | NR |

1) NR: No results – assays pending from laboratory.

2) True widths of these intervals are estimated to be approximately 70-90% of the interval lengths.

At the nearby Kupel North prospect, three holes totaling 1,220 metres were completed. Although some small intervals of banded and bladed quartz-carbonate veins were intersected in the lower conglomerate, assay results were not sufficiently encouraging to warrant further follow up drilling at Kupel North.

Early stage exploration continued at the nearby Elhovo and Chiirite exploration licenses with geological mapping, soil sampling and trenching. At Elhovo, trenches dug across calc-schists with stock-work type quartz veins include 99 metres averaging 0.46 g/t gold and 6.1 g/t silver, including 8 metres with 1.60 g/t gold and 25.6 g/t silver. Drill site permitting is in progress and drilling is expected to commence in the second half of 2018.

At Chiirite, channel sampling of several historic trenches at the Chatal Kaya prospect returned encouraging gold results, including 7.2 metres at 13.2 g/t gold and 16.8 g/t silver. Further surface sampling and geological mapping of the Chiirite license will continue during the third quarter of 2018.

Grade Control Drilling

All assay results from the reverse circulation (“RC”) grade control drilling program for pushback one were received during the second quarter of 2018. The drill holes covered the first year of production within

pushback one, which is the first of four scheduled pushbacks at the Krumovgrad gold project mine site. Subsequent to receiving the assay results, a grade control model was prepared and the short-term mining schedule completed.

Further grade control drilling is likely to commence during 2019 in the pushback one and two areas to ensure that grade control drilling remains at least one year ahead of mining

Timok Gold Project, Serbia

Diamond drilling commenced in April and a total of 3,174 metres was completed during the second quarter of 2018. In addition, 724 metres of trenching, 35 line kilometres of ground magnetic survey and an infill soil sampling (956 samples) were carried out.

Drilling focused on targets in the Cretaceous and Jurassic limestone beneath and nearby the Bigar Hill deposit. Although significant gold intercepts were not found, drilling has identified several structures that may have acted as pathways for gold bearing fluids at Bigar Hill. For example, hole BIDD091 intersected 22 metres at 1.47 g/t Au from 152 metres down hole, including 1.0 metre at 27.0 g/t Au in skarn-altered and oxidized limestone. These results highlight the potential of the upper sections of the Cretaceous limestone to host gold at Timok. Other drill results from the carbonate-rock hosted gold program include 15 metres with an average grade of 0.47 g/t gold from a depth of 33 metres (including 3 metres averaging 1.53 g/t gold) in hole BIDD071 located on the western side of Bigar Hill.

Drill plans for the third quarter of 2018 include testing near resource targets, further drilling at Korkan West, and shallow drilling of gold anomalies in soils. Other exploration activities include further infill soil sampling, geological mapping, trench sampling, and magnetics and IP surveys.

Resource Update

Geologic interpretations and weathering profiles for Bigar Hill, Korkan, Korkan West and Kraku Pester were prepared during the second quarter of 2018. A Mineral Resource update for the Timok gold project is currently in progress and the results are expected in September 2018.

Metallurgical Results

DPM conducted preliminary metallurgical test work on composite samples representing the oxide material from Bigar Hill, Korkan and Korkan West as well as the transitional material from Korkan. The test program concluded in June 2018. Following the initial coarse ore bottle roll tests, a crush size of 5/8" was selected for the column leach test work and the percolation tests indicated that agglomeration was not required for this size material. The nine-week column leach results indicated gold extractions of 94% for the Korkan and Bigar Hill oxide samples, 76% for the Korkan West oxide sample and 68% for Korkan transitional sample.

DPM now plans to undertake a more comprehensive ore characterization test work program to support moving forward with a potential scoping study.

Lenovac Joint Venture, Serbia

At the Lenovac joint venture with Rio Tinto Mining and Exploration Limited, preparations continue for two seismic transects across the exploration license.

Malartic Joint Venture, Quebec

During the second quarter of 2018, all assay results were received for the 1,942 metre scout drilling program, which was completed in early April 2018, at the Malartic joint venture project in Quebec, held under an option agreement with Pershimex Resources Corporation (formerly Khalkos Exploration Inc.).

Important results of this scout drilling program include:

- 5.53 g/t gold over 2.0 metres in hole MLDD003 between 124.8 and 126.8 metre downhole, part of a vein zone that is approximately 10 metres wide (120.1 to 130.0 metres downhole with an estimated true width of 8 metres) with an average grade of 1.39 g/t gold. Hole MLDD003 was drilled approximately 300 metres northwest from the historic Revillard gold showing and the new drilling results demonstrate that mineralization continues along strike of the Revillard area, is hosted by multiple shear zones within the mafic units of the Blake River Group and is associated with quartz–carbonate–pyrrhotite–tourmaline tension veins and breccia zones;
- 7.15 g/t gold over 3.3 metre in hole MLDD007 at 34.5 to 37.8 metre downhole interval, including 1.9 metre at 11.6 g/t gold between 35.9 to 37.8 metre. Another zone in Hole MLDD007 returned 2.3 g/t gold over 6 metres between 43.2 to 49.2 metres downhole. The results indicate that high grade gold mineralization occurs in both quartz–carbonate–pyrrhotite filled tension veins as well as in the strongly pyrrhotite-replaced meta-dioritic-gabbroic host rock; and
- Multiple drill holes (MLDD004, MLDD006, MLDD009) intersected felsic units with alkali rhyolite and rhyodacite composition and distal sericite-biotite alteration, comparable to the FII and FIII units of the Bousquet Formation, which demonstrate that Au-rich VMS mineralization is still a viable target within the project area.

Other exploration work completed at the Malartic project during the second quarter of 2018 included 1:5000 scale mapping and 200 by 50 metre grid soil sampling of the Blake River Group area, and 4.2 line-kilometre “Ore Vision” IP geophysical survey at the Curie Mills prospect. New data is currently integrated with the geological model and will consist as a base for the second scout drilling program planned for the next winter season.

Exploration plans for the remainder of 2018 include B-horizon soil and tills sediment sampling program over large areas with potassic and phyllic altered intrusion systems within the Cadillac and Kawagama meta-sedimentary units; detailed mapping around the Blake River Group target zones; high-resolution aeromagnetic survey along the Marbenite and Norbenite shear zones within the Malartic Group; and diamond drilling.

The Company met its first year exploration expenditure commitment and completed the first anniversary payment of Cdn\$60,000 and issuance of 15,000 common shares to Pershimex Resources Corporation under the terms of the option agreement signed on July 4, 2017.

Other

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

Sampling and Analysis of Exploration Core and Channel Samples

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

All drill core is cut lengthwise into two halves using a diamond saw, one half is sampled for assaying and the other half is retained in core trays. All drill core is sampled in intervals ranging up to three metres, however, the common length for sample intervals within mineralized zones is one metre. Weights of drill core samples range from three to eight kilograms, depending on the size of core, rock type, and recovery. A numbered tag is placed into each sample bag, and the samples are grouped into batches for laboratory submissions. Exploration samples from Chelopech, Krumovgrad and the Timok gold project are shipped to the Company’s own exploration laboratory in Bor, Serbia, which is managed by SGS Minerals. The exploration samples from the Canadian Malartic joint venture project are processed using identical quality

assurance and quality control (“QAQC”) procedures and analytical methods, but sample preparation and gold fire assay analysis are completed by the Bureau Veritas laboratory in Timmins, Ontario and Vancouver, British Columbia.

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

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

DEVELOPMENT AND OTHER MAJOR PROJECTS

Krumovgrad

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

The table below is a summary of the Q4 2015 estimated capital costs required to construct and commission the project, together with the additional sustaining capital expenditures and closure costs expected to be incurred over the life of the project.

| CAPITAL COST ESTIMATE SUMMARY⁽¹⁾ | |
|---------------------------------------------------------------|--------------|
| \$ millions | Total |
| Direct costs | 117.1 |
| Indirect costs | 48.7 |
| Contingency P ₅₀ (7.5% of direct + indirect costs) | 12.4 |
| Total Initial Construction Capital | 178.2 |
| Sustaining capital | 6.2 |
| Closure and rehabilitation costs | 6.0 |

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

The estimated capital cost of the project at completion is now expected to be between \$164 million and \$168 million, of which \$111.6 million has been incurred as at June 30, 2018. This decrease relative to the 2015 estimate of \$178.2 million is due primarily to:

- A reforecast of contingency based on the remaining estimated cost (\$4.7 million);
- Locking in a more favourable foreign exchange rate than was budgeted (\$3.6 million);

- Procurement of some equipment spares on a consignment basis, as opposed to initial purchase (\$2.0 million);
- Lower than planned earthmoving quantities (\$2.0 million); and
- Procurement of some service vehicles on a leased basis, as opposed to purchase (\$0.7 million).

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

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

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

2) Average cash cost over eight years.

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

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

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

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

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

The project underwent a national environmental impact assessment ("EIA") in 2010 and an environmental permit was issued and entered into force in March 2013. Following an independent review of the EIA reports, the EBRD required a number of supplementary environmental and social studies and documents to meet the EBRD Performance Requirements ("PRs") and international good practices. In addition to the EBRD PRs, certain lenders participating in the consortium refer to the Equator Principles and therefore the project also references the International Finance Corporation ("IFC") Performance Standards (2012).

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

During the second quarter of 2018, the Company purchased the land associated with the new access road and received an approved Construction Permit for the road, with initial construction activities commencing in early July. Current access to the site is via the temporary construction access road.

The detailed development plan (“DDP”) for the waste water discharge pipeline entered into force in May 2018, and the Company expects to receive the construction permit in the third quarter of 2018. While the discharge pipeline construction is currently not on the project critical path, any additional significant delays in the construction permitting process could affect the planned fourth quarter of 2018 completion date. The pipeline construction permit is the final permit related to the project construction.

EVN (the electricity supply utility) initiated the construction activities relating to the installation of the power line to the site, with grid power expected at site in early September 2018. The power line route follows the route of the new access road and the delay in the road approvals have resulted in the completion of the power line to site being later than planned. Although the power line completion is currently not on the project critical path, as with pipeline approvals, any further delays in the construction of the power line could impact the planned fourth quarter of 2018 first concentrate date.

The main construction activities during the second quarter of 2018 were:

- Ongoing installation of major equipment foundations in the process plant area;
- Completion of IMWF haul roads;
- Completion of earthworks related to the storm water and process water reservoirs;
- Ongoing construction of the mine haul road;
- Ongoing installation of major civil works associated with the IMWF;
- Ongoing installation of minor equipment foundations and suspended floors in the process plant area;
- Ongoing installation of electrical and instrumentation equipment;
- Ongoing installation of structural steel, piping and mechanical equipment;
- Commencement of cold commissioning in the thickener area; and
- Ongoing hiring and training of key operational staff.

In early July 2018, the first production blast in the Ada Tepe mine was completed, with 1,700 tonnes of waste and 1,600 tonnes of ore blasted and excavated. Ore was hauled to the ore stockpile and will be fed to the plant during the hot commissioning process. The waste will be hauled to the IMWF for construction of the initial tailings containment cells.

As at June 30, 2018, construction of the project was approximately 71% complete, based on installed quantities, compared with a planned completion of 78%. Additional civil construction resources were mobilized to site to mitigate delays experienced with concrete installation, and first concentrate production is forecast for late in the fourth quarter of 2018.

Progress against the project baseline schedule is set out below:

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

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

Tsumeb – Capital Project

Rotary Holding Furnace

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

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

Work to secure the necessary permits to support this planned increase in production is ongoing. An Environmental and Social Impact Assessment (“ESIA”) is underway for the project. Public access to the draft ESIA was provided during the second quarter of 2017. Based on the feedback received, the Company is in the process of updating certain technical studies.

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

OFF BALANCE SHEET ARRANGEMENTS

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

SELECTED QUARTERLY INFORMATION

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

| \$ millions except per share amounts | 2018 | | 2017 | | | | 2016 ⁽¹⁾ | |
|---------------------------------------------------------|-------|-------|--------|-------|-------|--------|---------------------|--------|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| Revenue ⁽²⁾ | 102.9 | 86.9 | 94.9 | 92.3 | 86.9 | 74.6 | 82.1 | 54.8 |
| Net earnings (loss) | 16.0 | 2.7 | (1.8) | 3.0 | 11.0 | (12.6) | (110.1) | (30.4) |
| Net earnings (loss) attributable to: | | | | | | | | |
| • Non-controlling interest | (0.4) | (0.0) | (0.4) | (0.1) | (0.0) | (0.1) | (0.1) | (0.5) |
| • Discontinued operations | - | - | - | - | - | - | (2.5) | (0.1) |
| • Continuing operations | 16.4 | 2.7 | (1.4) | 3.1 | 11.0 | (12.5) | (107.5) | (29.8) |
| Net earnings (loss) per share: | | | | | | | | |
| • Discontinued operations | - | - | - | - | - | - | (0.02) | (0.00) |
| • Continuing operations | 0.09 | 0.02 | (0.01) | 0.02 | 0.06 | (0.07) | (0.67) | (0.19) |
| Net earnings (loss) diluted per share: | | | | | | | | |
| • Discontinued operations | - | - | - | - | - | - | (0.02) | (0.00) |
| • Continuing operations | 0.09 | 0.02 | (0.01) | 0.02 | 0.06 | (0.07) | (0.67) | (0.19) |
| Adjusted net earnings (loss) ⁽²⁾ | 13.7 | 0.6 | 3.4 | 7.6 | 11.9 | (6.2) | 5.7 | (19.4) |
| Adjusted basic earnings (loss) per share ⁽²⁾ | 0.08 | 0.00 | 0.02 | 0.04 | 0.07 | (0.04) | 0.04 | (0.12) |

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

2) Information relates to continuing operations.

The variations in the Company’s quarterly results were driven largely by fluctuations in gold grades and recoveries, volumes of complex concentrate smelted, gold and copper prices, foreign exchange rates,

smelter toll rates, metals exposure and slag mill concentrate returns, depreciation, 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, realized and unrealized gains or losses on forward foreign exchange contracts, impairment charges and common share issuances. Following the implementation of IFRS 9 on January 1, 2018, unrealized gains or losses on commodity swap and options contracts and forward point component of forward foreign exchange contracts are recognized in other comprehensive income (loss) rather than in other expense.

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

| Average | 2018 | | 2017 | | | | 2016 | |
|-------------------------------|--------------|-------|-------|-------|-------|-------|-------|-------|
| | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 |
| LBMA gold (\$/oz) | 1,307 | 1,330 | 1,275 | 1,278 | 1,257 | 1,219 | 1,219 | 1,335 |
| LME settlement copper (\$/lb) | 3.12 | 3.16 | 3.09 | 2.88 | 2.57 | 2.65 | 2.40 | 2.17 |
| LBMA spot silver (\$/oz) | 16.53 | 16.77 | 16.70 | 16.83 | 17.26 | 17.42 | 17.18 | 19.62 |

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's condensed interim consolidated financial statements in accordance 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 condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The significant areas of estimation and uncertainty considered by management in preparing the condensed interim consolidated financial statements for the three and six months ended June 30, 2018 are the same as those described in the Company's MD&A for the year ended December 31, 2017.

CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, which resulted in changes in accounting policies as described in note 2.2 to DPM's condensed interim consolidated financial statements for the three and six months ended June 30, 2018. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2018, except for hedge accounting in respect of commodity swap and option contracts that was applied prospectively.

NEW STANDARDS NOT YET ADOPTED

IFRS 16, Leases

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

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. As a lessee, the Company can either apply the standard using a retrospective approach or a modified retrospective approach. The Company is currently reviewing all of its leases to determine and document the expected changes associated with the adoption of IFRS 16. The Company expects to complete its preparatory work in the fourth quarter of 2018 and is planning to adopt this standard effective January 1, 2019 with modified retrospective application.

NON-GAAP FINANCIAL MEASURES

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

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

Cash cost per tonne of ore processed, cash cost per pound of copper in concentrate produced, cash cost per ounce of gold in concentrate produced, cash cost per ounce of gold sold, net of by-product credits, all-in sustaining cost per ounce of gold and cash cost per tonne of complex concentrate smelted, net of by-product credits, capture the important components of the Company's production and related costs. Management and investors utilize these metrics as an important tool to monitor cost performance at the Company's operations. In addition, the Compensation Committee of the Board of Directors uses certain of these measures, together with other measures, to set incentive compensation goals and assess performance.

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

| <i>\$ thousands, unless otherwise indicated</i> | | | | |
|-------------------------------------------------------------------------------|------------------|----------------|---------------|---------------|
| For the three months ended June 30, 2018 | Chelopech | Tsumeb | MineRP | Total |
| Ore processed (<i>mt</i>) | 554,997 | - | | |
| Metals contained in copper concentrate produced: | | | | |
| Gold (<i>ounces</i>) | 33,420 | - | | |
| Copper (<i>pounds</i>) | 8,544,717 | - | | |
| Complex concentrate smelted (<i>mt</i>) | - | 46,409 | | |
| Cost of sales | 34,295 | 35,363 | 5,901 | 75,559 |
| Add/(deduct): | | | | |
| Depreciation, amortization & other | (8,006) | (5,957) | | |
| Change in concentrate inventory | (6,522) | - | | |
| Total cash cost before by-product credits | 19,767 | 29,406 | | |
| By-product credits | (740) | (3,972) | | |
| Total cash cost after by-product credits | 19,027 | 25,434 | | |
| Cash cost per tonne ore processed | 35.62 | - | | |
| Cash cost per pound copper produced ⁽¹⁾ | 0.84 | - | | |
| Cash cost per ounce gold produced ⁽¹⁾ | 354 | - | | |
| Cash cost per tonne of complex concentrate smelted, net of by-product credits | - | 548 | | |

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

| <i>\$ thousands, unless otherwise indicated</i> | | | | |
|-------------------------------------------------------------------------------|------------------|---------------|---------------|--------------|
| For the three months ended June 30, 2017 | Chelopech | Tsumeb | MineRP | Total |
| Ore processed (<i>mt</i>) | 584,794 | - | | |
| Metals contained in copper concentrate produced: | | | | |
| Gold (<i>ounces</i>) | 37,949 | - | | |
| Copper (<i>pounds</i>) | 8,663,764 | - | | |
| Complex concentrate smelted (<i>mt</i>) | - | 60,643 | | |
| Cost of sales | 24,224 | 39,231 | - | 63,455 |
| Add/(deduct): | | | | |
| Depreciation, amortization & other | (9,225) | (6,239) | | |
| Realized (gains) losses on forward foreign exchange | | | | |
| Contracts | 77 | (1,648) | | |
| Change in concentrate inventory | 3,438 | - | | |
| Total cash cost before by-product credits | 18,514 | 31,344 | | |
| By-product credits | (763) | (6,036) | | |
| Total cash cost after by-product credits | 17,751 | 25,308 | | |
| Cash cost per tonne ore processed | 31.66 | - | | |
| Cash cost per pound copper produced ⁽¹⁾ | 0.66 | - | | |
| Cash cost per ounce gold produced ⁽¹⁾ | 317 | - | | |
| Cash cost per tonne of complex concentrate smelted, net of by-product credits | - | 417 | | |

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

| <i>\$ thousands, unless otherwise indicated</i> | | | | |
|-------------------------------------------------------------------------------|------------------|---------------|---------------|--------------|
| For the six months ended June 30, 2018 | Chelopech | Tsumeb | MineRP | Total |
| Ore processed (<i>mt</i>) | 1,113,146 | - | | |
| Metals contained in copper concentrate produced: | | | | |
| Gold (<i>ounces</i>) | 75,603 | - | | |
| Copper (<i>pounds</i>) | 17,805,901 | - | | |
| Complex concentrate smelted (<i>mt</i>) | - | 100,551 | | |
| Cost of sales | 56,841 | 74,355 | 6,104 | 137,300 |
| Add/(deduct): | | | | |
| Depreciation, amortization & other | (16,016) | (12,021) | | |
| Change in concentrate inventory | (278) | - | | |
| Total cash cost before by-product credits | 40,547 | 62,334 | | |
| By-product credits | (1,651) | (9,864) | | |
| Total cash cost after by-product credits | 38,896 | 52,470 | | |
| Cash cost per tonne ore processed | 36.43 | - | | |
| Cash cost per pound copper produced ⁽¹⁾ | 0.79 | - | | |
| Cash cost per ounce gold produced ⁽¹⁾ | 329 | - | | |
| Cash cost per tonne of complex concentrate smelted, net of by-product credits | - | 522 | | |

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

| <i>\$ thousands, unless otherwise indicated</i> | | | | |
|-------------------------------------------------------------------------------|------------------|---------------|---------------|--------------|
| For the six months ended June 30, 2017 | Chelopech | Tsumeb | MineRP | Total |
| Ore processed (mt) | 1,125,388 | - | | |
| Metals contained in copper concentrate produced: | | | | |
| Gold (ounces) | 70,622 | - | | |
| Copper (pounds) | 16,842,920 | - | | |
| Complex concentrate smelted (mt) | - | 102,278 | | |
| Cost of sales | 53,142 | 73,246 | | - 126,388 |
| Add/(deduct): | | | | |
| Depreciation, amortization & other | (18,430) | (12,766) | | |
| Realized (gains) losses on forward foreign exchange contracts | 141 | (3,077) | | |
| Change in concentrate inventory | 1,659 | - | | |
| Total cash cost before by-product credits | 36,512 | 57,403 | | |
| By-product credits | (1,662) | (9,118) | | |
| Total cash cost after by-product credits | 34,850 | 48,285 | | |
| Cash cost per tonne ore processed | 32.44 | - | | |
| Cash cost per pound copper produced ⁽¹⁾ | 0.70 | - | | |
| Cash cost per ounce gold produced ⁽¹⁾ | 328 | - | | |
| Cash cost per tonne of complex concentrate smelted, net of by-product credits | - | 472 | | |

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

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

| <i>\$ thousands, unless otherwise indicated</i> | Three Months | | Six Months | |
|-----------------------------------------------------------------------------|---------------------|-------------|-------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Ended June 30, | | | | |
| Cost of sales ⁽¹⁾ | 34,295 | 24,301 | 56,841 | 53,283 |
| Add/(deduct): | | | | |
| Depreciation, amortization & other | (8,006) | (9,225) | (16,016) | (18,430) |
| Other charges, including freight ⁽²⁾ | 29,943 | 23,494 | 53,032 | 49,816 |
| By-product credits ⁽³⁾ | (30,434) | (16,801) | (47,896) | (37,617) |
| Cash cost of sales, net of by-product credits | 25,798 | 21,769 | 45,961 | 47,052 |
| Payable gold in copper and pyrite concentrates sold (ounces) ⁽⁴⁾ | 54,660 | 37,659 | 89,816 | 81,137 |
| Cash cost per ounce of gold sold, net of by-product credits | 472 | 578 | 512 | 580 |

1) Includes realized losses on the forward point component of the forward foreign exchange contracts recorded in other expense in the three and six months ended June 30, 2017.

2) Includes treatment charges, transportation and other selling costs related to the sale of pyrite concentrate of \$6.7 million and \$13.3 million in the second quarter and first six months of 2018, respectively, compared to \$6.1 million and \$12.7 million in the corresponding periods in 2017.

3) Includes realized losses on copper swap and option contracts, entered to hedge a portion of projected payable production, of \$2.4 million and \$5.0 million during the second quarter and first six months of 2018, respectively, compared to \$1.3 million and \$3.3 million in the corresponding periods in 2017.

4) Includes payable gold in pyrite concentrate sold in the second quarter and first six months of 2018 of 9,559 ounces and 20,114 ounces, respectively, compared to 7,889 ounces and 17,629 ounces in the corresponding periods in 2017.

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

| <i>\$ thousands, unless otherwise indicated</i> Ended June 30, | Three Months | | Six Months | |
|--------------------------------------------------------------------------|---------------------|----------|-------------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Cost of sales ⁽¹⁾ | 34,295 | 24,301 | 56,841 | 53,283 |
| Add/(deduct): | | | | |
| Depreciation, amortization & other | (8,006) | (9,225) | (16,016) | (18,430) |
| Other charges, including freight | 23,268 | 17,380 | 39,698 | 37,102 |
| By-product credits ⁽²⁾ | (30,434) | (16,801) | (47,896) | (37,617) |
| Cash cost of sales, net of by-product credits | 19,123 | 15,655 | 32,627 | 34,338 |
| Payable gold in copper concentrate sold (<i>ounces</i>) | 45,101 | 29,770 | 69,702 | 63,508 |
| Cash cost per ounce of gold sold, net of by-product credits | 424 | 526 | 468 | 541 |

1) Includes realized losses on the forward point component of the forward foreign exchange contracts recorded in other expense in the three and six months ended June 30, 2017.

2) Includes realized losses on copper swap and option contracts, entered to hedge a portion of projected payable production, of \$2.4 million and \$5.0 million during the second quarter and first six months of 2018, respectively, compared to \$1.3 million and \$3.3 million in the corresponding periods in 2017.

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

| <i>\$ thousands, unless otherwise indicated</i> Ended June 30, | Three Months | | Six Months | |
|--------------------------------------------------------------------------------------|---------------------|--------|-------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Cash cost of sales, net of by-product credits ⁽¹⁾ | 25,798 | 21,769 | 45,961 | 47,052 |
| Accretion expenses ⁽¹⁾ | 105 | 71 | 211 | 141 |
| General and administrative expenses ⁽²⁾ | 2,777 | 1,786 | 6,013 | 6,024 |
| Cash outlays for sustaining capital ⁽¹⁾ | 842 | 2,870 | 1,805 | 4,169 |
| All-in sustaining costs | 29,522 | 26,496 | 53,990 | 57,386 |
| Payable gold in copper and pyrite concentrates sold (<i>ounces</i>) ⁽³⁾ | 54,660 | 37,659 | 89,816 | 81,137 |
| All-in sustaining cost per ounce of gold | 540 | 704 | 601 | 707 |

1) Represents the cash cost of sales, net of by-product credits, accretion expenses and cash sustaining capital expenditures that are specific to Chelopech.

2) Represents an allocated portion of DPM's general and administrative expenses, including share based remuneration, and excluding depreciation and expenses related to Avala, Krumovgrad and MineRP, based on Chelopech proportion of total revenue, excluding MineRP.

3) Includes payable gold in pyrite concentrate sold in the second quarter and first six months of 2018 of 9,559 ounces and 20,114 ounces, respectively, compared to 7,889 ounces and 17,629 ounces in the corresponding periods in 2017.

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

| <i>\$ thousands, unless otherwise indicated</i> Ended June 30, | Three Months | | Six Months | |
|--------------------------------------------------------------------------|---------------------|--------|-------------------|--------|
| | 2018 | 2017 | 2018 | 2017 |
| Cash cost of sales, net of by-product credits ⁽¹⁾ | 19,123 | 15,655 | 32,627 | 34,338 |
| Accretion expenses ⁽¹⁾ | 105 | 71 | 211 | 141 |
| General and administrative expenses ⁽²⁾ | 2,777 | 1,786 | 6,013 | 6,024 |
| Cash outlays for sustaining capital ⁽¹⁾ | 842 | 2,870 | 1,805 | 4,169 |
| All-in sustaining costs | 22,847 | 20,382 | 40,656 | 44,672 |
| Payable gold in copper concentrate sold (<i>ounces</i>) | 45,101 | 29,770 | 69,702 | 63,508 |
| All-in sustaining cost per ounce of gold | 507 | 685 | 583 | 703 |

1) Represents the cash cost of sales, net of by-product credits, accretion expenses and cash sustaining capital expenditures that are specific to Chelopech.

2) Represents an allocated portion of DPM's general and administrative expenses, including share based remuneration, and excluding depreciation and expenses related to Avala, Krumovgrad and MineRP, based on Chelopech proportion of total revenue, excluding MineRP.

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

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

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

- impairment charges or reversals thereof;
- unrealized gains or losses on commodity swap and option contracts related to projected payable production that in 2017, prior to the adoption of IFRS 9, did not receive hedge accounting;
- unrealized gains or losses on the forward point component of the forward foreign exchange contracts that in 2017, prior to the adoption of IFRS 9, did not receive hedge accounting;
- unrealized and realized gains or losses related to investments carried at fair value;
- significant tax adjustments not related to current period earnings (loss); and
- non-recurring or unusual income or expenses that are either not related to the Company's operating segments or unlikely to occur on a regular basis.

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

| <i>\$ thousands, except per share amounts</i> Ended June 30, | Three Months | | Six Months | |
|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------|-------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Net earnings (loss) attributable to common shareholders | 16,372 | 11,039 | 19,079 | (1,479) |
| Add/(deduct) after-tax adjustments: | | | | |
| Unrealized (gains) losses on commodity swap and option contracts, net of income tax expense of \$11 and income tax recovery of \$772 | - | (99) | - | 6,949 |
| Unrealized losses on the forward point component of forward foreign exchange contracts, net of income tax recovery of \$42 and \$41 | - | 1,745 | - | 2,228 |
| Unrealized 2017 losses on commodity swap and option contracts that settled in 2018, net of income tax recovery of \$364 and \$717 ⁽¹⁾ | (3,269) | - | (6,448) | - |
| Net (gains) losses related to Sabina special and other warrants, net of income taxes of \$nil for all periods | 559 | (838) | 1,676 | (2,015) |
| Adjusted net earnings | 13,662 | 11,847 | 14,307 | 5,683 |
| Basic earnings (loss) per share | 0.09 | 0.06 | 0.11 | (0.01) |
| Adjusted basic earnings per share | 0.08 | 0.07 | 0.08 | 0.03 |

1) These losses were recognized in net earnings (loss) attributable to common shareholders in 2017 but were never recognized in adjusted net earnings (loss).

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

- impairment charges or reversals thereof;
- unrealized gains or losses on commodity swap and option contracts related to projected payable production that in 2017, prior to the adoption of IFRS 9, did not receive hedge accounting;
- unrealized gains or losses on the forward point component of the forward foreign exchange contracts that in 2017, prior to the adoption of IFRS 9, did not receive hedge accounting;
- unrealized and realized gains or losses related to investments carried at fair value; and
- non-recurring or unusual income or expenses that are either not related to the Company's operating segments or unlikely to occur on a regular basis.

The following table provides a reconciliation of adjusted earnings before income taxes to earnings before income taxes:

| <i>\$ thousands</i> Ended June 30, | Three Months | | Six Months | |
|---------------------------------------------------------------------------------------------------|--------------|--------|------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Earnings before income taxes | 18,758 | 12,812 | 24,393 | 1,298 |
| Add/(deduct) adjustments: | | | | |
| Unrealized (gains) losses on commodity swap and option contracts | - | (110) | - | 7,721 |
| Unrealized losses on the forward point component of forward foreign exchange contracts | - | 1,787 | - | 2,269 |
| Unrealized 2017 losses on commodity swap and option contracts that settled in 2018 ⁽¹⁾ | (3,633) | - | (7,165) | - |
| Net (gains) losses related to Sabina special and other warrants | 559 | (838) | 1,676 | (2,015) |
| Adjusted earnings before income taxes | 15,684 | 13,651 | 18,904 | 9,273 |

1) These losses were recognized in earnings before income taxes in 2017 but were never recognized in adjusted earnings before income taxes.

Adjusted EBITDA

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

Adjusted EBITDA excludes the following from earnings before income taxes:

- depreciation and amortization;
- interest income;
- finance cost;
- impairment charges or reversals thereof;
- unrealized gains or losses on commodity swap and option contracts related to projected payable production that in 2017, prior to the adoption of IFRS 9, did not receive hedge accounting;
- unrealized gains or losses on the forward point component of the forward foreign exchange contracts that in 2017, prior to the adoption of IFRS 9, did not receive hedge accounting;
- unrealized and realized gains or losses related to investments carried at fair value; and
- non-recurring or unusual income or expenses that are either not related to the Company's operating segments or unlikely to occur on a regular basis.

The following table provides a reconciliation of adjusted EBITDA to earnings before income taxes:

| <i>\$ thousands</i> Ended June 30, | Three Months | | Six Months | |
|---------------------------------------------------------------------------------------------------|--------------|--------|------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Earnings before income taxes | 18,758 | 12,812 | 24,393 | 1,298 |
| Add/(deduct): | | | | |
| Depreciation and amortization | 14,288 | 15,605 | 28,715 | 31,500 |
| Finance cost | 1,741 | 1,996 | 3,664 | 4,059 |
| Interest income | (105) | (76) | (155) | (141) |
| Net (gains) losses related to Sabina special and other warrants | 559 | (838) | 1,676 | (2,015) |
| Unrealized (gains) losses on commodity swap and option contracts | - | (110) | - | 7,721 |
| Unrealized 2017 losses on commodity swap and option contracts that settled in 2018 ⁽¹⁾ | (3,633) | - | (7,165) | - |
| Unrealized losses on the forward point component of forward foreign exchange contracts | - | 1,787 | - | 2,269 |
| Adjusted EBITDA | 31,608 | 31,176 | 51,128 | 44,691 |

1) These losses were recognized in earnings before income taxes in 2017 but were never recognized in adjusted EBITDA.

Free cash flow

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

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

| <i>\$ thousands</i> Ended June 30, | Three Months | | Six Months | |
|----------------------------------------------------------------------------------------|----------------|----------|----------------|----------|
| | 2018 | 2017 | 2018 | 2017 |
| Cash provided from operating activities | 19,943 | 17,098 | 30,986 | 51,664 |
| Add (deduct) changes in non-cash working capital | 8,679 | 8,578 | 16,080 | (9,008) |
| Cash provided from operating activities, excluding changes in non-cash working capital | 28,622 | 25,676 | 47,066 | 42,656 |
| Cash outlays for sustaining capital | (4,282) | (5,350) | (9,571) | (9,285) |
| Prepayments and mandatory principal repayments related to debt | - | (16,250) | - | (16,250) |
| Principal repayments related to finance leases | (579) | (376) | (1,021) | (752) |
| Interest payments | (1,696) | (1,347) | (3,422) | (2,763) |
| Free cash flow | 22,065 | 2,353 | 33,052 | 13,606 |

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

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

Growth capital expenditures

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

Sustaining capital expenditures

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

Average realized price reconciliation

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

| <i>\$ thousands, unless otherwise indicated</i> | Three Months | | Six Months | |
|------------------------------------------------------------------------------------|---------------------|----------|-------------------|----------|
| Ended June 30, | 2018 | 2017 | 2018 | 2017 |
| Total revenue | 102,877 | 86,853 | 189,765 | 161,521 |
| Add/(deduct): | | | | |
| Tsumeb revenue | (28,380) | (43,873) | (65,209) | (66,503) |
| MineRP revenue | (2,480) | - | (6,666) | - |
| Treatment charges and other deductions | 29,943 | 23,494 | 53,032 | 49,816 |
| Realized hedging losses on Production Hedges | - | (1,360) | - | (3,322) |
| Unrealized 2017 losses on commodity swap and option contracts that settled in 2018 | (3,691) | - | (7,298) | - |
| Unfavourable (favourable) mark-to-market adjustments and final settlements | 3,110 | (801) | 1,984 | (2,887) |
| Silver revenue | (888) | (635) | (1,505) | (1,380) |
| Revenue from gold and copper | 100,491 | 63,678 | 164,103 | 137,245 |
| Revenue from gold | 70,946 | 47,512 | 117,713 | 101,008 |
| Payable gold in concentrate sold (<i>ounces</i>) | 54,660 | 37,659 | 89,816 | 81,137 |
| Average realized gold price per ounce | 1,298 | 1,262 | 1,311 | 1,245 |
| Revenue from copper | 29,545 | 16,166 | 46,390 | 36,237 |
| Payable copper in concentrate sold (<i>'000s pounds</i>) | 10,398 | 6,761 | 16,482 | 15,077 |
| Average realized copper price per pound | 2.84 | 2.39 | 2.81 | 2.40 |

RISKS AND UNCERTAINTIES

The operating results, financial condition and future prospects of the Company are subject to a number of inherent risks and uncertainties associated with its business activities, which include the acquisition, financing, exploration, development, construction and operation of its mine, mill and concentrate processing facilities and the research, development and sales activities of MineRP, a software vendor for the mining industry. The operating results, financial condition and prospects of the Company are also subject to numerous external factors, which include economic, geo-political, regulatory, legal, tax and market risks impacting, among other things, precious metals and copper prices, acid prices, toll rates, foreign exchange rates, inflation and the availability and cost of capital to fund the capital requirements of the business. Each of these risks could have a material adverse impact on the Company's future business, results of operations and financial condition, and could cause actual results to differ materially from those described in any Forward Looking Statements contained in this MD&A. The Company endeavors to manage these risks and uncertainties in a balanced manner with a view to mitigating risk while maximizing total shareholder returns. It is the responsibility of senior management, and the functional head of each business, to identify and to effectively manage the risks of each business. This includes developing appropriate risk management strategies, policies, processes and systems. There can be no assurance that the Company has been or will be successful in identifying all risks or that any risk-mitigating strategies adopted to reduce or eliminate risk will be successful. 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 2017 Annual MD&A and AIF.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

The Company's management, under the supervision of the CEO and the CFO, has evaluated its DC&P and ICFR and concluded that, as of June 30, 2018, they have been designed effectively to provide reasonable assurance regarding required disclosures and the reliability of financial reporting and the preparation of financial statements for external purposes.

NI 52-109 also requires Canadian public companies to disclose any change in ICFR during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to the internal controls in the first six months of 2018.

In accordance with NI 52-109, a company may limit its certification of design disclosures and procedures and internal control over financial reporting to exclude the controls, policies and procedures of a business that it acquired no more than 365 days before June 30, 2018. The Company's management, with the participation of the CEO and the CFO, has limited the scope of the design of the Company's disclosure, controls and procedures and internal control over financial reporting to exclude control, policies and procedures at MineRP, which was acquired in October 2017.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

Without limitation to the foregoing, the following section outlines certain specific Forward Looking Statements contained in the “2018 Guidance” of this MD&A, unless otherwise noted, and provides certain material assumptions used to develop such forward looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements (which are provided without limitation to the additional general risk factors discussed herein):

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

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

Metals contained in copper and pyrite concentrates 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.

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

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

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

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

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

acid prices; changes to project parameters, schedule and/or costs; and the inability to draw down on DPM's RCF due to a breach or potential breach of one of its covenants.

Forward looking statements are based certain key assumptions and the opinions and estimates of management and Qualified Persons (in the case of technical and scientific information) 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 and risks inherent to developing and commissioning new mines into production, such as the Krumovgrad project, which may be subject to unforeseen delays, costs or other issues; 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; social and non-governmental organizations ("NGO") opposition to mining projects and smelting operations; fluctuations in metal and acid prices, toll rates and foreign exchange rates; unanticipated title disputes; claims or litigation; limitation on insurance coverage; cyber-attacks; failure to realize projected financial results from MineRP; risks related to operating a technology business reliant on the ownership, protection and ongoing development of key intellectual properties; as well as those risk factors discussed or referred to in any other documents (including without limitation the Company's most recent AIF) filed from time to time with the securities regulatory authorities in all provinces and territories of Canada and available on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in Forward Looking Statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Unless required by securities laws, the Company undertakes no obligation to update Forward Looking Statements if circumstances or management's estimates or opinion should change. Accordingly, readers are cautioned not to place undue reliance on forward looking statements.

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

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2018 and December 31, 2017

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

| | June 30, 2018 | December 31, 2017 |
|----------------------------------------------------------------------|------------------|----------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | 13,861 | 28,767 |
| Accounts receivable | 55,050 | 33,854 |
| Inventories | 29,039 | 28,093 |
| Other current assets (note 4(c) & 4(d)) | 1,972 | 7,863 |
| | 99,922 | 98,577 |
| Non-Current Assets | | |
| Investments at fair value (note 4(a) & 4(b)) | 35,009 | 48,411 |
| Mine properties | 307,302 | 269,597 |
| Property, plant & equipment | 354,722 | 359,264 |
| Intangible assets | 50,511 | 55,494 |
| Deferred income tax assets | 9,975 | 8,962 |
| Other long-term assets | 4,352 | 4,445 |
| | 761,871 | 746,173 |
| TOTAL ASSETS | 861,793 | 844,750 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | 68,764 | 75,140 |
| Income tax liabilities | 4,131 | 2,993 |
| Current portion of long-term liabilities | 2,819 | 2,184 |
| | 75,714 | 80,317 |
| Non-Current Liabilities | | |
| Long-term debt (note 5(a)) | 39,000 | 23,000 |
| Deferred revenue | 56,352 | 50,000 |
| Rehabilitation provisions (note 6) | 38,191 | 38,041 |
| Share based compensation plans (note 7) | 6,019 | 5,923 |
| Other long-term liabilities | 17,605 | 13,981 |
| | 157,167 | 130,945 |
| TOTAL LIABILITIES | 232,881 | 211,262 |
| EQUITY | | |
| Share capital | 515,562 | 515,507 |
| Contributed surplus | 11,851 | 11,720 |
| Retained earnings | 96,875 | 57,115 |
| Accumulated other comprehensive income (loss) | (2,137) | 41,820 |
| Equity attributable to common shareholders of the Company | 622,151 | 626,162 |
| Non-controlling interests | 6,761 | 7,326 |
| TOTAL EQUITY | 628,912 | 633,488 |
| TOTAL LIABILITIES AND EQUITY | 861,793 | 844,750 |

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the three and six months ended June 30, 2018 and 2017

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

| | Three months ended June 30, | | Six months ended June 30, | |
|------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------|------------------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Revenue (note 13) | 102,877 | 86,853 | 189,765 | 161,521 |
| Costs and expenses | | | | |
| Cost of sales | 75,559 | 63,455 | 137,300 | 126,388 |
| General and administrative expenses | 1,672 | 3,062 | 13,944 | 9,712 |
| Corporate social responsibility expenses | 245 | 465 | 504 | 800 |
| Exploration expenses | 3,162 | 2,598 | 5,088 | 4,238 |
| Finance cost | 1,741 | 1,996 | 3,664 | 4,059 |
| Other expense | 1,740 | 2,465 | 4,872 | 15,026 |
| Earnings before income taxes | 18,758 | 12,812 | 24,393 | 1,298 |
| Current income tax expense | 3,263 | 2,521 | 6,364 | 4,826 |
| Deferred income tax recovery | (558) | (671) | (697) | (1,918) |
| Net earnings (loss) | 16,053 | 10,962 | 18,726 | (1,610) |
| Net earnings (loss) attributable to: | | | | |
| Common shareholders of the Company | 16,372 | 11,039 | 19,079 | (1,479) |
| Non-controlling interests | (319) | (77) | (353) | (131) |
| Net earnings (loss) | 16,053 | 10,962 | 18,726 | (1,610) |
| Basic and diluted earnings (loss) per share attributable to common shareholders of the Company (note 8) | 0.09 | 0.06 | 0.11 | (0.01) |

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three and six months ended June 30, 2018 and 2017

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

| | Three months ended June 30, | | Six months ended June 30, | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------|------------------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Net earnings (loss) | 16,053 | 10,962 | 18,726 | (1,610) |
| 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 (recovery) of (\$167) (2017 - \$542) and \$2 (2017 - \$557), respectively | (8,353) | 5,681 | (5,055) | 7,401 |
| Unrealized gains (losses) on commodity swap and option contracts designated as cash flow hedges, net of income tax expense (recovery) of (\$18) (2017 - \$nil) and \$425 (2017 - \$nil), respectively | (164) | - | 3,826 | - |
| Deferred cost of hedging on forward foreign exchange contracts, net of income tax recovery of \$20 (2017 - \$nil) and \$65 (2017 - \$nil), respectively | 298 | - | 432 | - |
| Deferred cost of hedging on commodity swap and option contracts, net of income tax expense of \$43 (2017 - \$nil) and \$171 (2017 - \$nil), respectively | 389 | - | 1,538 | - |
| Realized (gains) losses on forward foreign exchange contracts transferred to net earnings (loss), net of income tax expense of \$nil (2017 - \$60) and \$nil (2017 - \$53), respectively | 224 | 565 | (735) | 1,744 |
| Realized gains on commodity swap and option contracts transferred to net earnings (loss), net of income tax expense of \$83 (2017 - \$nil) and \$144 (2017 - \$nil), respectively | (748) | - | (1,298) | - |
| Cost of hedging on forward foreign exchange contracts transferred to net earnings (loss), net of income tax expense of \$nil (2017 - \$nil) and \$nil (2017 - \$nil), respectively | (416) | - | (628) | - |
| Cost of hedging on commodity swap and option contracts transferred to net earnings (loss), net of income tax expense of \$43 (2017 - \$nil) and \$76 (2017 - \$nil), respectively | (387) | - | (682) | - |
| Unrealized gains on publicly traded securities, net of income tax expense of \$nil (2017 - \$nil) and \$nil (2017 - \$nil), respectively | - | 8,850 | - | 18,999 |
| Currency translation adjustments | (5,107) | - | (3,055) | - |
| Other comprehensive income (loss) items that will not be reclassified subsequently to profit or loss: | | | | |
| Unrealized losses on publicly traded securities, net of income tax recovery of \$nil (2017 - \$nil) and \$1,198 (2017 - \$nil), respectively | (2,620) | - | (15,951) | - |
| | (16,884) | 15,096 | (21,608) | 28,144 |
| Comprehensive income (loss) | (831) | 26,058 | (2,882) | 26,534 |
| Comprehensive income (loss) attributable to: | | | | |
| Common shareholders of the Company | 617 | 26,135 | (1,846) | 26,665 |
| Non-controlling interests | (1,448) | (77) | (1,036) | (131) |
| Comprehensive income (loss) | (831) | 26,058 | (2,882) | 26,534 |

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and six months ended June 30, 2018 and 2017
(unaudited, in thousands of U.S. dollars)

| | Three months ended June 30, | | Six months ended June 30, | |
|--------------------------------------------------------------------------------------|--------------------------------|-----------------|------------------------------|-----------------|
| | 2018 | 2017 | 2018 | 2017 |
| OPERATING ACTIVITIES | | | | |
| Earnings before income taxes | 18,758 | 12,812 | 24,393 | 1,298 |
| Items not affecting cash and other adjustments <i>(note 10(a))</i> | 16,708 | 18,204 | 32,510 | 48,588 |
| Changes in non-cash working capital <i>(note 10(b))</i> | (8,679) | (8,578) | (16,080) | 9,008 |
| Payments for settlement of derivative contracts | (1,943) | (2,911) | (4,382) | (4,670) |
| Income taxes paid | (4,901) | (2,429) | (5,455) | (2,560) |
| Cash provided from operating activities | 19,943 | 17,098 | 30,986 | 51,664 |
| INVESTING ACTIVITIES | | | | |
| Purchase of publicly traded securities | (1,425) | - | (5,419) | - |
| Proceeds from Kapan Disposition | - | 4,372 | - | 4,372 |
| Proceeds from disposal of mine properties and property, plant and equipment | 19 | 76 | 40 | 96 |
| Expenditures on mine properties | (19,200) | (13,197) | (42,892) | (25,398) |
| Expenditures on property, plant and equipment | (5,093) | (4,268) | (10,392) | (8,208) |
| Expenditures on intangible assets | (160) | (1,626) | (173) | (1,965) |
| Cash used in investing activities | (25,859) | (14,643) | (58,836) | (31,103) |
| FINANCING ACTIVITIES | | | | |
| Proceeds from share issuance | 55 | - | 156 | 33,196 |
| Share issuance costs | - | (164) | - | (493) |
| Drawdowns (repayments), net under credit facilities <i>(note 5(a) & 5(b))</i> | 7,806 | - | 17,806 | (25,000) |
| Repayments of term loans | - | (16,250) | - | (16,250) |
| Financing fees on debt | (575) | - | (575) | (390) |
| Finance lease obligation | (579) | (376) | (1,021) | (752) |
| Interest paid | (1,696) | (1,347) | (3,422) | (2,763) |
| Cash provided from (used in) financing activities | 5,011 | (18,137) | 12,944 | (12,452) |
| Increase (decrease) in cash | (905) | (15,682) | (14,906) | 8,109 |
| Cash at beginning of period | 14,766 | 35,548 | 28,767 | 11,757 |
| Cash at end of period | 13,861 | 19,866 | 13,861 | 19,866 |

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended June 30, 2018 and 2017

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

| | June 30, 2018 | | June 30, 2017 | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|-----------------|---------------|---------|
| | 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 | 178,492,566 | 515,507 | 160,588,112 | 482,656 |
| Shares issued on financing | - | - | 17,843,120 | 33,176 |
| Shares issued on option agreement | 15,000 | 37 | 10,000 | 17 |
| Share issuance costs | - | - | - | (493) |
| Shares issued on exercise of stock options (note 7) | 6,239 | 12 | 9,466 | 37 |
| Transferred from contributed surplus on exercise of stock options | - | 6 | - | 20 |
| Balance at end of period | 178,513,805 | 515,562 | 178,450,698 | 515,413 |
| Contributed surplus | | | | |
| Balance at beginning of period | | 11,720 | | 10,890 |
| Share based compensation expense | | 608 | | 677 |
| Transferred to share capital on exercise of stock options | | (6) | | (20) |
| Other changes in contributed surplus | | (471) | | (82) |
| Balance at end of period | | 11,851 | | 11,465 |
| Retained earnings | | | | |
| Balance at beginning of period | | 57,115 | | 56,898 |
| Impact of adoption of IFRS 9 (note 2.2) | | 20,681 | | - |
| Adjusted balance at beginning of period | | 77,796 | | 56,898 |
| Net earnings (loss) attributable to common shareholders of the Company | | 19,079 | | (1,479) |
| Balance at end of period | | 96,875 | | 55,419 |
| Accumulated other comprehensive income (loss) (note 11) | | | | |
| Balance at beginning of period | | 41,820 | | 1,360 |
| Impact of adoption of IFRS 9 (note 2.2) | | (20,681) | | - |
| Adjusted balance at beginning of period | | 21,139 | | 1,360 |
| Other comprehensive income (loss) | | (20,925) | | 28,144 |
| Realized gains on forward foreign exchange contracts and cost of hedging transferred to Mine Properties, net of income tax expense of \$261 (2017 - \$nil) | | (2,351) | | - |
| Balance at end of period | | (2,137) | | 29,504 |
| Total equity attributable to common shareholders of the Company | | 622,151 | | 611,801 |
| Non-controlling interests | | | | |
| Balance at beginning of period | | 7,326 | | 223 |
| Net loss attributable to non-controlling interests | | (353) | | (131) |
| Other comprehensive loss attributable to non-controlling interests | | (683) | | - |
| Other changes in non-controlling interests | | 471 | | 82 |
| Balance at end of period | | 6,761 | | 174 |
| Total equity at end of period | | 628,912 | | 611,975 |

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

1. CORPORATE INFORMATION

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

As at June 30, 2018, DPM’s condensed interim consolidated financial statements include DPM and its subsidiary companies (collectively, the “Company”).

DPM’s principal subsidiaries include:

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

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

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

DPM also owns:

- 78% equity interest in MineRP Holdings Proprietary Limited, an independent mining software vendor with operations in Canada, South Africa, Australia and Chile, through MineRP Holdings Inc. (“MineRP”) (*note 3*).

2.1 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 (“IFRIC”) 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 (“IAS”) 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, 2017, 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, 2017, except for the changes in accounting policies as described below in *note 2.2*. These condensed interim consolidated financial statements were approved by the Board of Directors on July 31, 2018.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

2.2 CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2018, the Company adopted IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, which resulted in changes in accounting policies as described below. In accordance with the transitional provisions in both standards, the Company adopted these standards retrospectively without restating comparatives, with the cumulative impact adjusted in the opening balances as at January 1, 2018, except for hedge accounting in respect of commodity swap and option contracts that was applied prospectively.

IFRS 9, *Financial Instruments*

IFRS 9 replaces 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 either through profit or loss ("FVPL") or through other comprehensive income ("FVOCI"); establishes criteria for the classification of financial assets within each measurement category based on business model and cash flow characteristics; and eliminates the existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new expected credit loss model for the purpose of assessing the impairment of financial assets and requires that there be a demonstrated economic relationship between the hedged item and hedging instrument.

Upon adoption of IFRS 9, the two main changes in the Company's accounting policy on financial instruments are: i) equity investments previously classified as available-for-sale are now classified as financial assets measured at FVOCI and ii) derivative instruments previously held for trading now qualify for hedge accounting, including the Company's commodity swap and option contracts, to the extent they comply with the IFRS 9 criteria for hedge accounting.

Equity investments previously classified as available-for-sale financial assets satisfied the conditions for classification as financial assets at FVOCI and the Company elected to irrevocably designate them at FVOCI. Gains and losses in respect of these investments are recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss), are not transferred to profit or loss upon disposition and are not subject to impairment assessments.

The new hedge accounting standards more closely align the accounting for hedging instruments with the Company's risk management practices. As a result, more hedge relationships are eligible for hedge accounting. Upon adoption of IFRS 9, the Company's forward foreign exchange contracts, which previously qualified for hedge accounting, continue to qualify. The Company has also elected to account for the forward point component of forward foreign exchange contracts as a cost of hedging. The Company's commodity swap and option contracts, which previously did not qualify for hedge accounting under IAS 39, now qualify for hedge accounting to the extent they comply with the IFRS 9 criteria for hedge accounting.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The following table shows the previous classification under IAS 39 and the new classification under IFRS 9 for the Company's financial instruments:

| | Financial instrument classification | |
|--------------------------------------------|-------------------------------------|-------------------------------------------------|
| | Under IAS 39 | Under IFRS 9 |
| Financial assets | | |
| Cash | Loans and receivables | Amortized cost |
| Accounts receivable | | |
| on provisionally priced sales | Held for trading | FVPL |
| Other accounts receivable | Loans and receivables | Amortized cost |
| Restricted cash | Loans and receivables | Amortized cost |
| Sabina special warrants (4(a)) | Held for trading | FVPL |
| Publicly traded securities (4(b)) | Available for sale | FVOCI |
| Commodity swap and option contracts (4(c)) | Derivatives held for trading | Derivatives for cash flow and fair value hedges |
| Forward foreign exchange contracts (4(d)) | Derivatives for cash flow hedges | Derivatives for cash flow hedges |
| Financial liabilities | | |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost |
| Debt (note 5) | Other financial liabilities | Amortized cost |
| Commodity swap and option contracts (4(c)) | Derivatives held for trading | Derivatives for cash flow and fair value hedges |
| Forward foreign exchange contracts (4(d)) | Derivatives for cash flow hedges | Derivatives for cash flow hedges |

The effects of adopting IFRS 9 in the opening balances as at January 1, 2018 are summarized in the table below:

| | Impact on opening balances upon adoption of IFRS 9 | | |
|-----------------------------------------------|----------------------------------------------------|----------------------------|------------------------|
| | Retained earnings | other comprehensive income | Impact on Total equity |
| Balance as at December 31, 2017 | 57,115 | 41,820 | 98,935 |
| Reclassify equity investments | | | |
| from available for sale to FVOCI (i) | 20,645 | (20,645) | - |
| Elect cost of hedge accounting (ii) | 36 | (36) | - |
| | 20,681 | (20,681) | - |
| Adjusted balance as at January 1, 2018 | 77,796 | 21,139 | 98,935 |

(i) Upon adoption of IFRS 9, impairment charges on available-for-sale investments previously recognized in profit or loss were transferred from retained earnings to accumulated other comprehensive income with no impact on total shareholders' equity.

(ii) Upon adoption of IFRS 9, the accumulated unrealized losses, net of income taxes, on the forward point component of outstanding forward foreign exchange contracts previously recognized in profit or loss were transferred from retained earnings to accumulated other comprehensive income with no impact on total shareholders' equity.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The following are the Company's new accounting policies for its financial instruments under IFRS 9:

(a) Financial assets and liabilities excluding derivative instruments related to hedging activities

Financial assets

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified as "financial assets at fair value (either through other comprehensive income, or through profit or loss)" and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows.

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

Financial assets with embedded derivatives are considered in their entirety when determining their classification at FVPL or at amortized cost. The Company has classified accounts receivable on provisionally priced sales as financial assets measured at FVPL. Other accounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – Financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of earnings (loss). The Company's investment in Sabina special warrants and its accounts receivable on provisionally priced sales are classified as financial assets at FVPL.

Subsequent measurement – Financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company's investments in publicly traded equity securities are classified as financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss. Dividends from such investments are recognized in other income in the consolidated statements of earnings (loss) when the right to receive payments is established.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's only financial assets subject to impairment are other accounts receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

Financial liabilities

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and long-term debt, which are each measured at amortized cost.

All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

Subsequent measurement - financial liabilities at amortized cost

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

Derecognition

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

(b) Derivative financial instruments and hedging activities

Derivatives are initially recognized at fair value on the dates they are entered into and are subsequently re-measured at their fair value at the end of each reporting period. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

2.2 CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

For a derivative instrument to qualify for hedge accounting, the Company documents at the inception of the transaction the relationship between a hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking the hedging transaction. The Company also documents its assessment, both at inception and on an ongoing basis, of whether the derivative used to hedge an underlying exposure is highly effective in offsetting changes in the cash flows of the hedged item.

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

Forward foreign exchange contracts designated as cash flow hedges

The Company designates the spot component of forward foreign exchange contracts entered to hedge a portion of its projected operating expenses and capital expenditures denominated in foreign currencies as a cash flow hedge.

The effective portion of changes in fair value of the spot component of the forward foreign exchange contracts are initially recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). For hedges of operating expenses, the accumulated fair value change initially recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss) is subsequently recognized in cost of sales in the consolidated statements of earnings (loss) in the period when the underlying hedged operating expenses occur. For hedges of capital expenditures, the accumulated fair value change initially recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss) is subsequently included in the carrying value of the underlying assets hedged in the period the underlying hedged capital expenditures occur.

The forward points, or interest rate differential, which form a component of these forward foreign exchange contracts, are treated as a separate cost of hedging. As a result, any unrealized fair value change in the forward point component of the outstanding forward foreign exchange contracts is initially recognized as a deferred cost of hedging in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). The accumulated cost of hedging is subsequently recognized in cost of sales or included in the carrying value of the underlying assets hedged in the period the underlying hedged operating expenses or capital expenditures occur.

Commodity swap and option contracts designated as cash flow hedges

The Company also designates the spot component of commodity swap contracts and the intrinsic value of commodity option contracts to hedge future metal price exposures ("Production Hedges") as cash flow hedges.

The effective portion of changes in fair value of the spot component of the swaps and in the intrinsic value of the options are initially recognized in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). The accumulated fair value change is subsequently recognized in revenue in the consolidated statements of earnings (loss) in the period the underlying hedged sales occur.

The forward points, or time value, which form a component of these commodity swap and option contracts, are treated as a separate cost of hedging. As a result, any unrealized fair value change in the time value component of the outstanding commodity swap and option contracts is initially recognized as a deferred cost of hedging in other comprehensive income or loss in the consolidated statements of comprehensive income (loss). The accumulated cost of hedging is subsequently recognized in revenue in the period the underlying hedged sales occur.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Commodity swap and option contracts designated as fair value hedges

The Company designates the spot component of commodity swap contracts to hedge the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales ("QP Hedges") as a fair value hedge.

The effective portion of changes in fair value of the spot component of these commodity swap contracts are recognized in revenue in the consolidated statements of earnings (loss), together with any changes in the fair value of the hedged accounts receivable on the provisionally priced sales.

The forward point component of these commodity swap contracts is accounted for separately as a cost of hedging. As a result, any change in the fair value of the forward point component is recognized in revenue in the consolidated statements of earnings (loss).

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for cash flow hedge accounting, the accumulated deferred gains or losses remain in other comprehensive income or loss until the period the underlying transaction that was hedged occurs at which point they are reclassified and recognized in revenue in the consolidated statements of earnings (loss). If the underlying hedged transaction is no longer expected to occur, the accumulated gains or losses that were initially recognized in other comprehensive income or loss are immediately reclassified to other income or expense in the consolidated statements of earnings (loss).

The gains or losses relating to the ineffective portion of all cash flow or fair value hedges, if any, are recognized immediately in other income or expense in the consolidated statements of earnings (loss).

IFRS 15, Revenue from Contracts with Customers

IFRS 15 establishes the principles that an entity shall apply to report the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. IFRS 15 replaces IAS 11, *Construction contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standard Interpretations Committee interpretation 31, *Revenue – Barter Transactions Involving Advertising Services*.

Under IFRS 15, revenue is recognized when control of a good or service transfers to a customer and is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Under IAS 18, revenue was recognized when the significant risks and rewards of ownership had been transferred to the customer and was measured at the fair value of the consideration received or receivable.

While the implementation of IFRS 15 did not have a material impact on the Company's revenue recognition policies, the Company recognized a deemed financing expense in respect of its prepaid forward gold sales arrangement. This deemed financing expense was capitalized to mine properties under construction as borrowing costs incurred in respect of the Krumovgrad gold project. As a result, mine properties and deferred revenue each increased by \$4.5 million as at January 1, 2018 and \$1.8 million during the six months ended June 30, 2018.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

2.2 CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

The following are the Company's new accounting policies for revenue recognition under IFRS 15:

(a) Revenue recognition

Revenue from the sale of concentrates containing gold, copper and silver is recognized when control has been transferred, which is considered to occur when products have been delivered to the location specified in the sales contract and the significant risks of loss have been transferred to the buyer. Revenue is measured based on the consideration specified in the contract.

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

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

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

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

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

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

Revenue from licenses entered by MineRP containing software and ongoing services elements is recognized based on the estimated fair value of each element. The fair value of each element is determined based on the market price of each element when sold separately. Revenue relating to the software element is recognized when the control has been transferred to the customer, which occurs on delivery. Revenue relating to the service element is recognized over time when the services are rendered.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

2.2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Deferred revenue

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

The Company recognizes the time value of money, where there is a significant financing component, in finance cost when the period between the payment by the customer and transfer of the contracted goods or services exceeds one year.

In assessing the accounting for the Company's prepaid forward gold sales arrangement, the Company used judgement to determine that the upfront cash prepayment received was not a financial liability as the sale will be settled through the delivery of gold, which is a non-financial item rather than through cash or other financial assets. It is the Company's intention to settle this arrangement through its own production. If such settlement is not expected to occur, the prepaid forward gold sales arrangement would become a financial liability as a cash settlement may be required.

2.3 NEW STANDARDS NOT YET ADOPTED

IFRS 16, Leases

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

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. As a lessee, the Company can either apply the standard using a retrospective approach or a modified retrospective approach. The Company is currently reviewing all of its leases to determine and document the expected changes associated with the adoption of IFRS 16. The Company expects to complete its preparatory work in the fourth quarter of 2018 and is planning to adopt this standard effective January 1, 2019 with modified retrospective application.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

3. SIGNIFICANT TRANSACTIONS

On October 25, 2017, the Company completed the acquisition of MineRP and combination with its Terrative Digital Solutions Division ("Terrative"), creating a technology provider with operations in Canada, South Africa, Australia and Chile in the mining industry for digital innovation. As a result of this transaction, the Company owns a 78% equity interest in MineRP.

Net assets acquired comprised primarily intellectual property and goodwill with provisional values of \$3.8 million and \$24.6 million, respectively. The goodwill is attributable to a number of factors that cannot specifically be allocated to an identifiable asset, including its market reputation, the potential for significant future overall market and MineRP revenue growth, synergies between Terrative and MineRP technologies, and the skills and knowledge of its existing employees.

The purchase price allocation of MineRP acquisition was finalized as at June 30, 2018. As a result, the Company adjusted its provisional purchase price allocation so as to recognize \$3.4 million of value related to customer relationships and reduced the value allocated to intellectual property and goodwill by \$1.0 million and \$2.4 million to \$2.8 million and \$22.2 million, respectively. Goodwill as at June 30, 2018 was \$22.5 million after accumulated currency translation adjustments of \$0.3 million, of which a reduction of \$4.1 million and an addition of \$2.8 million, respectively, were recognized for the three and six months ended June 30, 2018.

4. 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:

| | Financial instrument classification | Carrying Amount | |
|------------------------------------------|-------------------------------------------------|-----------------|-------------------|
| | | June 30, 2018 | December 31, 2017 |
| Financial assets | | | |
| Cash | Amortized cost | 13,861 | 28,767 |
| Accounts receivable | | | |
| on provisionally priced sales | FVPL | 33,802 | 7,678 |
| Other accounts receivable | Amortized cost | 21,248 | 26,176 |
| Restricted cash | Amortized cost | 2,216 | 2,392 |
| Sabina special warrants (a) | FVPL | 3,565 | 5,239 |
| Publicly traded securities (b) | FVOCI | 31,444 | - |
| Publicly traded securities (b) | Available for sale | - | 43,172 |
| Commodity swap and option contracts (c) | Derivatives for cash flow and fair value hedges | 78 | - |
| Forward foreign exchange contracts (d) | Derivatives for cash flow hedges | 664 | 6,326 |
| Financial liabilities | | | |
| Accounts payable and accrued liabilities | Amortized cost | 60,179 | 60,122 |
| Debt (note 5(a) & 5(b)) | Amortized cost | 40,806 | 23,000 |
| Commodity swap and option contracts (c) | Derivatives for cash flow and fair value hedges | 3,732 | - |
| Commodity swap and option contracts (c) | Derivatives held for trading | - | 15,018 |
| Forward foreign exchange contracts (d) | Derivatives for cash flow hedges | 3,047 | - |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

The carrying values of all the financial assets and liabilities measured at amortized cost approximate their fair values as at June 30, 2018 and December 31, 2017.

(a) Sabina special warrants

During the six months ended June 30, 2018, the Company purchased additional 3,246,200 common shares of Sabina at an average price of \$1.66 (Cdn\$2.10) per share. As at June 30, 2018, DPM held: (i) 26,785,913 common shares of Sabina; and (ii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the Back River project or upon the occurrence of certain other events. Each of the special warrants is exercisable into one common share until 2044.

The fair value of the special warrants was based on the fair value of the Sabina common shares, which was determined based on the closing bid prices as at June 30, 2018 and December 31, 2017.

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

For the three and six months ended June 30, 2018, the Company recognized unrealized losses on the Sabina special warrants of \$0.2 million (2017 - unrealized gains of \$0.8 million) and \$1.8 million (2017 - unrealized gains of \$2.0 million), respectively, in other expense in the condensed interim consolidated statements of earnings (loss).

(b) Publicly traded securities

Publicly traded securities include a portfolio of equity investments in publicly traded mining and exploration companies, comprised primarily of Sabina common shares. These investments were classified as available-for-sale under IAS 39 as management intended to hold them for the medium to long-term. Upon adoption of IFRS 9, the Company elected to present changes in the fair value of all its equity investments previously classified as available-for-sale in other comprehensive income or loss. See *note 2.2* for the changes in accounting policy.

For the three and six months ended June 30, 2018, the Company recognized unrealized losses on these publicly traded securities of \$2.6 million (2017 – unrealized gains of \$8.9 million) and \$17.1 million (2017 – an unrealized gain of \$19.0 million), respectively, in other comprehensive income (loss) that will not be reclassified subsequently to profit or loss. Had the Company not adopted IFRS 9, these unrealized losses for the three and six months ended June 30, 2018 would have been presented in other comprehensive income or loss and would have been subsequently reclassified to the consolidated statements of earnings (loss) once realized.

(c) Commodity swap and option contracts

The Company enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to eliminate or substantially reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales. As at June 30, 2018, 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 | 18,530 ounces | \$1,256.66 /ounce |
| Payable copper | 3,328,976 pounds | \$2.99 /pound |
| Payable silver | 15,080 ounces | \$15.98 /ounce |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

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

As at June 30, 2018, the Company had outstanding commodity swap contracts in respect of its projected copper production as summarized in the table below:

| Year of projected production | Volume of copper hedged (pounds) | Average fixed price of production hedges (\$/pound) |
|-------------------------------------|-----------------------------------------|------------------------------------------------------------|
| Balance of 2018 | 9,583,483 | 2.62 |

As at June 30, 2018, the Company had outstanding commodity option contracts in respect of its projected copper production as summarized in the table below:

| Year of projected production | Volume of copper hedged (pounds) | Call options sold Average ceiling price (\$/pound) | Put options purchased Average floor price (\$/pound) |
|-------------------------------------|-----------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------|
| Balance of 2018 | 6,349,306 | 3.32 | 2.80 |

The commodity swap and option contracts did not qualify for hedge accounting previously as component hedging was not permitted under IAS 39. Upon adoption of IFRS 9, the Company is now able to designate the spot component of commodity swap contracts and the intrinsic value of the commodity option contracts in respect of Production Hedges as cash flow hedges and the spot component of commodity swap contracts in respect of QP Hedges as fair value hedges. See *note 2.2* for the changes in accounting policy.

The fair value gain or loss on commodity swap contracts was calculated based on the corresponding London Metal Exchange forward copper prices and New York Commodity Exchange forward gold and silver prices, as applicable. The fair value gain or loss on commodity option contracts was calculated based on the option prices quoted on the Commodity Exchange (a part of the Chicago Mercantile Exchange). As at June 30, 2018, the net fair value loss on all outstanding commodity swap and option contracts was \$3.6 million (December 31, 2017 – \$15.0 million), of which \$0.1 million (December 31, 2017 – \$nil) was included in other current assets and \$3.7 million (December 31, 2017 – \$15.0 million) in accounts payable and accrued liabilities.

For the three and six months ended June 30, 2018, the Company recognized unrealized losses of \$1.0 million and unrealized gains of \$3.8 million, respectively, in other comprehensive income (loss) on outstanding commodity swap and option contracts. The Company also recognized net gains of \$1.4 million and \$2.4 million, respectively, for the three and six months ended June 30, 2018 in revenue on settled contracts. Had the Company not adopted IFRS 9, net gains of \$0.4 million and \$6.2 million, respectively, for the three and six months ended June 30, 2018 would have been recognized in other expense in the condensed interim consolidated statements of earnings (loss).

For the three and six months ended June 30, 2017, the Company recognized unrealized gains of \$1.4 million and unrealized losses of \$8.5 million, respectively, on commodity swap and option contracts in other expense. The Company also recognized realized losses on the settled contracts of \$2.5 million and \$5.6 million, respectively, for the three and six months ended June 30, 2017 in other expense.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

(d) Forward foreign exchange contracts

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

As at June 30, 2018, the Company had outstanding forward foreign exchange contracts in respect of projected foreign denominated operating expenses and capital expenditures over the balance of 2018 as summarized in the table below:

| Exposures hedged | Foreign currency hedged (i) | Amount hedged in foreign currency | Average exchange rate Foreign currency/US\$ |
|-------------------------|------------------------------------|------------------------------------------|----------------------------------------------------|
| Operating expenses | South Africa Rand | 759,497,125 | 13.1629 |
| Capital expenditures | Euro | 16,489,000 | 1.1328 |

(i) The Bulgarian leva is pegged to the Euro and the Namibian dollar is pegged to the South African rand on a 1:1 basis.

The Company continues to designate the spot component of the forward foreign exchange contracts as a cash flow hedge. Upon adoption of IFRS 9, the forward point component of forward foreign exchange contracts is now treated as a separate cost of hedging. See *note 2.2* for the changes in accounting policy.

The fair value gain or loss on these outstanding contracts was calculated based on forward foreign exchange rates quoted in the market. As at June 30, 2018, the fair value loss on all outstanding forward foreign exchange contracts was \$2.4 million, which was included in accounts payable and accrued liabilities. As at December 31, 2017, the fair value gain on all outstanding foreign exchange contracts was \$6.3 million, which was included in other current assets.

For the three and six months ended June 30, 2018, the Company recognized unrealized losses of \$9.5 million (2017 – unrealized gains of \$6.7 million) and \$9.2 million (2017 – unrealized gains of \$9.6 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 \$0.3 million (2017 - \$0.5 million) and realized gains of \$0.7 million (2017 - realized losses of \$1.7 million), respectively, for the three and six months ended June 30, 2018 in cost of sales on the spot component of the settled contracts in respect of foreign denominated operating expenses. The Company also recognized realized gains of \$1.2 million (2017 – \$nil) and \$3.4 million (2017 - \$nil), respectively, for the three and six months ended June 30, 2018 as reductions to mine properties on the spot component of the settled contracts in respect of foreign denominated capital expenditures.

For the three and six months ended June 30, 2018, the Company recognized \$0.3 million and \$0.5 million of unrealized gains on the forward point component of the outstanding forward foreign exchange contracts, respectively, in other comprehensive income (loss) as a deferred cost of hedging. The Company also recognized realized gains of \$0.4 million and \$0.6 million, respectively, for the three and six months ended June 30, 2018 in cost of sales on the forward point component of the settled contracts in respect of foreign denominated operating expenses. The Company also recognized realized losses of \$0.5 million and \$0.8 million, respectively, for the three and six months ended June 30, 2018 as additions to mine properties on the forward point component of the settled contracts in respect of foreign denominated capital expenditures. Had the Company not adopted IFRS 9, net gains of \$0.2 million and \$0.3 million, respectively, for the three and six months ended June 30, 2018 would have been recorded in other expense in the condensed interim consolidated statements of earnings (loss).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

For the three and six months ended June 30, 2017, the Company recognized unrealized losses of \$1.8 million and \$2.3 million, respectively, in other expense on the forward point component of the outstanding forward foreign exchange contracts. The Company also recognized realized gains of \$1.5 million and \$2.9 million, respectively, for the three and six months ended June 30, 2017 in other expense on the forward point component of the settled contracts.

Fair value hierarchy

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

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2018 and December 31, 2017:

| | As at June 30, 2018 | | | |
|---------------------------------------------------|-------------------------|---------|---------|--------|
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Accounts receivable on provisionally priced sales | - | 33,802 | - | 33,802 |
| Sabina special warrants | - | - | 3,565 | 3,565 |
| Publicly traded securities | 31,444 | - | - | 31,444 |
| Commodity swap and option contracts | - | 78 | - | 78 |
| Forward foreign exchange contracts | - | 664 | - | 664 |
| Financial liabilities | | | | |
| Commodity swap and option contracts | - | 3,732 | - | 3,732 |
| Forward foreign exchange contracts | - | 3,047 | - | 3,047 |
| <hr/> | | | | |
| | As at December 31, 2017 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | |
| Sabina special warrants | - | - | 5,239 | 5,239 |
| Publicly traded securities | 43,172 | - | - | 43,172 |
| Forward foreign exchange contracts | - | 6,326 | - | 6,326 |
| Financial liabilities | | | | |
| Commodity swap and option contracts | - | 15,018 | - | 15,018 |

During the six months ended June 30, 2018 and the year ended December 31, 2017, 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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

The following table reconciles Level 3 fair value measurements from January 1, 2017 to June 30, 2018:

| | |
|-----------------------------------------------------|--------------|
| Balance as at January 1, 2017 | 2,008 |
| Purchase of other warrants | 216 |
| Unrealized gains included in net loss | 3,015 |
| Balance as at December 31, 2017 | 5,239 |
| Purchase of other warrants | 2 |
| Unrealized losses included in net earnings (note 8) | (1,676) |
| Balance as at June 30, 2018 | 3,565 |

5. DEBT

(a) DPM Revolving Credit Facility (“RCF”)

DPM has a committed RCF with a consortium of banks. In April 2018, the RCF was amended to extend the terms of tranche B by an additional year. As at June 30, 2018, the RCF is comprised of a \$45.0 million tranche A maturing in February 2022, a \$150.0 million tranche B maturing in February 2021, and an \$80.0 million tranche C maturing in September 2021 that has quarterly availability reductions of \$4.0 million beginning in the third quarter of 2018.

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

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

As at June 30, 2018, DPM was in compliance with all financial covenants and \$39.0 million (December 31, 2017 – \$23.0 million) was drawn under the RCF.

(b) Tsumeb overdraft facility

In April 2018, Tsumeb entered into a Namibian \$50.0 million (\$3.6 million) demand overdraft facility that is guaranteed by DPM. This facility bears interest at a rate equal to the Namibian Prime Lending Rate minus 0.50%. As at June 30, 2018, \$1.8 million was drawn from this facility, which was included in accounts payable and accrued liabilities.

(c) Other credit agreements and guarantees

Chelopech and Krumovgrad have a \$16.0 million multi-purpose credit facility that matures on November 30, 2018. This credit facility is guaranteed by DPM. As at June 30, 2018, \$4.1 million (December 31, 2017 – \$5.5 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech and Krumovgrad also have a Euro 21.0 million (\$24.5 million) credit facility to support mine closure and rehabilitation obligations. This credit facility matures on November 30, 2018 and is guaranteed by DPM. As at June 30, 2018, \$22.4 million (December 31, 2017 – \$23.0 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

Krumovgrad has a \$5.3 million multi-purpose credit facility that matures on November 30, 2018. This credit facility is guaranteed by DPM. As at June 30, 2018, \$0.1 million (December 31, 2017 – \$0.1 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Advances under these facilities bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 2.5%. The letters of credit and guarantee bear a fee of 0.6% based on the amounts issued.

6. REHABILITATION PROVISIONS

The rehabilitation provisions represent the present value of rehabilitation costs relating to the Chelopech, Tsumeb and Krumovgrad sites, which are expected to be incurred between 2019 and 2041.

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

| | June 30, 2018 | December 31, 2017 |
|-----------------------------|--------------------|----------------------|
| Discount period | | |
| Chelopech | 2019 - 2030 | 2018 - 2029 |
| Tsumeb | 2021 - 2039 | 2021 - 2039 |
| Krumovgrad | 2019 - 2041 | 2019 - 2041 |
| Local discount rate | | |
| Chelopech/Krumovgrad | 2.3% | 2.4% |
| Tsumeb | 10.1% | 10.1% |
| Local inflation rate | | |
| Chelopech/Krumovgrad | 2.3% | 2.3% |
| Tsumeb | 5.2% | 5.2% |

Changes to rehabilitation provisions were as follows:

| | Chelopech | Tsumeb | Krumovgrad | Total |
|------------------------------------|---------------|---------------|--------------|---------------|
| Balance as at January 1, 2017 | 15,281 | 14,709 | 306 | 30,296 |
| Change in cost estimate | - | - | 2,773 | 2,773 |
| Remeasurement of provisions (a) | 1,824 | 1,515 | (180) | 3,159 |
| Accretion expense | 288 | 1,504 | 21 | 1,813 |
| Balance as at December 31, 2017 | 17,393 | 17,728 | 2,920 | 38,041 |
| Change in cost estimate | - | - | 1,210 | 1,210 |
| Remeasurement of provisions (a) | (328) | (1,832) | (76) | (2,236) |
| Accretion expense | 210 | 926 | 40 | 1,176 |
| Balance as at June 30, 2018 | 17,275 | 16,822 | 4,094 | 38,191 |

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

7. 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 this plan and determines the grants.

(a) Non-performance based RSUs

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

The following is a summary of the RSUs granted for the periods indicated:

| | Number of RSUs | Amount |
|------------------------------------|--------------------|----------------|
| Balance as at January 1, 2017 | 2,759,980 | 2,486 |
| RSUs granted | 1,667,400 | 3,189 |
| RSUs redeemed | (1,190,339) | (2,453) |
| RSUs forfeited | (241,604) | (275) |
| Mark-to-market adjustments | | 1,194 |
| Balance as at December 31, 2017 | 2,995,437 | 4,141 |
| RSUs granted | 1,679,900 | 1,607 |
| RSUs redeemed | (1,368,098) | (3,413) |
| RSUs forfeited | (68,633) | (26) |
| Mark-to-market adjustments | | 600 |
| Balance as at June 30, 2018 | 3,238,606 | 2,909 |

As at June 30, 2018, there was \$4.3 million (December 31, 2017 – \$2.2 million) of RSU expenses remaining to be charged to net earnings in future periods relating to the RSU plan.

(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. These PSUs vest after three years and are paid in cash based on the Market Price of DPM's publicly traded common shares, subject to established performance criteria, on the entitlement date or dates, which shall not be later than December 31 of the year that is three years after the year of service for which the PSUs were granted, as determined by the Board of Directors in its sole discretion.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

The following is a summary of the PSUs granted for the years indicated:

| | Number of PSUs | Amount |
|------------------------------------|------------------|--------------|
| Balance as at January 1, 2017 | 1,161,800 | 640 |
| PSUs granted | 654,850 | 1,007 |
| PSUs forfeited | (104,300) | (83) |
| Mark-to-market adjustments | | 88 |
| Balance as at December 31, 2017 | 1,712,350 | 1,652 |
| PSUs granted | 584,000 | 776 |
| PSUs redeemed | (331,400) | (691) |
| Mark-to-market adjustments | | 552 |
| Balance as at June 30, 2018 | 1,964,950 | 2,289 |

As at June 30, 2018, there was \$2.2 million (December 31, 2017 – \$1.5 million) of expenses remaining to be charged to net earnings in future periods relating to these PSUs.

Deferred Share Unit (“DSU”) plans

DPM has a DSU Plan for directors and certain employees.

Under the employee DSU Plan, grants to employees of the Company are determined by the Board of Directors, or the compensation committee, in lieu of a cash bonus. The DSUs are redeemable in cash based on the Market Price of DPM’s publicly traded common shares on the date the employee ceases to be employed by DPM or a subsidiary thereof.

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

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

| | Number of DSUs | Amount |
|------------------------------------|------------------|--------------|
| Balance as at January 1, 2017 | 1,255,387 | 2,079 |
| DSUs granted | 263,524 | 565 |
| DSUs redeemed | (178,875) | (363) |
| Mark-to-market adjustments | | 919 |
| Balance as at December 31, 2017 | 1,340,036 | 3,200 |
| DSUs granted | 139,421 | 333 |
| Mark-to-market adjustments | | 118 |
| Balance as at June 30, 2018 | 1,479,457 | 3,651 |

DPM Stock option plan

The Company has established an incentive stock option plan for directors, selected employees and consultants. Pursuant to the plan, the exercise price of an 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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

During the six months ended June 30, 2018, the Company granted 797,698 (2017 – 931,947) stock options with a fair value of \$1.1 million (2017 – \$1.1 million). The estimated value of the options granted will be recognized as an expense in the condensed interim consolidated statements of earnings (loss) and an addition to contributed surplus in the condensed interim consolidated statements of changes in shareholders' equity over the vesting period. The Company recorded stock option expenses of \$0.3 million (2017 – \$0.3 million) and \$0.6 million (2017 - \$0.7 million), respectively, for the three and six months ended June 30, 2018 under this stock option plan.

As at June 30, 2018, there was \$1.3 million (December 31, 2017 – \$0.8 million) of share based compensation cost remaining to be charged to net earnings in future periods relating to stock option grants. The fair value of options granted was estimated using the Black-Scholes option pricing model. The expected volatility is estimated based on the historic average share price volatility. The inputs used in the measurement of the fair values at the time the options were granted were as follows:

| | June 30, 2018 | June 30, 2017 |
|-----------------------------------|------------------|------------------|
| Five year risk free interest rate | 1.9% - 2.0% | 1.0% |
| Expected life in years | 4.75 | 4.75 |
| Expected volatility | 67.0% - 68.2% | 68.5% |
| 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, 2017 | 5,647,653 | 4.44 |
| Options granted | 996,065 | 2.82 |
| Options exercised | (51,334) | 2.63 |
| Options forfeited | (122,199) | 2.69 |
| Options expired | (1,004,782) | 7.71 |
| Balance as at December 31, 2017 | 5,465,403 | 3.60 |
| Options granted | 797,698 | 3.28 |
| Options exercised | (6,239) | 2.34 |
| Options expired | (677,700) | 7.82 |
| Balance as at June 30, 2018 | 5,579,162 | 3.04 |

The following lists the options outstanding and exercisable as at June 30, 2018:

| Options outstanding | | | Options exercisable | | |
|--------------------------------------------------------|-------------------------------------|-------------------------------------------|------------------------------------------------------------------|-------------------------------------|------------------------------------------------------------------|
| Range of exercise prices per share (Cdn\$) | Number of options outstanding | Weighted average remaining years | Weighted average exercise price per share (Cdn\$) | Number of options exercisable | Weighted average exercise price per share (Cdn\$) |
| 2.05 - 2.97 | 3,546,564 | 2.55 | 2.69 | 2,496,285 | 2.73 |
| 3.28 - 3.96 | 2,032,598 | 2.31 | 3.65 | 1,234,900 | 3.89 |
| 2.05 - 3.96 | 5,579,162 | 2.46 | 3.04 | 3,731,185 | 3.11 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

8. EARNINGS (LOSS) PER SHARE

| | Three months ended June 30, | | Six months ended June 30, | |
|----------------------------------------------------------------|--------------------------------|-------------|------------------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net earnings (loss) attributable to common shareholders | 16,372 | 11,039 | 19,079 | (1,479) |
| Basic weighted average number of common shares | 178,494,637 | 178,441,132 | 178,493,607 | 176,082,352 |
| Effect of stock options | 693,809 | 151,552 | 566,892 | - |
| Diluted weighted average number of common shares | 179,188,446 | 178,592,684 | 179,060,499 | 176,082,352 |
| Basic earnings (loss) per share | 0.09 | 0.06 | 0.11 | (0.01) |
| Diluted earnings (loss) per share | 0.09 | 0.06 | 0.11 | (0.01) |

9. RELATED PARTY TRANSACTIONS

(a) 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 earnings (loss) for the three and six months ended June 30, 2018 and 2017 was as follows:

| | Three months ended June 30, | | Six months ended June 30, | |
|------------------------------------------------|--------------------------------|-------|------------------------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| Salaries, management bonuses and director fees | 1,213 | 1,156 | 2,510 | 2,330 |
| Other benefits | 92 | 94 | 192 | 193 |
| Share based compensation | 853 | 511 | 2,425 | 2,332 |
| Total remuneration | 2,158 | 1,761 | 5,127 | 4,855 |

(b) Transaction with a director

In January 2018, the Company purchased 2,200,000 common shares of Sabina from a director of the Company at the market price of \$1.81 (Cdn\$2.26) per share for a total cost of \$4.0 million (Cdn\$5.0 million) to maintain a 10.2% of ownership interest in Sabina (*note 4(a)*).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2018 and 2017
(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

10. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Items not affecting cash and other adjustments

| | Three months ended June 30, | | Six months ended June 30, | |
|--------------------------------------------------------------|--------------------------------|--------|------------------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| Depreciation and amortization | 14,288 | 15,605 | 28,715 | 31,500 |
| Net interest expense | 1,029 | 1,474 | 2,333 | 3,045 |
| Accretion expense related to rehabilitation provisions | 607 | 446 | 1,176 | 873 |
| Share based compensation expense | 271 | 275 | 608 | 677 |
| Net (gains) losses on Sabina special warrants | 559 | (838) | 1,676 | (2,015) |
| Net (gains) losses on commodity swap and option contracts | (1,318) | 1,061 | (2,332) | 14,069 |
| Net (gains) losses on forward foreign exchange contracts | (191) | 790 | (1,363) | 1,096 |
| Other, net | 1,463 | (609) | 1,697 | (657) |
| | 16,708 | 18,204 | 32,510 | 48,588 |

(b) Changes in non-cash working capital

| | Three months ended June 30, | | Six months ended June 30, | |
|----------------------------------------------------------------|--------------------------------|---------|------------------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| (Increase) decrease in accounts receivable and other assets | (12,929) | (6,636) | (21,514) | 8,984 |
| (Increase) decrease in inventories | 6,127 | (4,092) | (946) | (2,407) |
| Increase in accounts payable and accrued liabilities | (619) | 2,424 | 6,371 | 1,242 |
| Increase (decrease) in other liabilities | (1,258) | (274) | 9 | 1,189 |
| | (8,679) | (8,578) | (16,080) | 9,008 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and six months ended June 30, 2018 and 2017
(unaudited, in thousands of U.S. dollars, unless otherwise indicated)

11. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

| | Six months ended June 30, | |
|-----------------------------------------------------------------------------------------------------------------------|---------------------------|----------------|
| | 2018 | 2017 |
| Cash flow hedge reserve | | |
| Balance at beginning of period | 5,966 | (6,924) |
| Unrealized gains (losses) on forward foreign exchange contracts designated as cash flow hedges, net of income taxes | (5,055) | 7,401 |
| Realized (gains) losses on forward foreign exchange contracts transferred to net earnings (loss), net of income taxes | (735) | 1,744 |
| Realized gains on forward foreign exchange contracts transferred to Mine Properties, net of income taxes | (3,032) | - |
| Unrealized gains on commodity swap and option contracts transferred to net earnings (loss), net of income taxes | 3,826 | - |
| Realized gains on commodity swaps and option contracts transferred to net earnings (loss), net of income taxes | (1,298) | - |
| Balance at end of period | (328) | 2,221 |
| Deferred cost of hedge reserve | | |
| Balance at beginning of period | - | - |
| Impact of adoption of IFRS 9 (note 2.2) | (36) | - |
| Adjusted balance at beginning of period | (36) | - |
| Deferred cost of hedging on forward foreign exchange contracts, net of income taxes | 432 | - |
| Cost of hedging on forward foreign exchange contracts transferred to net earnings (loss), net of income taxes | (628) | - |
| Cost of hedging on forward foreign exchange contracts transferred to Mine Properties, net of income taxes | 681 | - |
| Deferred cost of hedging on commodity swap and option contracts, net of income taxes | 1,538 | - |
| Cost of hedging on commodity swaps and option contracts transferred to net earnings (loss), net of income taxes | (682) | - |
| Balance at end of period | 1,305 | - |
| Unrealized gains (losses) on publicly traded securities | | |
| Balance at beginning of period | 35,457 | 10,867 |
| Impact of adoption of IFRS 9 (note 2.2) | (20,645) | - |
| Adjusted balance at beginning of period | 14,812 | 10,867 |
| Unrealized gains (losses) on publicly traded securities, net of income taxes | (15,951) | 18,999 |
| Balance at end of period | (1,139) | 29,866 |
| Accumulated currency translation adjustments | | |
| Balance at beginning of period | 397 | (2,583) |
| Currency translation adjustments | (2,372) | - |
| Balance at end of period | (1,975) | (2,583) |
| Accumulated other comprehensive income (loss) | (2,137) | 29,504 |

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

12. COMMITMENTS AND OTHER CONTINGENCIES

(a) Commitments

The Company had the following minimum contractual commitments as at June 30, 2018:

| | up to 1 year | 1 - 5 years | over 5 years | Total |
|--------------------------|---------------|---------------|--------------|---------------|
| Capital commitments | 46,815 | - | - | 46,815 |
| Purchase commitments | 12,530 | 11,999 | 8 | 24,537 |
| Operating lease payments | 1,155 | 2,446 | 832 | 4,433 |
| Total commitments | 60,500 | 14,445 | 840 | 75,785 |

As at June 30, 2018, Tsumeb had approximately \$76.9 million (December 31, 2017 – \$112.2 million) of recoverable third party in-process secondary materials, which it is obligated to process and return, generally in the form of blister, to IXM S.A. (“IXM”), formerly Louis Dreyfus Company Metals Suisse, pursuant to a tolling agreement.

In July 2017, the Company and IXM agreed to amend the existing tolling agreement to provide for, among other things, lower stockpile interest deductions on excess secondary materials, specified quarterly targeted reductions designed to eliminate excess secondary materials representing at that time approximately \$90.0 million over a period that extends to December 31, 2020, the purchase of secondary materials in excess of established quarterly targeted levels, and the extension of the tolling agreement by one year. During the six months ended June 30, 2018, the purchase of secondary materials was not required. As at June 30, 2018, the value of excess secondary materials was approximately \$50.0 million.

(b) Other

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

13. OPERATING SEGMENT INFORMATION

Operating segments are components of an entity whose operating results are regularly reviewed by the chief operating decision maker in deciding how to allocate resources and in assessing performance and for which separate financial information is available.

The Company has two operating segments from continuing operations – Chelopech in Bulgaria and Tsumeb in Namibia. The nature of their operations, products and services are described in *note 1, Corporate Information*. These segments are organized predominantly by the products and services provided to customers and geography of the businesses. The Corporate and Other segment includes corporate, exploration, development projects, the results of MineRP and other income and cost items that do not pertain directly to an operating segment. There are no significant inter-segment transactions that have not been eliminated on consolidation.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

The following table summarizes the relevant information by segment for the three and six months ended June 30, 2018 and 2017:

| Three months ended June 30, 2018 | | | | |
|-----------------------------------------|------------------|---------------|----------------------------------|--------------|
| | Chelopech | Tsumeb | Corporate & Other | Total |
| Revenue (a) | 72,017 | 28,380 | 2,480 | 102,877 |
| Earnings (loss) before income taxes | 36,172 | (7,740) | (9,674) | 18,758 |
| Capital expenditures | 2,695 | 4,494 | 19,616 | 26,805 |
| Three months ended June 30, 2017 | | | | |
| | Chelopech | Tsumeb | Corporate & Other | Total |
| Revenue (a) | 42,980 | 43,873 | - | 86,853 |
| Earnings (loss) before income taxes | 17,120 | 2,174 | (6,482) | 12,812 |
| Capital expenditures | 4,616 | 844 | 15,305 | 20,765 |
| Six months ended June 30, 2018 | | | | |
| | Chelopech | Tsumeb | Corporate & Other | Total |
| Revenue (a) | 117,890 | 65,209 | 6,666 | 189,765 |
| Earnings (loss) before income taxes | 58,212 | (12,394) | (21,425) | 24,393 |
| Capital expenditures | 4,334 | 8,834 | 44,071 | 57,239 |
| Six months ended June 30, 2017 | | | | |
| | Chelopech | Tsumeb | Corporate & Other | Total |
| Revenue (a) | 95,018 | 66,503 | - | 161,521 |
| Earnings (loss) before income taxes | 26,648 | (10,565) | (14,785) | 1,298 |
| Capital expenditures | 6,968 | 5,307 | 30,474 | 42,749 |

(a) Chelopech's revenues were generated from the sale of concentrate, Tsumeb's revenues were generated from processing concentrate, and revenues for Corporate and Other were generated from sale of software licenses and delivery of consulting services by MineRP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2018 and 2017

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

The following table summarizes the Company's revenue recognized for the three and six months ended June 30, 2018 and 2017:

| | Three months ended | | Six months ended | |
|-------------------------------------------------------------------|--------------------|---------------|------------------|----------------|
| | June 30, 2018 | 2017 | June 30, 2018 | 2017 |
| Revenue recognized at a point in time from: | | | | |
| Sale of concentrate | 71,947 | 43,860 | 117,712 | 91,929 |
| Processing concentrate | 28,380 | 43,873 | 65,209 | 66,503 |
| Sale of software licenses | 499 | - | 750 | - |
| Mark-to-market price adjustments on provisionally priced sales | 70 | (880) | 178 | 3,089 |
| Revenue recognized over time from: | | | | |
| Software services | 1,981 | - | 5,916 | - |
| Total revenue | 102,877 | 86,853 | 189,765 | 161,521 |

The following table summarizes the total assets and total liabilities by segment as at June 30, 2018 and December 31, 2017:

| | As at June 30, 2018 | | | |
|---------------------------------|-------------------------|----------------|----------------------|----------------|
| | Chelopech | Tsumeb | Corporate & Other | Total |
| Total current assets | 61,511 | 18,593 | 19,818 | 99,922 |
| Total non-current assets | 194,207 | 241,363 | 326,301 | 761,871 |
| Total assets | 255,718 | 259,956 | 346,119 | 861,793 |
| Total liabilities | 41,020 | 49,407 | 142,454 | 232,881 |
| | As at December 31, 2017 | | | |
| | Chelopech | Tsumeb | Corporate & Other | Total |
| Total current assets | 45,101 | 23,693 | 29,783 | 98,577 |
| Total non-current assets | 206,537 | 247,235 | 292,401 | 746,173 |
| Total assets | 251,638 | 270,928 | 322,184 | 844,750 |
| Total liabilities | 51,245 | 44,533 | 115,484 | 211,262 |

CORPORATE INFORMATION

Directors

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Toronto, Ontario, Canada

Jonathan Goodman⁶

Toronto, Ontario, Canada

Richard Howes

Toronto, Ontario, Canada

Jeremy Kinsman^{2,3}

Victoria, British Columbia, Canada

Juanita Montalvo^{3,4}

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Peter Nixon^{2,3}

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Anthony P. Walsh^{1,2}

Vancouver, British Columbia,
Canada

Donald Young^{1,4}

Vancouver, British Columbia,
Canada

Officers

Richard Howes

President and Chief Executive Officer

Hume Kyle

Executive Vice President and
Chief Financial Officer

David Rae

Executive Vice President and
Chief Operating Officer

Michael Dorfman

Senior Vice President,
Corporate Development

Richard Gosse

Senior Vice President, Exploration

Nikolay Hristov

Senior Vice President,
Sustainable Business Development

John Lindsay

Senior Vice President, Projects

Paul Proulx

Senior Vice President, Corporate Services

Mark Crawley

Vice President, Commercial

Iliya Garkov

Vice President and General Manager,
Bulgaria

Zebra Kasete

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

Kelly Stark-Anderson

Vice President, Legal, and
Corporate Secretary

Alex Wilson

Vice President, Human Resources

Theophile Yameogo

Vice President,
Digital Innovation

Sylvia Chen

Global Controller

Walter Farag

Treasurer

¹ Audit Committee

² Compensation Committee

³ Corporate Governance and
Nominating Committee

⁴ Health, Safety and Environment
Committee

⁵ Lead Director

⁶ Chair

Shareholder Contact

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

Windhoek

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

Operations

Chelopech Mine

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

Krumovgrad Project

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

Tsumeb Smelter

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

Stock Listing and Symbol

The Toronto Stock Exchange

DPM – Common Shares

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

Registrar

Computershare

Investor Services Inc.

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