



ANNUAL REPORT 2013

We succeed  
because  
we care.

## Our Core Values:

### **Dignity and Respect**

We care about people – their well-being, their careers and development, and their day-to-day work experience. We treat all colleagues fairly, listen to their input and work with them to create solutions that respect both individual needs and corporate interests.

### **Continuous Improvement**

We are passionate about continuous improvement. We seek out and execute operational practices that drive innovation, speed to market, cost efficiency, technical and professional excellence.

### **Transparency**

We set and uphold the highest ethical standards and business practices. Our dealings with employees, governments, stakeholders and communities are open, honest and transparent. We do what we say we will do and fulfill our commitments. We hold each other accountable for delivering results.

### **Environmental Responsibility**

We are leaders in promoting sustainable growth and environmental responsibility. We go beyond legislative compliance to promote pragmatic environmental solutions and practices in all of our operations.

### **Safety**

The health and safety of our employees and local communities are paramount and enable us to be in business. Safety can never be compromised.


### **Community Investment**

We care about the quality of the communities in which we operate. Our legacy will be to ensure we have helped residents make the community a better place than before we arrived on the scene. We have a strong corporate and social responsibility to the communities in which we invest.

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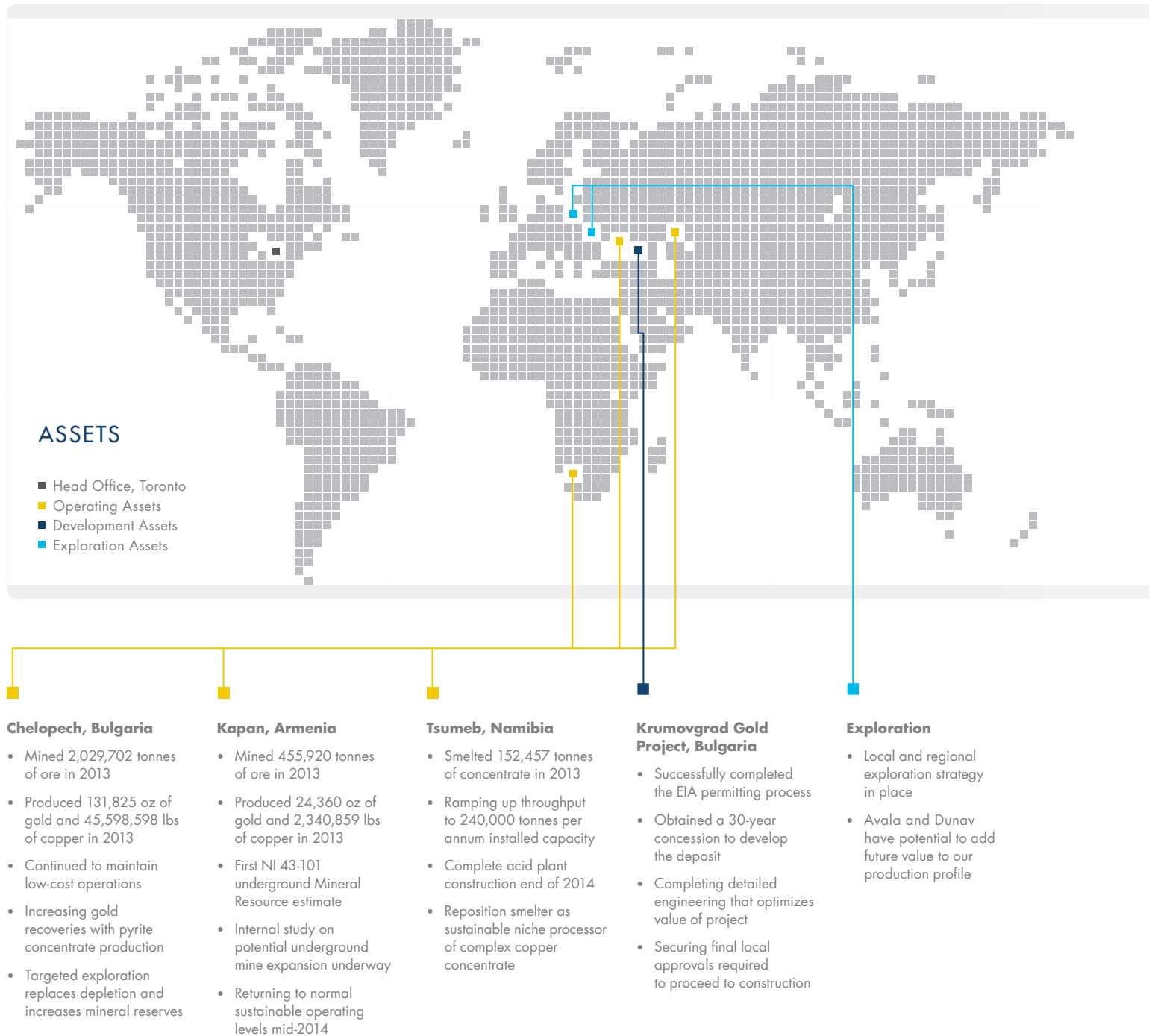
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"We succeed because we care" is Dundee Precious Metal's Brand Promise and guides our behaviours as individuals and as a Company. It builds on our mission and our vision. "We" signifies how we view our partnerships with our foundational stakeholders: employees, investors, local communities and governments. "Succeed" speaks to how we can achieve success together through the power of our partnerships. "Care" encompasses all that we stand for, especially our core values.

# Dundee Precious Metals

## At a glance



## CORPORATE VISION AND STRATEGY

### Optimize value of existing operating assets

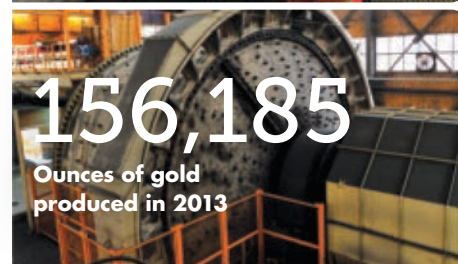
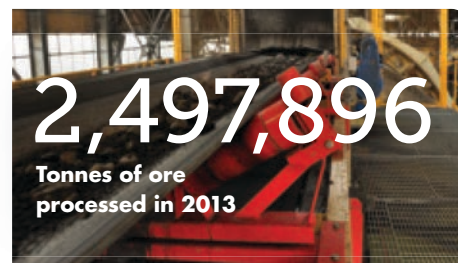
- Increase mine production
- Extend life of mine at Chelopech and Kapan
- Advance studies on possible Kapan and Tsumeb expansions
- Upgrade Tsumeb Smelter and establish long-term processing contracts to secure stable return

### Grow the business beyond existing operating assets

- Develop the Krumovgrad Gold Project
- Establish pipeline of exploration opportunities
- Evaluate accretive acquisition opportunities to grow and diversify

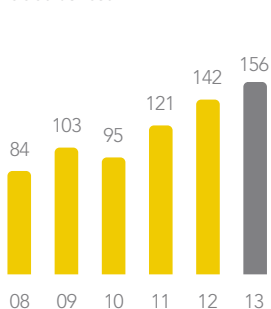
### Sustain low quartile operating cost positions

### Maintain a solid balance sheet

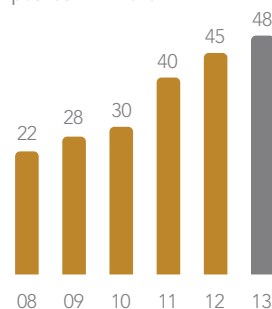


## CONSOLIDATED PRODUCTION AND FINANCIAL HIGHLIGHTS

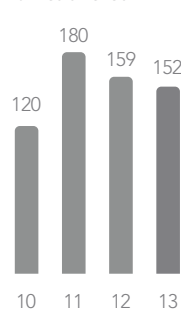
**Gold**  
Production  
000s ounces



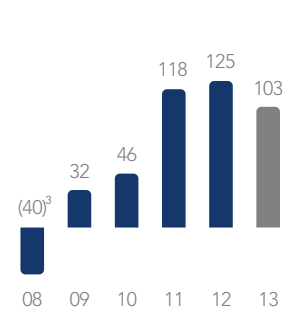
**Copper**  
Production  
pounds in millions



**Smelter<sup>1</sup>**  
Production 000s  
tonnes smelted



**Adjusted EBITDA<sup>2</sup>**  
US\$MM



<sup>1</sup> DPM acquired the Tsumeb Smelter in March 2010.

<sup>2</sup> For the definition and reconciliation of this non-GAAP financial measure, refer to Non-GAAP Financial Measures on pages 69-70 of this report.

<sup>3</sup> Cdn \$



# Message to Shareholders

On April 1, 2013 I stepped into the role of President and Chief Executive Officer, succeeding Jonathan Goodman. After 12 successive years of gold price increases, it was a year that saw a significant speculative downward move in the price of gold, that led to a dramatic decline in ETF gold holdings. Only the strong physical demand for gold prevented what could have been an even more dramatic drop in prices. Since it is hard to say where gold prices may go from here, our focus has been and continues to be on ensuring we maintain our low cost position, preserving our financial strength, delivering on targeted operating performance and successfully executing on our growth projects. Gold equities trading at an all-time low relative to gold bullion prices begs for gold mining companies to remain focused on value creation and not on growth at any cost.

Jonathan created a strong team driven by common values and a very unique “team first” environment. My intention is to build on this with my passion for operational excellence and employee engagement.

Our initial priority will be on strengthening our operations management systems to ensure we can reliably deliver on operating performance targets, followed by our project governance framework and project delivery systems to ensure projects are delivered reliably, consistently and within budgets.

In line with our core strategy to optimize the performance of our existing assets, work has continued on this front throughout 2013 at all three of our operating assets.

Chelopech has seen significant transformation over the last 10 years. The latest upgrade and expansion to two million tonnes per annum has been completed and the mine is achieving targeted costs and production levels. We have also just completed the pyrite recovery project, which captures the unrecovered gold in the Chelopech ore and creates a gold bearing pyrite concentrate now being produced and sold to third parties. Our flagship asset is now a world class facility that is reliably generating significant operating cash flows to our business.

A similar transformation is underway at our Tsumeb smelter in Namibia. A major environmental upgrade and capacity expansion to 240,000 tonnes per annum of concentrate is complete and we are currently ramping up the smelter’s production. Combined with new higher priced contracts on third party complex concentrate feed materials now coming into effect, the smelter is on its way to becoming another significant cash flow generator and contributor to company earnings. The completion of the acid plant project later this year will significantly reduce sulphur dioxide emissions by capturing and converting it to sulphuric acid for sale to local uranium and copper producers. We are also evaluating the potential to further increase the smelter’s earnings with the addition of a holding furnace that will permit expansion to 320,000 tonnes of complex concentrate per annum capacity.

With the new resource completed in 2013, the Kapan mine offers the potential to expand its underground operations and become a lower cost producer that can significantly contribute to our earnings. Initial study work on this expansion is now underway with preliminary results expected to be released in the second quarter of this year.

We will also continue our focus on creating a competitive advantage through industry innovation. We have completed implementing our real time underground production management system that helped “take the lid off” our Chelopech mine operation, providing real time monitoring that contributed to the doubling of our mine production and significant cost reductions. We have also introduced new flotation technology, known as a Staged Flotation Reactor, into our copper and pyrite flotation circuits at Chelopech, which improves recoveries and reduces energy requirements with a much smaller footprint than conventional flotation technology. The payback on this investment was achieved in less than three months.

I believe we differentiate ourselves through our efforts in social responsibility and sustainable development consistent with our Brand Promise, “we succeed because we care.” Throughout 2013, we continued to strengthen our relationships with stakeholders at all levels, through active and meaningful dialogue, augmented by extensive community investment programs. Effective stakeholder engagement and



## Our Vision

To be a precious metals focused mining company that grows through responsibly developing great assets and people.

## Mission Statement

We acquire, structure and finance, explore, develop and operate our mining and processing assets. Our commitment is to deliver excellence in sustainability and creating value for all our stakeholders.

corporate social responsibility are interlinked and are the foundation of our social license to operate.

In Bulgaria, we stand out as one of the most socially responsible companies in the country. The Bulgarian Donor's Forum honoured DPM with an award for our financial donations in 2013, which was presented to us by the President of Bulgaria, Rossen Plevneliev. The Dundee Foundation continued to support a variety of sports, arts and cultural events throughout the country. The local Private English Language School in Chelopech that we have supported for many years has been ranked one of the top three schools in the Sofia region for the past three years, with many of its students winning prestigious academic prizes.

In Armenia, we continued to support infrastructure improvements at many of Kapan's kindergartens and schools, with a view that we will continue providing much needed additional capacity in these institutions.

In Namibia, the Tsumeb Community Trust has been designed to empower the local community to determine its own needs through community grants. We also recently completed construction of 70 employee houses in partnership with Namibia's National Housing Enterprise, which will give our employees the opportunity to own their own home.

We have also been effective in our sustainable development efforts, which is so important to our industry today. We

decreased total energy intensity by 10%, 7% and 22% at Chelopech, Kapan and Tsumeb, respectively. Most significantly, at Tsumeb, we decreased greenhouse gas emissions intensity by 47% through the shutdown of the old reverberatory furnace. We also further decreased discharged industrial wastewater at Chelopech by 65% as a result of increased water recycling, and have now reached our goal of becoming a zero water discharge facility.

We recognize that our future success depends on our ability to grow our mineral reserves and resources over time and allocate our capital in a way that will create value for our shareholders. Shortly, we will be building our team with the addition of a new experienced Senior Vice President of Projects, who will strengthen our project management processes and capability towards achieving this goal.

Our initial growth focus will be on low cost organic growth in favourable mining jurisdictions, such as our Krumovgrad Gold Project in southern Bulgaria. Although local municipal permitting approvals have been slow, we are confident that we will see significant progress this year based on our efforts to listen to, and work with, the local community, and build a low environmental impact project.

With the addition of our new Senior Vice President of Exploration, Richard Gosse, we are once again equipped to build our growth pipeline through both brownfield and greenfield exploration efforts. Our corporate

development team, led by our Senior Vice President, Michael Dorfman, is also continuing to evaluate potential accretive acquisition opportunities.

Although 2013 was a challenging year as my first as President and CEO, I feel that we have made good progress in building a strong company with great people and potential. Many of our accomplishments stand out as industry leading and I would like to thank our employees for their commitment to working safely and contributing to our success. Looking forward, I see numerous opportunities to responsibly grow our business and to stand out as a company that consistently delivers on its promises and creates value for its shareholders and other key stakeholders.

Rick Howes  
President and CEO





# Chelopech Mine Bulgaria

**Location****Bulgaria****Ownership****100%****Resources Measured  
and Indicated (Dec. 31, 2013)****Gold / 3.7 million oz****Copper / 791 million lbs****Reserves (Dec. 31, 2013)****Gold / 2.5 million oz****Copper / 524 million lbs****Mine Type****Underground****Product****Copper concentrate  
containing gold and silver****Deposit Type****High sulphidation  
epithermal deposit**

Our flagship asset, the Chelopech mine, continues to deliver strong production results. The mine and mill expansion project has led to an increase in gold, copper and silver production.

**Continuous Improvement**

DPM Chelopech saw the full benefit from its mine and mill expansion project in 2013. The mine processed just over 2 million tonnes of ore, an increase of 12% over last year. The expanded processing capacities at Chelopech also led to an increase in gold, copper and silver production. At the same time, the cost per tonne of ore processed decreased 12%, from \$45.77 to \$40.08.

**Safety**

In addition to continuously improving from a production standpoint, DPM Chelopech has been focussing on improving its safety processes and practices at the mine. We have made implementing global mining best practice safety standards and improving controls a priority. Lost time injury frequency rates at the Chelopech mine are considered to be low and comparable with those of North American mines.

**Environmental Responsibility**

DPM Chelopech's investment in plant upgrades and modernization has resulted in significant energy efficiency improvements and corresponding improvements in Greenhouse Gas Emissions (GHG). Total energy intensity decreased a further 10.6% in 2013, following a 21% reduction in the prior year. GHG emissions intensity also decreased by 5.7%. This sustainable improvement was driven by a 40% decrease in diesel consumed per tonne of ore processed in the mine and process plant, as a result of the new underground crusher and conveyor system.

**12% increase**

in ore processed, year over year

**5.7% decrease**

in GHG emissions intensity



# Krumovgrad Gold Project Bulgaria

DPM Krumovgrad has successfully completed the environmental impact assessment permitting process for its Krumovgrad Gold Project, and is committed to minimizing the environmental footprint of this project.

## Transparency

In the centre of the town of Krumovgrad, we operate a fully staffed information centre. This provides a central place for members of the community to obtain information regarding the project, including upcoming employment opportunities and potential environmental impacts. Throughout 2013, Krumovgrad staff sponsored numerous informational and cultural events, which included a very successful exchange between the pensioners of Krumovgrad and Chelopech. These respected community members toured each other's towns and built relationships by freely discussing their experiences, opportunities and concerns.

## Environmental Responsibility

In July 2012, Krumovgrad began relocating two International Union for Conservation of Nature Red Listed tortoise species (Herman's Tortoise and Iberian Tortoise) away from the project footprint area. The process was completed in 2013. In total, 403 tortoises

were successfully relocated and all were considered healthy. The tortoise project brought together 80 people, including environmental scientists and more than 30 student volunteers from local high schools, who shared their concerns for the species. Monitoring of the tortoises will continue prior to project commencement, annually during the construction phase and in the first three years of operation. A review carried out in accordance with European Union Habitats Directive (Article 6.3) concluded that *"the high quality of the Appropriate Assessment helped not only to reorientate the project and identify appropriate mitigation measures, but also led to a smoother shorter approval period and greater public confidence in the mining company's environmental credentials and sense of social responsibility."*



### Location

**Bulgaria**

### Ownership

**100%**

### Resources Measured

**and Indicated (Dec. 31, 2013)**

**Gold / 859,000 oz**

### Reserves (Dec. 31, 2013)

**Gold / 807,000 oz**

### Mine Type

**Open pit**

### Product

**Gold concentrate**

### Deposit Type

**Low sulphidation**

**epithermal gold deposit**

# 807,000

Ounces of gold reserves

Location  
**Armenia**

Ownership  
**100%**

Resources Measured  
and Indicated (Jan. 31, 2013)

**Gold / 238,000 oz**

**Copper / 24 million lbs**

Resources Inferred  
(Jan. 31, 2013)

**Gold / 791,000 oz**

**Copper / 98 million lbs**

Mine Type  
**Underground**

Product  
**Copper and zinc concentrate,  
both containing gold and silver**

Deposit Type  
**Polymetallic vein deposit**



# Kapan Mine Armenia



DPM Kapan places a high value on having a strong presence in the community. It maintains an open dialogue with its stakeholders and supports the local schools.

## 238,000

Ounces of gold resources  
measured and indicated

## 465,894

Tonnes of ore processed in 2013

### Transparency

DPM Kapan has a formal stakeholder outreach program in place. At the end of each quarter, senior management meets with stakeholders, including employees, investors, government officials, and local community members, and provides an operational update that covers quarterly highlights and areas for improvement. In 2013, the Company implemented a year end meeting with all external stakeholders, where the year in review is presented to all attendees at a high level, and major plans for the upcoming year are discussed. Through these steps, DPM Kapan has earned the respect and trust of the community and stakeholders.

### Dignity and Respect

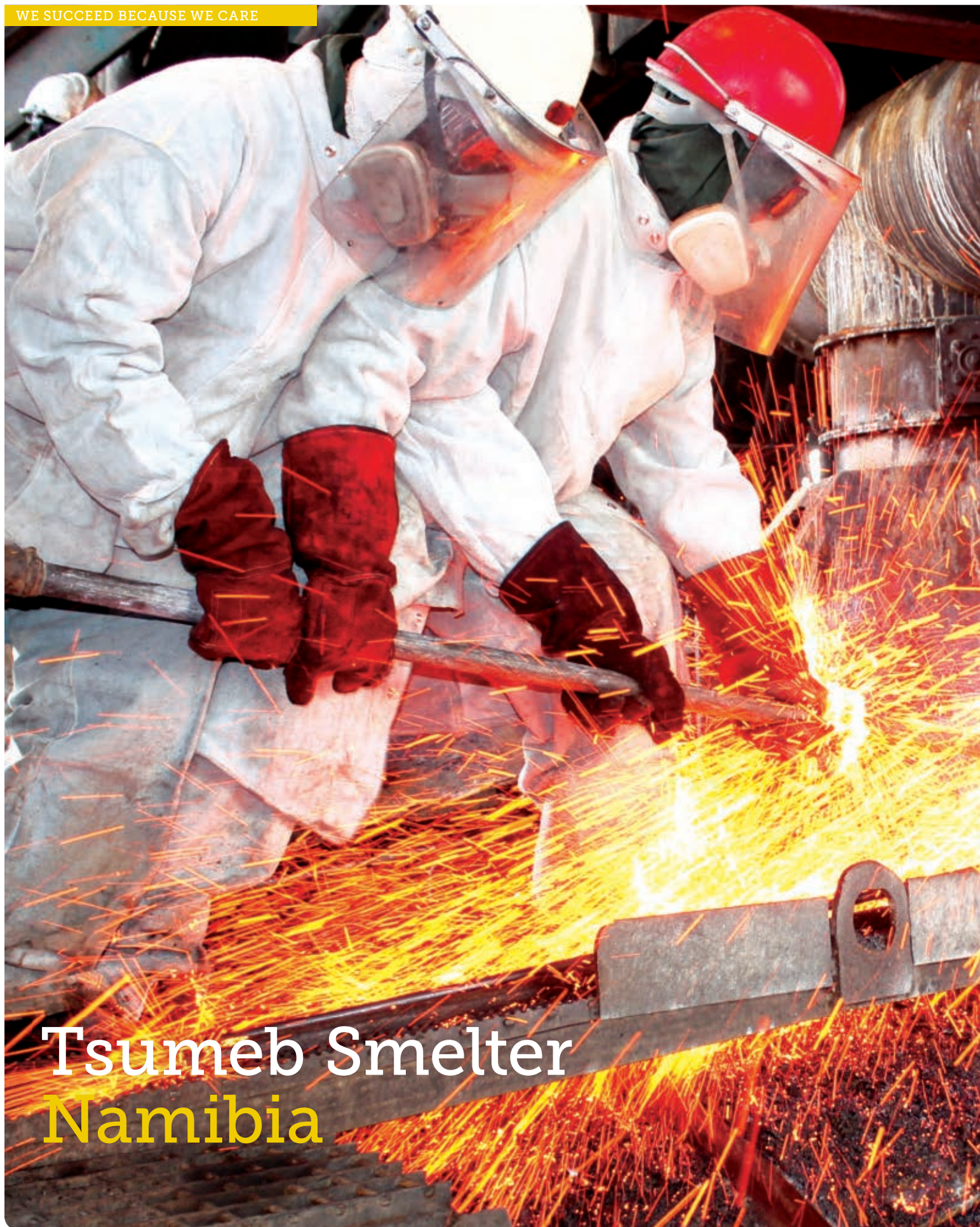
Churches are the cornerstone of Armenian culture and DPM Kapan understands the importance of religion in Armenian history. The Company has contributed greatly to the protection of historical churches in the Syunik province, where the Kapan mine is located.

This includes the renovation and restoration of historical churches and monasteries, which continue to serve the Armenian people.

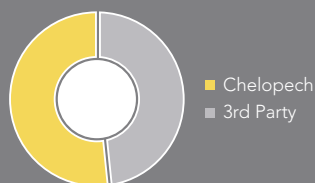
### Community Investment

DPM Kapan is committed to improving the lives of the children in the local community. We have invested in schools by renovating facilities, including washrooms and kitchens. As a result, hygienic conditions at the schools have improved dramatically, school staff is better equipped to prepare meals for the children, and sick days have been significantly reduced. In addition, orphanages and special needs children receive special attention on a regular basis from DPM Kapan.

WE SUCCEED BECAUSE WE CARE



# Tsumeb Smelter Namibia

**Location****Namibia****Ownership****100%****Technology****Ausmelt****Product****Copper Blister Bars****Smelting Capacity****240,000 tonnes per year****2013 Concentrate Smelted****152,457 tonnes****2013 Complex Concentrate**

DPM's Tsumeb Smelter is one of the few smelters globally with the ability to process large volumes of complex copper concentrates. This asset has the potential to positively impact our earnings in the near future.

### Dignity and Respect

DPM Tsumeb is helping its employees become homeowners. In March 2013, we started construction of a US\$1.5 million home-ownership project in partnership with the National Housing Enterprise (NHE). With land and infrastructure provided by us, the project allows workers who meet certain terms and conditions to purchase an NHE-built house without paying a deposit, with mortgage payments deducted from their monthly salaries. We see this project as being good not only for our employees, but also a boost for the Tsumeb community as a whole. To date, over 70 houses are in the final stages of construction, with 50 more to be built in 2014.

### Safety

In 2013, DPM Tsumeb worked with the Namibian government in response to community concerns over arsenic dust and sulphur dioxide gas emanating from the smelter. An independent medical assessment examined more than 1,700 past and present smelter employees to determine any acute or chronic health impacts from the facility, the results of which are expected later this year. Furthermore, we are participating openly and diligently in the government's ongoing monitoring and evaluation of our efforts to improve health, safety and environmental systems at the smelter, and our continued focus to bring them up to international standards.

### Environmental Responsibility

The Company is setting an environmental precedent in Namibia. Five state-of-the-art monitoring stations have been installed by the company to measure emissions not only at the Tsumeb Smelter, but also "beyond the fence" in the greater Tsumeb community. The strategically placed stations are the first of their kind in southern Africa to measure emissions. The stations meet, and in some cases exceed, US Environmental Protection Agency recommendations for environmental emissions monitoring. The units are independently operated and provide real-time, publicly accessible data about key parameters such as sulphur dioxide, dusts and local meteorology, and provide important information to management to ensure the smelter continues to operate in an environmentally responsible manner.

# 240,000

Tonnes of smelting capacity per year

# 120

Total number of houses to be built by end of 2014

# Exploration assets

DPM's exploration strategy continues to focus on creating a generative pipeline of projects. The exploration team has been actively exploring targets close to our existing operations. Our partially owned Serbian assets, Avala and Dunav, are continuing to progress their respective projects, which have upside potential for DPM.

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## **Avala Resources** **TSX.V:AVZ**

DPM owns 53% of Avala Resources, an exploration company holding the Timok gold project in Eastern Serbia with 2.7 million ounces of gold resources. Avala is proceeding towards completing a preliminary economic assessment.

## **Dunav Resources** **TSX.V:DNV**

DPM owns 46% of Dunav Resources, an exploration company in Serbia holding the Kiseljak copper/gold porphyry project. Dunav is also conducting grassroots exploration in support of developing its project pipeline.

# Financial results

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# Management's Discussion and Analysis of Consolidated Financial Condition and Results of Operations

For the Year Ended December 31, 2013

The following is Management's Discussion and Analysis ("MD&A") of the consolidated financial condition and results of operations of Dundee Precious Metals Inc. ("DPM" and, together with its consolidated subsidiaries, collectively referred to as the "Company") for the three and twelve months ended December 31, 2013. This discussion should be read in conjunction with DPM's audited consolidated financial statements for the year ended December 31, 2013 and the notes thereto, prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional Company information, including the Company's most recent annual information form ("AIF") and other continuous disclosure documents, can be accessed through the System for Electronic Document Analysis and Retrieval ("SEDAR") website at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.dundeeprecious.com](http://www.dundeeprecious.com). To the extent applicable, updated information contained in this MD&A supercedes older information contained in previously filed continuous disclosure documents. Capitalized terms used in this MD&A that have not been defined have the same meanings attributed to them in DPM's audited consolidated financial statements for the year ended December 31, 2013. 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"), and has been reviewed and approved by Richard Gosse, M.Sc. (Mineral Exploration), Senior Vice President, Exploration of DPM and Edgar Urbaez, M.Sc. (Mining), Corporate Director, Technical Services of DPM, who are Qualified Persons as defined under NI 43-101 ("QP") and not independent of the Company. The technical information in this MD&A relating to Avala and Dunav, as defined herein, has been reviewed and approved by Dr. Julian Barnes, B.Sc.Hon., PhD (Geology), Technical Consultant, formerly an Executive Vice President of DPM, who is a QP and not independent of the Company.

The information in this MD&A is provided as at February 13, 2014.

**OVERVIEW**

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***Our Business***

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

DPM's principal subsidiaries include:

- 100% of Dundee Precious Metals Chelopech EAD ("Chelopech"), formerly Chelopech Mining EAD, which owns and operates a gold, copper and silver mine located east of Sofia, Bulgaria;
- 100% of Dundee Precious Metals Kapan CJSC ("Kapan"), formerly Deno Gold Mining Company CJSC, which owns and operates a gold, copper, zinc and silver mine located in the town of Kapan, south east of the capital city of Yerevan in southern Armenia;
- 100% of Dundee Precious Metals Krumovgrad EAD ("Krumovgrad"), formerly Balkan Mineral and Mining EAD, focused on the development of a gold property located in south eastern Bulgaria, near the town of Krumovgrad;
- 100% of Dundee Precious Metals Tsumeb (Proprietary) Limited ("Tsumeb"), formerly Namibia Custom Smelters (Proprietary) Limited, which owns and operates a custom smelter located in Tsumeb, Namibia;
- 53.1% of Avala Resources Ltd. ("Avala"), a TSX Venture Exchange ("TSXV") listed company (TSXV: AVZ) incorporated in Canada and focused on the exploration and development of the Timok project in Serbia; and
- 45.5% of Dunav Resources Ltd. ("Dunav"), a TSXV listed company (TSXV: DNV) incorporated in Canada and focused on the exploration and development of the Tulare copper and gold project and other early stage projects in Serbia.

The Company is committed to creating shareholder value in a safe and socially responsible manner through a disciplined but opportunistic business model while maintaining a strong financial position at all times. Maximizing the value of our existing operating assets through exploration, development and optimizing their operational output is a key component of our strategy. To that end, DPM has assembled and continues to grow a pipeline of mining and processing projects at various stages of development that will ultimately serve to fuel further growth.

***Significant Achievements and Events***

Overall, the Company delivered increased mine production and lower mine costs that were in line with the guidance issued at the beginning of the year. Operating performance at the Company's smelter fell short of the guidance originally issued due primarily to delays associated with the construction and commissioning activities related to Project 2012 and a second oxygen plant. Significantly lower metal prices in 2013 have offset the increase in metal production and was the primary factor contributing to a decrease in earnings for 2013. Significant achievements and events during 2013 included the following:

***Chelopech***

- Record mine production of just over two million tonnes resulting in gold and copper contained in concentrate produced of 131,825 ounces and 45.6 million pounds, respectively, an increase of 9% and 7% over 2012;
- Sold 131,923 ounces of gold and 43.9 million pounds of copper generating adjusted EBITDA<sup>(1)</sup> of \$152.6 million;
- Commenced construction of a pyrite concentrate circuit ("Pyrite Recovery"), including a new flotation, thickening and filtration installation in the existing mill facility. The commissioning of this project started at the beginning of February 2014 and is under budget;
- Entered into a three year agreement with Xiangguang Copper Co. ("XGC") for the sale of up to 200,000 tonnes per year of pyrite concentrate, with deliveries expected to commence in the first quarter of 2014;

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1) Adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") are not a defined measure under generally accepted accounting principles ("GAAP"). Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS.

- Based on additional work completed to assess the feasibility of a pressure oxidation process facility ("Pyrite Treatment") that would treat the pyrite concentrate on site, the Company concluded the Pyrite Treatment project should be deferred until market conditions improve or a more optimal capital plan can be achieved;

### *Kapan*

- Ore mined was 455,920 tonnes compared to 531,667 tonnes in 2012 and guidance of 550,000 to 600,000 tonnes issued in February 2013 as a result of a decision to reduce mine production in the second half of 2013 to allow development inventory to be rebuilt and development performance improved in advance of resuming normal operating levels in the second quarter of 2014;
- Gold contained in concentrate produced was 12% higher than 2012. Copper, silver and zinc contained in concentrate produced were all comparable to 2012. Higher grades for all metals substantially offset the decrease associated with lower mine production;
- Sold 21,351 ounces of gold and 2.4 million pounds of copper generating adjusted EBITDA of \$2.6 million;
- Released its first underground Mineral Resource estimate in August. An internal conceptual study on a potential underground expansion is expected to be completed in the first quarter of 2014;

### *Tsumeb*

- Smelted 152,457 tonnes of concentrate, which was below the guidance of 195,000 to 215,000 tonnes issued in February 2013 due primarily to delays associated with the construction and commissioning activities related to Project 2012 (as described herein) and a second oxygen plant, which in turn delayed the planned mid-year emissions testing and removal of the Namibian government production curtailment to the fourth quarter;
- Completed all scheduled off-gas and dust handling system tie-ins and hot commissioning associated with Project 2012 in the first quarter of 2013;
- In July, Tsumeb entered into a definitive supply agreement with Rössing Uranium Limited ("Rössing") for the annual purchase of 225,000 tonnes of sulphuric acid to be produced by Tsumeb;
- In July, Tsumeb entered into a memorandum of understanding with TransNamib, the national operator of the rail system of Namibia, for the shipment of acid by rail to Rössing. Detailed contract negotiations are proceeding and TransNamib is preparing to procure the required equipment;
- In August, the smelter's reverberatory furnace was permanently shut down and is expected to generate operational cost savings of approximately \$7 million per year;
- In the fourth quarter, the Technical Committee representing the Namibian government conducted initial testing and in the latter part of December the government formally advised the Company that the smelter could return to full production, subject to certain reporting requirements and additional testing to be performed during the first quarter of 2014 following the commissioning of a second oxygen plant and the smelter's subsequent ramp up to full production, which commenced in late January 2014;
- Construction of the acid plant is progressing well and is targeted to be completed in the fourth quarter of 2014;

### *Corporate and other*

- In February, DPM entered into a long-term revolving credit facility ("RCF") of \$150 million with a consortium of banks and refinanced \$81.25 million of Chelapech term loans with the existing lenders on substantially the same terms with the notable exception that DPM is now the borrower with the same security as that pledged in support of the RCF;
- In May, DPM shareholders and warrant holders approved a warrant incentive program to encourage early exercise. Under this incentive program, 12.7 million of DPM's listed warrants were exercised at a reduced price of Cdn\$2.85 resulting in gross proceeds of \$35.3 million;
- As at December 31, approximately 85% of the Company's expected copper production for 2014 had been hedged at an average price of \$3.31 per pound and 80% of the Company's copper production for 2015 had been hedged at an average price of \$3.20 per pound;
- As at December 31, all of the Company's expected gold production from pyrite concentrate for 2014 and 2015 had been hedged at an average price of \$1,231 per ounce and \$1,234 per ounce, respectively;
- Achieved several key milestones and progressed a number of development activities related to securing local permits and approvals and updating project economics in respect of the Krumovgrad Gold Project; and
- Avala and Dunav exploration activities in Serbia continue to show potential to add value to the Company over time.

## KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS

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

Indicated.				
\$ thousands, unless otherwise indicated	Three Months		Twelve Months	
Ended December 31,	2013	2012	2013	2012
<b>Operational Highlights</b>				
Payable metals in concentrate sold:				
Gold (ounces)	36,870	35,815	153,274	134,848
Copper ('000s pounds)	12,117	10,981	46,301	42,104
Zinc ('000s pounds)	2,928	3,082	13,545	14,204
Silver (ounces)	147,731	180,155	552,590	547,193
Cash cost of sales per ounce of gold sold, net of by-product credits (\$) <sup>(1),(2),(3)</sup>				
	357	193	329	117
Concentrate smelted at Tsumeb (tonnes)	38,481	45,823	152,457	159,356
Cash cost/tonne of concentrate smelted at Tsumeb (\$)	401	347	433	374
<b>Financial Results</b>				
Revenue	84,419	103,062	344,654	384,685
Gross profit <sup>(4)</sup>	19,974	39,238	89,767	157,044
Adjusted EBITDA <sup>(1)</sup>	29,024	37,724	102,791	124,560
Other (expense) income	11,509	(4,192)	(5,829)	(22,349)
Earnings before income taxes	19,686	16,244	26,859	49,654
Income tax expense	(2,595)	(6,912)	(13,678)	(19,823)
Net earnings attributable to common shareholders	19,223	14,632	22,506	54,376
Basic earnings per share (\$)	0.14	0.12	0.17	0.43
Adjusted earnings before income taxes <sup>(1)</sup>	11,615	24,152	39,366	79,697
Adjusted net earnings <sup>(1)</sup>	10,531	21,513	30,839	80,941
Adjusted basic earnings per share (\$) <sup>(1)</sup>	0.08	0.17	0.23	0.65
Cash provided from operating activities	40,308	27,011	99,506	78,278
Cash provided from operating activities, before changes in non-cash working capital <sup>(1)</sup>	24,406	30,695	88,249	121,132
Capital expenditures				
Growth <sup>(1)</sup>	40,617	44,939	184,531	131,520
Sustaining <sup>(1)</sup>	7,227	6,487	31,469	29,063
Total capital expenditures	47,844	51,426	216,000	160,583
<b>As at,</b>		<b>December 31, 2013</b>	<b>December 31, 2012</b>	
<b>Financial Position</b>				
Cash and cash equivalents		48,867	121,531	
Short term investments		940	1,826	
Investments at fair value		17,779	75,611	
Total assets		987,783	972,185	
Debt		83,788	81,767	
Equity		751,478	754,341	
Common shares outstanding ('000s)		139,189	125,634	
Share price (Cdn\$ per share)		3.07	8.47	

- <sup>1)</sup> Cash cost of sales per ounce of gold sold, net of by-product credits; adjusted EBITDA; adjusted earnings before income taxes; adjusted net earnings; adjusted basic earnings per share; cash provided from operating activities, before changes in working capital; and growth and sustaining capital expenditures are not defined measures under GAAP. Refer to the "Non-GAAP Financial Measures" section of this MD&A for reconciliations to IFRS.
- <sup>2)</sup> Cash cost of sales 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, zinc and silver revenues divided by the payable gold in concentrate sold.
- <sup>3)</sup> Includes realized gains on copper derivative contracts, entered to hedge a portion of projected payable production, of \$1.1 million and \$4.0 million during the fourth quarter and twelve months ended December 31, 2013, respectively, compared with \$3.6 million and \$14.2 million in the corresponding periods in 2012.
- <sup>4)</sup> Gross profit is regarded as an additional GAAP measure and is presented in the Company's consolidated statements of earnings. Gross profit represents revenue less cost of sales and is one of several measures used by management and investors to assess the underlying operating profitability of a business.

## 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 leva, which is pegged to the Euro, the Armenian dram ("AMD"), the Namibian dollar, which is tied to the South African rand ("ZAR") on a 1:1 basis, and the Canadian dollar ("Cdn\$") can also impact the Company's results of operations and financial condition.

The following table summarizes the average trading price for gold, copper, zinc and silver based on the London Bullion Market Association ("LBMA") for gold and silver, the London Metal Exchange ("LME") for copper (Grade A) and the LME special high grade ("SHG") for zinc for the three and twelve months ended December 31, 2013 and 2012 and highlights the year over year weakness in commodity prices.

<b>Metal Market Prices (Average) Ended December 31,</b>	<b>Three Months</b>			<b>Twelve Months</b>		
	<b>2013</b>	<b>2012</b>	<b>Change</b>	<b>2013</b>	<b>2012</b>	<b>Change</b>
LBMA gold (\$/ounce)	<b>1,262</b>	1,719	<b>(27%)</b>	<b>1,408</b>	1,669	<b>(16%)</b>
LME settlement copper (\$/pound)	<b>3.24</b>	3.59	<b>(10%)</b>	<b>3.32</b>	3.61	<b>(8%)</b>
LME settlement SHG zinc (\$/pound)	<b>0.87</b>	0.88	<b>(1%)</b>	<b>0.87</b>	0.88	<b>(1%)</b>
LBMA spot silver (\$/ounce)	<b>20.76</b>	32.64	<b>(36%)</b>	<b>23.83</b>	31.15	<b>(23%)</b>

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

<b>Average Foreign Exchange Rates Ended December 31,</b>	<b>Three Months</b>			<b>Twelve Months</b>		
	<b>2013</b>	<b>2012</b>	<b>Change</b>	<b>2013</b>	<b>2012</b>	<b>Change</b>
US\$/Cdn\$	<b>1.0498</b>	0.9914	<b>6%</b>	<b>1.0300</b>	0.9994	<b>3%</b>
Euro/US\$	<b>1.3607</b>	1.2968	<b>(5%)</b>	<b>1.3280</b>	1.2860	<b>(3%)</b>
US\$/AMD	<b>406</b>	406	<b>-</b>	<b>410</b>	402	<b>2%</b>
US\$/ZAR	<b>10.1413</b>	8.6917	<b>17%</b>	<b>9.6307</b>	8.2166	<b>17%</b>

The following table sets out the applicable closing foreign exchange rates as at December 31, 2013 and 2012 and the extent to which the U.S. dollar has strengthened (weakened) relative to each of the currencies.

<b>Closing Foreign Exchange Rates As at December 31,</b>			
	<b>2013</b>	<b>2012</b>	<b>Change</b>
US\$/Cdn\$	<b>1.0636</b>	0.9949	<b>7%</b>
Euro/US\$	<b>1.3766</b>	1.3215	<b>(4%)</b>
US\$/AMD	<b>405</b>	404	<b>-</b>
US\$/ZAR	<b>10.4878</b>	8.4725	<b>24%</b>

*Operational Highlights**Production*

Concentrate production in the fourth quarter of 2013 of 39,233 tonnes was 21% higher than the corresponding period in 2012 due primarily to higher copper grades at Chelopech and higher zinc grades and recoveries at Kapan.

Concentrate production in 2013 of 144,278 tonnes was 6% higher than the corresponding period in 2012 due primarily to higher volumes of ore mined and processed at Chelopech, following the completion of the mine and mill expansion project in the fourth quarter of 2012, partially offset by lower copper grades at Chelopech.

Relative to the fourth quarter of 2012, gold contained in concentrate produced in the fourth quarter of 2013 increased by 19% to 38,798 ounces, copper production increased by 20% to 13.0 million pounds,

silver production increased by 21% to 174,046 ounces and zinc production increased by 28% to 3.7 million pounds. These increases were due primarily to higher grades for all metals at Chelopech and higher grades and recoveries for all metals at Kapan.

Relative to 2012, gold contained in concentrate produced in 2013 increased by 10% to 156,185 ounces, copper production increased by 6% to 47.9 million pounds, silver production increased by 1% to 671,639 ounces and zinc production decreased by 1% to 15.3 million pounds. The increases in gold and copper production were due primarily to increased ore mined and processed at Chelopech, higher recoveries at Chelopech, and higher gold grades at Kapan, partially offset by lower grades at Chelopech. Grades for all metals at Chelopech in 2013 were in line with planned grades.

Concentrate smelted at Tsumeb during the fourth quarter and twelve months of 2013 of 38,481 tonnes and 152,457 tonnes, respectively, was 16% and 4% lower than the corresponding periods in 2012. Concentrate smelted during the fourth quarter and twelve months of 2013 was lower than anticipated due primarily to delays associated with the commissioning of a second oxygen plant, which has delayed the smelter's increase in throughput, and unplanned repairs and maintenance. In addition, concentrate smelted in 2013 was negatively impacted by disruptions related to the first quarter construction and commissioning activities of Project 2012.

#### *Deliveries of Concentrate*

Deliveries of concentrate during the fourth quarter and twelve months of 2013 of 38,353 tonnes and 148,716 tonnes, respectively, were each 9% higher than the corresponding periods in 2012 due primarily to increased production at Chelopech and the timing of copper concentrate shipments at Kapan in 2012, where a significant portion was deferred until the fourth quarter of 2012 as a result of significantly higher lead content than contractual specifications.

Relative to the fourth quarter of 2012, payable gold in concentrate sold in the fourth quarter of 2013 increased by 3% to 36,870 ounces, payable copper in concentrate sold increased by 10% to 12.1 million pounds, payable silver in concentrate sold decreased by 18% to 147,731 ounces and payable zinc in concentrate sold decreased by 5% to 2.9 million pounds. The increases in payable gold and copper in concentrate sold were consistent with increased concentrate deliveries at Chelopech, partially offset by lower copper concentrate deliveries at Kapan. The decrease in payable silver in concentrate sold was due to lower copper concentrate deliveries at Kapan as a result of timing of deliveries in 2012.

Relative to 2012, payable gold in concentrate sold in 2013 increased by 14% to 153,274 ounces, payable copper in concentrate sold increased by 10% to 46.3 million pounds, payable silver in concentrate sold increased by 1% to 552,590 ounces and payable zinc in concentrate sold decreased by 5% to 13.5 million pounds. The increases in payable gold, copper and silver in concentrate sold were due primarily to the expansion and improved metal recoveries at Chelopech, partially offset by lower grades at Chelopech. The decrease in payable zinc in concentrate sold was due primarily to lower zinc content in the concentrate delivered.

#### *Financial Highlights*

##### *Revenue*

Revenue during the fourth quarter and twelve months of 2013 of \$84.4 million and \$344.6 million, respectively, was \$18.7 million and \$40.1 million lower than the corresponding periods in 2012 due primarily to lower metal prices, partially offset by higher volumes of payable gold and copper in concentrate sold.

All metals prices were down during the fourth quarter and twelve months of 2013 relative to the corresponding periods in 2012. Average market prices for gold during the fourth quarter and twelve months of 2013 decreased by 27% and 16%, respectively, compared to the corresponding periods in 2012. Average market prices for copper during the fourth quarter and twelve months of 2013 decreased by 10% and 8%, respectively, compared to the corresponding periods in 2012.

Included in revenue were unfavourable metal price adjustments of \$2.4 million (2012 – \$4.5 million) and \$7.1 million (2012 – favourable adjustments of \$2.2 million) on provisionally priced sales during the fourth quarter and twelve months of 2013, respectively. These adjustments were partially or entirely offset by hedge gains of \$2.4 million (2012 – \$2.1 million) and \$4.7 million (2012 – losses of \$2.0 million) during the

fourth quarter and twelve months of 2013, respectively. These cash settled derivative contracts to swap future contracted average metal prices for fixed metal prices were entered into to mitigate the majority of the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales and are recorded in other (income) expense in the consolidated statements of earnings.

#### *Cost of sales*

Cost of sales in the fourth quarter of 2013 of \$64.4 million was comparable to the corresponding period in 2012. Lower operating expenses at Chelopech and the favourable impact of a stronger U.S. dollar relative to the ZAR were offset by higher deliveries of concentrate, higher local currency operating expenses at Tsumeb, and higher depreciation related to the completion of capital projects at Tsumeb and Chelopech.

Cost of sales in 2013 of \$254.8 million increased by \$27.1 million relative to the corresponding period in 2012. This increase was due primarily to higher local currency operating expenses at Tsumeb, higher depreciation related to the completion of capital projects at Chelopech and Tsumeb, and higher deliveries of concentrate, partially offset by the favourable impact of a stronger U.S. dollar relative to the ZAR.

#### *Gross profit*

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

\$ thousands Ended December 31,	Three Months		Twelve Months	
	2013	2012	2013	2012
Chelopech	26,091	38,253	111,407	165,279
Kapan	(3,048)	1,956	(2,692)	3,442
Tsumeb	(3,069)	(971)	(18,948)	(11,677)
<b>Total gross profit</b>	<b>19,974</b>	<b>39,238</b>	<b>89,767</b>	<b>157,044</b>

#### *Adjusted EBITDA*

Adjusted EBITDA in the fourth quarter of 2013 was \$29.0 million compared to \$37.7 million in the corresponding period in 2012. This decrease was due primarily to lower metal prices, and lower volumes of concentrate smelted and higher local currency operating expenses at Tsumeb, partially offset by higher volumes of payable metals in concentrate sold, reduced exploration activities in Serbia, lower administrative expenses, the favourable impact of a stronger U.S. dollar relative to the ZAR, higher toll rates at Tsumeb and lower operating expenses at Chelopech.

Adjusted EBITDA in 2013 was \$102.8 million compared to \$124.6 million in the corresponding period in 2012. This decrease was due primarily to lower metal prices, higher volumes of third party concentrate smelted at Tsumeb, which generated a lower gross margin than Chelopech concentrate, and higher local currency operating expenses at Tsumeb, partially offset by higher volumes of payable metals in concentrate sold, reduced exploration activities in Serbia, lower administrative expenses, and the favourable impact of a stronger U.S. dollar relative to the ZAR.

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

\$ thousands Ended December 31,	Three Months		Twelve Months	
	2013	2012	2013	2012
Chelopech	37,823	49,586	152,587	196,012
Kapan	(1,443)	5,389	2,609	12,493
Tsumeb	772	1,628	(6,998)	(2,593)
Corporate & Other <sup>(1)</sup>	(8,128)	(18,879)	(45,407)	(81,352)
<b>Total adjusted EBITDA</b>	<b>29,024</b>	<b>37,724</b>	<b>102,791</b>	<b>124,560</b>

1) Included in Corporate & Other are general, administrative, exploration and other expenses related to Avala and Dunav of \$3.9 million and \$17.6 million during the fourth quarter and twelve months of 2013, respectively, compared to \$10.4 million and \$48.6 million for the corresponding periods in 2012.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Corporate and Other Segment includes corporate administrative costs, exploration and development projects, and other income and cost items that do not pertain directly to an operating segment.

Refer to the "Review of Operating Results by Segment" section of this MD&A for a more detailed discussion of Chelovech, Kapan, Tsumeb and Corporate & Other results.

### *Other income (expense)*

Other income and expense is comprised of any realized gains or losses from the sales of certain publicly traded securities, foreign exchange translation gains or losses, unrealized gains or losses on Sabina Gold and Silver Corp. ("Sabina") warrants and special warrants, gains or losses on derivative commodity contracts, gains or losses on DPM's outstanding warrants and impairment losses on property, plant and equipment. The derivative commodity contracts, which establish effective hedges from an economic perspective, are deemed not to be effective from an accounting perspective, and therefore do not receive hedge accounting treatment. As a result, unrealized gains or losses on derivative commodity contracts are included in the consolidated statements of earnings.

Other income in the fourth quarter of 2013 was \$11.5 million compared to other expense of \$4.2 million in the corresponding period in 2012. Other expense in 2013 was \$5.8 million compared to \$22.3 million in the corresponding period in 2012.

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

\$ thousands Ended December 31,	Three Months		Twelve Months	
	2013	2012	2013	2012
Unrealized losses on Sabina warrants and special warrants	(720)	(6,476)	(19,175)	(9,803)
Realized losses on publicly traded securities	-	-	-	(85)
Net gains (losses) on derivative commodity contracts	4,450	4,347	3,042	(7,952)
Net gains on equity settled warrants	13,561	-	22,383	-
Impairment losses on property, plant and equipment	(6,178)	(860)	(12,576)	(2,218)
Impairment losses on intangible assets	-	(2,409)	-	(2,409)
Net foreign exchange (losses) gains	(71)	132	1,224	(565)
Other income (expense)	467	1,074	(727)	683
<b>Total other income (expense)</b>	<b>11,509</b>	<b>(4,192)</b>	<b>(5,829)</b>	<b>(22,349)</b>

In the fourth quarter of 2013, the Company reported an impairment loss of \$6.2 million, of which \$5.7 million was in connection with the write-down of a refurbished oxygen plant and equipment related to a metals processing facility ("MPF") project that Chelovech no longer plans to use. In 2013, the Company reported an impairment loss of \$12.6 million, of which \$10.1 million was in connection with the write-down of a refurbished oxygen plant and equipment related to a MPF project that Chelovech no longer plans to use and \$2.0 million was related to the permanent closure of the reverberatory furnace at Tsumeb.

During the fourth quarter and twelve months of 2013, the Company reported unrealized gains on derivative commodity contracts of \$2.6 million (2012 – \$0.5 million) and unrealized losses of \$2.9 million (2012 – \$21.5 million), respectively. The Company also reported realized gains on the settlement of derivative contracts of \$1.8 million (2012 - \$3.9 million) and \$5.9 million (2012 - \$13.5 million) during the fourth quarter and twelve months of 2013, respectively.

### *Income tax expense*

The effective tax rate of the Company can vary significantly from quarter to quarter based on a number of factors. For the three and twelve months ended December 31, 2013 and 2012, the Company's effective tax rate was impacted primarily by unrecognized tax benefits related to corporate operating, exploration and development costs, the reversal of tax benefits recognized in previous periods, and non-deductible capital losses on Sabina special warrants, partially offset by the Company's mix of foreign earnings, which are subject to lower tax rates in certain jurisdictions, and non-taxable gains related to the Company's equity settled warrants.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

\$ thousands Ended December 31,	Three months		Twelve months	
	2013	2012	2013	2012
<b>Earnings before income taxes</b>	<b>19,686</b>	16,244	<b>26,859</b>	49,654
Combined Canadian federal and provincial statutory income tax rates	<b>26.5%</b>	26.5%	<b>26.5%</b>	26.5%
<b>Expected income tax expense</b>	<b>5,217</b>	4,304	<b>7,118</b>	13,158
Lower rates on foreign earnings	<b>(1,600)</b>	(4,730)	<b>(7,629)</b>	(18,636)
Unrecognized tax benefits relating to losses	<b>(1,530)</b>	6,435	<b>13,231</b>	22,752
Non-taxable gains on equity settled warrants	<b>(582)</b>	-	<b>(2,920)</b>	-
Non-deductible portion of capital losses	<b>96</b>	858	<b>2,541</b>	1,310
Non-deductible share based compensation expense	<b>211</b>	245	<b>1,049</b>	1,277
Other, net	<b>783</b>	(200)	<b>288</b>	(38)
<b>Income tax expense</b>	<b>2,595</b>	6,912	<b>13,678</b>	19,823
<b>Effective income tax rate</b>	<b>13.2%</b>	42.6%	<b>50.9%</b>	39.9%

### *Net earnings attributable to common shareholders*

In the fourth quarter of 2013, the Company reported net earnings attributable to common shareholders of \$19.2 million compared to \$14.7 million in the fourth quarter of 2012. This increase was due primarily to reduced exploration activities in Serbia, lower administrative expenses, the favourable impact of a stronger U.S. dollar relative to the ZAR and higher volumes of payable metals in concentrate sold, partially offset by lower metal prices, higher depreciation and higher local currency operating expenses at Tsumeb. Also contributing to the increase in net earnings were net after-tax gains of \$8.7 million (2012 – unrealized losses of \$6.9 million) related to unrealized gains on the Company's equity settled warrants, lower unrealized losses on Sabina special warrants, and higher unrealized gains on derivative contracts entered into to hedge a portion of future production, partially offset by the write-down of a refurbished oxygen plant and equipment related to a MPF project that Chelopech no longer plans to use.

In 2013, the Company reported net earnings attributable to common shareholders of \$22.5 million compared to \$54.4 million in 2012. This decrease was primarily due to lower metal prices, higher volumes of third party concentrate smelted at Tsumeb, which generated a lower gross margin than Chelopech concentrate, higher local currency operating expenses at Tsumeb and higher depreciation from recently completed capital projects at Chelopech and Tsumeb, partially offset by higher volumes of payable metals in concentrate sold, reduced exploration activities in Serbia, lower administrative expenses, and the favourable impact of a stronger U.S. dollar relative to the ZAR. Also impacting net earnings were net after-tax losses of \$8.3 million in 2013 compared to \$26.5 million of losses in 2012 reflecting unrealized and realized gains on the Company's equity settled warrants and lower unrealized losses on derivative contracts entered into to hedge a portion of future production, partially offset by higher unrealized losses on Sabina special warrants and the write-down of a refurbished oxygen plant and equipment related to a MPF project that Chelopech no longer plans to use.

### *Adjusted net earnings*

Adjusted net earnings in the fourth quarter of 2013 were \$10.5 million compared to \$21.5 million in the corresponding period in 2012. Adjusted net earnings in 2013 were \$30.8 million compared to \$80.9 million in the corresponding period in 2012. Adjusted net earnings were impacted by the same factors affecting net earnings attributable to common shareholders, except for realized and unrealized gains on the Company's equity settled warrants, unrealized losses on Sabina special warrants, unrealized gains and losses on derivative contracts entered into to hedge a portion of future production, and the write-down of a refurbished oxygen plant and equipment related to a MPF project at Chelopech, each of which are excluded from adjusted net earnings.

The following table summarizes the key drivers affecting adjusted net earnings for the period indicated:

(\$ millions)		
Ended December 31,	Three Months	Twelve Months
<b>Adjusted net earnings - 2012</b>	<b>21.5</b>	<b>80.9</b>
Lower metal prices	(22.4)	(74.1)
Higher expenses at Tsumeb and change in concentrate mix smelted <sup>(1)</sup>	(3.2)	(16.4)
Higher depreciation	(2.8)	(13.4)
Higher treatment charges for Chelopech and Kapan	(1.0)	(7.8)
Higher volumes of payable metals in concentrate sold	4.1	27.0
Lower exploration and general and administrative expenses	6.3	19.6
Stronger U.S. dollar	1.3	10.7
Lower cost/tonne of concentrate sold <sup>(1)</sup>	2.7	4.1
Other	4.0	0.2
<b>Adjusted net earnings - 2013</b>	<b>10.5</b>	<b>30.8</b>

1) Excludes impact of foreign exchange and depreciation.

### *Cash provided from operating activities*

Cash provided from operating activities in the fourth quarter of 2013 of \$40.3 million was \$13.3 million higher than the corresponding period in 2012 due primarily to a decrease in working capital requirements, partially offset by lower metal prices. Cash provided from operating activities in 2013 of \$99.5 million was \$21.2 million higher than the corresponding period in 2012 due primarily to a decrease in working capital requirements and higher volumes of payable metals in concentrate sold, partially offset by lower metal prices.

The decrease in working capital in the fourth quarter of 2013 of \$15.9 million was due primarily to a decrease in accounts receivable as a result of timing of receipts from customers and an increase in accounts payable as a result of timing of payments. The decrease in working capital in 2013 of \$11.3 million was due primarily to a decrease in accounts receivable as a result of timing of receipts and a decrease in concentrate inventories, partially offset by an increase in accounts payable as a result of timing of payments. The increase in working capital of \$42.9 million in 2012 was due primarily to an increase in accounts receivable as a result of timing of receipts and an increase in spare parts and concentrate inventories, partially offset by an increase in accounts payable.

Cash provided from operating activities, before changes in non-cash working capital, during the fourth quarter and twelve months of 2013 of \$24.4 million and \$88.2 million, respectively, was \$6.3 million and \$32.9 million lower than the corresponding periods in 2012 due primarily to the same factors affecting adjusted EBITDA.

### *Capital expenditures*

Capital expenditures during the fourth quarter and twelve months of 2013 totalled \$47.9 million and \$216.0 million, respectively, compared to \$51.4 million and \$160.6 million in the corresponding periods in 2012. The increase in 2013 relative to 2012 was due primarily to increased construction activities at Tsumeb related to the acid plant.

Growth capital expenditures during the fourth quarter and twelve months of 2013 were \$40.6 million and \$184.5 million, respectively, compared to \$44.9 million and \$131.5 million in the corresponding periods in 2012. Sustaining capital expenditures during the fourth quarter and twelve months of 2013 were \$7.3 million and \$31.5 million, respectively, compared to \$6.5 million and \$29.1 million in the corresponding periods in 2012.

## 2013 ACTUAL RESULTS COMPARISON TO ORIGINAL GUIDANCE

The following table provides a comparison of the Company's 2013 results to its original guidance issued in February 2013:

<i>US\$ millions, unless otherwise indicated</i>	<b>Guidance<sup>(1)</sup></b>	<b>2013 Results</b>
Ore mined/milled ('000s tonnes)	2,450 – 2,650	2,486/2,498
Concentrate smelted ('000s tonnes)	195 – 215	152
Metals contained in concentrate produced		
Gold (ounces)	150,000 – 173,000	156,185
Copper (million pounds)	45.5 – 49.0	47.9
Zinc (million pounds)	12.0 – 14.5	15.3
Silver (ounces)	620,000 – 723,000	671,639
Cash cost/tonne of ore processed (\$)	50 – 54	47
Cash cost/ounce of gold sold, net of by-product credits (\$)	210 – 240	329
Cash cost/tonne of concentrate smelted (\$)	320 – 355	433
General & administrative expenses <sup>(2)</sup>	40 – 44	25
Exploration expenses <sup>(2)</sup>	3 – 4	3
Sustaining capital expenditures	35 – 45	31
Growth capital expenditures	240 – 300	185

1) Reflects original guidance issued in February 2013, which was subsequently updated during the year.

2) Excludes expenses of partially owned companies.

On a consolidated basis, the Company's guidance related to ore mined/milled, metals production and cash cost per tonne of ore processed was achieved in 2013, with the exception of zinc produced which exceeded guidance due to higher than anticipated grades.

Concentrate smelted at Tsumeb was lower than guidance due primarily to delays associated with the construction and commissioning activities related to Project 2012 and a second oxygen plant, which in turn delayed the planned mid-year emissions testing and removal of the Namibian government production curtailment to the fourth quarter. This production shortfall contributed to the increase in cash cost per tonne of concentrate smelted.

Cash cost per ounce of gold sold, net of by-product credits, was higher than anticipated due to metal prices in 2013 being lower than the metal prices assumed in the guidance. In 2013, the average copper price was \$3.32 per pound, or 10% lower than the assumed copper price of \$3.70 per pound, and the average silver price was \$23.83 per ounce, or 23% lower than the assumed silver price of \$31 per ounce.

General and administrative expenses were lower than guidance due primarily to lower performance based compensation.

Sustaining capital expenditures were lower than anticipated due primarily to the timing of expenditures. Growth capital expenditures were lower than guidance due to permitting delays at Krumovgrad and the timing of expenditures related to the construction of an acid plant at Tsumeb.

## 2014 GUIDANCE

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

The Company's guidance for 2014 is set out in the following table:

<i>U.S. millions, unless otherwise indicated</i>	<b>Chelopech</b>	<b>Kapan</b>	<b>Tsumeb</b>	<b>Consolidated</b>
Ore mined/milled ('000s tonnes)	1,900 – 2,050	475 – 525	-	2,375 – 2,575
Concentrate smelted ('000s tonnes)	-	-	190 – 220	190 – 220
Metals contained in concentrate produced <sup>(1)</sup>				
Gold (ounces)	126,000 – 138,000	29,000 – 36,000	-	155,000 – 174,000
Copper (million pounds)	42.7 – 46.2	2.8 – 3.8	-	45.5 – 50.0
Zinc (million pounds)	-	11.6 – 15.9	-	11.6 – 15.9
Silver (ounces)	210,000 – 230,000	468,000 – 640,000	-	678,000 – 870,000
Cash cost/tonne of ore processed (\$) <sup>(2)</sup>	43 – 47	81 – 91	-	51 – 56
Cash cost/ounce of gold sold, net of by-product credits (\$) <sup>(1),(2)</sup>	285 – 430	485 – 855	-	335 – 505
All-in sustaining cost per ounce of gold (\$) <sup>(1),(2),(3)</sup>	-	-	-	710 – 815
Cash cost/tonne of concentrate smelted (\$) <sup>(2)</sup>	-	-	280 – 350	280 – 350
Payable gold in pyrite concentrate (ounces)	27,000 – 33,000	-	-	27,000 – 33,000
Cash cost per ounce of gold sold in pyrite concentrate (\$) <sup>(4)</sup>	1,050 – 1,050	-	-	1,050 – 1,050
General & administrative expenses <sup>(2),(5)</sup>	-	-	-	34 – 42
Exploration expenses <sup>(2),(5)</sup>	-	-	-	8 – 11
Sustaining capital expenditures <sup>(2)</sup>	10 – 12	15 – 18	12 – 15	37 – 45

1) Excludes metals in pyrite concentrate and, where applicable, the treatment charges, transportation and other selling costs related to the sale of pyrite concentrate, which is reported separately.

2) Based on current exchange rates and, where applicable, a copper price of \$3.31 per pound, a silver price of \$19.87 per ounce and a zinc price of \$0.90 per pound.

3) Effective 2014, the Company will report its all-in sustaining cost per ounce of gold, a measure which was recently established by the World Gold Council, and which attempts to represent the total sustaining cost of producing gold ounces from current mining operations. This measure is expected to be used by management and investors as one of several costs metrics to measure cost performance. All-in sustaining cost is a non-GAAP measure, has no standardized meanings under IFRS and may not be comparable to similar measures presented by other companies. For DPM, all-in sustaining cost per ounce of gold, net of by-products represents cash operating costs at Chelopech and Kapan, 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, less by-product revenues in respect of copper, silver and zinc, divided by the payable gold in copper and zinc concentrate sold. It does not include depreciation, exploration, growth capital expenditures, income tax payments and finance costs. It also excludes the payable gold ounces contained in the pyrite concentrate sold and the related treatment charges, transportation and other selling costs.

4) With the 2014 completion of the pyrite recovery circuit and the resulting production and sale of gold contained in pyrite concentrate, the Company will report cash cost per ounce of gold sold in pyrite concentrate. This is a non-GAAP measure that has no standardized meanings under IFRS and may not be comparable to similar measures presented by other companies. Presenting this measure is intended to assist management and investors with assessing the profitability of the payable gold in concentrate sold.

5) Excludes expenses of partially owned companies.

The 2014 guidance provided above may not occur evenly throughout the year. The estimated metals contained in concentrate produced and volumes of concentrate smelted may vary from quarter to quarter depending on the areas being mined, the timing of concentrate deliveries, planned outages, the timing of the annual maintenance shutdown at Tsumeb, which is currently scheduled in the third quarter of 2014, and Kapan returning to full production in the second quarter of 2014. The production guidance for Tsumeb assumes the ramp-up to full capacity occurs in the first quarter of 2014. Also, the rate of capital expenditures may vary from quarter to quarter based on the schedule for and execution of each capital project and, where applicable, the receipt of necessary permits and approvals.

For 2014, the majority of the Company's growth capital expenditures will be focused on the construction of an acid plant at Tsumeb. Other growth capital expenditures include the Pyrite Recovery project and margin improvement projects at Chelopech, securing the remaining permits and planning for the commencement of construction related to the Krumovgrad Gold Project, and exploration and development work to enhance underground operations and advance a potential expansion at Kapan. In aggregate, these expenditures are expected to range between \$160 million and \$175 million.

## REVIEW OF OPERATING RESULTS BY SEGMENT

## Chelovech – Key Operational and Financial Highlights

\$ thousands, unless otherwise indicated Ended December 31,		Three Months		Twelve Months	
		2013	2012	2013	2012
<b>Operational Highlights</b>					
Ore mined (mt)		522,063	522,909	2,029,702	1,813,633
Ore processed (mt)		500,599	491,235	2,032,002	1,819,687
Head grade / Recoveries (ore milled)					
Gold (g/mt) / %		3.71 / 54.4	3.06 / 56.9	3.50 / 57.7	3.69 / 55.8
Copper (%) / %		1.34 / 84.2	1.13 / 84.0	1.20 / 85.0	1.29 / 82.6
Silver (g/mt) / %		8.73 / 40.5	6.86 / 41.0	7.65 / 43.8	9.26 / 40.0
Copper concentrate produced (mt) <sup>(1)</sup>		35,029	28,961	126,633	118,974
Metals contained in copper concentrate produced					
Gold (ounces)		32,495	27,503	131,825	120,631
Copper (pounds)		12,441,481	10,266,739	45,598,598	42,714,127
Silver (ounces)		56,877	44,406	218,866	216,765
Cash cost per tonne of ore processed (\$) <sup>(2),(4),(5)</sup>		40.51	44.75	40.08	45.77
Cash cost per ounce of gold in concentrate produced (\$) <sup>(2),(3),(4)</sup>		296	420	317	358
Cash cost per pound of copper in concentrate produced (\$) <sup>(2),(3),(4)</sup>		0.76	0.87	0.76	0.78
Copper concentrate delivered (mt)		34,175	29,783	130,243	118,778
Gold-bearing pyrite concentrate sold (mt)		10,240	15,012	41,937	30,288
Payable metals in concentrate sold					
Gold (ounces) <sup>(6)</sup>		31,293	28,700	131,923	116,644
Copper (pounds) <sup>(6)</sup>		11,471,064	9,905,123	43,926,001	40,020,663
Silver (ounces) <sup>(6)</sup>		48,026	45,159	182,670	207,831
Cash cost of sales per ounce of gold sold, net of by-product credits (\$) <sup>(4),(7),(8)</sup>		197	48	226	9
<b>Financial Highlights</b>					
Net revenue <sup>(9),(10)</sup>		54,359	63,394	231,887	263,577
Gross profit		26,091	38,253	111,407	165,279
Adjusted EBITDA <sup>(4)</sup>		37,823	49,586	152,587	196,012
Adjusted earnings before income taxes <sup>(4)</sup>		28,902	42,318	117,596	174,271
Capital expenditures					
Growth		8,033	13,060	28,992	49,018
Sustaining		2,429	4,277	13,302	13,456
Total capital expenditures		10,462	17,337	42,294	62,474

1) Excludes pyrite concentrate of 10,604 tonnes, containing 2,215 ounces of gold, produced in the fourth quarter of 2013, and 14,756 tonnes, containing 3,074 ounces of gold, produced in the twelve months of 2013.

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

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

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

5) Cash cost per tonne of ore processed, excluding royalties, was \$36.48 and \$36.26 during the fourth quarter and twelve months of 2013, respectively, compared to \$40.41 and \$41.16 in the corresponding periods in 2012.

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

7) Cash cost of sales 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 divided by the payable gold in concentrate sold.

8) Includes realized gains on copper derivative contracts of \$1.1 million and \$4.0 million during the fourth quarter and twelve months of 2013, respectively, compared to \$3.3 million and \$13.0 million in the corresponding periods in 2012.

9) Net revenue includes the value of payable metals sold, deductions for treatment charges, penalties, transportation and other selling costs, and mark-to-market adjustments and final settlements to reflect any physical and cost adjustments on provisionally priced sales. Net favourable mark-to-market adjustments and final settlements of \$0.9 million and unfavourable mark-to-market adjustments of \$6.7 million were recognized during the fourth quarter and twelve months of 2013, respectively, compared with net unfavourable adjustments of \$0.3 million and net favourable adjustments of \$3.9 million in the corresponding periods in 2012. Deductions during the fourth quarter and twelve months of 2013 were \$24.6 million and \$94.4 million, respectively, compared to \$22.6 million and \$86.2 million in the corresponding periods in 2012.

10) Net revenue excludes realized and unrealized gains and losses on derivative commodity contracts entered to hedge the mark-to-market impacts associated with provisionally priced sales and future production. Under IFRS, these gains and losses are reported in other (income) expense.

**Operational Highlights – Chelopech***Ore mined*

Ore mined in the fourth quarter of 2013 of 522,063 tonnes was comparable to the corresponding period in 2012. Ore mined in 2013 of 2,029,702 tonnes was 12% higher than the corresponding period in 2012 following the completion of the mine expansion project in the fourth quarter of 2012.

*Ore processed*

Ore processed during the fourth quarter and twelve months of 2013 of 500,599 tonnes and 2,032,002 tonnes, respectively, was 2% and 12% higher than the corresponding periods in 2012 as a result of the increase in ore mined.

*Concentrate and metal production*

Concentrate production during the fourth quarter and twelve months of 2013 of 35,029 tonnes and 126,633 tonnes, respectively, was 21% and 6% higher than the corresponding periods in 2012. The quarter over quarter increase was due primarily to higher copper grades. The year over year increase was due primarily to increased ore mined and processed and higher copper recoveries, partially offset by lower copper grades.

Relative to the fourth quarter of 2012, gold contained in copper concentrate produced in the fourth quarter of 2013 increased by 18% to 32,495 ounces, copper contained in concentrate produced increased by 21% to 12.4 million pounds and silver contained in concentrate produced increased by 28% to 56,877 ounces. These increases were due primarily to higher grades for all metals.

Relative to 2012, gold contained in copper concentrate produced in 2013 increased by 9% to 131,825 ounces, copper contained in concentrate produced increased by 7% to 45.6 million pounds and silver contained in concentrate produced increased by 1% to 218,866 ounces. These increases were due primarily to increased ore mined and processed and higher recoveries for all metals, partially offset by lower grades for all metals.

Grades can vary period over period depending on the areas being mined. Overall grades achieved in 2013 were consistent with the grades reflected in the mine plan.

*Deliveries*

Deliveries of copper concentrate during the fourth quarter and twelve months of 2013 of 34,175 tonnes and 130,243 tonnes, respectively, were 15% and 10% higher than the deliveries in the corresponding periods in 2012 due primarily to an increase in concentrate produced and a drawdown of concentrate inventories in 2013.

During the fourth quarter and twelve months of 2013, the Company also delivered 10,240 tonnes (2012 – 15,012 tonnes) and 41,937 tonnes (2012 – 30,288 tonnes), respectively, of gold-bearing pyrite concentrate from Chelopech's tailings and pyrite production.

In the fourth quarter of 2013, payable gold in concentrate sold increased by 9% to 31,293 ounces relative to the corresponding period in 2012, payable copper in concentrate sold increased by 16% to 11.5 million pounds and payable silver in concentrate sold increased by 6% to 48,026 ounces. In 2013, payable gold in concentrate sold increased by 13% to 131,923 ounces relative to the corresponding period in 2012, payable copper in concentrate sold increased by 10% to 43.9 million pounds and payable silver in concentrate sold decreased by 12% to 182,670 ounces. These changes are generally consistent with Chelopech's increased metals production and concentrate deliveries.

*Inventory*

Copper concentrate inventory totalled 6,212 tonnes at December 31, 2013, down from 9,822 tonnes at December 31, 2012, reflecting the timing of deliveries.

***Financial Highlights – Chelopech******Net revenue***

Net revenue of \$54.4 million in the fourth quarter of 2013 was \$9.0 million lower than the corresponding period in 2012 due primarily to lower metal prices, partially offset by higher volumes of payable gold and copper in concentrate sold. Net revenue in 2013 of \$231.9 million was \$31.7 million lower than the corresponding period in 2012 due primarily to lower metal prices and higher treatment charges, partially offset by higher volumes of payable gold and copper in concentrate sold.

Included in revenue were unfavourable metal price adjustments of \$2.2 million (2012 – \$3.3 million) and \$6.3 million (2012 – favourable adjustments of \$1.6 million) on provisionally priced sales during the fourth quarter and twelve months of 2013, respectively. These adjustments were offset or partially offset by hedge gains of \$2.1 million (2012 – \$2.3 million) and \$4.8 million (2012 – losses of \$0.9 million) during the fourth quarter and twelve months of 2013, respectively. These cash settled derivative contracts to swap future contracted average metal prices for fixed metal prices were entered into to mitigate the majority of the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales and are recorded in other (income) expense in the consolidated statements of earnings.

***Cash cost measures***

Cash cost per tonne of ore processed during the fourth quarter and twelve months of 2013 of \$40.51 and \$40.08, respectively, was 9% and 12% lower than the corresponding cash costs in 2012 of \$44.75 and \$45.77 due primarily to lower haulage costs following the completion of the underground conveyor system in the fourth quarter of 2012, lower spending on maintenance, and lower royalties, partially offset by higher labour expenses and a stronger Euro relative to the U.S. dollar. Higher volumes of ore mined and processed also contributed to the year over year decrease.

Cash cost of sales per ounce of gold sold, net of by-product credits, in the fourth quarter of 2013 was \$197 compared to \$48 in the fourth quarter of 2012. This increase was due primarily to lower copper and silver prices and higher treatment charges, partially offset by higher volumes of payable metals in concentrate sold.

Cash cost of sales per ounce of gold sold, net of by-product credits, in 2013 was \$226 compared to \$9 in 2012. The year over year increase was due primarily to lower copper and silver prices, higher treatment charges and lower volumes of payable silver in concentrate sold, partially offset by higher volumes of payable gold and copper in concentrate sold.

***Gross profit***

Gross profit of \$26.1 million in the fourth quarter of 2013 was \$12.2 million lower than the corresponding period in 2012 due primarily to lower metal prices and higher depreciation as a result of the completion of the mine and mill expansion project in December 2012, partially offset by higher volumes of payable gold and copper in concentrate sold and lower cost per tonne of concentrate sold.

Gross profit of \$111.4 million in 2013 was \$53.9 million lower than the corresponding period in 2012 due primarily to lower metal prices, higher depreciation and higher treatment charges, partially offset by higher volumes of payable gold and copper in concentrate sold.

Gross profit during the fourth quarter and twelve months of 2013 and 2012 was also impacted by metal price adjustments that are partially offset by hedge gains or losses recorded in other (income) expense in the consolidated statements of earnings.

***Adjusted EBITDA***

Adjusted EBITDA in the fourth quarter of 2013 was \$37.8 million compared to \$49.6 million in the corresponding period in 2012 due primarily to the same factors affecting gross profit, except for depreciation which is excluded from adjusted EBITDA, and lower realized gains on copper derivative contracts related to payable metals sold in the fourth quarter of 2013 of \$1.1 million compared to \$3.3 million in the corresponding period in 2012.

Adjusted EBITDA in 2013 was \$152.6 million compared to \$196.0 million in the corresponding period in 2012 due primarily to the same factors affecting gross profit, except for depreciation which is excluded from adjusted EBITDA, and lower realized gains on copper derivative contracts related to payable metals sold in 2013 of \$4.0 million compared to \$13.0 million in the corresponding prior year period.

#### *Adjusted earnings before income taxes*

Adjusted earnings before income taxes in the fourth quarter of 2013 were \$28.9 million compared to \$42.3 million in the corresponding period in 2012. Unrealized gains of \$1.4 million (2012 – losses of \$1.2 million) on copper and gold derivative contracts related to projected payable production, which were recognized in earnings before income taxes in the fourth quarter of 2013, were excluded from adjusted earnings before income taxes.

Adjusted earnings before income taxes in 2013 were \$117.6 million compared to \$174.3 million in the corresponding period in 2012. Unrealized losses of \$5.0 million (2012 – \$18.6 million) on copper and gold derivative contracts related to projected payable production, which were recognized in earnings before income taxes in 2013, were excluded from adjusted earnings before income taxes.

Impairment losses of \$5.7 million and \$10.1 million in connection with a refurbished oxygen plant and equipment related to a MPF project, which were recorded in the fourth quarter and twelve months of 2013, respectively, were also excluded from adjusted earnings before income taxes.

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

(\$ millions)		
Ended December 31,	Three Months	Twelve Months
<b>Adjusted earnings before income taxes - 2012</b>	<b>42.3</b>	<b>174.3</b>
Lower metal prices	(19.3)	(61.4)
Higher depreciation	(3.2)	(14.1)
Higher treatment charges	-	(5.1)
Stronger Euro	(1.0)	(2.3)
Higher volumes of metals sold	4.3	22.3
Lower cost/tonne of concentrate sold <sup>(1)</sup>	3.5	2.5
Other	2.3	1.4
<b>Adjusted earnings before income taxes - 2013</b>	<b>28.9</b>	<b>117.6</b>

1) Excludes impact of foreign exchange and depreciation.

#### *Capital expenditures*

Capital expenditures during the fourth quarter and twelve months of 2013 of \$10.5 million and \$42.3 million, respectively, were \$6.8 million and \$20.2 million lower than the corresponding periods in 2012 as a result of the completion of the mine and mill expansion project in the fourth quarter of 2012.

**Kapan – Key Operational and Financial Highlights**

\$ thousands, unless otherwise indicated				
Ended December 31,	Three Months		Twelve Months	
	2013	2012	2013	2012
<b>Operational Highlights</b>				
Ore mined (mt)	95,618	137,914	455,920	531,667
Ore processed (mt)	112,770	133,892	465,894	509,419
Head grade / Recoveries (ore milled)				
Gold (g/mt) / %	2.02 / 85.9	1.50 / 80.0	1.85 / 88.0	1.56 / 85.5
Copper (%) / %	0.28 / 87.5	0.24 / 85.4	0.27 / 85.0	0.25 / 88.0
Zinc (%) / %	1.68 / 88.0	1.50 / 65.0	1.68 / 88.6	1.67 / 82.5
Silver (g/mt) / %	37.53 / 86.1	28.42 / 81.0	34.35 / 88.0	32.20 / 85.1
Concentrate produced (mt)				
Copper	1,362	1,371	5,650	5,508
Zinc	2,842	2,096	11,995	11,327
Metals contained in concentrate produced				
Gold (ounces)	6,303	5,164	24,360	21,843
Copper (pounds)	614,465	616,812	2,340,859	2,456,555
Zinc (pounds)	3,672,971	2,880,095	15,293,700	15,425,329
Silver (ounces)	117,169	99,095	452,773	449,092
Cash cost per tonne of ore processed (\$) <sup>(1),(3),(4)</sup>	93.68	84.22	79.32	76.45
Cash cost per ounce of gold in concentrate produced (\$) <sup>(1),(2),(3)</sup>	786	1,004	667	707
Cash cost per pound of copper in concentrate produced (\$) <sup>(1),(2),(3)</sup>	2.00	2.13	1.60	1.54
Cash cost per pound of zinc in concentrate produced (\$) <sup>(1),(2),(3)</sup>	0.53	0.54	0.41	0.37
Concentrate delivered (mt)				
Copper	1,507	2,750	5,961	5,520
Zinc	2,671	2,728	12,512	12,650
Payable metals in concentrate sold				
Gold (ounces) <sup>(5)</sup>	5,577	7,115	21,351	18,204
Copper (pounds) <sup>(5)</sup>	645,448	1,076,107	2,374,717	2,083,624
Zinc (pounds) <sup>(5)</sup>	2,927,338	3,081,784	13,544,751	14,203,516
Silver (ounces) <sup>(5)</sup>	99,705	134,996	369,920	339,362
Cash cost of sales per ounce of gold sold, net of by-product credits (\$) <sup>(3),(6),(7)</sup>	1,255	778	964	808
<b>Financial Highlights</b>				
Net revenue <sup>(8),(9)</sup>	11,156	19,789	44,131	53,989
Gross (loss) profit	(3,048)	1,956	(2,692)	3,442
Adjusted (loss) EBITDA <sup>(3)</sup>	(1,443)	5,389	2,609	12,493
Adjusted (loss) earnings before income taxes <sup>(3)</sup>	(3,160)	2,777	(4,295)	2,731
Capital expenditures				
Growth	1,562	3,233	8,722	11,637
Sustaining	2,841	1,616	8,518	9,468
Total capital expenditures	4,403	4,849	17,240	21,105

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

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 \$84.62 and \$72.32 during the fourth quarter and twelve months of 2013, respectively, compared to \$70.11 and \$69.10 in the corresponding periods in 2012.

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

6) Cash cost of sales 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 zinc, copper and silver revenues divided by the payable gold in concentrate sold.

7) Includes realized gains on copper derivative contracts of \$nil million during the fourth quarter and twelve months of 2013, respectively, compared to realized gains of \$0.3 million and \$1.3 million in the corresponding periods in 2012.

8) Net revenue includes the value of payable metals sold, deductions for treatment charges, penalties, transportation and other selling costs, and mark-to-market adjustments and final settlements to reflect any physical and cost adjustments on provisionally priced sales. Net unfavourable mark-to-market adjustments and final settlements of \$0.4 million and \$4.2 million were recorded during the fourth quarter and twelve months of 2013, respectively, compared with net unfavourable adjustments of \$2.1 million and \$1.4 million in the corresponding periods in 2012. Deductions during the fourth quarter and twelve months of 2013 were \$2.4 million and \$9.3 million, respectively, compared to \$1.7 million and \$6.2 million in the corresponding periods in 2012.

9) Net revenue excludes realized and unrealized gains and losses on derivative commodity contracts entered to hedge the mark to market impacts associated with provisionally priced sales and future production. Under IFRS, these gains and losses are reported in other (income) expense.

***Operational Highlights – Kapan******Ore mined***

Ore mined during the fourth quarter and twelve months of 2013 of 95,618 tonnes and 455,920 tonnes, respectively, was 31% and 14% lower than the corresponding periods in 2012. In 2013, the mine experienced challenges maintaining adequate levels of development inventory. As a result, mine production was reduced in the second half of 2013 in order to rebuild development inventory and improve development performance in advance of resuming normal operating levels in the second quarter of 2014.

***Ore processed***

Ore processed during the fourth quarter and twelve months of 2013 of 112,770 tonnes and 465,894 tonnes, respectively, decreased by 16% and 9% relative to the corresponding periods in 2012 due primarily to lower ore mined.

***Concentrate and metal production***

Copper concentrate production in the fourth quarter of 2013 of 1,362 tonnes was comparable to the corresponding period in 2012 as higher copper grades and recoveries offset the decrease in ore mined and processed. Copper concentrate production of 5,650 tonnes in 2013 was 3% higher than the corresponding period in 2012 due primarily to higher copper grades, partially offset by lower ore mined and processed and lower copper recoveries.

Zinc concentrate production in the fourth quarter and twelve months of 2013 of 2,842 tonnes and 11,995 tonnes, respectively, increased by 36% and 6% over the corresponding periods in 2012. These increases were due primarily to higher zinc grades and recoveries, partially offset by lower volumes of ore mined and processed.

Relative to the fourth quarter of 2012, gold contained in concentrate produced in the fourth quarter of 2013 increased by 22% to 6,303 ounces, silver contained in concentrate produced increased by 18% to 117,169 ounces, zinc contained in concentrate produced increased by 28% to 3.7 million pounds and copper contained in concentrate produced of 0.6 million pounds was essentially unchanged. These results were driven by higher grades and recoveries, partially offset by lower volumes of ore mined and processed.

Relative to 2012, gold contained in concentrate produced in 2013 increased by 12% to 24,360 ounces, copper contained in concentrate produced decreased by 5% to 2.3 million pounds, silver contained in concentrate produced increased by 1% to 452,773 ounces and zinc contained in concentrate produced decreased by 1% to 15.3 million pounds. The increases in gold and silver contained in concentrate produced were due primarily to higher gold and silver grades and recoveries, partially offset by lower volumes of ore mined and processed. The decreases in copper and zinc contained in concentrate produced were due lower volumes of ore mined and processed, and lower copper recoveries, partially offset by higher copper grades and higher zinc grades and recoveries.

Grades for all metals during the fourth quarter and twelve months of 2013 were higher than the grades achieved in the corresponding periods in 2012 reflecting the improved mine planning and execution achieved using the new block model introduced in 2013.

***Deliveries***

Deliveries of concentrate in the fourth quarter of 2013 of 4,178 tonnes were 24% lower than the corresponding period in 2012 due primarily to the timing of copper concentrate deliveries in 2012. As a result of the lead content being significantly higher than contractual specifications in 2012, copper concentrate deliveries, which would have normally taken place in the first nine months of 2012, were deferred until the fourth quarter of 2012. Deliveries of concentrate in 2013 were not deferred and, as a result, occurred more evenly throughout the year. Deliveries of concentrate in 2013 totalled 18,473 tonnes compared to 18,170 tonnes in the corresponding period in 2012.

Relative to the fourth quarter of 2012, payable gold in concentrate sold in the fourth quarter of 2013 decreased by 22% to 5,577 ounces, payable copper in concentrate sold decreased by 40% to 0.6 million pounds, payable silver in concentrate sold decreased by 26% to 99,705 ounces and payable zinc in

concentrate sold decreased by 5% to 2.9 million pounds. The decreases in payable gold, copper and silver were driven by lower copper concentrate deliveries in the fourth quarter of 2013 relative to the corresponding period in 2012, partially offset by higher grades.

Relative to 2012, payable gold in concentrate sold in 2013 increased by 17% to 21,351 ounces, payable copper in concentrate sold increased by 14% to 2.4 million pounds, payable silver in concentrate sold increased by 9% to 369,920 ounces and payable zinc in concentrate sold decreased by 5% to 13.5 million pounds. The increases in payable gold, copper and silver in concentrate sold were due primarily to higher grades. The decrease in payable zinc in concentrate sold was due primarily to lower zinc content in the concentrate delivered.

#### *Inventory*

Inventory of concentrate totalled 1,392 tonnes at December 31, 2013, down from 2,220 tonnes at December 31, 2012, reflecting the timing of deliveries.

### ***Financial Highlights – Kapan***

#### *Net revenue*

Net revenue during the fourth quarter and twelve months of 2013 of \$11.1 million and \$44.1 million, respectively, was \$8.7 million and \$9.9 million lower than the corresponding periods in 2012. The quarter over quarter decrease was due primarily to lower metal prices and lower volumes of payable metals in concentrate sold due to the timing of deliveries in 2012. The year over year decrease was due primarily to lower metal prices and higher treatment charges as a result of market changes to penalties charged for deleterious elements, partially offset by higher volumes of payable metals in concentrate sold as a result of higher grades.

Included in revenue were unfavourable metal price adjustments of \$0.2 million (2012 – \$1.2 million) and \$0.8 million (2012 – favourable adjustments of \$0.6 million) on provisionally priced sales during the fourth quarter and twelve months of 2013, respectively. These adjustments were partially offset by hedge gains of \$0.3 million (2012 – losses \$0.2 million) and hedge losses of \$0.2 million (2012 – \$1.1 million) during the fourth quarter and twelve months of 2013, respectively. These cash settled derivative contracts to swap future contracted average metal prices for fixed metal prices were entered into to mitigate the majority of the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales and are recorded in other (income) expense in the consolidated statements of earnings.

#### *Cash cost measures*

Cash cost per tonne of ore processed in the fourth quarter of 2013 of \$93.68 was 11% higher than the corresponding period in 2012 due primarily to lower volumes of ore mined and processed, partially offset by lower spending on services and consumables. Cash cost per tonne of ore processed in 2013 of \$79.32 was 4% higher than the corresponding period in 2012.

Cash cost of sales per ounce of gold sold, net of by-product credits, in the fourth quarter of 2013 of \$1,255 was 61% higher than the corresponding period in 2012 due primarily to lower volumes of gold, copper and silver in concentrate sold, and lower metal prices. Cash cost of sales per ounce of gold sold, net of by-product credits, in 2013 of \$964 was 19% higher than the corresponding period in 2012 due primarily to lower metal prices partially offset by higher volumes of gold, copper and silver in concentrate sold.

#### *Gross (loss) profit*

Gross loss in the fourth quarter of 2013 was \$3.1 million compared to a gross profit of \$2.0 million in corresponding period in 2012. This decrease was due primarily to lower metal prices, lower copper concentrate deliveries due to timing of deliveries in 2012 and a provision of \$1.4 million in respect of obsolete inventory.

Gross loss in 2013 was \$2.7 million compared to a gross profit of \$3.4 million in the corresponding period in 2012. This decrease was due primarily to lower metal prices and a provision of \$1.4 million for obsolete inventory, partially offset by higher volumes of payable metals in concentrate sold.

Gross (loss) profit during the fourth quarter and twelve months of 2013 and 2012 was also impacted by metal price adjustments that are partially offset by hedge gains or losses recorded in other (income) expense in the consolidated statements of earnings.

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

Adjusted loss before interest, taxes, depreciation and amortization in the fourth quarter of 2013 was \$1.5 million compared to adjusted EBITDA of \$5.4 million in the corresponding period in 2012. Adjusted EBITDA in 2013 was \$2.6 million compared to \$12.5 million in the corresponding period in 2012. These decreases were due to the same factors affecting gross profit.

*Adjusted (loss) earnings before income taxes*

Adjusted loss before income taxes in the fourth quarter of 2013 was \$3.2 million compared to adjusted earnings before income taxes of \$2.8 million in the corresponding period in 2012. Adjusted loss before income taxes in 2013 was \$4.3 million compared to adjusted earnings before income taxes of \$2.8 million in the corresponding period in 2012. Unrealized losses of \$0.5 million (2012 – \$0.2 million) and \$0.6 million (2012 – \$1.5 million) on copper derivative contracts related to projected payable production, which were recognized in (loss) earnings before income taxes in the fourth quarter and twelve months of 2013, respectively, were excluded from adjusted (loss) earnings before income taxes.

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

(\$ millions)			
Ended December 31,		Three Months	Twelve Months
<b>Adjusted earnings before income taxes - 2012</b>		<b>2.8</b>	<b>2.8</b>
Lower metal prices		(3.1)	(12.7)
Higher treatment charges		(1.0)	(2.7)
Impairment of obsolete inventory		(1.4)	(1.4)
Other		(0.4)	(0.2)
(Lower) higher volumes of metals sold		(0.2)	4.7
Lower depreciation		1.0	2.9
(Higher) lower cost/tonne of concentrate sold <sup>(1)</sup>		(0.8)	1.6
(Weaker) stronger U.S. dollar		(0.1)	0.7
<b>Adjusted loss before income taxes - 2013</b>		<b>(3.2)</b>	<b>(4.3)</b>

1) Excludes impact of foreign exchange and depreciation.

*Capital expenditures*

Capital expenditures in the fourth quarter of 2013 were \$4.4 million compared to \$4.8 million in the corresponding period in 2012. Included in the fourth quarter of 2013 capital expenditures was capitalized exploration of \$1.6 million compared to \$3.2 million in the corresponding period in 2012.

Capital expenditures in 2013 were \$17.2 million compared to \$21.1 million in the corresponding period in 2012. Included in the 2013 capital expenditures was capitalized exploration of \$8.4 million compared to \$11.5 million in the corresponding period in 2012. Refer to the "Exploration" section of this MD&A for a more detailed discussion of Kapan's exploration programs.

**Tsumeb – Key Operational and Financial Highlights**

<i>\$ thousands, unless otherwise indicated</i> <b>Ended December 31,</b>	<b>Three Months</b>		<b>Twelve Months</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Operational Highlights</b>				
Concentrate smelted (mt)				
Chelopech	<b>32,055</b>	31,846	<b>74,016</b>	112,251
Third party	<b>6,426</b>	13,977	<b>78,441</b>	47,105
Total concentrate smelted	<b>38,481</b>	45,823	<b>152,457</b>	159,356
Cash cost/tonne of concentrate smelted (\$) <sup>(1)</sup>	<b>401</b>	347	<b>433</b>	374
<b>Financial Highlights</b>				
Net revenue	<b>18,904</b>	19,879	<b>68,636</b>	67,119
Gross loss	<b>(3,069)</b>	(971)	<b>(18,948)</b>	(11,677)
Earnings (loss) before interest, taxes, depreciation and amortization <sup>(1)</sup>	<b>772</b>	1,628	<b>(6,998)</b>	(2,593)
Loss before income taxes	<b>(4,243)</b>	(1,669)	<b>(22,674)</b>	(15,165)
Capital expenditures				
Growth	<b>24,760</b>	21,819	<b>130,528</b>	56,926
Sustaining	<b>2,048</b>	829	<b>9,281</b>	6,218
Total capital expenditures	<b>26,808</b>	22,648	<b>139,809</b>	63,144

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

**Operational Highlights – Tsumeb**
**Production**

Concentrate smelted at Tsumeb during the fourth quarter and twelve months of 2013 of 38,481 tonnes and 152,457 tonnes, respectively, was 16% and 4% lower than the corresponding periods in 2012 due to delays associated with the construction and commissioning of a second oxygen plant, which has delayed the smelter's increase in throughput, and unplanned repairs and maintenance. In addition, concentrate smelted in 2013 was negatively impacted by disruptions related to the first quarter commissioning activities of Project 2012.

All scheduled off-gas and dust handling system tie-ins and hot commissioning associated with Project 2012 were completed in the first quarter of 2013.

In August 2013, the smelter's reverberatory furnace was permanently shut down after studies confirmed that operational cost savings of approximately \$7 million per year could be achieved without impacting Tsumeb's production capacity following the implementation of productivity enhancements made in 2013. This closure also resulted in measurable improvements to the environment and working conditions around the site. As a result of this closure, the remaining carrying value of \$2.0 million was written off in 2013.

During the fourth quarter of 2013, the Technical Committee representing the Namibian government conducted initial testing to verify that the modifications made to the off-gas and dust handling systems were delivering the expected decrease in emissions. The results of this testing were subsequently confirmed to be satisfactory and in the latter part of December 2013 the government formally advised the Company that the smelter could return to full production, subject to regulatory reporting and emission requirements, and a further occupational health survey in April 2014. The acid plant, which is targeted for completion during the fourth quarter of 2014, will further reduce the plant's SO<sub>2</sub> emissions and complete the Company's major capital programs directed at modernizing the smelter.

**Cash cost per tonne of concentrate smelted**

Cash cost per tonne of concentrate smelted during the fourth quarter and twelve months of 2013 of \$401 and \$433, respectively, was 16% higher than the corresponding periods in 2012 due primarily to lower volumes of concentrate smelted, and higher labour, environmental, training and maintenance costs, partially offset by a weaker ZAR and lower spending on fuel following the closure of the reverberatory furnace.

**Financial Highlights - Tsumeb***Net revenue*

Net revenue of \$18.9 million in the fourth quarter of 2013 was \$1.0 million lower than the corresponding period in 2012 due primarily to an increase in the estimated metal exposure resulting from lower final assays on material in circuit and lower volumes of concentrate smelted, partially offset by higher toll rates on the Chelopech and third party concentrate.

Net revenue of \$68.6 million in 2013 was \$1.5 million higher than in 2012 due primarily to higher toll rates on Chelopech and third party concentrate, partially offset by higher volumes of third party concentrate, which generated a lower gross margin than Chelopech concentrate.

*Gross loss*

Gross loss in the fourth quarter of 2013 was \$3.0 million compared to \$1.0 million in the corresponding period in 2012. The higher loss was due primarily to lower volumes of concentrate smelted, higher estimated metal exposure resulting from lower final assays on material in circuit, higher depreciation and local currency operating expenses, partially offset by higher toll rates, and the favourable impact of a weaker ZAR relative to the U.S. dollar.

Gross loss in 2013 was \$18.9 million compared to \$11.7 million in the corresponding period in 2012. The higher loss was due primarily to higher volumes of third party concentrate smelted, which generated a lower gross margin than Chelopech concentrate, higher local currency operating expenses and higher depreciation, partially offset by higher toll rates and the favourable impact of a weaker ZAR relative to the U.S. dollar.

*Earnings (loss) before interest, taxes, depreciation and amortization*

EBITDA in the fourth quarter of 2013 was \$0.8 million compared to \$1.6 million in the corresponding period in 2012. Loss before interest, taxes, depreciation and amortization in 2013 was \$7.0 million compared to \$2.6 million in the corresponding period in 2012. These changes were due primarily to the same factors affecting the gross loss, except for depreciation which is excluded from earnings (loss) before interest, taxes, depreciation and amortization. Also contributing to the loss in 2013 was a \$2.0 million write-down related to the closure of the reverberatory furnace, which is excluded from the gross loss.

*Loss before income taxes*

Loss before income taxes during the fourth quarter and twelve months of 2013 was \$4.3 million and \$22.7 million, respectively, compared to \$1.7 million and \$15.2 million in the corresponding periods in 2012.

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

(\$ millions)		
Ended December 31,	Three Months	Twelve Months
<b>Loss before income taxes - 2012</b>	<b>(1.7)</b>	<b>(15.2)</b>
Higher operating expenses <sup>(1)</sup>	(1.7)	(17.7)
Lower volumes of concentrate smelted	(1.5)	(14.4)
Higher depreciation	(1.8)	(3.4)
Impairment loss on property, plant & equipment	-	(2.0)
Lower metal income	(2.8)	(1.3)
Higher toll rates	3.1	16.7
Stronger U.S. dollar	2.4	12.3
Lower stockpile interest and other	(0.3)	2.3
<b>Loss before income taxes - 2013</b>	<b>(4.3)</b>	<b>(22.7)</b>

1) Excludes impact of foreign exchange and depreciation.

### Capital expenditures

Capital expenditures during the fourth quarter and twelve months of 2013 were \$26.8 million and \$139.8 million, respectively, compared to \$22.6 million and \$63.1 million in the corresponding periods in 2012. The increase in 2013 relative to 2012 was due primarily to increased construction activities related to the new acid plant. Refer to the "Development and Other Major Projects" section of this MD&A for a more detailed discussion of Tsumeb's major capital projects.

## REVIEW OF CORPORATE AND OTHER SEGMENT RESULTS

The corporate and other segment results include corporate administrative costs, exploration and development projects, and other income and cost items that do not pertain directly to an operating segment. The following table summarizes the Company's corporate and other segment results for the periods indicated:

<i>\$ thousands</i>	<b>Three Months</b>		<b>Twelve Months</b>	
<b>Ended December 31,</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Financial Highlights</b>				
General and administrative expenses, excluding depreciation <sup>(1)</sup>	<b>(4,037)</b>	(8,882)	<b>(28,106)</b>	(36,443)
Exploration expenses <sup>(2)</sup>	<b>(4,371)</b>	(7,931)	<b>(16,992)</b>	(42,489)
Other income (expense) <sup>(3)</sup>	<b>280</b>	(2,066)	<b>(309)</b>	(2,420)
Adjusted loss before interest, taxes, depreciation and amortization	<b>(8,128)</b>	(18,879)	<b>(45,407)</b>	(81,352)

1) Includes expenses related to Avala and Dunav of \$0.6 million and \$3.2 million (2012 - \$0.8 million and \$4.6 million) during the fourth quarter and twelve months of 2013, respectively.

2) Includes expenses related to Avala and Dunav of \$3.4 million and \$14.5 million (2012 - \$7.4 million and \$41.6 million) during the fourth quarter and twelve months of 2013, respectively.

3) Includes a write-down of \$2.3 million related to Avala's exploration licenses during the fourth quarter and twelve months of 2012.

### General and administrative expenses

General and administrative expenses, excluding depreciation, of \$4.0 million and \$28.1 million during the fourth quarter and twelve months of 2013, respectively, were \$4.8 million and \$8.3 million lower than the comparable periods in 2012. These decreases were due primarily to lower performance based compensation expense.

### Exploration expenses

Exploration expenses relate primarily to exploration work being conducted in Serbia by Avala and Dunav. Exploration expenses during the fourth quarter and twelve months of 2013 were lower than the corresponding periods in 2012 due primarily to decreased exploration activities in Serbia. Refer to the "Exploration" section of this MD&A for a more detailed discussion of Avala and Dunav's exploration activities.

## LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2013, the Company had cash and cash equivalents, and short-term investments of \$49.8 million, including Avala and Dunav's cash and cash equivalents of \$2.5 million and \$8.0 million, respectively, and investments at fair value of \$17.8 million.

The Company's liquidity is impacted by several factors which include, but are not limited to, gold, copper, zinc and silver market prices, production levels, capital expenditures, operating cash costs, interest rates and foreign exchange rates. These factors are monitored by the Company on a regular basis. At December 31, 2013, \$130 million of the Company's \$150 million committed long-term RCF was undrawn, which together with cash currently being generated from operations and its cash and cash equivalents and short-term investments, continue to provide sufficient liquidity and cash resources to meet the Company's current operating requirements, as well as all contractual commitments, mandatory principal repayments and non-discretionary capital expenditures. The Company will consider raising additional

## MANAGEMENT'S DISCUSSION AND ANALYSIS

capital, if required, to ensure it maintains its financial strength and has sufficient liquidity to support its discretionary growth capital projects and overall needs of the business.

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

<i>\$ thousands</i>	<b>Three Months</b>		<b>Twelve Months</b>	
<b>Ended December 31,</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Cash provided from operating activities, before changes in non-cash working capital	<b>24,406</b>	30,695	<b>88,249</b>	121,132
Changes in non-cash working capital	<b>15,902</b>	(3,684)	<b>11,257</b>	(42,854)
Cash provided from operating activities	<b>40,308</b>	27,011	<b>99,506</b>	78,278
Cash used in investing activities	<b>(34,624)</b>	(34,809)	<b>(209,405)</b>	(127,019)
Cash provided from (used in) financing activities	<b>10,056</b>	(1,818)	<b>37,235</b>	(2,532)
Increase (decrease) in cash and cash equivalents	<b>15,740</b>	(9,616)	<b>(72,664)</b>	(51,273)
Cash and cash equivalents at beginning of period	<b>33,127</b>	131,147	<b>121,531</b>	172,804
Cash and cash equivalents at end of period	<b>48,867</b>	121,531	<b>48,867</b>	121,531

Cash and cash equivalent balances as at December 31, 2013 of \$48.9 million were \$72.7 million lower than the corresponding period in 2012. The primary factors impacting these cash flow movements are summarized below.

### ***Operating Activities***

Cash provided from operating activities in the fourth quarter of 2013 of \$40.3 million was \$13.3 million higher than the corresponding period in 2012 due primarily to a decrease in working capital requirements in the fourth quarter of 2013, partially offset by lower metal prices. Cash provided from operating activities in 2013 of \$99.5 million was \$21.2 million higher than the corresponding period in 2012 due primarily to a decrease in working capital requirements in 2013 relative to 2012 and higher volumes of payable metals in concentrate sold, partially offset by lower metal prices.

The decrease in working capital in the fourth quarter of 2013 of \$15.9 million was due primarily to a decrease in accounts receivable as a result of timing of receipts from customers and an increase in accounts payable as a result of timing of payments. The decrease in working capital in 2013 of \$11.3 million was due primarily to a decrease in accounts receivable as a result of timing of receipts and a decrease in concentrate inventories partially offset by an increase in accounts payable. The increase in working capital of \$42.9 million in 2012 was due primarily to an increase in accounts receivable as a result of timing of receipts and an increase in spare parts and concentrate inventories, partially offset by an increase in accounts payable.

Cash provided from operating activities, before changes in non-cash working capital, during the fourth quarter and twelve months of 2013 of \$24.4 million and \$88.2 million, respectively, was \$6.3 million and \$32.9 million lower than the corresponding periods in 2012 due primarily to the same factors affecting adjusted EBITDA.

### ***Investing Activities***

Cash used in investing activities in the fourth quarter of 2013 of \$34.6 million was comparable to the corresponding period in 2012. Cash used in investing activities in 2013 of \$209.4 million was \$82.4 million higher than the corresponding period in 2012 due primarily to higher capital expenditures associated with the Tsumeb acid plant.

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

<i>\$ thousands</i>	<b>Three Months</b>		<b>Twelve Months</b>	
<b>Ended December 31,</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Chelopech	<b>8,807</b>	16,284	<b>42,609</b>	54,523
Kapan	<b>5,639</b>	4,165	<b>17,096</b>	18,541
Tsumeb	<b>26,466</b>	22,538	<b>137,545</b>	63,034
Krumovgrad	<b>6,373</b>	7,899	<b>14,911</b>	11,588
Other	<b>163</b>	115	<b>812</b>	1,318
Total cash capital expenditures	<b>47,448</b>	51,001	<b>212,973</b>	149,004

Cash outlays for capital expenditures at Tsumeb in 2013 were higher than the corresponding period in 2012 due primarily to construction activities related to the construction of a new acid plant.

Proceeds from the sale of short-term investments in the fourth quarter of 2013 totalled \$12.5 million compared to \$0.4 million of purchases in the fourth quarter of 2012. Proceeds from the sale of short-term investments in 2013 totalled \$0.8 million compared to \$2.6 million in 2012. Short-term investments include bankers' acceptances, guaranteed investment certificates and/or other highly rated money market instruments with original maturities between three months and one year at the time the investment is made.

During 2013, restricted cash posted as collateral decreased by \$2.5 million as a result of reduced collateral requirements in connection with outstanding derivative contracts, partially offset by an increase of \$1.8 million for collateral provided in connection with power consumption at Tsumeb. During 2012, restricted cash decreased by \$19.3 million primarily due to replacing cash collateral with a bank letter of guarantee in respect of Chelopech's mine closure and rehabilitation plan.

### ***Financing Activities***

Net cash provided from financing activities in the fourth quarter of 2013 was \$10.0 million compared to net cash used in financing activities of \$1.8 million in the corresponding period in 2012 due primarily to a drawdown of the Company's RCF, partially offset by scheduled principal repayments related to the Term Loans and Tsumeb loan. Cash provided from financing activities in 2013 was \$37.2 million compared to cash used in financing activities of \$2.5 million in the corresponding period in 2012 due primarily to the exercise of a portion of the Company's warrants, the financing activities of Avala and Dunav in 2013 and a drawdown of the Company's RCF, partially offset by scheduled principal repayments related to the Term Loans and Tsumeb loan.

In December 2013, \$20.0 million was drawn under the RCF to fund anticipated capital expenditures at Tsumeb.

On May 9, 2013, DPM shareholders and warrant holders approved a warrant incentive program to encourage early exercise. Under this incentive program, each whole warrant entitled the holder to purchase one common share at a reduced price of Cdn\$2.85 during a period of 30 days commencing on May 10, 2013. In 2013, 12.7 million of DPM's warrants were exercised during the early exercise period resulting in gross proceeds of \$35.3 million.

Proceeds from shares issued by Avala and Dunav totalled \$24.8 million in 2013, of which \$11.2 million was issued to non-controlling interests. In 2012, Dunav issued 11,027,693 common shares to its non-controlling shareholders in connection with the exercise of their warrants for cash proceeds of \$4.7 million.

Financing fees on debt of \$3.8 million paid in 2013 consisted of financial advisory, structuring and legal costs directly associated with the refinancing of the Chelopech Loans and the establishment of the Company's corporate RCF.

Interest paid of \$1.4 million and \$5.7 million during the fourth quarter and twelve months of 2013, respectively, compared to \$1.2 million and \$4.5 million in the corresponding periods in 2012.

Repayments of finance lease obligations totalled \$0.6 million and \$2.6 million during the fourth quarter and twelve months of 2013, respectively, and were comparable to the repayments made in 2012.

Repayments of debt totalled \$8.5 million and \$17.8 million during the fourth quarter and twelve months of 2013, respectively, compared to \$0.4 million and \$1.6 million in the corresponding periods in 2012. The year over year increase was related to the scheduled semi-annual principal repayments under the Company's Term Loans (as defined below).

**Financial Position**

<i>\$ thousands</i> <b>As at,</b>	<b>December 31, 2013</b>	December 31, 2012	<b>Increase/ (Decrease)</b>
Cash and cash equivalents	<b>48,867</b>	121,531	<b>(72,664)</b>
Short-term investments	<b>940</b>	1,826	<b>(886)</b>
Inventories, accounts receivable and other current assets	<b>112,976</b>	130,068	<b>(17,092)</b>
Investments at fair value	<b>17,779</b>	75,611	<b>(57,832)</b>
Non-current assets, excluding investments at fair value	<b>807,221</b>	643,149	<b>164,072</b>
Total assets	<b>987,783</b>	972,185	<b>15,598</b>
Current liabilities	<b>85,170</b>	81,710	<b>3,460</b>
Non-current liabilities	<b>151,135</b>	136,134	<b>15,001</b>
Equity attributable to common shareholders	<b>745,172</b>	747,333	<b>(2,161)</b>
Non-controlling interests	<b>6,306</b>	7,008	<b>(702)</b>

Cash and cash equivalents decreased by \$72.7 million to \$48.9 million in 2013 due primarily to elevated growth capital expenditures at Tsumeb and lower metal prices, partially offset by higher volumes of payable metals sold and reduced exploration and administrative expenses. Inventories, accounts receivable and other current assets decreased by \$17.1 million to \$113.0 million due primarily to decreases in concentrate inventories and accounts receivable resulting from timing of receipts. Investments at fair value decreased by \$57.8 million to \$17.8 million due to the decrease in the fair value of the Company's Sabina holdings. Non-current assets, excluding investments at fair value, increased by \$164.1 million to \$807.2 million due primarily to the capital investments made at Tsumeb, Chelopech, Kapan and Krumovgrad.

Current liabilities increased by \$3.5 million to \$85.2 million in 2013 due primarily to the accounting driven reclassification and fair value adjustments related to DPM's equity settled warrants, partially offset by a decrease in income tax liabilities. Non-current liabilities increased by \$15.0 million to \$151.1 million due primarily to an increase in the estimated future rehabilitation obligation at Tsumeb and the drawdown of \$20.0 million under the RCF, partially offset by scheduled principal repayments related to the Company's Term Loans.

**Contractual Obligations**

The Company has the following minimum contractual obligations as at December 31, 2013:

<i>\$ thousands</i>	<b>up to 1 year</b>	<b>1 – 5 years</b>	<b>over 5 years</b>	<b>Total</b>
Debt	16,643	68,750	-	<b>85,393</b>
Finance lease obligations	4,146	10,494	16,492	<b>31,132</b>
Capital commitments <sup>(1)</sup>	147,635	-	-	<b>147,635</b>
Purchase obligations	8,187	-	-	<b>8,187</b>
Operating lease obligations	1,581	2,811	1,990	<b>6,382</b>
Other obligations	408	26	19	<b>453</b>
Total contractual obligations	<b>178,600</b>	<b>82,081</b>	<b>18,501</b>	<b>279,182</b>

1) Includes capital commitments of \$125.7 million related to the construction of a new acid plant at Tsumeb.

**Debt**

As at December 31, 2013, the Company's total debt was \$85.4 million, of which \$65.0 million related to the Company's Term Loans, \$20.0 million to the Company's RCF and \$0.4 million related to a term loan to Tsumeb. As at December 31, 2013, the Company's total debt, as a percentage of total capital, was 10% (December 31, 2012 – 10%). The Company's total debt, net of cash, cash equivalents and short-term investments, as a percentage of total capital, was 4% (December 31, 2012 – negative 6%). As at December 31, 2013, the Company was in compliance with all of its debt covenants.

**Term Loans**

On February 14, 2013, DPM repaid its \$81.25 million of Chelopech term loans utilizing proceeds of equal value from its new secured term loans ("Term Loans") with the existing lenders of the Chelopech loans.

The Term Loans are repayable in 10 equal semi-annual installments commencing June 2013 and bear interest at a rate equal to the three month U.S. Dollar LIBOR plus 3.25% until June 2013, when the

completion of the Chelopech mine and mill expansion was certified, and at a rate equal to the three month U.S. Dollar LIBOR plus 2.80% thereafter. The Term Loans are supported by pledges of the Company's investments in Krumovgrad, Chelopech, Kapan and Tsumeb and by guarantees from each of these subsidiaries. As at December 31, 2013, this loan had an outstanding balance of \$65.0 million.

In February, 2014, the Term Loans were amended to modify certain terms in anticipation of moving forward with the Krumovgrad Gold Project. The Term Loans contain financial covenants (the "Financial Covenants") that require the Company to maintain: (i) a debt leverage ratio (funded net debt to adjusted EBITDA, as defined in the Term Loans agreement) below 3.5:1 (below 4.0:1 during any period in which Krumovgrad construction is in progress), (ii) a current ratio of greater than 1.5:1, and (iii) a minimum net worth of \$500 million plus 50% of ongoing annual net earnings.

#### *Tsumeb Loan*

Tsumeb has an unsecured loan from Louis Dreyfus Commodities Metals Suisse SA ("LDC") which bears interest at a rate equal to the three month U.S. Dollar LIBOR plus 4%. Based on a modified term loan agreement between Tsumeb and LDC signed on May 17, 2010, this loan is repayable in 12 equal quarterly installments commencing June 1, 2011. As at December 31, 2013, this loan had an outstanding balance of \$0.4 million.

### **Credit Agreements and Guarantees**

#### *Chelopech*

On November 12, 2012, Chelopech concluded a \$16.0 million multi-purpose credit facility that matures on November 30, 2014. This credit facility is guaranteed by DPM. Advances under the multi-purpose revolving credit facility bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 3.25%. As at December 31, 2013, \$5.0 million (December 31, 2012 - \$4.5 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee and \$nil (December 31, 2012 - \$10.7 million) was utilized against the credit limit for hedging.

On November 12, 2012, Chelopech also concluded a Euro 21.0 million (\$28.9 million as at December 31, 2013) (December 31, 2012 - \$27.8 million) bank issued letter of guarantee to support Chelopech's mine closure and rehabilitation plan, which was posted with the Bulgarian Ministry of Economy, Energy and Tourism. This letter of guarantee, which is guaranteed by DPM, was extended in 2013 and now matures on November 15, 2014.

#### *DPM*

On February 15, 2013, DPM established a \$150.0 million committed RCF with a consortium of six banks. The RCF contains the same Financial Covenants and shares in the same security package as the Term Loans. As at December 31, 2013, DPM was in compliance with all Financial Covenants and \$20 million was drawn under the RCF.

In February 2014, the RCF was amended to extend its term by one year and to modify certain terms to align with amendments made to the Term Loans. As a result, the RCF's two tranches of \$125.0 million and \$25.0 million were extended to February 2017 and 2019, respectively. The RCF bears interest at a spread above LIBOR, which varies between 2.75% and 4.75% depending upon the Company's debt leverage ratio (funded net debt to adjusted EBITDA), as defined in the RCF agreement.

### **Outstanding Share Data**

DPM's common shares and share purchase warrants are traded on the TSX under the symbols DPM and DPM.WT.A, respectively. As at February 13, 2014, 139,199,180 common shares were issued and outstanding.

As at February 13, 2014, 7,733,664 warrants with an expiry date of November 20, 2015 were outstanding. Each whole warrant entitles the holder to purchase one common share at a price of Cdn\$3.25.

On May 9, 2013, DPM shareholders and warrant holders approved a warrant incentive program to encourage early exercise. Under this incentive program, each whole warrant entitled the holder to purchase one common share at a reduced price of Cdn\$2.85 during a period of 30 days commencing on

May 10, 2013 ("Early Exercise Period"). Each warrant not exercised during the Early Exercise Period continues to entitle the holder to purchase one common share at the original exercise price. During the Early Exercise Period, 12.7 million warrants were exercised for gross proceeds of \$35.3 million.

DPM also has 6,207,115 stock options outstanding as of the date of this MD&A with exercise prices ranging from Cdn1.37 to Cdn\$10.33 per share (weighted average exercise price – Cdn\$6.17 per share).

### **Other**

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

## **FINANCIAL INSTRUMENTS**

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### *Investments at fair value*

As at December 31, 2013, the Company's investments at fair value were \$17.8 million, the vast majority of which related to the value of its investment in Sabina common shares and special warrants.

The fair values of the Sabina Series A and B special warrants, including significant assumptions, are detailed in note 6(a) to DPM's audited consolidated financial statements for the year ended December 31, 2013.

As at December 31, 2013, DPM held: (i) 23,539,713 common shares of Sabina or 12.1% of the outstanding common shares (fair value of Cdn\$16.0 million), of which 5,000,000 common shares were issued to DPM upon the automatic exercise of its 5,000,000 Series A special warrants on October 7, 2013, when Sabina made the decision to proceed with a feasibility study on all or part of the Back River project; (ii) 2,500,000 common share purchase warrants, which were also issued to DPM upon the automatic exercise of its Series A special warrants on October 7, 2013; and (iii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the project or upon the occurrence of certain other events. Each of the special warrants is exercisable for a period of 35 years into one common share and one-half of a common share purchase warrant of Sabina. Each whole warrant, if issued, will be exercisable until June 9, 2014, being five years from the date of closing of the sale of the Back River project to Sabina, at the discretion of DPM, into one Sabina common share at a price of Cdn\$1.07 (\$1.01) per Sabina common share.

As at December 31, 2013, the estimated fair value of the warrants and special warrants was \$2.6 million. Refer to the "Risks and Uncertainties" section of this MD&A for a discussion on the risks related to the Company's investment portfolio.

For the three and twelve months ended December 31, 2013, the Company recorded unrealized losses on the Sabina special warrants of \$0.7 million (2012 – \$6.5 million) and \$19.2 million (2012 – \$9.8 million), respectively, in other (income) expense in the consolidated statements of earnings.

### **Derivative commodity contracts**

The Company enters into cash settled derivative contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices in order to mitigate all or substantially all the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales. As at December 31, 2013, the Company had outstanding derivative contracts in respect of this exposure as summarized in the table below:

<b>Commodity hedged</b>	<b>Volume hedged</b>	<b>Average fixed price</b>
Payable gold	22,180 ounces	\$1,284.48/ounce
Payable copper	7,065,807 pounds	\$3.28/pound
Payable silver	80,500 ounces	\$19.81/ounce
Payable zinc	991,172 pounds	\$0.94/pound

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company also enters into cash settled derivative contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices in order to mitigate a portion of its by-product metals price exposure. As at December 31, 2013, the Company had outstanding derivative contracts in place to provide price protection on a portion of its 2014 and 2015 projected payable copper production as summarized in the table below:

Year of projected payable copper production	Volume hedged (pounds)	Average fixed price (\$/pound)
2014	41,080,889	3.31
2015	37,699,002	3.20
	78,779,891	3.26

The Company also entered into cash settled derivative contracts to swap future contracted monthly average gold prices for fixed prices to hedge the payable gold in its pyrite concentrate production contracted to be sold in 2014 and 2015. As at December 31, 2013, the Company had outstanding derivative contracts in respect of this exposure as summarized in the table below:

Year of projected payable gold production	Volume hedged (ounces)	Average fixed price (\$/ounce)
2014	30,000	1,230.90
2015	30,000	1,233.70
	60,000	1,232.30

As at December 31, 2013, the fair value loss on all outstanding derivative commodity contracts was \$1.2 million, of which \$3.8 million was included in other current assets, \$2.3 million in accounts payable and accrued liabilities, \$0.7 million in other long-term assets and \$3.4 million in other long-term liabilities. As at December 31, 2012, the fair value gain on all outstanding derivative commodity contracts was \$1.7 million, of which \$0.9 million was included in other current assets and \$0.8 million in other long-term assets in the consolidated statements of financial position.

Unrealized gains and losses on these contracts were calculated based on the corresponding LME forward copper and zinc prices and New York Commodity Exchange forward gold and silver prices. For the three and twelve months ended December 31, 2013, the Company reported unrealized gains on these contracts of \$2.6 million (2012 – \$0.5 million) and unrealized losses of \$2.9 million (2012 – \$21.5 million), respectively, in other expense (income). The Company also reported realized gains on the settlement of certain of these derivative contracts of \$1.8 million (2012 - \$3.8 million) and \$5.9 million (2012 - \$13.5 million) in other expense (income) for the three and twelve months ended December 31, 2013, respectively.

As at December 31, 2013, approximately 85% and 80% of the Company's expected copper production for 2014 and 2015 has been hedged, respectively. In January, 2014, the Company entered into additional hedges, such that approximately 90% and 85% of the Company's expected copper production for 2014 and 2015 has been hedged at \$3.31 and \$3.21 per pound, respectively. The Company's reported earnings are exposed to unrealized mark-to-market gains and losses from future price movements during the term of the forward sales contracts.

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

## EXPLORATION

### Chelopech

In 2013, a total of 30,512 metres of underground infill, definition and exploration diamond drilling was completed. The focus of this work was on replacing depleted Mineral Resources and Reserves, with drilling targeted within the northeast and southwest mineralized corridors, down plunge of Blocks 103 and

151, and along strike of Block 19. Blocks 19 and 144 were then further defined with grade control drilling in order to convert the discoveries to Mineral Resources and Reserves.

Chelopech North mineral resource development continued focusing on the Block 19E area where drilling to date indicates potential to extend existing economic mineralization to the northeast. Two drill holes were completed as dictated by additional resource definition requirements and significant results were recorded from 124.5 metres in drill holes EXT19E\_290\_04 and from 76.5 metres in drill holes EXT19E\_290\_08, as summarized in the table below. As part of standard mineral resource development procedures at Chelopech, modeling of the mineralized zone is updated as assay results are received and, as result of this drilling, the ore body was extended approximately 30 metres in depth. Mineralization in Block 19E is characterized by a normal stockwork system of pyrite, tennantite and luzonite, resulting in both high copper and gold tenor. The new mineralized zone is open to the east and west and will be followed up with additional drilling.

Block 151 drilling continued to define the extents of mineralization to the immediate west, south, southeast and southwest of this block. The current extension drilling program at Block 151 suggests further potential for economic mineralization to the south and southwest. As a result of this drilling, the ore body was extended approximately 60 metres to the west. Mineralization in Block 151 is characterized by a stockwork system of pyrite, tennantite and enargite, resulting in both high copper and gold tenor. The mineralized zone is open to the west and drilling will continue in the first quarter of 2014.

Block 103 drilling was completed on targets to extend existing mineralization in the western part of this block. The drilling will focus on the southwest-trending zone of silica alteration from Block 103 towards Block 151. As a result of this drilling, the ore body was extended approximately 15 metres in depth. Mineralization in Block 103 is characterized by a normal stockwork system of pyrite, tennantite and luzonite, resulting in both high copper and gold tenor.

The medium term exploration strategy for Chelopech has been realigned with the focus on drilling Blocks 19, 151, and 103 to add additional mineral resources. In the first quarter of 2014, mineral resource development drilling will continue to focus on the same mineralized zone as those in the fourth quarter of 2013, in accordance with the overall Chelopech underground mineral resource development program:

- The N-NW zone of Block 19, which is considered to have high potential and follows the NW trending structures; and
- The Central-West ("CW") Link towards Block 144 requires further drilling based on encouraging results from the initial drilling.

**Significant intercepts (gold equivalent ("AuEq") cut-off grade of 3g/t) received during 2013:**

Hole ID	Northing (mRL)	Easting (mRL)	Dip	Az	From (m)	To (m)	Interval (m)	Grades	
								Cu (%)	Au (g/t)
EXT19_260_13	29786	6042	-28.1	018.7	121.5	148.5	27.0	0.68	3.60
EXT19_260_14	29785	6042	-42.1	019.1	145.5	162.0	16.5	1.42	3.47
EXT19_260_18	29785	6042	-35.8	030.9	163.5	186.0	22.5	0.65	8.03
EXT19_260_17	29786	6043	-10.0	031.7	109.5	148.5	39.0	0.69	3.19
EXT19E_290_04	29779	6043	-6.9	030.3	124.5	163.5	39.0	0.65	2.40
EXT19E_290_07	29778	6043	-11.4	033.2	67.5	94.5	27.0	1.16	3.39
EXT19E_290_08	29778	6043	-4.3	037.0	76.5	96.0	19.5	1.30	3.70
EXT19E_290_09	29777	6044	-4.5	049.1	0.0	13.5	13.5	0.97	3.34
EXT19E_290_10	29777	6043	-12.0	049.2	1.5	9.0	7.5	0.48	2.76
EXT19E_290_11	29777	6044	-10.4	060.7	1.5	21.0	19.5	0.74	4.47
EXT151_165_04	29305	5463	-60.6	134.2	40.5	54.0	13.5	0.71	2.67
EXT151_225_05	29777	6043	-25.2	175.8	4.5	28.5	24.0	0.82	2.83
EXT151_225_06	29184	5609	-43.2	175.2	7.5	15.0	7.5	1.10	3.46
EXT151_225_07	29184	5608	-24.4	200.3	12	22.5	10.5	1.38	2.20
EXT151_400_01	29330	5285	-18.7	301.7	10.5	66.0	55.5	1.01	3.30
EXT151_400_02	29331	5285	-37.1	301.1	51.0	61.5	10.5	2.90	4.87
EXT151_400_03	29330	5284	-14.1	276.7	46.5	66	19.5	0.96	2.40
G103_225_03	29178	5706	-58.4	346.4	85.5	126.0	40.5	0.79	2.07
G103_225_16	29175	5710	-26.9	087.8	16.5	64.7	48.2	0.98	2.24
G103_225_19	29175	5710	-16.5	091.6	108.0	123.0	15.0	0.40	2.44

- 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) True widths are approximately 90% of the intersection width.
- 5) 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.
- 6) Coordinates are in mine-grid.
- 7) No factors of material effect have hindered the accuracy and reliability of the data presented above.
- 8) No upper cuts applied.
- 9) For detailed information on drilling, sampling and analytical methodologies refer to the NI 43-101 Technical Report entitled "Preliminary Economic Assessment Report for the Chelopech Pyrite Recovery Project" (the "Chelopech Technical Report") filed on SEDAR at [www.sedar.com](http://www.sedar.com) on September 10, 2012.

**Brownfields Exploration - Chelopech Concession and Sveta Petka Exploration Licence**

Exploration programs continued during the fourth quarter of 2013 over both the Chelopech Concession and the Sveta Petka Exploration Licence. Detailed geological and alteration mapping were completed and, in addition, an infill gravity survey was conducted. Ground magnetics and gravity data was processed and a series of 2D images and 3D models were produced for use in interpretation. Additional detailed gravity modelling is still in progress.

Results from the expanded exploration strategy at Chelopech initiated during the first quarter of 2013, including mapping, surface sampling, geophysical surveys and geological interpretation, have been used to build a preliminary 3D geological model. This work will be used to target diamond drilling programs proposed for late in 2014.

## Sampling and Analysis

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

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

## Kapan

In the fourth quarter of 2013, the underground diamond drilling program at Shahumyan mine was focused on mineral resource development in the southern and northern sections. A total of 34,148 metres of underground diamond drilling was completed in 2013, 70% in the south and 30% in the north section. In the Southern Shahumyan area, 49 holes were drilled to test veins below level 712 and 19 holes were drilled to test the mineralization between levels 770 and 712 (Veins 1 and 2). Veins 1 and 2 were the second target zones in the South Shahumyan section. A total of 19 holes were drilled from the drill site at level 770 (decline 9). These veins were tested between levels 770 and 712. Some of these holes were extended to test mineralized zones south of Vein 1. In the northern section, formerly known as Tejadeen, a total of 18 holes were drilled from level 720 (decline 4). Vein 3 North was tested to level 600 and Vein 4 to level 650. Significant intercepts for the fourth quarter of 2013 drilling programs are shown in the table below.

### Significant intercepts (AuEq cut-off grade of 3.5 g/t) received during the fourth quarter of 2013:

HOLE ID	EAST	NORTH	RL	AZ.	DIP	FROM	TO	True Width m	AuEq g/t	Au g/t Best Value	Ag g/t Best Value	Cu % Best Value	Zn % Best Value
EIN9S010	8623821.98	4342878.88	771.50	200.5	-18.8	97.90	101.00	1.76	15.82	8.85	129.2	0.43	6.72
EIN9S011	8623821.98	4342878.88	771.50	201.2	-28.2	85.00	88.00	0.17	25.78	20.38	140.0	0.21	4.11
EIN9S014	8623821.98	4342878.88	771.50	211.4	-16.2	83.00	87.00	0.24	4.59	1.58	24.5	0.88	1.97
EIN9S018	8623821.98	4342878.88	771.50	224.1	-16.2	110.00	112.50	1.45	19.26	3.73	79.2	3.13	16.08
E712DW026	8623801.00	4343183.00	713.50	340.7	-38.7	193.70	198.00	4.15	3.75	0.56	29.7	1.53	0.15
EIN9S017	8623818.77	4342875.94	770.84	224.4	-8.2	108.00	111.20	3	27.20	13.72	180.9	1.84	12.48

- 1) Significant intercepts are located within the Shahumyan Mine Concession and proximal to the mine workings.
- 2) AuEq calculation is based on the formula:  $Au\ g/t + 0.02 \times Ag\ g/t + 1.645 \times Cu\ \% + 0.548 \times Zn\ \%$ .
- 3) Minimum downhole width reported is two metres with a maximum internal dilution of two metres.
- 4) All holes reported are NQ diamond core.
- 5) Co-ordinates are in Kapan exploration-grid.
- 6) No factor of material effect has 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 "NI 43-101 Technical Report – Shahumyan Project Kapan, Republic of Armenia" (the "Kapan 2013 Report") filed on SEDAR at [www.sedar.com](http://www.sedar.com) on August 29, 2013.

A program of re-logging historical Shahumyan drill core, which commenced in the second quarter of 2013, was completed in the fourth quarter of 2013. A total of 49,914 metres were re-logged (128 drill holes) and interpretation of the results is still in progress. The objectives of this technical study are two-fold. Firstly, to gain a better understanding of the geological controls on mineralization at Shahumyan, for use in future Mineral Resources and Reserves estimation and targeting work and, secondly, to provide an updated and standardized logging process for use at the core logging facility.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

In August 2013, Kapan released its first NI 43-101 compliant underground Mineral Resource estimate as set out in the table below:

### Mineral Resource Estimate as at January 31, 2013 reported at a AuEq cut-off grade of 2.24 Au g/t:

Classification	Tonnes Mt	Au g/t	Contained Koz	AuEq g/t	Ag g/t	Cu %	Zn %	Pb %	S %	Density t/bcm
Indicated	2.8	2.6	237	5.2	50	0.4	2.1	0.2	2.4	2.73
Inferred	10.6	2.3	790	4.5	41	0.4	1.7	0.1	3.2	2.73

#### Highlights:

- Indicated Mineral Resource of 2.8 million tonnes at an average gold grade of 5.2 grams per tonne AuEq, containing approximately 237,000 ounces of gold and 467,000 ounces of AuEq.
- Inferred Mineral Resource of 10.6 million tonnes at an average gold grade of 4.5 grams per tonnes AuEq, containing approximately 790,000 ounces of gold and 1,543,000 ounces of AuEq.
- Internal conceptual study on underground expansion is expected to be completed in the first quarter of 2014.

AuEq was calculated using the formula  $Au + Cu \times 1.34 + Ag \times 0.023 + Zn \times 0.42$ , and assumes metal prices of \$1,250/oz Au, \$25/oz Ag, \$2.75/lb Cu and \$0.85/lb Zn. The Mineral Resource estimate consists of DPM and historical drilling data, totalling 8,485 holes for 512,343 metres. DPM has carried out significant additional surface diamond drilling and reverse circulation drilling since July 2007, contributing 41% of the data used for the Mineral Resource estimate. Additional information with respect to the key assumptions, parameters and risks associated to the foregoing mineral resources estimates can be found in the Kapan 2013 Report, filed on SEDAR on August 29, 2013, prepared by Galen White, BSc (Hons) FAuIMM FGS, Malcolm Titley, BSc MAIG and Julian Bennett, BSc ARSM FIMMM CEng of CSA Global (UK) Ltd., each of whom is a QP for the purposes of NI 43-101 and independent of DPM.

#### Near Mine and Regional Exploration

Throughout the fourth quarter of 2013, near mine diamond drilling programs testing high grade gold trends and extensions to the vein systems continued, with drilling conducted on the Veins 50, 11/13, 17/20 and 33/34 systems. A total of six holes for 2,494 metres were completed during the fourth quarter of 2013, totalling eight holes for 4,385 metres of near mine drilling in 2013. At the end of the year, three holes remained to be drilled in the near mine program. Results to date are encouraging and will be reported once the drilling program and preliminary interpretations have been completed.

Regional diamond drilling programs were conducted at two prospects in 2013, Arajadzor and Norashenik, targeting potential gold anomalism in poly-metallic vein systems, identified from historical drilling and adits. Five diamond drill holes were completed for a total of 2,159 metres. The drilling confirmed sporadic vein systems within the mid-Jurassic sequence, but only returned minor gold anomalism with no results of significant economic width or grade. Soil sampling was also completed during the fourth quarter of 2013, with a program of infill soil sampling over anomalous zones commenced, as weather permitted. This program will continue in early 2014. A total of 693 soil samples were collected during the fourth quarter of 2013, with a combined total of 3,932 samples during 2013.

At December 31, 2013, all updated geological interpretations, from both the re-logging program finalized during the fourth quarter of 2013 and the near mine drilling conducted during 2013, have been utilized to develop a 3D geological model for the Shahumyan deposit. This model will be utilized in Mineral Reserve and Resource estimation work and targeting for near mine drill programs in 2014. In the regional programs conducted in 2013, the targets developed during field work will be investigated using surface sampling and mapping techniques, prior to drill target planning.

#### Sampling and Analysis

Drill cores are sampled with 1.0 metre sample intervals. After transport to a secure core facility, all cores are marked up systematically for cutting by a diamond saw. HQ and NQ core are cut with care to retain the orientation line. BQ core is sampled whole, while HQ and NQ is routinely sampled on the right hand side with core samples submitted to the SGS managed laboratory facility at Kapan for assaying and the residual half core retained in plastic core trays. Samples are routinely assayed for copper, gold, silver,

zinc, lead, sulphur, bismuth, molybdenum, cadmium, antimony and arsenic. All drill cores are photographed wet and dry. Blanks, field and laboratory duplicates and replicates along with internationally certified standards representing 5% for each sample type, are submitted with each batch of samples. In addition, SGS submits and reports its own standards, blanks and control samples under the C-Class system. Bulk density samples are taken every three metres. Point load test is done every five metres.

### ***Avala***

During the fourth quarter and twelve months of 2013, Avala completed 1,391 metres of core drilling compared to 23,824 metres of drilling in the fourth quarter of 2012 (6,971 metres of core drilling and 16,853 metres of diamond drilling) and 3,151 metres of drilling in 2013 compared to 172,528 metres of drilling in 2012 (63,133 metres of core drilling and 109,395 metres of diamond drilling).

### ***Timok Gold Project***

The Timok Gold Project, a north-trending sediment-hosted gold mineralized belt is located along the western margin of the Timok Magmatic Complex in eastern Serbia. Avala holds a dominant land position in this newly emerging sediment-hosted gold region. The Timok Gold Project comprises several deposits, including Bigar Hill, Korkan and Kraku Pester. To date, Avala has defined gold over a strike length in excess of 50 kilometres.

Following the completion of infill drilling in the fourth quarter of 2012, Avala reported in October 2013 upgraded resource estimates for the Bigar Hill and Korkan deposits using a 0.6 g/t gold cut-off grade. The upgraded resource estimates were prepared by Chris Arnold, MAusIMM (CP), of AMC Consultants (UK) Limited ("AMC"), an independent mining consulting firm. An updated technical report was filed on SEDAR on December 2, 2013 in support of the resource estimate. The Timok Gold Project, incorporating the Bigar Hill, Korkan and Kraku Pester deposits, now has a combined in-situ indicated resource estimated at 46.3 million tonnes at an average grade of 1.56 g/t gold for a total of 2.32 million ounces of gold. Additionally, a combined inferred resource of 8.7 million tonnes at an average grade of 1.3 g/t gold for a total of 0.36 million ounces of gold has been defined within the Timok Gold Project.

During the fourth quarter of 2013, Avala continued to refine the potential process flow sheet for the Timok Gold Project based on the metallurgical testwork results which were received in 2012 and 2013. The principal objective of this phase of metallurgical testwork has been to establish proof of concept that Avala may, when employing much finer grinding techniques in conjunction with advanced flotation techniques, be able to potentially produce a saleable gold concentrate product.

During the fourth quarter of 2013, Avala initiated a preliminary economic assessment ("PEA") of its Timok Gold Project which includes the Bigar Hill, Korkan and Kraku Pester deposits. To assist with this work, Avala has retained the services of AMC Consultants, UK (resources) and Dumpsolver Pty. Ltd. (open pit and waste dump optimization, mine design and scheduling), SGS Minerals Services, UK and Lakefield (metallurgy, flowsheet development), AMEC UK (infrastructure and environmental), and AMEC Australia (facilities engineering, flowsheet development, document compilation). The PEA is scheduled to be completed in the first quarter of 2014.

The database for the additional drilling and analyses on the Korkan East prospect was delivered to AMC for completion of an initial resource estimate during the third quarter of 2013. Results are expected during the first quarter of 2014. The Korkan East prospect is located proximal and below the northeastern portion of the Korkan deposit. It is characterized by its polymetallic nature (gold, silver, lead, zinc and arsenic) with elevated gold and silver grades. The volume of gold mineralization defined at Korkan East was excluded from the resources reported in October 2013.

In 2013, exploration efforts were focused on generating additional gold resources within and proximal to the current seven kilometre 'development corridor' which contains the Bigar Hill, Korkan and Kraku Pester deposits and within the greater area of the Timok Gold Project, which extends for approximately 50 kilometres (as currently defined by soil sampling) and has the potential to be up to 70 kilometres in length based on geological mapping. Exploration activity during the fourth quarter of 2013 was focused on the Zumeri prospect, located due east from the Korkan deposit together with the Bigar prospect which is located immediately south and east from the Bigar Hill deposit.

### *Dunav*

During the fourth quarter and twelve months of 2013, Dunav completed a total of 2,697 metres of core drilling and 18,901 metres (14,517 metres of diamond drilling and 4,384 metres of RC drilling), respectively, compared to 4,055 metres and 43,809 metres of core drilling for the corresponding periods in 2012.

During 2012, exploration activities were mainly focused on the Tulare Project, which comprises several porphyry copper-gold targets including Kiseljak, Yellow Creek and Calovica vis South, as well as the Bakrenjaca carbonate-base metal gold epithermal vein system. All targets are located within three kilometres of the Kiseljak deposit. On November 26, 2012, Dunav reported an initial resource estimate for Kiseljak of 300.5 million tonnes grading an average of 0.27% copper and 0.26 g/t gold for an Inferred Resource of 1.8 billion pounds of copper and 2.5 million ounces of gold, using a 0.25% copper equivalent cut-off. The resource estimate was prepared by Chris Arnold, MAusIMM (CP) of AMC. A technical report was filed on SEDAR on January 11, 2013 in support of the resource estimate.

In the third quarter of 2013, wide-spaced, scout diamond drilling, with one diamond drill rig, continued on the Bakrenjaca carbonate-base metal gold epithermal system as defined by highly anomalous Au, Ag, Pb and Zn soil geochemistry, together with geological mapping outside of the currently defined target areas. Wide-spaced reverse circulation drilling on a nominal 200 metre by 100 metre spacing also continued on the high priority target areas of 'Bakrenjaca Hill' and 'Gubavce Ridge'. Results from this initial drilling program became available during the fourth quarter of 2013 (see Dunav Resources Press Release dated November 25, 2013).

In April 2012, Dunav acquired the Degrmen exploration licence, which is located approximately 20 kilometres northwest of the Tulare Project within the Lece Volcanic Complex, the second largest volcanic complex within Serbia after the Timok Magmatic Complex. Exploration during 2012 included geological mapping and prospecting, detailed soil sampling, trenching and a ground magnetic geophysical survey. Based on the results from the initial channel sampling, Dunav planned an initial, wide-spaced drilling program on the Degrmen licence to establish the potential of the licence area to host gold-copper porphyry-style mineralization. This program was completed during the third quarter of 2013 and outlined a large, gold-copper porphyry-style system (see Dunav press release dated August 26, 2013).

Based on the increase in the understanding of the geology and controls of mineralization gained during the initial wide-spaced diamond drilling program at Degrmen, a short, follow up diamond drilling program was completed during the fourth quarter of 2013. Eight drill holes were completed for 2,293 metres, focusing on defining more clearly stronger gold-copper mineralization in the Northern portion of the system, together with further defining the boundaries of the mineralized porphyry system. Results are expected to become available during the second quarter of 2014.

Initial metallurgical test work on composite drill core material from the initial Degrmen drilling program are currently being evaluated by SGS Minerals Services, Cornwall (UK), focusing on the response of mineralized drill core to conventional flotation techniques. Results from this program are expected during the second half of 2014.

During the fourth quarter of 2013, exploration diamond drilling was completed on the Yellow Creek and Kiseljak Extension copper-gold target areas with the aim of establishing the potential for additional copper-gold mineralization located outside and proximal to the area of the currently defined Kiseljak resource. Dunav has now received all outstanding assays and has delivered the database to AMC, an independent consultant, for the purpose of generating a resource estimate for the Yellow Creek and Kiseljak Extension target areas. The initial resource estimate for Yellow Creek and the updated Kiseljak resource estimate are expected to be available during the second quarter of 2014.

Upon receipt of the combined Kiseljak and Yellow Creek resource estimates, Dunav will complete an internal review and assessment to determine whether it should proceed with a PEA on the Tulare Project during 2014.

Additionally, Dunav is conducting grassroots exploration in support of developing its project pipeline. Regional exploration has involved field review of other exploration properties owned by Dunav. Dunav is

also assessing other areas within Serbia and may submit additional exploration license applications to the Ministry of Natural Resources, Mining and Spatial Planning in the coming quarters.

### ***Other***

Throughout 2013 DPM initiated a number of early stage exploration programs in Bulgaria and Armenia. These programs continued during the fourth quarter of 2013. They are being principally conducted on 100% owned licences held by DPM subsidiaries and are focused on epithermal gold-silver and porphyry-related copper-gold deposits. These programs involve detailed data reviews, field traverses and systematic rock-chip and channel sampling of all properties, trenching and, in some cases, exploration diamond drilling. Exploration was on-going in these regions at the end of December 2013. In addition, DPM conducted reviews of projects and prospective belts in other parts of the world.

## **DEVELOPMENT AND OTHER MAJOR PROJECTS**

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### ***Chelopech - Pyrite Project***

A PEA for the Pyrite Project, completed in July 2012, initially confirmed the potential of both recovering the pyrite as a secondary concentrate, and the on-site treatment of the pyrite. At the expanded annual mine production rate of two million tonnes throughput, the PEA confirmed the potential to recover approximately 400,000 tonnes of pyrite concentrate from the mill feed as a separate concentrate product in addition to the copper concentrate already produced.

The Pyrite Project is structured to be implemented in two stages. The first stage, Pyrite Recovery project, includes a new flotation, thickening and filtration installation in the existing mill facility. This stage requires minimal capital and, on completion, will generate a pyrite concentrate for sale. Spending on the Pyrite Recovery project totalled \$8.8 million in 2013 and \$10.2 million is expected to be spent in 2014.

The engineering phase for the Pyrite Recovery circuit was completed by AMEC in the third quarter of 2013. Procurement and delivery of all mechanical equipment was completed in the fourth quarter of 2013, on schedule. Civil construction works commenced on October 24, 2013 after the construction permit came into effect. Civil works have now been completed and structural, mechanical, piping and electrical installation is progressing well and commissioning of the circuit commenced in February 2014.

The engineering for the concentrate handling and storage facilities has been completed, permitting packages for the concentrate conveying and train load out facility have been received and civil works commenced. Commissioning of this phase is scheduled to commence late in the first quarter of 2014. The remaining project implementation will be split into two phases: (i) facilities for copper concentrate with expected completion in the fourth quarter of 2014; and (ii) facilities for pyrite concentrate with an expected completion in the first quarter of 2015.

The second stage of the Pyrite Project contemplated in the Chelopech Technical Report is the construction of a pressure oxidation process facility ("Pyrite Treatment"). Based on the results of the work done in 2013 to assess the feasibility of the Pyrite Treatment facility, the Company concluded that the estimated return from the Pyrite Treatment component of the Pyrite project is not sufficiently robust based on estimated capital costs and current market conditions. It is, therefore, the Company's intention to defer moving forward with the Pyrite Treatment project until market conditions improve or a more optimal capital plan can be developed. As a result, the disclosure relating to the Pyrite Treatment component of the Pyrite project contained in previous disclosure and in the Chelopech Technical Report filed on SEDAR on September 10, 2012, in accordance with NI 43-101, is no longer to be relied upon.

### ***Krumovgrad***

The proposed mine site is located at Ada Tepe, approximately three kilometres south of the town of Krumovgrad in southeastern Bulgaria. The project plan contemplates the construction of an open pit mining operation comprised of a process plant, which will employ conventional crushing, grinding and flotation processing for gold extraction, and the disposal of thickened tailings, together with mine rock waste, in an integrated mine waste facility ("IMWF"). A revised feasibility study, completed in November 2011, confirmed the commercial and economic viability of the project, and estimated payback period of approximately 3.3 years. Two ore treatment rates were considered as part of the feasibility study, namely 850,000 tonnes per year ("tpy") and 1,100,000 tpy. The treatment rate of 850,000 tpy is consistent with

existing permitting applications and environmental submissions and is the preferred option. The "Krumovgrad Gold Project Definitive Feasibility Study NI 43-101 Technical Report" was filed on SEDAR at [www.sedar.com](http://www.sedar.com) on January 13, 2012.

On November 24, 2011, the Bulgarian Minister of Environment and Waters signed a resolution approving the environmental impact assessment ("EIA") with a provision for pre-emptive execution. The EIA resolution and the pre-emptive execution were both appealed. These appeals were both ultimately rejected by final rulings issued by the Supreme Administrative Court ("SAC") and are not subject to any further appeals.

The Bulgarian Council of Ministers ("CoM") granted a 30-year concession to Krumovgrad to develop the Khan Krum deposit (the Krumovgrad Gold Project) in February 2011. Based on the terms in the CoM resolution, Krumovgrad entered into a concession contract with the CoM, represented by the Minister of Economy, Energy and Tourism, on April 25, 2012. The concession contract confirms the rights of Krumovgrad to the project over a 30-year period.

Direct capital costs, excluding sunk costs and owner's costs, were estimated in the feasibility study at \$127.4 million and sustaining capital, over the life of the mine, was estimated at \$12.5 million. The average annual concentrate production was estimated at 11,500 tonnes containing, on average, 74,000 ounces of gold and 35,000 ounces of silver. Gold and silver prices of \$1,250 per ounce and \$25.00 per ounce, respectively, were also assumed in the feasibility study producing a cash cost per ounce of gold equivalent estimated at \$404 and an average annual EBITDA estimated at \$53 million.

The contract for the detailed engineering of the process plant was awarded to AMEC of Perth, Australia, and the contract for the IMWF was awarded to Golder, UK in July 2012. The mine plan has been reviewed and optimized following which it was confirmed that a revised production schedule that focuses on bringing ounces forward in the production schedule and modeling the benefits of selective mining in the upper zone to recover ounces at higher grades and reduced tonnages over the life of mine life was possible. A review of the process plant and IMWF design and key equipment was also undertaken and trade-off studies completed to optimize, where possible, the project's capital cost. The results of this work and updated project economics are expected to be released in February 2014.

The Company is currently preparing a detailed development plan ("DDP") for the Krumovgrad Gold Project and site areas, which is a prerequisite for issuance of a construction permit. The project is expected to be fully compliant with all European safety and environmental directives and industry Best Available Techniques requirements.

The elections held in May 2013 and the political climate following the formation of the new government introduced delays in securing the remaining municipal level permits, including the delays associated with the Krumovgrad Municipal Council's ("KMC") approval of the DDP for the project site.

On October 4, 2013, the Administrative Court in Kardzhali issued a ruling, which overturns the refusal of the KMC to issue permission for the DDP preparation and returned the DDP case folder back to the KMC to decide on the Company's request within one month. This ruling was appealed before the three-member panel of the SAC, and on December 17, 2013 the SAC dismissed the appeal of KMC against the ruling of the Administrative Court in Kardzhali as procedurally inadmissible and terminated the proceedings. On January 13, 2014 the KMC appealed the ruling of the three-member panel in front of a five-member panel of the SAC. The ruling of the five-member panel, which cannot be appealed, was issued in favour of the Company on February 10, 2014. The Company expects that the KMC will proceed in accordance with the direction of the SAC.

The Company maintained active dialogue with the government and other stakeholders to build relationships and work towards securing the remaining permits throughout 2013. This resulted in encouraging progress over the second half of 2013. The Company currently expects that once the appeal process is exhausted, the KMC will issue a favourable decision on the DDP terms of reference, which in turn is expected to facilitate securing the remaining local permits and moving forward with the construction of the Krumovgrad project.

If necessary, DPM will defer its scheduled ramp-up and take steps to limit spending to only those activities necessary to secure the remaining local permits. As a result of previous delays, commissioning of the project and the hand-over to operations are currently expected to occur during the fourth quarter of 2016 or early in the first quarter of 2017.

The final design and construction packages are expected to be awarded, subject to receiving KMC approval, in the second quarter of 2014. The project execution plan includes a "gating" process, which requires certain milestones to be achieved before any major financial commitments are made.

### ***Tsumeb - Capital Projects***

#### *Project 2012*

Project 2012 was primarily a fugitive dust management improvement project aimed at improving off-gas capture and workplace conditions to better comply with national standards. Key components included:

- completion of a landfill facility for the safe disposal of baghouse dust and other waste from the smelting process;
- projects to reduce dust emissions from the reverberatory and convertor furnace section, which include increasing baghouse capacity, upgrading the taphole fume extraction systems, and improving ducting and fugitive fume collection;
- projects to reduce emissions from the top submerged lance (Ausmelt) smelting furnace, which include installing new baghouse dust collection equipment including dust-removal, installing new ducting and other gas handling equipment; and
- construction of a new dust transfer system, upgraded roasting and fume management facilities, enclosed storage area, bag-filling station and extraction system at the arsenic plant, all aimed at reducing the dispersal of dust.

The physical construction of the new baghouses was completed in January 2013. The commissioning of the new gas handling systems, which was started in the first quarter of 2013 and encountered various issues that extended the commissioning period, was completed in the second quarter of 2013. Certain non-environmental components of Project 2012 were commissioned during the annual maintenance shutdown which took place in July 2013. Removal of the production curtailment imposed by the Namibian government in April 2012 was contingent on completion and commissioning of this project. The Minister confirmed in December 2013 that the constraint was lifted, subject to meeting regulatory reporting and emission requirements, and a further occupational health survey in April 2014.

The refurbishment of the used oxygen plant, which was purchased in 2011, was completed in January 2013. The erection of this second oxygen plant continued in the fourth quarter of 2013. As a result of construction delays, commissioning commenced in December 2013, eight months later than anticipated, and was substantially completed in January 2014. The second oxygen plant commenced production supply to the Ausmelt at the end of January 2014. With the second oxygen plant now operational, the smelter has commenced ramping up the smelting capacity of the Ausmelt furnace to 240,000 tpy from its current level of 170,000 tpy.

The Company invested \$110.2 million in Project 2012 and the project was substantially completed in December 2013.

#### *Sulphuric Acid Plant*

As part of its long-term strategy to bring the smelter to internationally accepted environmental standards and consistent with the directives issued by the Namibian government in April 2012, DPM entered into a lump sum turnkey ("LSTK") contract with Outotec for the engineering, supply, construction and commissioning of a sulphuric acid plant.

Construction of the principal components of the acid plant, including the Ausmelt off-gas handling system, the waste water effluent treatment system and all associated infrastructure, is targeted to be completed in the fourth quarter of 2014. Based on Outotec's current schedule, commissioning of the acid plant and treatment of Ausmelt furnace off-gas, which accounts for approximately 70% of total sulphur emissions, will also commence in the fourth quarter of 2014. New converters, together with their associated off-gas system and tie-ins to the acid plant, which are being constructed in conjunction with the acid plant and form part of the estimated capital cost for this project, are scheduled to be completed in the first quarter of 2015. Commissioning is also expected to commence in the first quarter of 2015 with all off-gas being fed to the acid plant, shortly thereafter.

As announced in October 2013, the capital cost for this project is currently estimated at \$240 million, up from the initial estimate of \$204 million. This increase is primarily due to higher than expected costs associated with site preparation including demolition, earthworks excavation and foundation preparation, larger construction camp infrastructure and related operating costs, unanticipated expenses relating to the removal of asbestos encountered during demolition, and a stronger Euro.

Based on the current configuration of the smelter and forecasted concentrate supply, the plant will produce between 230,000 and 280,000 tpy of sulphuric acid. In July 2013, Tsumeb entered into a definitive supply agreement with Rössing Uranium Limited ("Rössing") for the annual purchase of 225,000 tonnes of sulphuric acid to be produced by Tsumeb. Rössing currently imports sulphuric acid for processing at its uranium mine in Namibia.

Pricing on the Rössing contract is based on a market-linked pricing formula, which operates within a relatively narrow market range, providing price certainty to both parties. The supply agreement is for a term of five years and provides Rössing with an option to purchase additional tonnes, up to 85% of total production, subject to agreement on commercial terms.

Discussions are continuing with Weatherly International ("WTI") for the supply of acid to WTI's Tschudi copper project and with Protea Chemicals (Pty) Limited, a leading industrial chemicals company with significant presence in Sub-Saharan Africa, to provide acid transport logistics management as well as marketing services for the sale of any remaining acid, where required.

Tsumeb has also entered into a memorandum of understanding with TransNamib, the national operator of the rail system of Namibia, with regards to the shipment of the acid by rail directly to Rössing from Tsumeb. Detailed contract negotiations are proceeding and TransNamib is in the process of developing the required business and financing arrangement to allow for the procurement of the required equipment. It is expected that acid shipments to Rössing will commence during the fourth quarter of 2014.

Outotec continues to advise that the project is on schedule with engineering over 90% complete, all long lead items purchased and the earthworks component of the construction complete. Civil construction commenced towards the end of the fourth quarter of 2013. The independent environmental and social impact assessment ("ESIA") for the acid plant was submitted in August 2013 for regulatory decision and was approved in February 2014. No significant issues have emerged and the public participation process undertaken as part of the ESIA was very positive. It is currently expected that the acid plant will be operational and treating Ausmelt furnace off-gas during the fourth quarter of 2014.

As at December 31, 2013, the Company had invested \$94.5 million in the acid plant project with \$143.3 million and \$2.2 million expected to be spent in 2014 and 2015, respectively.

### *Holding Furnace*

In December 2012, DPM announced it was evaluating the potential installation of an electric holding furnace to temporarily store and reduce contained metal losses in the copper matte until it can be transferred to a converting furnace for final processing and to enable the smelter's capacity of complex concentrate to be increased to 320,000 tpy.

The project was originally expected to reduce operating costs and capital spending, improve gold and copper recoveries by approximately 1% to 2%, produce near-zero emissions, and provide for the eventual decommissioning of the current slag mill and reverberatory furnace. As a result of operating improvements made in 2013, the reverberatory furnace was shutdown in August 2013 and, with the additional oxygen plant capacity, is not expected to impact the operating capacity of the smelter. The shutdown of the reverberatory furnace is expected to generate savings of approximately \$7 million per annum in operating costs, and \$5 million to \$7.5 million in sustaining capital in 2014.

Work continues to be performed to assess the merits of a holding furnace and other opportunities to further optimize the operational performance of the smelter. Results from this work are expected in 2014.

With the recent decline in commodity prices and flexibility around implementation, the Company does not anticipate proceeding with a holding furnace or any other significant capital optimization project before 2015.

## OFF BALANCE SHEET ARRANGEMENTS

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

## MANAGEMENT CHANGES

In January 2013, Richard Gosse joined DPM as Vice President, Exploration and was appointed Senior Vice President, Exploration, on April 1, 2013. Mr. Gosse brings over 28 years of experience in minerals exploration working for such companies as BHP, Anglo American and Rio Tinto in a number of different commodities. He has most recently served as Vice President, Exploration with Turquoise Hill Resources (formerly Ivanhoe Mines) and SouthGobi Resources. He has led exploration work with great success in a variety of countries in Europe and Asia including Bulgaria, Mongolia, India, China and Indonesia. Mr. Gosse holds a B.Sc. Geology from Queen's University and an M.Sc. Mineral Exploration from the Royal School of Mines in London. Mr. Gosse reports directly to Mr. Howes.

Effective April 1, 2013, Jonathan Goodman became the Executive Chair of the Board of Directors. Rick Howes, previously Executive Vice President and Chief Operating Officer, succeeded Mr. Goodman as President and CEO. Peter Gillin was appointed as Lead Director. William Wilson, who has served as a director since the Company's inception in 1983 and as Chairman of the board of directors for over 10 years, continues in his capacity as an independent director of the Company. David Rae, Senior Vice President, Operations, assumed additional senior operational responsibilities and reports to Mr. Howes.

## SELECTED QUARTERLY AND ANNUAL INFORMATION

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

\$ millions except per share amounts	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net revenue	84.4	92.0	80.2	88.0	103.1	99.3	82.3	100.0
Net earnings (loss)	17.1	(15.5)	13.1	(1.5)	9.3	15.1	2.3	3.1
Net earnings (loss) attributable to:								
• Non-controlling interest	(2.1)	(2.2)	(2.8)	(2.2)	(5.4)	(6.8)	(7.3)	(5.1)
• Common shareholders	19.2	(13.3)	15.9	0.7	14.7	21.9	9.6	8.2
Net earnings (loss) per share								
• Basic	0.14	(0.10)	0.12	0.01	0.12	0.18	0.08	0.07
• Diluted	-	(0.10)	(0.01)	0.01	0.10	0.16	0.07	0.06
Adjusted net earnings	10.5	10.1	3.6	6.6	21.5	18.7	9.4	31.3
Adjusted basic earnings per share	0.08	0.07	0.03	0.05	0.17	0.15	0.08	0.25

The variations in the Company's quarterly results were driven largely by fluctuations in gold, copper, silver and zinc prices, the increase in concentrate deliveries as a result of the mine and mill expansion at Chelopech, a production curtailment at Tsumeb in 2013 and 2012, delays in the construction and commissioning of Project 2012 and a second oxygen at Tsumeb in 2013, realized and unrealized gains on the Company's equity settled warrants, unrealized losses related to Sabina special warrants, unrealized and realized gains and losses on derivative commodity contracts related to hedging the Company's metal price exposures, and impairment losses on property, plant and equipment.

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

Average	2013				2012			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
London Bullion gold (\$/oz)	1,262	1,327	1,414	1,631	1,719	1,654	1,610	1,691
LME settlement copper (\$/lb)	3.24	3.21	3.24	3.60	3.59	3.50	3.57	3.77
LME settlement SHG zinc (\$/lb)	0.87	0.84	0.83	0.92	0.88	0.86	0.87	0.92
LBMA spot silver (\$/oz)	20.76	21.37	23.11	30.08	32.64	29.91	29.42	32.62

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

*\$ thousands, except per share amounts*

<b>At December 31,</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Net revenue	<b>344,654</b>	384,685	338,480
Gross profit	<b>89,767</b>	157,044	131,777
Net earnings attributable to common shareholders	<b>22,506</b>	54,376	86,091
Net earnings	<b>13,181</b>	29,831	72,129
Adjusted net earnings	<b>30,839</b>	80,941	80,055
Basic net earnings per share	<b>0.17</b>	0.43	0.69
Diluted net earnings per share	<b>0.00</b>	0.39	0.61
Adjusted net earnings per share	<b>0.23</b>	0.65	0.64
Total assets	<b>987,783</b>	972,185	927,941
Long-term debt, including current portion	<b>83,788</b>	81,767	83,316

Key events impacting the Company's financial results over the period 2011 to 2013 include:

- (i) decline in gold, copper, zinc and silver market prices in 2013 relative to 2012 and 2011;
- (ii) increased production and deliveries of concentrate in 2013 and 2012 resulting from the mine and mill expansion at Chelopech;
- (iii) production curtailment at Tsumeb in 2013 and 2012 and delays in commissioning Project 2012 and a second oxygen plant in 2013;
- (iv) impairment losses on property, plant and equipment and intangible assets of \$12.6 million in 2013, \$4.6 million in 2012 and \$1.0 million in 2011;
- (v) unrealized mark-to-market losses related to Company's holdings in Sabina in 2013, 2012 and 2011;
- (vi) realized and unrealized gains and losses related to commodity derivative contracts in 2013, 2012 and 2011;
- (vii) increased level of capital expenditures primarily related to Tsumeb's Project 2012 and acid plant, the mine and mill expansion at Chelopech, and the exploration and development work undertaken to enhance underground operations and advance the open pit project at Kapan;
- (viii) Dunav exercised its option agreement with DPM for the sale of DPM's interest in Molyco in the third quarter of 2011; and
- (ix) additional debt to support in the financing of the Chelopech mine and mill expansion in 2011.

## CRITICAL ACCOUNTING ESTIMATES AND POLICIES

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

### **(i) Mineral exploration and evaluation expenditures**

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

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

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

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

## **(ii) Mine Properties**

### **Mine Properties - Mines under construction**

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

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

### **Mine Properties - Producing mines**

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

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

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

### **Depletion**

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

**Mineral Resources and Mineral Reserves estimates**

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

**(iii) Property, plant and equipment**

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

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

**Depreciation**

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

Depreciation rates for property, plant and equipment, which are depreciated on a straight line basis, are as follows:

Asset Category	Depreciation rate (%)
Buildings	4-5
Machinery and Equipment	6 - 100
Vehicles	20
Computer Hardware	20 - 100
Office Equipment	15 - 20

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

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

The residual values, useful lives and methods of depreciation of all assets are reviewed at each financial year end and are adjusted prospectively, if appropriate.

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

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

**(iv) Intangible assets**

Intangible assets include software, exploration and software licenses and long-term customer contracts. Intangible assets acquired separately are measured upon initial recognition at cost, which comprises the purchase price plus any costs directly attributable to the preparation of the asset for its intended use. Intangible assets acquired through business combinations are initially recognized at fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses.

The amortization rates for intangible assets, which are amortized on a straight-line basis, are as follows:

Asset Category	Amortization rate (%)
Computer Software	10 - 50
Exploration and Software Licenses	10 - 100
Long-term Customer Contract	9

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

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

**(v) Impairment of non-financial assets**

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

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

An assessment is made at each reporting date as to whether there is any indication of impairment or a change in events or circumstances relating to a previously recognized impairment. If such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment

loss is reversed only if there has been a change in the estimates used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset or CGU is increased to its newly determined recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset or CGU in prior years.

The assessment of impairment is based, in part, on certain factors that may be partially or totally outside of the Company's control, and requires the use of estimates and assumptions related to future value drivers, such as commodity prices, discount rates, foreign exchange rates and operating and capital costs. These estimates and assumptions, some of which may be subjective, require that management make decisions based on the best available information at each reporting period. It is possible that the actual recoverable amount could be significantly different than those estimates. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable reserves, resources, and exploration potential, and/or adverse market conditions can result in a write-down of the carrying amounts of the Company's assets. Fair value is determined as the net amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is based on estimated future cash flows discounted to their present value using a current pre-tax discount rate that is consistent with the risks specific to the asset. Management has assessed its CGUs as being an individual mine or processing site.

#### **(vi) Rehabilitation Provisions**

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

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

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

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

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

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

At December 31, 2013, the undiscounted future cost for the rehabilitation obligations before inflation was estimated to be \$77.1 million. The carrying value of the rehabilitation liability was \$56.6 million at December 31, 2013 and \$43.2 million at December 31, 2012.

**(vii) Income Taxes****Current income tax**

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

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

**Deferred income tax**

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

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

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

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

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

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

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

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

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

**(viii) Inventories**

Inventories of gold, copper, zinc and silver concentrates are measured and valued at the lower of average production cost and net realizable value. Net realizable value is the estimated selling price of the concentrates in the ordinary course of business based on the prevailing metal prices at the reporting date, less estimated costs to complete production and to bring the concentrates to sale. Production costs that are inventoried include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour, other direct costs (including external services and depreciation, depletion and amortization), production related overheads and royalties. A significant decrease in the selling prices of the metals produced and sold by the Company may result in a non-cash write-down of inventory if the net realizable value of the concentrate inventories is lower than the average production cost at the end of an accounting period.

Other materials and supplies inventories are valued at the lower of average cost and net realizable value. Obsolete, redundant and slow moving inventories are identified at each reporting date and written down to their net realizable values.

**(ix) Revenue recognition**

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

Revenue from the sale of concentrates is initially recorded based on a provisional value which is a function of prevailing market prices, estimated weights and grades less smelter and financial deductions. Under the terms of the concentrate sales contracts, the final metal price ("settlement price") for the payable metal is based on a predetermined quotational period of LME 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 at the settlement date, caused by final assay results, are adjusted through revenue at the time of determination. A decrease in the selling prices of the metals produced and sold by the Company may result in unfavourable mark-to-market adjustments and a reduction in net revenue. Conversely, an increase in the selling prices of the metals produced and sold by the Company may result in favourable mark-to-market adjustments and an increase in net revenue.

Revenue from the smelter is recognized when concentrate has been smelted. Under the toll agreement between Tsumeb and LDC, 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 is also adjusted for any over or under recoveries of metals delivered to LDC relative to the contracted rates.

**(x) Financial assets**

***Initial recognition and measurement***

Non-derivative financial assets within the scope of International Accounting Standard ("IAS") 39, *Financial Instruments: Recognition & Measurement*, are classified as "financial assets at fair value through profit or

loss", "loans and receivables", or "available-for-sale financial assets", as appropriate. The Company determines the classification of its financial assets at initial recognition.

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

***Subsequent measurement – Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if management intends to sell the financial assets in the near term. This category includes any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship under IAS 39. Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in other expense (income) in the consolidated statements of earnings. The Company's investment in Sabina's warrants and special warrants and the derivative commodity contracts entered to economically hedge a portion of its provisionally priced sales and projected production are classified as financial assets at fair value through profit or loss. Quoted prices are not available for the fair value of the Sabina special warrants and the fair value is determined using valuation models that require the use of assumptions, including future stock price volatility and probability of exercise. Changes in the underlying assumptions could materially impact on the Company's investments at fair value. The fair value of the derivative commodity contracts is based on market prices quoted from major commodity exchanges.

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

***Subsequent measurement – Loans and receivables***

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

***Subsequent measurement – Available-for-sale financial assets***

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

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

***Derecognition***

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

***Impairment of financial assets***

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

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

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

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

***(xi) Financial liabilities******Initial recognition and measurement***

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

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

***Subsequent measurement – Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if management intends to settle the financial liabilities in the near term. This category includes any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship under IAS 39. Financial liabilities at fair value through profit or loss are carried at fair value with changes in fair value recognized in other expense (income) in the consolidated statements of earnings. The equity settled warrants issued by the Company and the derivative commodity contracts entered to economically hedge a portion of its provisionally priced sales and projected production are,

where applicable, classified as financial liabilities at fair value through profit or loss and the estimated fair value of the liabilities is based on market prices quoted from major stock and commodity exchanges.

### ***Subsequent measurement – Other financial liabilities***

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

### ***Derecognition***

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

## **CHANGES IN ACCOUNTING POLICIES**

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Effective January 1, 2013, the Company adopted the following new standards and amendments to existing standards. These changes were made in accordance with the applicable transitional provisions.

### ***IFRS 7, Financial Instruments: Disclosures***

IFRS 7 was amended to enhance disclosure requirements related to offsetting financial assets and financial liabilities. The adoption of IFRS 7 resulted in additional disclosures related to offsetting certain of the Company's derivative commodity contracts.

### ***IFRS 10, Consolidated Financial Statements***

IFRS 10 replaces the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements*, and Standing Interpretations Committee Interpretation 12, *Consolidation - Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee. Under IFRS 10, control is based on whether an investor has: 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation of any of its subsidiaries.

### ***IFRS 12, Disclosure of Interests in Other Entities***

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The adoption of IFRS 12 resulted in additional disclosures related to the summarized financial information for each of the Company's subsidiaries that have non-controlling interests.

### ***IFRS 13, Fair Value Measurement***

IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The adoption of IFRS 13 did not require any significant adjustments to the valuation techniques used by the Company to measure fair value.

## **NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

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The following new standards, interpretations and amendments to existing standards are not yet effective for the year ended December 31, 2013, and have not been applied when preparing the consolidated financial statements for the three and twelve months ended December 31, 2013. The Company's assessment of the impact of these new standards and interpretations is set out below.

**IFRS 9, *Financial Instruments*, issued in November 2009**

This standard is the first step in the process to replace IAS 39, *Financial Instruments: Recognition & Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets and hedge accounting. IFRS 9 establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. The International Accounting Standards Board ("IASB") currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and macro hedging. IFRS 9 was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. The current version of IFRS 9 does not include a mandatory effective date but is available for adoption (subject to local endorsement requirements). An effective date will be added when all phases of the project are complete and a final version of IFRS 9 is issued. The Company continues to monitor and assess the impact of this standard.

**IAS 32, *Financial Instruments: Presentation*, issued in December 2011**

The IASB published amendments to IAS 32 to provide clarifications on the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. The adoption of the amendments is not expected to have a significant impact on the Company's consolidated financial statements.

**International Financial Reporting Interpretation Committee ("IFRIC") 21, *Levies*, issued in May 2013**

IFRIC 21 is an interpretation on IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, with respect to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation clarifies that the obligating event is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The adoption of this standard is not expected to have a significant impact on the Company's consolidated financial statements.

**IAS 36, *Impairment of Assets*, issued in May 2013**

The IASB published amendments to the disclosures required by IAS 36, when the recoverable amount is determined based on fair value less costs of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. The adoption of the amendments is not expected to have a significant impact on the Company's consolidated financial statements.

**Non-GAAP Financial Measures**

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

**Non-GAAP Cash Cost Measures**

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table provides, for the periods indicated, a reconciliation of the Company's cash cost per tonne of ore processed and cash cost per tonne of concentrate smelted to its cost of sales:

<i>\$ thousands, unless otherwise indicated</i>				
<b>For the quarter ended December 31, 2013</b>	<b>Chelopech</b>	<b>Kapan</b>	<b>Tsumeb</b>	<b>Total</b>
Ore processed (mt)	500,599	112,770		
Metals contained in concentrate produced:				
Gold (ounces)	32,495	6,303		
Copper (pounds)	12,441,481	614,465		
Zinc (pounds)	-	3,672,971		
Concentrate smelted (mt)	-	-	38,481	
Cost of sales	28,268	14,204	21,973	64,445
Add/(deduct):				
Depreciation, amortization & other non-cash costs	(8,533)	(2,900)	(4,453)	
Transportation and related costs	-	-	(2,093)	
Change in concentrate inventory	546	(740)	-	
Total cash cost of production before by-product credits	20,281	10,564	15,427	
Silver by-product credits	(1,182)	(2,440)	-	
Total cash cost of production after by-product credits	19,099	8,124	15,427	
Cash cost per tonne ore processed (\$)	40.51	93.68	-	
Cash cost per pound copper produced (\$) <sup>(1)</sup>	0.76	2.00	-	
Cash cost per ounce gold produced (\$) <sup>(1)</sup>	296	786	-	
Cash cost per pound zinc produced (\$) <sup>(1)</sup>	-	0.53	-	
Cash cost per tonne of concentrate smelted (\$)	-	-	401	

<i>\$ thousands, unless otherwise indicated</i>				
<b>For the quarter ended December 31, 2012</b>	<b>Chelopech</b>	<b>Kapan</b>	<b>Tsumeb</b>	<b>Total</b>
Ore processed (mt)	491,235	133,892		
Metals contained in concentrate produced:				
Gold (ounces)	27,503	5,164		
Copper (pounds)	10,266,739	616,812		
Zinc (pounds)	-	2,880,095		
Concentrate smelted (mt)			45,823	
Cost of sales	25,141	17,833	20,850	63,824
Add/(deduct):				
Depreciation, amortization & other non-cash costs	(6,020)	(3,418)	(2,628)	
Transportation and related costs	-	-	(2,313)	
Change in concentrate inventory	2,862	(3,139)	-	
Total cash cost of production before by-product credits	21,983	11,276	15,909	
Silver by-product credits	(1,450)	(3,235)	-	
Total cash cost of production after by-product credits	20,533	8,041	15,909	
Cash cost per tonne ore processed (\$)	44.75	84.22	-	
Cash cost per pound copper produced (\$) <sup>(1)</sup>	0.87	2.13	-	
Cash cost per ounce gold produced (\$) <sup>(1)</sup>	420	1,004	-	
Cash cost per pound zinc produced (\$) <sup>(1)</sup>	-	0.54	-	
Cash cost per tonne of concentrate smelted (\$)	-	-	347	

<sup>1)</sup> Gold, copper and zinc are accounted for as co-products. Total cash costs are net of by-product silver revenue.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

*\$ thousands, unless otherwise indicated*

**For the twelve months ended December 31, 2013**

	<b>Chelopech</b>	<b>Kapan</b>	<b>Tsumeb</b>	<b>Total</b>
Ore processed (mt)	2,032,002	465,894		
Metals contained in concentrate produced:				
Gold (ounces)	131,825	24,360		
Copper (pounds)	45,598,598	2,340,859		
Zinc (pounds)	-	15,293,700		
Concentrate smelted (mt)	-	-	152,457	
Cost of sales	120,480	46,823	87,584	254,887
Add/(deduct):				
Depreciation, amortization & other non-cash costs	(32,905)	(7,459)	(13,158)	
Transportation and related costs	-	-	(8,388)	
Change in concentrate inventory	(6,135)	(2,407)	-	
Total cash cost of production before by-product credits	81,440	36,957	66,038	
Silver by-product credits	(5,255)	(10,623)	-	
Total cash cost of production after by-product credits	76,185	26,334	66,038	
Cash cost per tonne ore processed (\$)	40.08	79.32	-	
Cash cost per pound copper produced (\$) <sup>(1)</sup>	0.76	1.60	-	
Cash cost per ounce gold produced (\$) <sup>(1)</sup>	317	667	-	
Cash cost per pound zinc produced (\$) <sup>(1)</sup>	-	0.41	-	
Cash cost per tonne of concentrate smelted (\$)	-	-	433	

*\$ thousands, unless otherwise indicated*

**For the twelve months ended December 31, 2012**

	<b>Chelopech</b>	<b>Kapan</b>	<b>Tsumeb</b>	<b>Total</b>
Ore processed (mt)	1,819,687	509,419		
Metals contained in concentrate produced:				
Gold (ounces)	120,631	21,843		
Copper (pounds)	42,714,127	2,456,555		
Zinc (pounds)	-	15,425,329		
Concentrate smelted (mt)	-	-	159,356	
Cost of sales	98,298	50,547	78,796	227,641
Add/(deduct):				
Depreciation, amortization & other non-cash costs	(19,542)	(10,883)	(9,745)	
Transportation and related costs	-	-	(9,513)	
Change in concentrate inventory	4,535	(718)	-	
Total cash cost of production before by-product credits	83,291	38,946	59,538	
Silver by-product credits	(6,728)	(14,072)	-	
Total cash cost of production after by-product credits	76,563	24,874	59,538	
Cash cost per tonne ore processed (\$)	45.77	76.45	-	
Cash cost per pound copper produced (\$) <sup>(1)</sup>	0.78	1.54	-	
Cash cost per ounce gold produced (\$) <sup>(1)</sup>	358	707	-	
Cash cost per pound zinc produced (\$) <sup>(1)</sup>	-	0.37	-	
Cash cost per tonne of concentrate smelted (\$)	-	-	374	

<sup>1)</sup> Gold, copper and zinc are accounted for as co-products. Total cash costs are net of by-product silver revenue.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

\$ thousands, unless otherwise indicated Ended December 31,	Three Months		Twelve Months	
	2013	2012	2013	2012
Cost of sales	<b>28,268</b>	25,141	<b>120,480</b>	98,298
Add/(deduct):				
Depreciation, amortization & other	<b>(8,533)</b>	(6,020)	<b>(32,905)</b>	(19,542)
Other charges, including freight	<b>24,563</b>	22,597	<b>94,421</b>	86,228
By-product credits <sup>(1)</sup>	<b>(38,123)</b>	(40,335)	<b>(152,148)</b>	(163,940)
Cash cost of sales, net of by-product credits	<b>6,175</b>	1,383	<b>29,848</b>	1,044
Payable gold in concentrate sold (ounces)	<b>31,293</b>	28,700	<b>131,923</b>	116,644
Cash cost of sales per ounce of gold sold, net of by-product credits (\$)	<b>197</b>	48	<b>226</b>	9

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

\$ thousands, unless otherwise indicated Ended December 31,	Three Months		Twelve Months	
	2013	2012	2013	2012
Cost of sales	<b>14,204</b>	17,833	<b>46,823</b>	50,547
Add/(deduct):				
Depreciation, amortization & other	<b>(2,900)</b>	(2,524)	<b>(7,459)</b>	(9,989)
Other charges, including freight	<b>2,415</b>	1,687	<b>9,268</b>	6,218
By-product credits <sup>(2)</sup>	<b>(6,719)</b>	(11,460)	<b>(28,046)</b>	(32,075)
Cash cost of sales, net of by-product credits	<b>7,000</b>	5,536	<b>20,586</b>	14,701
Payable gold in concentrate sold (ounces)	<b>5,577</b>	7,115	<b>21,351</b>	18,204
Cash cost of sales per ounce of gold sold, net of by-product credits (\$)	<b>1,255</b>	778	<b>964</b>	808

1) Includes realized gains on copper derivative contracts of \$1.1 million and \$4.0 million during the fourth quarter and twelve months of 2013, respectively, compared to \$3.3 million and \$13.0 million in the corresponding periods in 2012.

2) Includes realized gains on copper derivative contracts of \$nil during the fourth quarter and twelve months of 2013, respectively, compared to realized gains of \$0.3 million and \$1.2 million in the corresponding periods in 2012.

### 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 attributable to common shareholders, adjusted to exclude specific items that are significant, but not reflective of the underlying operations of the Company, including:

- impairment provisions or reversals thereof,
- unrealized gains or losses on derivative contracts related to projected payable production,
- unrealized and realized gains or losses related to equity settled warrants,
- unrealized and realized gains or losses related to investments carried at fair value,
- significant tax adjustments not related to current period earnings, 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.

Adjusted earnings before income taxes are 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 provisions or reversals thereof,
- unrealized gains or losses on derivative contracts related to projected payable production,
- unrealized and realized gains or losses related to equity settled warrants,

## MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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, for the periods indicated, a reconciliation of adjusted net earnings to net earnings attributable to common shareholders:

<i>\$ thousands, except per share amounts</i> <b>Ended December 31,</b>	<b>Three Months</b>		<b>Twelve Months</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net earnings attributable to common shareholders	<b>19,223</b>	14,632	<b>22,506</b>	54,376
Add/(deduct) after-tax adjustments:				
Unrealized (gains) losses on derivative commodity contracts	<b>(885)</b>	1,264	<b>5,014</b>	17,988
Unrealized losses related to Sabina warrants and special warrants	<b>624</b>	5,617	<b>16,634</b>	8,504
Net gains on equity settled warrants	<b>(13,561)</b>	-	<b>(22,383)</b>	-
Impairment loss on property, plant & equipment and other	<b>5,130</b>	-	<b>9,068</b>	73
Adjusted net earnings	<b>10,531</b>	21,513	<b>30,839</b>	80,941
Basic earnings per share	<b>0.14</b>	0.12	<b>0.17</b>	0.43
Adjusted basic earnings per share	<b>0.08</b>	0.17	<b>0.23</b>	0.65

The following table provides, for the periods indicated, a reconciliation of adjusted earnings before income taxes to earnings before income taxes:

<i>\$ thousands, except per share amounts</i> <b>Ended December 31,</b>	<b>Three Months</b>		<b>Twelve Months</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Earnings before income taxes	<b>19,686</b>	16,244	<b>26,859</b>	49,654
Add/(deduct) adjustments:				
Unrealized (gains) losses on derivative commodity contracts	<b>(931)</b>	1,432	<b>5,639</b>	20,155
Unrealized losses related to Sabina warrants and special warrants	<b>720</b>	6,476	<b>19,175</b>	9,803
Net gains on equity settled warrants	<b>(13,561)</b>	-	<b>(22,383)</b>	-
Impairment loss on property, plant & equipment and other	<b>5,701</b>	-	<b>10,076</b>	85
Adjusted earnings before income taxes	<b>11,615</b>	24,152	<b>39,366</b>	79,697

### Adjusted EBITDA

Adjusted EBITDA is used by management and investors to measure the underlying operating performance of the Company's operating segments. Adjusted EBITDA excludes the following from earnings before income tax:

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table provides, for the periods indicated, a reconciliation of adjusted EBITDA to earnings before income tax:

\$ thousands Ended December 31,	Three Months		Twelve months	
	2013	2012	2013	2012
Earnings before income taxes	19,686	16,244	26,859	49,654
Add/(deduct):				
Depreciation and amortization	14,902	12,077	53,594	40,208
Finance cost	2,622	1,644	10,323	5,703
Interest income	(115)	(149)	(492)	(1,048)
Unrealized losses on Sabina warrants and special warrants	720	6,476	19,175	9,803
Unrealized (gains) losses on derivative commodity contracts	(931)	1,432	5,639	20,155
Net gains on equity settled warrants	(13,561)	-	(22,383)	-
Impairment loss on property, plant & equipment and other	5,701	-	10,076	85
Adjusted EBITDA	29,024	37,724	102,791	124,560

### Cash provided from operating activities, before changes in working capital

Cash provided from operating activities, before changes in working capital, is defined as cash provided by (used in) operating activities plus changes in non-cash working capital as set out in the Company's consolidated statements of cash flows. This measure is used by the Company and investors to measure the cash flow generated by the Company's operating segments prior to any changes in 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.

## RISKS AND UNCERTAINTIES

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

more significant business risks and uncertainties affecting the Company are set out below. These risks should be considered when evaluating the Company and its guidance.

***Metal Prices***

The Company sells its products at prices that are effectively determined based on major commodity exchanges, in particular the London Metal Exchange and London Bullion Market. The prices of gold, copper, zinc and silver are major factors influencing the Company's business, results of operations and financial condition, and, in turn, the price for its common shares and common share purchase warrants.

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

In accordance with established risk management policies, from time to time, the Company enters into derivative contracts to hedge a portion of its metals price exposure associated with the time lag between the provisional and final determination of concentrate sales as well as its by-product metals price exposure on future sales. Currently approximately 90% of the Company's expected copper production for 2014 had been hedged at an average price of \$3.31 per pound and 85% of the Company's copper production for 2015 had been hedged at an average price of \$3.21 per pound. The Company also entered into cash settled derivative contracts to fix the prices it receives for the gold contained in Chelopech's pyrite concentrate production to be sold in 2014 and 2015. As at December 31, 2013, all of the Company's expected gold production from pyrite concentrate, representing an estimated 30,000 ounces for 2014 and 2015, had been hedged at an average price of \$1,230.90 per ounce and \$1,233.70 per ounce, respectively. These hedges introduce earnings volatility as a result of potential unrealized mark-to-market gains or losses as they are deemed not to be hedges for accounting purposes, notwithstanding that they are effective from an economic perspective.

***Financing and Liquidity***

The Company relies on the cash flows generated from its operations, including provisional payments received from its customers, retained cash balances, its RCF, and its ability to raise debt and equity from the capital markets to fund its operating, investment and liquidity needs. The cyclical nature of the Company's businesses and the volatility of capital markets are such that conditions could change dramatically, affecting the Company's cash flow generating capability, its ability to maintain its RCF or the existing terms under its concentrate sales or smelting agreements, as well as its liquidity, cost of capital and its ability to access capital, which could adversely affect the Company's earnings and cash flows and, in turn, could affect total shareholder returns. To reduce these risks, the Company: (i) prepares regular cash flow forecasts to monitor its capital requirements; (ii) maintains a prudent capital structure that is comprised primarily of equity financing as well as long-term amortizing debt and a long-term committed RCF; and (iii) maintains surplus cash balances and short-term investments to avoid having to raise additional capital at times when the costs or terms would be regarded as unfavourable.

As at December 31, 2013, the Company's total debt was \$85.4 million, of which \$65.0 million related to the Company's Term Loans, \$20.0 million to the Company's RCF and \$0.4 million related to Tsumeb. As at December 31, 2013, the Company's total debt, as a percentage of total capital, was 10% (December 31, 2012 – 10%) and the total debt, net of cash, cash equivalents and short-term investments, as a percentage of total capital, was 4% (December 31, 2012 – negative 6%). As at December 31, 2013, the Company was in compliance with all of its debt covenants.

The Term Loans are repayable in 10 equal semi-annual installments commencing June 2013 and bear interest at a rate equal to the three month U.S. Dollar LIBOR plus 3.25% until June 2013, when the

completion of the Chelopech mine and mill expansion was certified, and at a rate equal to the three month U.S. Dollar LIBOR plus 2.80% thereafter. The RCF bears interest at a spread above LIBOR, which varies between 2.75% and 4.75% depending upon the Company's debt leverage ratio (funded net debt to adjusted EBITDA), as defined in the RCF agreement. The RCF has two tranches in the amounts of \$125.0 million and \$25.0 million that mature in February 2017 and 2019, respectively. As at December 31, 2013, \$20 million was drawn under the RCF.

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

### ***Foreign Exchange***

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

### ***Counterparty Risk***

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

The Company's trade credit exposure was limited to two counterparties in 2013. Under the terms of the Company's existing copper and zinc concentrate sales contracts, the risk to these counterparties is mitigated, in part, through required provisional payments that range between 70% and 90% of the provisional value of each lot at the time title of the concentrate transfers. A final adjusting payment, reflecting the actual metal prices for the specified quotational period, is made when final weights and assays are established. All contractual commitments are subject to force majeure clauses which, if implemented, could have a significant impact on revenue. Approximately 49% of the Company's aggregate projected sales of copper and zinc concentrate in 2014 are to one customer.

While there can be no assurance that the Company will not experience a material loss for non-performance by any counterparty with whom it has a commercial relationship, the Company has established policies to manage its credit exposure, that include assessing financial strength, limiting aggregate exposure to new and existing counterparties, and using contractual arrangements, including provisional payments and the use of International Swaps and Derivatives Association ("ISDA") master netting agreements that permit netting of exposures associated with a single counterparty. Should any such losses arise, they could adversely affect the Company's business, financial condition and results of operations.

### ***Environmental, Health and Safety***

The Company's operations are subject to extensive environmental, health and safety regulations in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards, land rehabilitation, and safety and work environment standards. They also set forth limitations on the generation, transportation, storage and disposal of various wastes. Environmental, health and safety legislation continues to evolve and, while the Company takes active steps to monitor this legislation, it could result in stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The Company has active environmental management systems at its operational sites that are based primarily on ISO 14000 and subject to ongoing monitoring and development. Health and safety continues to be a key focus and, in 2013, the Company continued with the development of OSHAS 18000 safety systems across all operations. However, there can be no assurance that future changes in environmental, health and safety regulations, if any, will not adversely affect the Company's operations

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

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

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures, production costs or future rehabilitation costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

On April 30, 2012, the Namibian Minister of Environment and Tourism (the "Minister") issued a letter to the Company relating to the operation of its custom smelter owned by Tsumeb. The letter contained several directives emanating from the government's report on the environmental, health and safety audit (the "Report") commissioned by the Minister, including: (i) that effective May 1, 2012, Tsumeb reduce the feed to the smelter by approximately half until the projects designed to capture fugitive emissions have been completed; and (ii) Tsumeb advance the installation of the sulphuric acid plant from 2014 to 2013. The fugitive emissions inside the aisle, which were identified as a significant issue during the environmental audit in December 2011, were addressed through temporary upgrades on the fume extraction systems made during the shutdown of the Ausmelt furnace in the second quarter of 2012. These upgrades contributed to the Minister's decision to allow Tsumeb to increase its production to 75% of the smelter's operating capacity in July 2012.

During the fourth quarter of 2013, the Technical Committee representing the Namibian government conducted initial testing to verify that the modifications made to the off-gas and dust handling systems were delivering the expected decrease in emissions. The results of this testing were subsequently confirmed to be satisfactory and in the latter part of December the Namibian government formally advised the Company that the smelter could return to full production, subject to regulatory reporting and emission requirements, and a further occupational health survey in April 2014. The acid plant, which is on track to be completed during the fourth quarter of 2014, will reduce the plant's SO<sub>2</sub> emissions and complete the Company's major capital programs directed at modernizing the smelter. Failure of the new systems to reduce the smelter's fugitive emissions and to complete the sulphuric acid plant in a manner consistent with the Minister's timelines and directives could impact future production and adversely affect the Company's business, financial condition and results of operations.

The Company recognizes a liability for its asset retirement obligations ("ARO") when a legal and/or constructive obligation is identified. The liability is measured at the present value of estimated costs required to rehabilitate the operating locations based on the risk free nominal discount rates applicable to the countries in which the operations are located. The carrying value of the ARO liability was \$56.6 million and \$43.2 million at December 31, 2013 and 2012, respectively. Changes in the underlying assumptions used to estimate the AROs as well as changes to environmental laws and regulations could cause material changes in the expected cost and the fair value of the AROs and these changes could have a material adverse impact on the Company's results of operations and financial condition.

### **Operations**

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

Company's mining and processing facilities could materially affect the Company's business, financial condition and results of operations.

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

### ***Production, Operating and Shipping Costs***

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

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

### ***Mineral Resources and Mineral Reserves***

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

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

### ***Inferred Mineral Resources***

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

***Need for Mineral Reserves***

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

***Exploration***

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

***Foreign Country and Political***

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

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

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

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

***Development Projects***

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

All projects are approved for development on a project-by-project basis after considering its strategic fit, inherent risks, and expected financial returns. This approach, combined with an experienced management team, staff and contract personnel, helps to minimize the risks associated with development projects. However, there can be no assurance that there will not be delays in obtaining the necessary permits or that the development or construction of any one or more projects will be completed on time, on

budget or at all, or that the ultimate operating cost of the operation will not be higher than originally envisaged. In addition, to secure long lead times required for ordering equipment, the Company may place orders for equipment and make deposits thereon or advance projects before obtaining all requisite permits and licenses. Such actions are taken only when the Company reasonably believes such licenses or permits will be forthcoming prior to the requirement to expend the full amount of the purchase price. In the event a project, which was deemed economically viable, is not completed or does not operate at anticipated performance levels, the Company may be unable to fully recover its investment and be required to record a write-down. This, in turn, may adversely affect the Company's business, results of operations and financial condition.

Despite the achievements and progress made to date, there is still risk and uncertainty around obtaining all the remaining local approvals and permits necessary to advance the Krumovgrad Gold Project. If the required permits and approvals are not obtained and legal avenues are exhausted, an impairment of the project carrying value may be required. Management continues to take steps to advance this project and remains committed to its future development. As of December 31, 2013, the net book value of the Krumovgrad Gold Project was \$85.1 million.

### ***Insurance and Uninsured Risks***

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

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

### ***Value of Investment Portfolio***

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

### ***Government Laws and Regulations***

The activities of the Company are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, archaeological discovery and other matters. Although the Company currently carries out its operations and business in accordance with all applicable laws, rules

and regulations, no assurance can be given that new laws, rules and regulations will not be enacted or that existing laws, rules and regulations will not be changed or be applied in a manner which could limit or curtail production or development. Furthermore, amendments to current laws and regulations governing operations and activities of mining, milling and processing or more stringent implementation thereof could cause costs and delays that will have a material adverse impact on the results of operations and financial condition of the Company.

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

### ***Labour Relations***

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

A two-year collective agreement with the Company's unionized employees at Chelopech is in force from July 1, 2013 to June 30, 2015. An agreement was also reached with the Company's unionized employees at Tsumeb and is in force until March 2016. There are no unions or formal collective agreements in place at Kapan.

### ***Income Tax***

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

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

### ***Future Plans***

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

### ***Land Title***

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

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

### ***Competition***

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

### ***Market Price of Common Shares***

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

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

### ***Dilution to Common Shares***

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

### ***Interest Rate***

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash and cash equivalents, short-term investments, loans receivable, floating rate denominated long-term debt, revolver line of credit and finance lease obligations, the majority of which have associated cash flows based on floating interest rates.

### ***Foreign Subsidiaries***

The Company conducts its operations through foreign subsidiaries and substantially all of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between or among DPM and such entities, could restrict or impact the Company's ability to fund its operations. Any such

limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's business, financial condition and results of operations.

**Key Executives and Senior Personnel**

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

**Conflicts of Interest**

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

**DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

Management, under the supervision of the CEO and CFO, conducted an assessment of the effectiveness of DC&P and ICFR in place as of December 31, 2013 and concluded that such procedures and controls are adequate and effective to ensure accurate and complete disclosures in annual filings. The board of directors also assesses the integrity of the public financial disclosures through the oversight of the Audit Committee.

**INTERNAL CONTROL CHANGES**

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The Company's management, under the supervision of the CEO and CFO, has designed ICFR using the Internal Control – Integrated Framework (1992) developed by COSO (Committee of Sponsoring Organizations of the Treadway Commission). During 2013, management continued with the assessment and detailed evaluation of the ICFR procedures and controls established in all significant locations and continued to develop the internal control framework. This resulted in improvements being made to strengthen effectiveness and reliability of internal controls aiming to provide reasonable assurance that material information relating to the Company is made known to the CEO and CFO during the reporting period. Additional improvements were made in 2013 and will continue to be implemented in the foreseeable future with the aim that the information required to be disclosed by the Company in its interim and annual filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with IFRS.

**INTERNAL CONTROL EVALUATION**

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Management evaluated the design and operating effectiveness of the DC&P and ICFR as defined by NI 52-109 as of December 31, 2013. This evaluation was performed under the supervision of, and with the participation of, the CEO and CFO. Based on the evaluation of the design and operating effectiveness of the Company's ICFR and DC&P, management, the CEO and CFO concluded that the Company's DC&P and ICFR were effective as of December 31, 2013.

NI 52-109 also requires Canadian public companies to disclose in their MD&A any change in ICFR that has materially affected, or is reasonably likely to materially affect, ICFR. No material changes were made to the internal controls in the year ended December 31, 2013.

Only reasonable, rather than absolute assurance, that misstatements are prevented or detected on a timely basis by ICFR can be provided due to the inherent limitations of the ICFR system. Such limitations also apply to the effectiveness of ICFR as it is also possible that controls may become inadequate because of changes in conditions or deterioration in compliance with policies and procedures.

### CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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Certain statements and other information included in this MD&A and our other disclosure documents constitute "forward-looking information" or "forward-looking statements" within the meaning of applicable securities legislation, which we refer to collectively hereinafter as "forward-looking statements". Our forward-looking statements include, but are not limited to, statements with respect to the future price of gold, copper, zinc and silver, the estimation of Mineral Reserves and Resources, the realization of such mineral estimates, the timing and amount of estimated future production and output, costs of production, capital expenditures, costs and timing of the development of new deposits, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, the potential or anticipated outcome of title disputes or claims and timing and possible outcome of pending litigation. 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 "2014 Guidance" of this MD&A, unless otherwise noted, and provides certain material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements (which are provided without limitation to the additional general risk factors discussed herein):

*Ore mined/milled:* assumes Chelopech and Kapan mines perform at planned levels. Subject to a number of risks, the more significant of which are: failure of plant, equipment or processes to operate as anticipated; and rebuilding of development inventory at Kapan not progressing as anticipated.

*Metals contained in concentrate produced:* assumes grades and recoveries in 2014 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 grade, recovery rates and ore mined/milled.

*Consolidated cash cost/tonne of ore processed:* assumes ore mined/milled in line with the guidance provided; foreign exchange rates remain at current levels; and operating expenses at Chelopech and Kapan 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 DPM's local currencies; and unexpected increases in labour and other operating costs.

*Consolidated cash cost/ounce of gold sold, net of by-product credits:* assumes metals contained in concentrate produced and consolidated cash cost/tonne of ore processed are each in line with the guidance provided; copper, zinc and silver prices remain at the levels specified in the section entitled 2014 Guidance; and concentrate deliveries are consistent with DPM's expectations. Subject to a number of risks, the more significant of which are: lower than anticipated metals contained in concentrate produced, concentrate deliveries and metal prices and higher than anticipated consolidated cash cost/tonne of ore processed.

*Concentrate smelted at Tsumeb:* assumes ramp-up to full capacity occurs in the first quarter of 2014 and no significant disruption in equipment availability or concentrate supply. Subject to a number of risks, the more significant of which are: unanticipated operational issues; unanticipated delays in the ramp-up to full capacity; lower than anticipated equipment availability and disruptions in the supply of concentrate.

*Cash cost/tonne of concentrate smelted:* assumes concentrate smelted is consistent with the guidance provided; operating expenses are at planned levels; and foreign exchange rates remain at current levels. Subject to a number of risks, the more significant of which are: concentrate smelted is lower than anticipated; strengthening of the ZAR relative to the U.S. dollar; and higher than anticipated operating

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 current levels, 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 "2014 Guidance" and "Liquidity and Capital Resources" sections):* assumes the operating and cost performance at Chelopech, Kapan and Tsumeb are consistent with current expectations; metal prices and foreign exchange rates remain at current levels; concentrate 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 revolving credit facilities remain in place. Subject to a number of risks, the more significant of which are: lower than anticipated metals production at Chelopech and Kapan, concentrate throughput at Tsumeb, deliveries of concentrate and metal prices; weaker U.S. dollar relative to local operating currencies; changes in contractual sales and/or toll terms; changes to project parameters, schedule and/or costs; and the inability to draw down on DPM's RCF due to a breach or potential breach of one of its covenants.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made and they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any other future results, performance or achievements expressed or implied by the forward-looking statements. In addition to factors already discussed in this document, such factors include, among others: the actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of gold, copper, zinc and silver; possible variations in ore grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, uncertainties inherent with conducting business in foreign jurisdictions where corruption, civil unrest, political instability and uncertainties with the rule of law may impact the Company's activities; fluctuations in metal prices; unanticipated title disputes; claims or litigation; limitation on insurance coverage; 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](http://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**

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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.**

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

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

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

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

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

(Signed) "Richard Howes"

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Richard Howes  
President and Chief Executive Officer

(Signed) "Hume Kyle"

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Hume Kyle  
Executive Vice President and  
Chief Financial Officer

February 13, 2014



February 13, 2014

## **Independent Auditor's Report**

### **To the Shareholders of Dundee Precious Metals Inc.**

We have audited the accompanying consolidated financial statements of Dundee Precious Metals Inc., which comprise the consolidated statement of financial position as at December 31, 2013 and 2012 and the consolidated statements of earnings, comprehensive (loss) income, cash flows and changes in shareholders' equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

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

#### **Auditor's responsibility**

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

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

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

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dundee Precious Metals Inc. as at December 31, 2013 and 2012 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

**(Signed) "PricewaterhouseCoopers LLP"**

**Chartered Professional Accountants, Licensed Public Accountants**

# **CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at December 31, 2013 and 2012 (in thousands of U.S. dollars)

		December 31, 2013	December 31, 2012
<b>ASSETS</b>	<b>Notes</b>		
<b>Current Assets</b>			
Cash and cash equivalents		48,867	121,531
Short-term investments		940	1,826
Inventories	4	48,106	55,112
Accounts receivable	5	59,055	69,590
Other current assets		5,815	5,366
		<b>162,783</b>	<b>253,425</b>
<b>Non-Current Assets</b>			
Investments at fair value	6(a), 6(b)	17,779	75,611
Exploration and evaluation assets	7	148,926	126,326
Mine properties	8	129,825	132,154
Property, plant & equipment	9	492,746	350,729
Intangible assets	10	26,232	28,690
Deferred income tax assets	20	4,387	2,389
Other long-term assets	11	5,105	2,861
		<b>825,000</b>	<b>718,760</b>
<b>TOTAL ASSETS</b>		<b>987,783</b>	<b>972,185</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	12	53,739	54,218
Income tax liabilities		1,121	6,638
Equity settled warrants	24(a)	10,834	-
Current portion of long-term debt	13	16,643	17,821
Current portion of long-term liabilities	15	2,833	3,033
		<b>85,170</b>	<b>81,710</b>
<b>Non-Current Liabilities</b>			
Long-term debt	13	67,145	63,946
Rehabilitation provisions	14	56,563	43,242
Share based compensation plans	16	2,532	5,678
Deferred income tax liabilities	20	5,456	5,595
Other long-term liabilities	15	19,439	17,673
		<b>151,135</b>	<b>136,134</b>
<b>TOTAL LIABILITIES</b>		<b>236,305</b>	<b>217,844</b>
<b>EQUITY</b>			
Share Capital		436,762	374,810
Warrants		-	9,618
Contributed surplus		5,775	37,865
Retained earnings		314,361	302,102
Accumulated other comprehensive income		(11,726)	22,938
<b>Equity attributable to common shareholders of the Company</b>		<b>745,172</b>	<b>747,333</b>
Non-controlling interests		6,306	7,008
<b>TOTAL EQUITY</b>		<b>751,478</b>	<b>754,341</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>987,783</b>	<b>972,185</b>

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

## **Approved by the Board of Directors**

(Signed) "Richard Howes"  
Richard Howes, Director

(Signed) "Donald Young"  
Donald Young, Director

**CONSOLIDATED STATEMENTS OF EARNINGS**

For the years ended December 31, 2013, and 2012 (in thousands of U.S. dollars, except per share amounts)

		2013	2012
	Notes		
Revenue		344,654	384,685
Cost of sales	17	254,887	227,641
<b>Gross profit</b>		<b>89,767</b>	157,044
General and administrative expenses	17	29,564	37,897
Exploration expenses	17	17,684	42,489
Finance cost	18	10,323	5,703
Interest income		(492)	(1,048)
Other expense	19	5,829	22,349
<b>Earnings before income taxes</b>		<b>26,859</b>	49,654
Current income tax expense	20	12,227	19,621
Deferred income tax expense	20	1,451	202
<b>Net earnings</b>		<b>13,181</b>	29,831
<b>Net earning (loss) attributable to:</b>			
Common shareholders of the Company		22,506	54,376
Non-controlling interests		(9,325)	(24,545)
<b>Net earnings</b>		<b>13,181</b>	29,831
<b>Earnings per share attributable to common shareholders of the Company</b>			
- Basic	21	0.17	0.43
- Diluted	21	0.00	0.39

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars)

	2013	2012
<b>Net earnings</b>	<b>13,181</b>	<b>29,831</b>
<b>Other comprehensive loss</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Unrealized losses on publicly traded securities, net of income tax recovery of \$3,668 (2012 - \$2,716)	(34,990)	(19,405)
Realized loss on sale of publicly traded securities transferred to net earnings, net of income tax recovery of \$nil (2012 - \$14)	-	85
Impairment loss on publicly traded securities transferred to net earnings, net of income tax recovery of \$64 (2012 - \$nil)	416	-
Currency translation adjustments	(696)	(279)
	<b>(35,270)</b>	<b>(19,599)</b>
<b>Comprehensive (loss) income, net of income taxes</b>	<b>(22,089)</b>	<b>10,232</b>
<b>Comprehensive (loss) income attributable to:</b>		
Common shareholders of the Company	(12,158)	34,923
Non-controlling interests	(9,931)	(24,691)
<b>Comprehensive (loss) income, net of income taxes</b>	<b>(22,089)</b>	<b>10,232</b>

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars)

		2013	2012
	Notes		
<b>OPERATING ACTIVITIES</b>			
Earnings before income taxes		26,859	49,654
Items not affecting cash and other adjustments	23(a)	73,380	76,310
Changes in non-cash working capital	23(b)	11,257	(42,854)
Proceeds from settlement of derivative commodity contracts		5,411	15,062
Income taxes paid		(17,401)	(19,894)
<b>Cash provided from operating activities</b>		<b>99,506</b>	<b>78,278</b>
<b>INVESTING ACTIVITIES</b>			
Proceeds from sale of short-term investments		764	2,599
Proceeds from sale of publicly traded securities		-	88
Proceeds from disposal of property, plant and equipment		298	20
Expenditures on exploration and evaluation assets		(20,588)	(19,760)
Expenditures on mine properties		(10,739)	(26,859)
Expenditures on property, plant and equipment		(180,557)	(101,323)
Expenditures on intangible assets		(1,089)	(1,062)
Decrease in restricted cash		2,506	19,278
<b>Cash used in investing activities</b>		<b>(209,405)</b>	<b>(127,019)</b>
<b>FINANCING ACTIVITIES</b>			
Proceeds from shares issued		36,756	1,476
Share issuance costs		(836)	-
Proceeds from subsidiary shares issued	3	11,189	4,685
Drawdown under revolving credit facility	13(b)	20,000	-
Financing fees on debt		(3,801)	-
Repayments of debt		(17,821)	(1,571)
Repayments of finance lease obligation		(2,561)	(2,606)
Interest paid		(5,691)	(4,516)
<b>Cash provided from (used in) financing activities</b>		<b>37,235</b>	<b>(2,532)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(72,664)</b>	<b>(51,273)</b>
Cash and cash equivalents, beginning of year		121,531	172,804
<b>Cash and cash equivalents, end of year</b>		<b>48,867</b>	<b>121,531</b>

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

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, except for number of shares and warrants)

	December 31, 2013		December 31, 2012	
	Number	Amount	Number	Amount
<b>Share Capital</b>				
<b>Authorized</b>				
Unlimited common and preference shares with no par value				
<b>Issued</b>				
Fully paid common shares with one vote per share				
<b>Balance at beginning of year</b>	<b>125,633,545</b>	<b>374,810</b>	125,238,883	372,643
Shares issued on exercise of warrants (note 24(a))	12,705,836	35,298	-	-
Share issuance costs	-	(836)	-	-
Shares issued on exercise of stock options (note 16)	849,466	1,502	394,662	1,476
Transferred from equity settled warrants on exercise of warrants (note 24(a))	-	25,455	-	-
Transferred from contributed surplus on exercise of stock options	-	533	-	691
<b>Balance at end of year</b>	<b>139,188,847</b>	<b>436,762</b>	125,633,545	374,810
<b>Warrants (note 24(a))</b>				
<b>Balance at beginning of year</b>	<b>20,439,500</b>	<b>9,618</b>	23,199,500	14,115
Transferred to contributed surplus on expiry of warrants	-	-	(2,760,000)	(4,497)
Reclassified to equity settled warrants on modification of warrants	(20,439,500)	(9,618)	-	-
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>	20,439,500	9,618
<b>Contributed surplus</b>				
<b>Balance at beginning of year</b>		<b>37,865</b>		27,378
Fair value adjustment on modification of warrants (note 24(a))		(38,807)		-
Share based compensation expense		5,290		9,488
Transferred from warrants on expiry of warrants, net of income taxes of \$nil (2012 - \$619)		-		3,878
Transferred to share capital on exercise of stock options		(533)		(691)
Other changes in contributed surplus		1,960		(2,188)
<b>Balance at end of year</b>		<b>5,775</b>		37,865
<b>Retained earnings</b>				
<b>Balance at beginning of year</b>		<b>302,102</b>		247,726
Fair value adjustment on modification of warrants (note 24(a))		(10,247)		-
Net earnings attributable to common shareholders of the Company		22,506		54,376
<b>Balance at end of year</b>		<b>314,361</b>		302,102
<b>Accumulated other comprehensive (loss) income (note (24(b)))</b>				
<b>Balance at beginning of year</b>		<b>22,938</b>		42,391
Other comprehensive loss		(34,664)		(19,453)
<b>Balance at end of year</b>		<b>(11,726)</b>		22,938
<b>Total equity attributable to common shareholders of the Company</b>		<b>745,172</b>		747,333
<b>Non-controlling interests</b>				
<b>Balance at beginning of year</b>		<b>7,008</b>		24,826
Net loss attributable to non-controlling interests		(9,325)		(24,545)
Other comprehensive loss attributable to non-controlling interests		(606)		(146)
Shares issued by subsidiaries (note 3)		11,189		4,685
Other changes in non-controlling interests		(1,960)		2,188
<b>Balance at end of year</b>		<b>6,306</b>		7,008
<b>Total equity at end of year</b>		<b>751,478</b>		754,341

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

## 1. CORPORATE INFORMATION

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

DPM's 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"), formerly Chelopech Mining EAD, which owns and operates a gold, copper and silver mine located east of Sofia, Bulgaria;
- 100% of Dundee Precious Metals Kapan CJSC ("Kapan"), formerly Deno Gold Mining Company CJSC, which owns and operates a gold, copper, zinc and silver mine in the town of Kapan, located south east of the capital city of Yerevan in southern Armenia;
- 100% of Dundee Precious Metals Krumovgrad EAD ("Krumovgrad"), formerly Balkan Mineral and Mining EAD, focused on the development of a gold property located in south eastern Bulgaria, near the town of Krumovgrad;
- 100% of Dundee Precious Metals Tsumeb (Proprietary) Limited ("Tsumeb"), formerly Namibia Custom Smelters (Proprietary) Limited, which owns and operates a custom smelter located in Tsumeb, Namibia;
- 53.1% of Avala Resources Ltd. ("Avala"), a TSX Venture Exchange ("TSXV") listed company (TSXV: AVZ) incorporated in Canada and focused on the exploration and development of the Timok gold project in Serbia (*note 3*); and
- 45.5% of Dunav Resources Ltd. ("Dunav"), a TSXV listed company (TSXV: DNV) incorporated in Canada and focused on the exploration and development of the Tulare copper and gold project and other early stage projects in Serbia (*note 3*).

## 2.1 BASIS OF PREPARATION

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The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Chartered Professional Accountants of Canada Handbook – Accounting. These consolidated financial statements were approved by the Board of Directors as of February 13, 2014.

These consolidated financial statements have been prepared on a historical cost basis except for held for trading and available-for-sale financial instruments (*note 6*) that are measured at fair value.

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

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## 2.2 SIGNIFICANT ACCOUNTING POLICIES

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### (a) Basis of consolidation

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

The Company uses the acquisition method of accounting to account for business combinations. The fair value of the acquisition of a subsidiary is based on the fair value of the assets acquired, the liabilities assumed, and the fair value of the consideration. The fair value of the assets acquired and liabilities assumed includes any contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

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

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

Significant judgments are required by management to determine whether the Company controls an entity when it holds less than one half of the entity's voting rights. As at December 31, 2013, DPM had a 45.5% (December 31, 2012 – 47.3%) ownership interest in Dunav. The remaining equity and voting rights are held by numerous other shareholders, none individually holding a significant percentage of the voting rights. Given the level of shareholder participation and the size and dispersion of shareholdings, DPM concluded that its ownership interest in Dunav is sufficient to control Dunav.

**2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**(b) Critical accounting estimates and judgments**

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

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

- basis of consolidation (*note 2.2(a)*);
- inventories (*note 2.2(g)*);
- fair value of financial instruments (*note 2.2(j)*);
- mineral exploration and evaluation expenditures (*note 2.2(k)*);
- mine properties (*note 2.2(l)*);
- property, plant and equipment (*note 2.2(m)*);
- intangible assets (*note 2.2(n)*);
- impairment of assets (*note 2.2(h) and 2.2(p)*);
- rehabilitation provisions (*note 2.2(q)*);
- share based compensation transactions (*note 2.2(u)*); and
- deferred income tax assets and liabilities (*note 2.2(v)*).

**(c) Presentation and functional currency**

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

**(d) Foreign currency****Foreign currency transactions**

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

**2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Foreign operations**

The assets and liabilities of foreign operations, including fair value adjustments arising on acquisition, are translated to U.S. dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to U.S. dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognized as currency translation adjustments in other comprehensive income. Avala and Dunav are the only foreign operations of the Company with functional currencies being Canadian dollar rather than U.S. dollar based and principal subsidiaries with functional currencies denominated in the Serbian dinar.

**(e) Cash and cash equivalents**

Cash and cash equivalents comprise cash deposits, guaranteed investment certificates and/or other highly rated and liquid securities with an original maturity of less than three months.

**(f) Short-term investments**

Short-term investments include guaranteed investment certificates and/or other highly rated and liquid securities with original maturities between three months and less than one year at the time the investment is made. Short-term investments are recorded at amortized cost.

**(g) Inventories**

Inventories of gold, copper, zinc and silver concentrates are measured and valued at the lower of average production cost and net realizable value. Net realizable value is the estimated selling price of the concentrates in the ordinary course of business based on the prevailing metal prices at the reporting date, less estimated costs to complete production and to bring the concentrates to sale. Production costs that are inventoried include the costs directly related to bringing the inventory to its current condition and location, such as materials, labour, other direct costs (including external services and depreciation, depletion and amortization), production related overheads and royalties. Other materials and supplies inventories are valued at the lower of average cost and net realizable value. Obsolete, redundant and slow moving inventories are identified at each reporting date and written down to their net realizable values.

**(h) Financial assets and liabilities****Financial assets*****Initial recognition and measurement***

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

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

**2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*****Subsequent measurement - Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if management intends to sell the financial assets in the near term. This category includes any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship under IAS 39. Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in other expense in the consolidated statements of earnings. The Company's investment in Sabina Gold & Silver Corp. ("Sabina") warrants and special warrants and the derivative commodity contracts entered to economically hedge a portion of its provisionally priced sales and projected production are classified as financial assets at fair value through profit or loss.

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

***Subsequent measurement - Loans and receivables***

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

***Subsequent measurement - Available-for-sale financial assets***

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

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

***Derecognition***

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

**2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Impairment of financial assets***

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

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

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

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

**Financial liabilities*****Initial recognition and measurement***

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

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

**2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if management intends to settle the financial liabilities in the near term. This category includes any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship under IAS 39. Financial liabilities at fair value through profit or loss are carried at fair value with changes in fair value recognized in other expense in the consolidated statements of earnings. The equity settled warrants issued by the Company and the derivative commodity contracts entered to economically hedge a portion of its provisionally priced sales and projected production are, where applicable, classified as financial liabilities at fair value through profit or loss.

***Subsequent measurement - Other financial liabilities***

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

***Derecognition***

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

**(i) Offsetting of financial instruments**

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

**(j) Fair value of financial instruments**

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

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

Changes in the underlying assumptions could materially impact the Company's investments at fair value through profit or loss. Further details on measurement of the fair values of financial instruments are provided in *note 6*.

**2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**(k) Mineral exploration and evaluation expenditures**

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

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

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

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

**(l) Mine properties****Mine Properties - Mines under construction**

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

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

**2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Mine Properties – Producing mines**

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

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

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

**Depletion**

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

**Mineral Resources and Mineral Reserves estimates**

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

**(m) Property, plant and equipment**

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### 2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Depreciation

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

The depreciation rates for property, plant and equipment, which are depreciated on a straight-line basis, are as follows:

Asset Category	Depreciation rate (%)
Buildings	4-5
Machinery and Equipment	6 - 100
Vehicles	20
Computer Hardware	20 - 100
Office Equipment	15 - 20

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

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

The residual values, useful lives and methods of depreciation of all assets are reviewed at each financial year end and are adjusted prospectively, if appropriate.

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

#### Major maintenance and repairs

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

**2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(n) Intangible assets**

Intangible assets include software, exploration and software licenses and long-term customer contracts. Intangible assets acquired separately are measured upon initial recognition at cost, which comprises the purchase price plus any costs directly attributable to the preparation of the asset for its intended use. Intangible assets acquired through business combinations are initially recognized at fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses.

The amortization rates for intangible assets, which are amortized on a straight-line basis, are as follows:

Asset Category	Amortization rate (%)
Computer Software	10 - 50
Exploration and Software Licenses	10 - 100
Long-term Customer Contract	9

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

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

**(o) Assets held for sale**

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before being classified as held for sale, the assets are re-measured in accordance with the Company's accounting policies relevant to the assets. Thereafter the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognized in net earnings. The reversal of any previously recognized impairment loss cannot exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset held for sale.

The measurement of assets held for sale requires the use of estimates and assumptions related to the carrying value and its recoverability through sale. The actual sale proceeds may materially differ from the carrying value.

**(p) Impairment of non-financial assets**

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

**2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

The assessment of impairment is based, in part, on certain factors that may be partially or totally outside of the Company's control, and requires the use of estimates and assumptions related to future value drivers, such as commodity prices, discount rates, foreign exchange rates and operating and capital costs. These estimates and assumptions, some of which may be subjective, require that management make decisions based on the best available information at each reporting period. It is possible that the actual recoverable amount could be significantly different than those estimates. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable reserves, resources and exploration potential, and/or adverse market conditions can result in a write-down of the carrying amounts of the Company's assets. Fair value is determined as the net amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Value in use is based on estimated future cash flows discounted to their present value using a current pre-tax discount rate that is consistent with the risks specific to the asset. Management has assessed its CGUs as being an individual mine or processing site.

**(q) Provisions****General**

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

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

**2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Rehabilitation provisions**

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

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

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

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

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

**(r) Leases**

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

**Finance leases**

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

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

**Operating leases**

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

**2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**(s) Revenue recognition**

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

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

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

Revenue from the smelter is recognized when concentrate has been smelted. Under the toll agreement between Tsumeb and Louis Dreyfus Commodities Metals Suisse SA ("LDC"), 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 is also adjusted for any over or under recoveries of metals delivered to LDC relative to the contracted rates.

**(t) Borrowing costs**

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

**(u) Share based compensation transactions****Equity-settled transactions**

Stock options are granted to directors and selected employees to buy common shares of the Company. Options vest equally over a three-year period and expire five years from the date of grant. Grants of stock options are based on the closing price of the common shares on the TSX the day before the effective grant date and reflect the Company's estimate of the number of awards that will ultimately vest. The stock options are measured at the date of grant by reference to the fair value determined using a Black-Scholes valuation model, further details of which are given in *note 16*. The value is recognized as a general and administrative expense in the consolidated statements of earnings and an increase to contributed surplus in the consolidated statements of changes in shareholders' equity over the period in which the performance and/or service conditions are fulfilled.

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

**2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Cash-settled transactions**

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

A Restricted Share Unit ("RSU") Plan was established for directors, certain employees and eligible contractors of DPM and its wholly-owned subsidiaries in consideration of past services to the Company. The RSUs vest equally over a three year period and are paid in cash based on the Market Price of DPM's publicly traded common shares on the entitlement date or dates. The cost of the RSUs is measured initially at fair value on the authorization date based on the Market Price of DPM's common shares preceding the day the RSUs are authorized by the Board of Directors. The cost of RSUs is recognized as a liability under share based compensation plans, with the current portion recognized in accounts payable and accrued liabilities, in the consolidated statements of financial position and as a general and administrative expense in the consolidated statements of earnings over the vesting period. The liability is remeasured to fair value based on the Market Price of DPM's common shares at each reporting date up to and including the settlement date, with changes in fair value recognized in general and administrative expenses.

**(v) Income taxes****Current income tax**

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

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

**Deferred income tax**

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

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

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

**2.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

**(w) Earnings per share**

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

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

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**2.3 CHANGES IN ACCOUNTING POLICIES**

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Effective January 1, 2013, the Company adopted the following new standards and amendments to existing standards. These changes were made in accordance with the applicable transitional provisions.

**IFRS 7, *Financial Instruments: Disclosures***

IFRS 7 was amended to enhance disclosure requirements related to offsetting financial assets and financial liabilities. The adoption of IFRS 7 resulted in additional disclosures related to offsetting certain of the Company's derivative commodity contracts (*note 6(c)*).

**IFRS 10, *Consolidated Financial Statements***

IFRS 10 replaces the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements*, and Standing Interpretations Committee Interpretation 12, *Consolidation - Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee. Under IFRS 10, control is based on whether an investor has: 1) power over the investee; 2) exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation of any of its subsidiaries.

**IFRS 12, *Disclosure of Interests in Other Entities***

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The adoption of IFRS 12 resulted in additional disclosures related to the summarized financial information for each of the Company's subsidiaries that have non-controlling interests (*note 3*).

**IFRS 13, *Fair Value Measurement***

IFRS 13 provides a single framework for measuring fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The adoption of IFRS 13 did not require any significant adjustments to the valuation techniques used by the Company to measure fair value.

## **2.4 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

The following new standards, interpretations and amendments to existing standards are not yet effective for the year ended December 31, 2013, and have not been applied when preparing these consolidated financial statements. The Company's assessment of the impact of these new standards and interpretations is set out below.

### **IFRS 9, *Financial Instruments*, issued in November 2009**

This standard is the first step in the process to replace IAS 39, *Financial Instruments: Recognition & Measurement*. IFRS 9 introduces new requirements for classifying and measuring financial assets and hedge accounting. IFRS 9 establishes two primary measurement categories for financial assets: (i) amortized cost, and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and macro hedging. IFRS 9 was originally issued in November 2009, reissued in October 2010, and then amended in November 2013. The current version of IFRS 9 does not include a mandatory effective date but is available for adoption (subject to local endorsement requirements). An effective date will be added when all phases of the project are complete and a final version of IFRS 9 is issued. The Company continues to monitor and assess the impact of this standard.

### **IAS 32, *Financial Instruments: Presentation*, issued in December 2011**

The IASB published amendments to IAS 32 to provide clarifications on the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. The adoption of the amendments is not expected to have a significant impact on the Company's consolidated financial statements.

### **IFRIC 21, *Levies*, issued in May 2013**

IFRIC 21 is an interpretation on IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, with respect to the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation clarifies that the obligating event is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014, with early adoption permitted. The adoption of this standard is not expected to have a significant impact on the Company's consolidated financial statements.

### **IAS 36, *Impairment of Assets*, issued in May 2013**

The IASB published amendments to the disclosures required by IAS 36, when the recoverable amount is determined based on fair value less costs of disposal. The amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. The adoption of the amendments is not expected to have a significant impact on the Company's consolidated financial statements.

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**3. SIGNIFICANT TRANSACTIONS**

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**Avala**

On January 17, 2013, Avala closed an equity financing for gross proceeds of \$8.0 million. Avala issued a total of 40,000,000 units at Cdn\$0.20 per unit, with 25,000,000 units issued to DPM and 15,000,000 units issued to non-controlling interests. Each unit is comprised of one common share of Avala and one share purchase warrant. Each warrant is exercisable for a period of 24 months from closing, at an exercise price of Cdn\$0.30, to acquire one common share of Avala. Avala's cash proceeds from the units issued to DPM were eliminated upon consolidation. The cash proceeds from the units issued to non-controlling interests of \$2.5 million for the year ended December 31, 2013 were reported in cash provided from (used in) financing activities in the consolidated statements of cash flows.

As at December 31, 2013, DPM had a 53.1% (December 31, 2012 – 51.4%) ownership interest in Avala. The non-controlling interests' share of Avala's net loss resulting from its exploration activities for the year ended December 31, 2013 was \$4.0 million (2012 - \$16.5 million). The non-controlling interests' share of Avala's net assets as at December 31, 2013 was \$1.7 million (December 31, 2012 - \$4.6 million).

**Dunav**

During the year ended December 31, 2012, Dunav issued 9,197,500 common shares to DPM and 11,027,693 common shares to non-controlling interests on the exercise of their warrants. Dunav's cash proceeds from the shares issued to DPM were eliminated upon consolidation. The cash proceeds from the shares issued to non-controlling interests of \$4.7 million for the year ended December 31, 2012 were reported in cash provided from (used in) financing activities in the consolidated statements of cash flows.

On March 6, 2013, Dunav closed an equity financing for gross proceeds of \$16.8 million. Dunav issued a total of 56,076,500 units at Cdn\$0.30 per unit, with 23,333,400 units issued to DPM and 32,743,100 units issued to non-controlling interests. Each unit is comprised of one common share of Dunav and one share purchase warrant. Each warrant is exercisable for a period of 36 months from closing, at an exercise price of Cdn\$0.50, to acquire one common share of Dunav. Dunav's cash proceeds from the units issued to DPM were eliminated upon consolidation. The cash proceeds from the units issued to non-controlling interests of \$8.7 million for the year ended December 31, 2013 were reported in cash provided from financing activities in the consolidated statements of cash flows.

As at December 31, 2013, DPM had a 45.5% (December 31, 2012 – 47.3%) ownership interest in Dunav. The non-controlling interests' share of Dunav's net loss resulting from its exploration activities for the year ended December 31, 2013 was \$5.3 million (2012 - \$ 8.1 million). The non-controlling interests' share of Dunav's net assets as at December 31, 2013 was \$4.6 million (December 31, 2012 - \$2.4 million).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

Set out below is summarized financial information reported by Avala and Dunav that have been consolidated into these financial statements, with the exception of comprehensive loss attributable to non-controlling interests, which represents the Company's share of their loss. All financial information is presented before any intercompany eliminations.

The following table summarizes the financial position for Avala and Dunav as at December 31, 2013 and 2012:

	<b>Avala</b>		<b>Dunav</b>	
	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b>Current</b>				
Assets	<b>3,231</b>	4,117	<b>8,300</b>	2,464
Liabilities	<b>(1,107)</b>	(2,075)	<b>(780)</b>	(646)
<b>Total current net assets</b>	<b>2,124</b>	2,042	<b>7,520</b>	1,818
<b>Non-current</b>				
Assets	<b>1,822</b>	2,376	<b>598</b>	360
<b>Total non-current net assets</b>	<b>1,822</b>	2,376	<b>598</b>	360
<b>Net assets</b>	<b>3,946</b>	4,418	<b>8,118</b>	2,178

The following table summarizes the comprehensive loss for Avala and Dunav for the years ended December 31, 2013 and 2012:

	<b>Avala</b>		<b>Dunav</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>Net loss</b>	<b>(8,578)</b>	(33,869)	<b>(9,673)</b>	(15,290)
Currency translation adjustments	<b>(462)</b>	(358)	<b>(234)</b>	79
<b>Comprehensive loss, net of income taxes</b>	<b>(9,040)</b>	(34,227)	<b>(9,907)</b>	(15,211)
<b>Comprehensive loss attributable to non-controlling interests</b>	<b>(4,825)</b>	(16,648)	<b>(5,106)</b>	(8,043)

The following table summarizes the cash flow information for Avala and Dunav for the years ended December 31, 2013 and 2012:

	<b>Avala</b>		<b>Dunav</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Cash used in operating activities	<b>(8,055)</b>	(26,525)	<b>(8,018)</b>	(14,785)
Cash used in investing activities	<b>(16)</b>	(955)	<b>(414)</b>	(369)
Cash provided from financing activities	<b>7,614</b>	-	<b>15,440</b>	8,556
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(457)</b>	(27,480)	<b>7,008</b>	(6,598)
Cash and cash equivalents, beginning of year	<b>2,948</b>	30,428	<b>964</b>	7,562
<b>Cash and cash equivalents, end of year</b>	<b>2,491</b>	2,948	<b>7,972</b>	964

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### 4. INVENTORIES

	December 31, 2013	December 31, 2012
Gold/Copper/Zinc/Silver ore and concentrates	8,975	18,893
Spare parts and supplies	39,131	36,219
	<b>48,106</b>	<b>55,112</b>

For the year ended December 31, 2013, the cost of inventories recognized as an expense and included in cost of sales was \$170.4 million (2012 - \$153.2 million).

### 5. ACCOUNTS RECEIVABLE

	December 31, 2013	December 31, 2012
Accounts receivable	35,958	46,746
Value added tax recoverable	13,450	13,533
Supplier advances and other prepaids	9,647	9,311
	<b>59,055</b>	<b>69,590</b>

### 6. FINANCIAL INSTRUMENTS

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

		Carrying Amount	
		December 31, 2013	December 31, 2012
Financial instrument classification			
<b>Financial assets</b>			
Cash and cash equivalents	Loans and receivables	48,867	121,531
Short-term investments	Loans and receivables	940	1,826
Accounts receivable (note 5)	Loans and receivables	59,055	69,590
Restricted cash	Loans and receivables	2,710	5,306
Sabina warrants and special warrants (a)	Held for trading	2,573	26,121
Publicly traded securities (b)	Available for sale	15,206	49,490
Derivative commodity contracts (c)	Held for trading	4,513	1,695
<b>Financial liabilities</b>			
Accounts payable and accrued liabilities (note 12)	Other financial liabilities	53,739	54,218
Debt (note 13)	Other financial liabilities	83,788	81,767
Derivative commodity contracts (c)	Held for trading	5,713	-
Equity settled warrants (note 24(a))	Held for trading	10,834	-

The carrying values of all the financial assets and liabilities approximate their fair values as at December 31, 2013 and 2012.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### (a) Sabina warrants and special warrants

As at December 31, 2013, DPM held: (i) 23,539,713 common shares of Sabina, of which 5,000,000 common shares were issued to DPM upon the automatic exercise of its 5,000,000 Series A special warrants on October 7, 2013, when Sabina made the decision to proceed with a feasibility study on all or part of the Back River project; (ii) 2,500,000 common share purchase warrants, which were also issued to DPM upon the automatic exercise of its Series A special warrants on October 7, 2013; and (iii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the project or upon the occurrence of certain other events. Each of the special warrants is exercisable for a period of 35 years into one common share and one-half of a common share purchase warrant of Sabina. Each whole warrant, if issued, will be exercisable until June 9, 2014, being five years from the date of closing of the sale of the Back River project to Sabina, at the discretion of DPM, into one Sabina common share at a price of Cdn\$1.07 (\$1.01) per Sabina common share.

The fair value of the special warrants was based on the fair value of the Sabina common shares and the warrants. The fair value of the Sabina common shares was determined based on the closing bid prices as at December 31, 2013 and 2012. The fair value of the warrants was estimated using the closing bid price of Sabina's common shares in the Black-Scholes pricing model with the following assumptions:

	December 31, 2013	December 31, 2012
<b>Sabina Series A Warrants</b>		
Risk free interest rate	1.1%	1.1%
Expected exercise period in years	0.5	0.8
Expected volatility	92.3%	59.5%
Dividends per share	-	-
Discount rate	3.5%	3.5%

As at December 31, 2012, the Company no longer assumed that a positive production decision is likely to occur prior to June 9, 2014, being the expiry date of the Sabina Series B Warrants. As a result, the fair value of the warrant portion of the Sabina Series B special warrants was valued at \$nil as at December 31, 2013 and 2012.

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

For the year ended December 31, 2013, the Company recorded unrealized losses on the Sabina warrants and special warrants of \$19.2 million (2012 – \$9.8 million) in other expense (*note 19*) in the consolidated statements of earnings.

### (b) Publicly traded securities

Publicly traded securities include a portfolio of equity investments in publicly traded mining and exploration companies, comprised primarily of Sabina common shares.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### (c) Derivative commodity contracts

The Company enters into cash settled derivative contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to mitigate a portion of the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales. As at December 31, 2013, the Company had outstanding derivative contracts in respect of this exposure as summarized in the table below:

Commodity hedged	Volume hedged	Average fixed price
Payable gold	22,180 ounces	\$1,284.48/ounce
Payable copper	7,065,807 pounds	\$3.28/pound
Payable silver	80,500 ounces	\$19.81/ounce
Payable zinc	991,172 pounds	\$0.94/pound

The Company also enters into cash settled derivative contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to mitigate a portion of its by-product metals price exposure. As at December 31, 2013, the Company had outstanding derivative contracts in place to provide price protection on a portion of its 2014 and 2015 projected payable copper production as summarized in the table below:

Year of projected payable copper production	Volume hedged (pounds)	Average fixed price (\$/pound)
2014	41,080,889	3.31
2015	37,699,002	3.20
	<b>78,779,891</b>	<b>3.26</b>

The Company also entered into cash settled derivative contracts to swap future contracted monthly average gold prices for fixed prices to hedge the payable gold contained in its pyrite concentrate production contracted to be sold in 2014 and 2015. As at December 31, 2013, the Company had outstanding derivative contracts in respect of this exposure as summarized in the table below:

Year of projected payable gold production	Volume hedged (ounces)	Average fixed price (\$/ounce)
2014	30,000	1,230.90
2015	30,000	1,233.70
	<b>60,000</b>	<b>1,232.30</b>

As at December 31, 2013, the fair value loss on all outstanding derivative commodity contracts was \$1.2 million, of which \$3.8 million was included in other current assets, \$2.3 million in accounts payable and accrued liabilities, \$0.7 million in other long-term assets and \$3.4 million in other long-term liabilities. As at December 31, 2012, the fair value gain on all outstanding derivative commodity contracts was \$1.7 million, of which \$0.9 million was included in other current assets and \$0.8 million in other long-term assets in the consolidated statements of financial position.

Some of the derivative commodity contracts are subject to master netting agreements. As at December 31, 2013, there was no cash collateral pledged in connection with the derivative commodity contracts. As at December 31, 2012, \$4.2 million of cash collateral was pledged, with \$3.8 million recorded in other current assets and \$0.4 million recorded in other long-term assets. This cash collateral does not qualify for set-off.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

The following table summarizes those assets and liabilities subject to set-off, which were included in the assets and liabilities presented net in the consolidated statements of financial position.

As at December 31, 2013			
	Gross assets	Gross liabilities	Net assets (liabilities)
Derivative commodity contract assets	2,885	-	2,885
Derivative commodity contract liabilities	1,833	(3,276)	(1,443)
<b>Total</b>	<b>4,718</b>	<b>(3,276)</b>	<b>1,442</b>

As at December 31, 2012			
	Gross assets	Gross liabilities	Net assets
Derivative commodity contract assets	3,630	(1,935)	1,695
<b>Total</b>	<b>3,630</b>	<b>(1,935)</b>	<b>1,695</b>

Unrealized gains and losses on these contracts were calculated based on the corresponding London Metal Exchange forward copper and zinc prices and New York Commodity Exchange forward gold and silver prices. For the year ended December 31, 2013, the Company reported unrealized losses on these contracts of \$2.9 million (2012 – \$21.5 million). The Company also reported realized gains on the settlement of certain of these derivative commodity contracts of \$5.9 million (2012 – \$13.5 million) in other expense (*note 19*) for the year ended December 31, 2013.

### 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at December 31, 2013 and 2012:

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Sabina warrants and special warrants	-	-	2,573	2,573
Publicly traded securities	15,206	-	-	15,206
Derivative commodity contracts	-	4,513	-	4,513
<b>Financial liabilities</b>				
Derivative commodity contracts	-	5,713	-	5,713
Equity settled warrants	10,834	-	-	10,834

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Sabina warrants and special warrants	-	-	26,121	26,121
Publicly traded securities	49,490	-	-	49,490
Derivative commodity contracts	-	1,695	-	1,695

During the years ended December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

The following table reconciles level 3 fair value measurements from January 1, 2012 to December 31, 2013:

	December 31, 2013	December 31, 2012
Balance at beginning of year	26,121	35,924
Unrealized losses included in net earnings ( <i>note 19</i> )	(19,175)	(9,803)
Exercise of Sabina Series A special warrants common share component	(4,373)	-
<b>Balance at end of year</b>	<b>2,573</b>	<b>26,121</b>

## 7. EXPLORATION AND EVALUATION ASSETS

	December 31, 2013	December 31, 2012
Balance at beginning of year	126,326	102,814
Additions	21,498	22,518
Capitalized depreciation	1,102	994
<b>Balance at end of year</b>	<b>148,926</b>	<b>126,326</b>

Exploration and evaluation expenditures expensed directly to net earnings amounted to \$17.7 million (2012 - \$ 42.5 million) for the year ended December 31, 2013.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### 8. MINE PROPERTIES

	December 31, 2013	December 31, 2012
<b>Cost:</b>		
Balance at beginning of year	164,194	141,121
Additions (a)	10,352	29,373
Capitalized depreciation	960	840
Change in rehabilitation provisions	(175)	1,209
Transfers	-	(8,349)
<b>Balance at end of year</b>	<b>175,331</b>	<b>164,194</b>
<b>Accumulated depletion:</b>		
Balance at beginning of year	32,040	22,950
Depletion (b)	13,466	9,090
<b>Balance at end of year</b>	<b>45,506</b>	<b>32,040</b>
<b>Net book value:</b>		
At beginning of year	132,154	118,171
<b>At end of year</b>	<b>129,825</b>	<b>132,154</b>

(a) Included in additions were capitalized borrowing costs relating to mine properties amounting to \$3.6 million for the year ended December 31, 2012, at a weighted average interest rate of 5.36%.

(b) All mine properties are related to producing mines. The depletion expense for mine properties has been fully charged to cost of sales in the consolidated statements of earnings for the years ended December 31, 2013 and 2012.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### 9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Construction Work-in- Progress	Total
<b>Cost:</b>				
Balance as at January 1, 2012	34,274	219,217	90,784	344,275
Additions	780	14,827	91,821	107,428
Currency translation adjustment	(149)	(350)	-	(499)
Disposals	(9)	(3,979)	-	(3,988)
Impairment charge (note 19(a))	-	(4,261)	-	(4,261)
Change in rehabilitation provisions	647	2,593	-	3,240
Transfers	1,216	73,931	(66,798)	8,349
Balance as at December 31, 2012	36,759	301,978	115,807	454,544
Additions	2,411	12,433	167,688	182,532
Currency translation adjustment	38	71	-	109
Disposals	(891)	(1,754)	-	(2,645)
Impairment charge (note 19(a))	(802)	(15,641)	(23)	(16,466)
Change in rehabilitation provisions	(71)	11,185	-	11,114
Transfers	207	71,837	(72,044)	-
<b>Balance as at December 31, 2013</b>	<b>37,651</b>	<b>380,109</b>	<b>211,428</b>	<b>629,188</b>
<b>Accumulated depreciation and impairment:</b>				
Balance as at January 1, 2012	8,680	72,062	-	80,742
Depreciation expense	3,313	24,081	-	27,394
Capitalized depreciation	26	1,751	-	1,777
Currency translation adjustment	(102)	(335)	-	(437)
Depreciation relating to disposals	(1)	(3,617)	-	(3,618)
Impairment charge (note 19(a))	-	(2,043)	-	(2,043)
Balance as at December 31, 2012	11,916	91,899	-	103,815
Depreciation expense	1,801	34,354	-	36,155
Capitalized depreciation	24	1,946	-	1,970
Currency translation adjustment	47	1	-	48
Depreciation relating to disposals	(110)	(1,546)	-	(1,656)
Impairment charge (note 19(a))	(110)	(3,780)	-	(3,890)
<b>Balance as at December 31, 2013</b>	<b>13,568</b>	<b>122,874</b>	<b>-</b>	<b>136,442</b>
<b>Net book value:</b>				
As at December 31, 2012	24,843	210,079	115,807	350,729
<b>As at December 31, 2013</b>	<b>24,083</b>	<b>257,235</b>	<b>211,428</b>	<b>492,746</b>

Of the total depreciation expense for the year ended December 31, 2013, \$35.1 million (2012 - \$26.3 million) was charged to cost of sales and \$1.1 million (2012 - \$1.1 million) was charged to general and administrative expenses in the consolidated statements of earnings.

The carrying value of equipment held under finance leases as at December 31, 2013 was \$16.0 million (December 31, 2012 - \$18.4 million). Leased assets are pledged as security for the related finance lease obligations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### 10. INTANGIBLE ASSETS

	December 31, 2013	December 31, 2012
<b>Cost:</b>		
Balance at beginning of year	40,197	43,690
Additions	1,618	1,264
Currency translation adjustment	36	(931)
Disposals and impairment charge	(70)	(3,826)
<b>Balance at end of year</b>	<b>41,781</b>	<b>40,197</b>
<b>Accumulated amortization and impairment:</b>		
Balance at beginning of year	11,507	9,466
Amortization	3,973	3,724
Capitalized amortization	92	57
Currency translation adjustment	36	(323)
Amortization relating to disposals and impairment charge	(59)	(1,417)
<b>Balance at end of year</b>	<b>15,549</b>	<b>11,507</b>
<b>Net book value:</b>		
At beginning of year	28,690	34,224
<b>At end of year</b>	<b>26,232</b>	<b>28,690</b>

As at December 31, 2013, intangible assets included \$23.2 million (December 31, 2012 - \$26.3 million) related to a toll processing contract with LDC acquired as part of the Company's 2010 acquisition of Tsumeb. For the year ended December 31, 2013, the Company recorded a \$3.2 million (2012 - \$3.2 million) amortization expense on this intangible asset. The remaining useful life of this intangible asset is expected to be seven years from the reporting date.

Of the total intangible asset amortization expense for the year ended December 31, 2013, \$3.6 million (2012 - \$3.5 million) was charged to cost of sales and \$0.4 million (2012 - \$0.2 million) was charged to general and administrative expenses in the consolidated statements of earnings.

### 11. OTHER LONG-TERM ASSETS

	December 31, 2013	December 31, 2012
Restricted cash	2,108	930
Derivative commodity contracts ( <i>note 6(c)</i> )	731	768
Value added tax recoverable	448	450
Other	1,818	713
	<b>5,105</b>	<b>2,861</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### 12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2013	December 31, 2012
Accounts payable	26,925	24,779
Accrued liabilities	23,017	27,515
Derivative commodity contracts (note 6(c))	2,325	-
Other payables	1,472	1,924
	53,739	54,218

### 13. DEBT

	December 31, 2013	December 31, 2012
<b>Current portion of debt</b>		
Term loans (a)	16,250	16,250
Tsumeb loan (a)	393	1,571
	16,643	17,821
<b>Long-term portion of debt</b>		
Term loans (a)	47,145	63,553
Tsumeb loan (a)	-	393
Revolving credit facility (b)	20,000	-
	67,145	63,946
<b>Total debt</b>	<b>83,788</b>	<b>81,767</b>

#### (a) Loans

##### Term Loans

On February 14, 2013, DPM repaid its \$81.25 million of Chelopech term loans utilizing proceeds of equal value from its new secured term loans ("Term Loans") with the existing lenders of the Chelopech loans.

The Term Loans are repayable in 10 equal semi-annual instalments commencing June 2013 and bear interest at a rate equal to the three month U.S. Dollar LIBOR plus 3.25% until June 2013, when the completion of the Chelopech mine and mill expansion was certified, and at a rate equal to the three month U.S. Dollar LIBOR plus 2.80% thereafter. The Term Loans are supported by pledges of the Company's investments in Krumovgrad, Chelopech, Kapan and Tsumeb and by guarantees from each of these subsidiaries. As at December 31, 2013, this loan had an outstanding balance of \$65.0 million and DPM was in compliance with all financial covenants.

In February 2014, the Term Loans were amended to modify certain terms in anticipation of moving forward with the Krumovgrad gold project. The Term Loans contain financial covenants that require DPM to maintain: (i) a debt leverage ratio (funded net debt to adjusted earnings before interest, taxes, depreciation, and amortization ("EBITDA"), as defined in the Term Loans' agreement) below 3.5:1 (below 4.0:1 during any period in which Krumovgrad construction is in progress), (ii) a current ratio of greater than 1.5:1, and (iii) a minimum net worth of \$500 million plus 50% of ongoing annual net earnings.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### Tsumeb Loan

Tsumeb has an unsecured loan from LDC which bears interest at a rate equal to the three month U.S. Dollar LIBOR plus 4%. Based on a modified term loan agreement between Tsumeb and LDC signed on May 17, 2010, this loan is repayable in 12 equal quarterly instalments commencing June 1, 2011. As at December 31, 2013, this loan had an outstanding balance of \$0.4 million.

### (b) Credit Agreements and Guarantees

#### Chelopech

On November 12, 2012, Chelopech concluded a \$16.0 million multi-purpose credit facility that matures on November 30, 2014. This credit facility is guaranteed by DPM. Advances under the multi-purpose revolving credit facility bear interest at a rate equal to the one month U.S. Dollar LIBOR plus 3.25%. As at December 31, 2013, \$5.0 million (December 31, 2012 - \$4.5 million) was utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee and \$nil (December 31, 2012 - \$10.7 million) was utilized against the credit limit for hedging.

On November 12, 2012, Chelopech also concluded a Euro 21.0 million (\$28.9 million as at December 31, 2013) (December 31, 2012 - \$27.8 million) bank issued letter of guarantee to support Chelopech's mine closure and rehabilitation plan, which was posted with the Bulgarian Ministry of Economy, Energy and Tourism. This letter of guarantee, which is guaranteed by DPM, was extended during 2013 and matures on November 15, 2014.

#### DPM

On February 15, 2013, DPM established a new \$150.0 million committed revolving credit facility ("RCF") with a consortium of six banks. The RCF contains the same financial covenants and shares in the same security package as the Term Loans. As at December 31, 2013, DPM was in compliance with all financial covenants and \$20.0 million was drawn under the RCF.

In February 2014, the RCF was amended to extend its term by one year and to modify certain terms to align with amendments made to the Term Loans. As a result, the RCF's two tranches of \$125.0 million and \$25.0 million were extended to February 2017 and 2019, respectively. The RCF bears interest at a spread above LIBOR, which varies between 2.75% and 4.75% depending upon the Company's debt leverage ratio (funded net debt to adjusted EBITDA), as defined in the RCF agreement.

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

	Payments Due by Period		
	up to 1 year	1 - 5 years	Total
Term loans	16,250	48,750	65,000
Tsumeb loan	393	-	393
Revolving credit facility	-	20,000	20,000
	16,643	68,750	85,393
Unamortized deferred financing costs			(1,605)
<b>Total long-term debt</b>			<b>83,788</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### 14. REHABILITATION PROVISIONS

The rehabilitation provisions represent the present value of rehabilitation costs relating to the Chelopech, Kapan and Tsumeb sites, which are expected to be incurred between 2015 and 2039.

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

	December 31, 2013	December 31, 2012
<b>Discount period</b>		
Chelopech	2023 - 2026	2023 - 2026
Kapan	2015 - 2018	2015 - 2018
Tsumeb	2016 - 2039	2023
<b>Discount rate</b>		
Chelopech	3.4%	3.4%
Kapan	15.0%	16.0%
Tsumeb	9.7%	6.8%
<b>Inflation rate</b>		
Chelopech	2.5%	3.0%
Kapan	4.0%	4.0%
Tsumeb	5.5%	4.5%

Changes to rehabilitation provisions were as follows:

	Chelopech	Kapan	Tsumeb	Total
Balance as at January 1, 2012	22,576	4,881	8,974	36,431
Change in cost estimate (a)	(1,045)	(234)	(614)	(1,893)
Remeasurement of provisions (b)	5,820	(78)	366	6,108
Accretion expense (note 18)	1,101	794	701	2,596
Balance as at December 31, 2012	28,452	5,363	9,427	43,242
Change in cost estimate (a)	-	-	14,775	14,775
Remeasurement of provisions (b)	(851)	104	(3,089)	(3,836)
Accretion expense (note 18)	1,013	862	507	2,382
<b>Balance as at December 31, 2013</b>	<b>28,614</b>	<b>6,329</b>	<b>21,620</b>	<b>56,563</b>

- (a) During the year ended December 31, 2012, the estimated economic life of the Chelopech mine and the Tsumeb custom smelter was extended by three years from 2020 to 2023 and correspondingly, the estimated time during which the rehabilitation costs are expected to be incurred is between 2023 and 2026 compared to the previous expectation of between 2020 and 2023. As a result of this change, the present value of the rehabilitation provisions decreased by \$1.4 million for Chelopech and \$0.6 million for Tsumeb as at December 31, 2012.

During the year ended December 31, 2013, the estimated economic life of the Tsumeb custom smelter was extended from 2023 to 2039. This change reflects the estimated useful life of Tsumeb's assets and the expectation that third party concentrates will be processed beyond the current estimated life of the Chelopech mine, which previously was the key determinant for this estimate. Tsumeb also increased its estimated rehabilitation costs based on its current activities, closure plans and closure obligations. As a result, the present value of the Tsumeb rehabilitation provision increased by \$14.8 million as at December 31, 2013.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### 15. OTHER LONG-TERM LIABILITIES

	December 31, 2013	December 31, 2012
Finance leases (a)	17,828	19,764
Derivative commodity contracts (note 6(c))	3,387	-
Environmental commitment	602	602
Other liabilities	455	340
	<b>22,272</b>	<b>20,706</b>
Less: Current portion	(2,833)	(3,033)
	<b>19,439</b>	<b>17,673</b>

(a) Tsumeb has a long-term lease agreement with Air Liquide Namibia (Pty) Ltd. for the supply of oxygen. The initial term of the lease is 15 years extending to 2025, payable on a monthly basis. The lease payments were discounted at a rate of 12.5%.

Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments, are as follows:

	Payments Due by Period			Total
	up to 1 year	1 - 5 years	over 5 years	
Minimum lease payments	2,230	4,141	11,457	17,828
Finance charges	1,916	6,353	5,035	13,304
<b>Present value of minimum lease payments</b>	<b>4,146</b>	<b>10,494</b>	<b>16,492</b>	<b>31,132</b>

### 16. SHARE BASED COMPENSATION PLANS

#### RSU Plan

In 2012, DPM established an RSU Plan for directors, certain employees and eligible contractors of DPM and its wholly-owned subsidiaries in consideration of past services to the Company. The Board of Directors administers the RSU plan and determines the grants. The RSUs vest equally over a three year period and are paid in cash based on the market value of DPM's publicly traded common shares on the entitlement date or dates, which should not be later than December 31 of the year that is three years after the year of service for which the RSUs are granted, as determined by the Board of Directors in its sole discretion.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

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

	Number of RSUs	Amount
Balance as at January 1, 2012	-	-
RSUs granted	463,700	1,809
RSUs forfeited	(13,575)	(46)
Mark-to-market adjustments		(150)
Balance as at December 31, 2012	450,125	1,613
RSUs granted	<b>719,475</b>	<b>3,586</b>
RSUs redeemed	<b>(152,451)</b>	<b>(1,084)</b>
RSUs forfeited	<b>(56,436)</b>	<b>(147)</b>
Mark-to-market adjustments		<b>(2,551)</b>
<b>Balance as at December 31, 2013</b>	<b>960,713</b>	<b>1,417</b>

As at December 31, 2013, there was \$3.1 million (December 31, 2012 – \$2.0 million) of RSU expenses remaining to be charged to net earnings in future periods relating to the RSU plan.

### DSU plan

DPM has a DSU Plan for directors and certain employees.

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

Under the director DSU Plan, effective January 1, 2005 and as amended on March 24, 2010, directors may receive a portion of their annual compensation in the form of DSUs. The DSUs are redeemable in cash based on the market value of DPM's publicly traded common shares on the date the director ceases to be a director of DPM or a subsidiary thereof.

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

	Number of DSUs	Amount
Balance as at January 1, 2012	579,794	4,686
DSUs granted	59,266	476
DSUs redeemed	(33,906)	(284)
Mark-to-market adjustments		66
Balance as at December 31, 2012	605,154	4,944
DSUs granted	<b>103,763</b>	<b>466</b>
Mark-to-market adjustments		<b>(3,491)</b>
<b>Balance as at December 31, 2013</b>	<b>708,917</b>	<b>1,919</b>

### Stock option plans

#### *DPM stock option plan*

The Company has established an incentive stock option plan for the directors, selected employees and consultants. Pursuant to the plan, the exercise price of the option cannot be less than the market price of DPM's common shares on the trading date preceding the day the option is granted. 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 CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

During the year ended December 31, 2013, the Company granted 891,050 (2012 – 1,033,000) stock options with a fair value of \$3.1 million (2012 – \$4.4 million). The estimated value of the options granted will be recognized as an expense in the consolidated statements of earnings and an addition to contributed surplus in the consolidated statements of changes in shareholders' equity over the vesting period. The Company recorded stock option expenses of \$4.0 million (2012 – \$4.8 million) for the year ended December 31, 2013 under the DPM stock option plan.

As at December 31, 2013, there was \$2.4 million (December 31, 2012 – \$3.5 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:

	2013	2012
Five year risk free interest rate	1.3% - 1.5%	1.1% - 1.6%
Expected life in years	4.75	4.75
Expected volatility	53.3% - 57.0%	54.9% - 57.2%
Dividends per share	-	-

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

	Number of options	Weighted average exercise price per share (Cdn\$)
Balance as at January 1, 2012	5,971,569	4.80
Options granted	1,033,000	9.06
Options exercised	(394,662)	3.74
Options forfeited	(105,236)	7.45
Options expired	(78,839)	9.25
Balance as at December 31, 2012	6,425,832	5.46
Options granted	891,050	7.81
Options exercised	(849,466)	1.81
Options forfeited	(116,271)	8.86
Options expired	(90,663)	8.61
<b>Balance as at December 31, 2013</b>	<b>6,260,482</b>	<b>\$6.18</b>

The following lists the options outstanding and exercisable as at December 31, 2013:

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\$)
1.37 - 4.27	2,618,932	0.86	2.77	2,605,632	2.76
6.56 - 7.84	919,550	4.02	7.79	82,166	7.37
8.09 - 10.33	2,722,000	2.62	8.91	1,484,631	8.88
<b>1.37 - 10.33</b>	<b>6,260,482</b>	<b>2.09</b>	<b>6.18</b>	<b>4,172,429</b>	<b>5.03</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### Avala stock option plan

Avala has established an incentive stock option plan for directors, officers, employees and consultants. The stock option expense in respect of this plan was \$1.0 million (2012 - \$3.2 million) for the year ended December 31, 2013.

As at December 31, 2013, an additional \$0.1 million (December 31, 2012 - \$1.1 million) is expected to be charged to earnings in future periods relating to these 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:

	2013	2012
Five year risk free interest rate	1.5%	1.2% - 1.5%
Expected life in years	5.0	5.0
Expected volatility	114.0%	84.1% - 139.8%
Dividends per share	-	-

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

	Number of options	Weighted average exercise price per share (Cdn\$)
Balance as at January 1, 2012	12,535,000	0.72
Options granted	2,755,000	0.71
Balance as at December 31, 2012	15,290,000	0.72
Options granted	125,000	0.10
Options forfeited	(75,000)	1.17
<b>Balance as at December 31, 2013</b>	<b>15,340,000</b>	<b>0.71</b>

The following lists the options outstanding and exercisable as at December 31, 2013:

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\$)
0.10 - 0.50	7,100,000	1.64	0.35	7,100,000	0.35
0.51 - 1.00	2,675,000	3.48	0.68	1,883,333	0.68
1.01 - 1.25	5,565,000	2.69	1.20	5,518,333	1.20
	<b>15,340,000</b>	<b>2.34</b>	<b>0.71</b>	<b>14,501,666</b>	<b>0.71</b>

### Dunav stock option plan

Dunav has established an incentive stock option plan for directors, officers, employees and consultants. The stock option expense in respect of this plan was \$0.4 million (2012 - \$1.5 million) for the year ended December 31, 2013.

As at December 31, 2013, an additional \$0.03 million (December 31, 2012 - \$0.4 million) is expected to be charged to earnings in future periods relating to these stock option grants.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### 17. EXPENSES BY NATURE

The operating costs, including cost of sales, general and administrative expenses and exploration expenses, as reported in the consolidated statements of earnings, have been regrouped by the nature of the expenses as follows:

	2013	2012
Raw materials, consumables and spare parts	119,336	100,779
Staff costs	66,021	63,619
Service costs	26,543	35,085
Royalties	11,028	12,141
Exploration	9,187	32,573
Share based compensation expense	3,650	11,560
Insurance	3,499	4,393
Depletion of mine properties (note 8)	13,466	9,090
Depreciation of property, plant and equipment (note 9)	36,155	27,394
Amortization of intangible assets (note 10)	3,973	3,724
Other costs	9,277	7,669
<b>Total operating costs</b>	<b>302,135</b>	<b>308,027</b>

### 18. FINANCE COST

	2013	2012
Interest on borrowings (a)	5,914	935
Finance charges under finance leases	2,027	2,172
Accretion expense related to rehabilitation provisions (note 14)	2,382	2,596
	<b>10,323</b>	<b>5,703</b>

(a) Interest on borrowings for the year ended December 31, 2012 was net of the interest on long-term debt that had been capitalized to mine properties (note 8).

### 19. OTHER EXPENSE

	2013	2012
Unrealized losses on Sabina warrants and special warrants (note 6(a))	(19,175)	(9,803)
Realized losses on publicly traded securities (note 6(b))	-	(85)
Net gains (losses) on derivative commodity contracts (note 6(c))	3,042	(7,952)
Net gains on equity settled warrants (note 24(a))	22,383	-
Impairment losses on property, plant & equipment (a)	(12,576)	(2,218)
Impairment losses on intangible assets	-	(2,409)
Net foreign exchange gains (losses)	1,224	(565)
Other (expense) income, net	(727)	683
	<b>(5,829)</b>	<b>(22,349)</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

- (a) Included in the impairment losses on property, plant and equipment for the year ended December 31, 2013 were \$10.1 million of impairment losses on a refurbished oxygen plant and equipment related to a Metals Processing Facility ("MPF") project that Chelomech no longer plans to use and a \$2.0 million impairment loss on a reverberatory furnace that Tsumeb has permanently shut down. As at December 31, 2013, the carrying value of the oxygen plant represented its estimated fair value less cost of disposal, which was estimated from comparisons to recent transactions of other similar plants, and the carrying value of the equipment related to the MPF project represented their estimated residual value. The impairment losses on property, plant and equipment for the year ended December 31, 2012 included various write-offs of equipment no longer being used by the operations.

## 20. INCOME TAXES

The major components of income tax expense recognized in net earnings were as follows:

	2013	2012
Current income tax expense on earnings	12,227	19,621
Deferred income tax expense related to origination and reversal of temporary differences	1,451	202
<b>Income tax expense</b>	<b>13,678</b>	<b>19,823</b>

The reconciliation of the combined Canadian federal and provincial government statutory income tax rates to the effective tax rate was as follows:

	2013	2012
<b>Combined Canadian federal and provincial statutory income tax rates</b>	<b>26.50%</b>	<b>26.50%</b>
<b>Earnings before income taxes</b>	<b>26,859</b>	<b>49,654</b>
<b>Income tax expense at Canadian statutory rates</b>	<b>7,118</b>	<b>13,158</b>
Adjusted for the effect of:		
Lower rates on foreign earnings	(7,629)	(18,636)
Unrecognized tax benefit relating to foreign and Canadian losses	13,231	22,752
Non-taxable gains on equity settled warrants	(2,920)	-
Non-deductible portion of capital losses	2,541	1,310
Non-deductible share based compensation expense	1,049	1,277
Other, net	288	(38)
<b>Income tax expense</b>	<b>13,678</b>	<b>19,823</b>

The income tax credited to other comprehensive income for the year ended December 31, 2013 was \$3.6 million (2012 – \$2.7 million) relating to the deferred income tax recovery on losses on publicly traded securities.

The income tax charged directly to equity for the year ended December 31, 2013 was \$nil (2012 - \$0.6 million) relating to the current income tax expense on taxable gains on expiry of DPM's warrants (*note 24(a)*).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

The significant components of the Company's deferred income taxes as at December 31, 2013 and 2012 were as follows:

	December 31, 2013	December 31, 2012
<b>Deferred income tax assets</b>		
Non-capital losses	32,447	24,011
Cumulative Canadian exploration expenses	1,700	1,700
Rehabilitation provisions	3,498	3,269
Depreciable property, plant and equipment	3,150	1,825
Investments	3,002	-
Equity settled warrants	2,871	-
Financing costs	880	579
Share based compensation expense	671	1,505
Other	3,483	2,022
Gross deferred income tax assets	51,702	34,911
Unrecognized tax benefit relating to tax losses	(44,841)	(25,139)
Total deferred income tax assets	6,861	9,772
<b>Deferred income tax liabilities</b>		
Deferred exploration	(4,310)	(4,683)
Depreciable property, plant and equipment	(2,527)	(2,410)
Investments	-	(5,034)
Other	(1,093)	(851)
Total deferred income tax liabilities	(7,930)	(12,978)
<b>Net deferred income tax liabilities</b>	<b>(1,069)</b>	<b>(3,206)</b>

As at December 31, 2013, the Company had \$4.4 million (December 31, 2012 - \$2.4 million) deferred income tax assets and \$5.5 million (December 31, 2012 - \$5.6 million) deferred income tax liabilities in its consolidated statements of financial position after offsetting deferred income tax assets and liabilities incurred by the same legal entities in the same jurisdictions.

As at December 31, 2013, the Company had Canadian non-capital losses of \$64.6 million (December 31, 2012 - \$41.2 million) expiring between 2027 and 2033, Serbian non-capital losses of \$98.7 million (December 31, 2012 - \$81.4 million) expiring between 2014 and 2021, and Bulgarian non-capital losses of \$1.1 million (December 31, 2012 - \$2.7 million) expiring between 2014 and 2017, for which no deferred income tax assets had been recognized.

Of the total deferred income tax assets recognized in 2013, \$6.4 million (2012 - \$9.3 million) is expected to be recovered after more than 12 months. Of the total deferred income tax liabilities recognized in 2013, \$7.8 million (2012 - \$12.8 million) is expected to be payable after more than 12 months.

The Company is subject to assessments by various taxation authorities which may interpret tax legislation and tax filing positions differently than the Company. Such differences are provided for when it is probable that the Company's filing position will not be upheld and the amount of the tax exposure can be reasonably estimated. As at December 31, 2013 and 2012, no provisions have been made in the consolidated financial statements for potential tax liabilities relating to such assessments and interpretations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### 21. EARNINGS PER SHARE

	2013	2012
<b>Net earnings attributable to common shareholders</b>		
Basic earnings	22,506	54,376
Net gains on equity settled warrants (note 24(a))	(22,383)	-
<b>Diluted earnings</b>	<b>123</b>	<b>54,376</b>
Basic weighted average number of common shares outstanding	133,589,806	125,401,846
Effect of warrants	6,514,362	12,513,391
Effect of stock options	1,360,115	2,435,901
<b>Diluted weighted average number of common shares</b>	<b>141,464,283</b>	<b>140,351,138</b>
<b>Basic earnings per share</b>	<b>0.17</b>	<b>0.43</b>
<b>Diluted earnings per share</b>	<b>0.00</b>	<b>0.39</b>

### 22. 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, as defined above, for the years ended December 31, 2013 and 2012 was as follows:

	2013	2012
Salaries, management bonuses and director fees	5,199	5,510
Other benefits	127	68
Share based compensation (a)	4,285	3,706
<b>Total remuneration</b>	<b>9,611</b>	<b>9,284</b>

- (a) Share based compensation is based on the total estimated fair value of the stock options, DSUs and RSUs at the date authorized to be granted or granted for the years ended December 31, 2013 and 2012. The stock options and RSUs vest and are recognized equally over a three year period and the DSUs are recognized immediately at the date of grant in the consolidated statements of earnings (note 16).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### 23. SUPPLEMENTARY CASH FLOW INFORMATION

#### (a) Items not affecting cash and other adjustments:

	2013	2012
Depreciation and amortization	53,594	40,208
Net interest expense	7,450	2,059
Accretion expense related to rehabilitation provisions	2,382	2,596
Share based compensation expense	5,290	9,488
Unrealized losses on Sabina warrants and special warrants	19,175	9,803
Realized losses on sale of publicly traded securities	-	85
Net (gains) losses on derivative commodity contracts	(3,042)	7,952
Net gains on equity settled warrants	(22,383)	-
Impairment losses on property, plant & equipment	12,576	2,218
Impairment losses on intangible assets	-	2,409
Other, net	(1,662)	(508)
<b>Items not affecting cash and other adjustments</b>	<b>73,380</b>	<b>76,310</b>

#### (b) Changes in non-cash working capital:

	2013	2012
Decrease (increase) in accounts receivable and other assets	10,984	(39,569)
Decrease (increase) in inventories	7,006	(11,334)
(Decrease) Increase in accounts payable and accrued liabilities	(4,345)	7,645
(Decrease) increase in other liabilities	(2,388)	404
<b>Changes in non-cash working capital</b>	<b>11,257</b>	<b>(42,854)</b>

### 24. SUPPLEMENTARY SHAREHOLDERS' EQUITY AND WARRANTS INFORMATION

#### (a) Warrants

On June 29, 2012, 2,760,000 warrants, issued at a fair value of Cdn\$4.8 million (\$4.5 million) with an exercise price of Cdn\$15.00 per common share, expired. The originally assigned fair value of the expired warrants was transferred from warrants to contributed surplus in the consolidated statements of changes in shareholders' equity for the year ended December 31, 2012.

As at December 31, 2012, 20,439,500 warrants, issued by DPM at a fair value of Cdn\$11.9 million (\$9.6 million) with an expiry date of November 20, 2015, were outstanding. Each whole warrant entitled the holder to purchase one common share at a price of Cdn\$3.25.

On May 9, 2013, DPM shareholders and warrant holders approved a warrant incentive program to encourage early exercise. Under this incentive program, each whole warrant entitled the holder to purchase one common share at a reduced price of Cdn\$2.85 during a period of 30 days commencing on May 10, 2013 ("Early Exercise Period"). Each warrant not exercised during the Early Exercise Period continues to entitle the holder to purchase one common share at the original exercise price.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

The modification of the exercise price under the warrant incentive program triggered a reassessment of the accounting treatment for the warrants, which in 2008 were classified as equity since both the warrants and the Company's functional currency were then denominated in Canadian dollars. Under IAS 32, Financial Instruments: Presentation, a financial instrument settled by an entity delivering a fixed number of its own shares in exchange for a fixed amount of cash is considered to be an equity instrument. With the modification and DPM changing its functional currency to the U.S. dollar in 2010, such that the warrants are now denominated in a foreign currency, the warrants must now be reclassified as a financial liability and marked to market as they no longer meet the requirements of being an equity instrument, notwithstanding the fact that under no circumstances will the Company incur any cash expenditure to satisfy this liability. Instead, this liability will be settled upon the exercise or expiry of the warrants, where upon the then fair value will be reclassified and reported as either shareholders' equity or other expense.

As a result, on May 9, 2013, the effective date of the modification to the warrants, a liability was established in the amount of \$58.7 million recorded as equity settled warrants in the consolidated statements of financial position, representing the fair value of the warrants based on the TSX closing price with corresponding reductions in shareholders' equity of \$38.8 million to contributed surplus, \$10.3 million to opening retained earnings and \$9.6 million to warrants. During the Early Exercise Period, 12.7 million warrants were exercised for gross proceeds of \$35.3 million, which together with the corresponding \$25.5 million reduction in the value of the warrants, represented the gross value attributable to the 12.7 million shares issued by the Company. The equity settled warrants were subsequently adjusted for changes in fair value, which were recognized in other expense (*note 19*) in the consolidated statements of earnings.

The following is a continuity of the equity settled warrants for the year indicated:

	Number of Warrants	Amount
Opening balance on modification of warrants as at May 9, 2013	20,439,500	58,672
Transferred to share capital on exercise of warrants	(12,705,836)	(25,455)
Realized gains on exercise of warrants		(11,018)
Unrealized gains on outstanding warrants		(11,365)
<b>Balance as at December 31, 2013</b>	<b>7,733,664</b>	<b>10,834</b>

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

	2013	2012
<b>Unrealized (losses) gains on publicly traded securities</b>		
Balance at beginning of year	23,514	42,834
Unrealized losses on publicly traded securities, net of income taxes	(34,990)	(19,405)
Realized loss on sale of publicly traded securities transferred to net earnings, net of income taxes	-	85
Impairment loss on publicly traded securities transferred to net earnings, net of income taxes	416	-
<b>Balance at end of year</b>	<b>(11,060)</b>	<b>23,514</b>
<b>Accumulated currency translation adjustments</b>		
Balance at beginning of year	(576)	(443)
Currency translation adjustments	(90)	(133)
<b>Balance at end of year</b>	<b>(666)</b>	<b>(576)</b>
<b>Accumulated other comprehensive (loss) income</b>	<b>(11,726)</b>	<b>22,938</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### 25. COMMITMENTS AND OTHER CONTINGENCIES

#### (a) Contractual obligations

The Company had the following minimum future contractual obligations as at December 31, 2013:

	up to 1 year	1 - 5 years	over 5 years	Total
Debt (note 13)	16,643	68,750	-	85,393
Finance lease obligations (note 15)	4,146	10,494	16,492	31,132
Capital commitments	147,635	-	-	147,635
Purchase obligations	8,187	-	-	8,187
Operating lease obligations	1,581	2,811	1,990	6,382
Other obligations	408	26	19	453
<b>Total contractual obligations</b>	<b>178,600</b>	<b>82,081</b>	<b>18,501</b>	<b>279,182</b>

#### (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.

### 26. FINANCIAL RISK MANAGEMENT

The Company's principal financial liabilities comprise accounts payable and accrued liabilities and long-term debt. The main purpose of these financial instruments is to assist with the management of the Company's short term and long term cash flow requirements. The Company has various financial assets such as cash and cash equivalents, accounts receivable and short-term investments, which arise directly from its operations.

The main risks that could adversely affect the Company's financial assets, liabilities or future cash flows are market risk (which includes commodity price risk, interest rate risk and foreign currency risk), liquidity risk and credit risk. Management reviews each of these risks and establishes policies for managing them as summarized below.

The following discussion also includes a sensitivity analysis that is intended to illustrate the sensitivity to changes in market variables on the Company's financial instruments and the impact on net earnings and shareholders' equity, where applicable. Financial instruments affected by market risk include cash and cash equivalents, accounts receivable, investments at fair value, derivative commodity contracts, long-term debt, accounts payable and accrued liabilities. The sensitivity has been prepared using financial assets and liabilities held as at the reporting dates. The derivative commodity contracts that the Company has entered do not meet the IFRS criteria for hedge accounting and therefore do not receive hedge accounting treatment notwithstanding the fact that they serve as effective economic hedges.

The Company has established risk management policies to identify and analyze the risks of the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees involved in risk management activities understand their roles and obligations.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### Market risk

Market risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: commodity price risk, interest rate risk and foreign currency risk. The impact of each of these components is discussed below.

### Commodity price risk

The Company is subject to price risk associated with fluctuations in the market prices for metals. The Company sells its products at prices that are effectively determined by reference to the traded prices on the London Metal Exchange and London Bullion Market. The prices of gold, copper, zinc and silver are major factors influencing the Company's business, results of operations and financial condition. The Company regularly enters into derivative contracts to reduce the price exposure associated with the time lag between the provisional and final determination of its concentrate sales. In addition, the Company periodically enters into derivative commodity contracts to reduce the price exposure associated with the projected payable copper production. In 2013, the Company also entered into derivative commodity contracts to reduce its price exposure applicable to the projected payable gold contained in Chelopech's 2014 and 2015 pyrite concentrate production, which is subject to a firm sales arrangement.

As at December 31, 2013, a 5% increase or decrease in the metal prices impacting the Company's accounts receivables and outstanding derivative commodity contracts, with all other variables held constant, would decrease or increase earnings before income taxes by \$17.9 million (2012 - \$5.6 million). The impact on equity is the same as the impact on net earnings.

The following table demonstrates the effect on 2013 and 2012 earnings before income taxes of a 5% change in commodity prices on its sales, excluding the impact of any hedges and with all other variables held constant. The impact on equity is the same as the impact on net earnings.

#### ***Effect of a 5% increase in metal prices on earnings before income taxes***

	2013	2012
Gold	10,711	10,967
Copper	7,640	7,598
Silver	638	841
Zinc	588	633
<b>Total increase on earnings before income taxes</b>	<b>19,577</b>	<b>20,039</b>

The total effect of a 5% decrease in metal prices would decrease earnings before income taxes by an equivalent amount.

### Interest rate risk

Interest rate risk is the risk that the future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's cash and cash equivalents, short-term investments, loan receivable, floating rate denominated long-term debt and finance lease obligations, the majority of which have associated cash flows based on floating interest rates. For the year ended December 31, 2013, a 100 basis point increase or decrease in interest rates across the yield curve, with all other variables held constant, would increase or decrease earnings by \$0.3 million (2012 - \$1.4 million), excluding a \$nil (2012 - \$0.7 million) increase or decrease related to capitalized interest. The impact on equity is the same as the impact on net earnings.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### Foreign currency risk

The Company's foreign currency exposures arise primarily from a significant portion of its operating and capital costs being denominated in currencies other than the U.S. dollar, the Company's functional currency. The Company periodically undertakes to purchase, in advance, a portion of its foreign denominated cash flow requirements on a spot or forward basis to reduce this exposure.

The following table demonstrates the effect on 2013 and 2012 earnings before income taxes of a 5% change in the key foreign exchange rates impacting the Company's outstanding financial assets and liabilities denominated in foreign currencies, with all other variables held constant. The impact on equity is the same as the impact on net earnings.

#### *Effect of a 5% appreciation of the U.S. dollar on earnings before income taxes*

	2013	2012
Namibian Dollar	898	1,343
Euro	789	1,597
Canadian Dollar	661	(454)
Armenian Dram	(480)	(325)
<b>Total increase on earnings before income taxes</b>	<b>1,868</b>	<b>2,161</b>

The total effect of a 5% depreciation of the U.S. dollar would decrease earnings before income taxes by an equivalent amount.

### Credit risk

The exposure to credit risk arises through the potential failure of a customer or another third party to meet its contractual obligations to the Company. During 2013, the Company had contracts with three customers for the sale of its concentrate production. Approximately 77% (2012 - 90%) of the total concentrate sales for the year ended December 31, 2013 were to one customer.

Under the terms of the Company's concentrate sales contracts, the purchaser makes an initial advance payment equal to 70% to 90% of the provisional value of each lot at the time title transfers. This serves to mitigate a portion of the Company's credit risk.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, short-term investments, equity investments and derivative financial assets, the Company's maximum exposure is equal to the carrying amount of these instruments. The Company limits its counterparty credit risk on these assets by dealing with highly rated counterparties, issuers that are subject to minimum credit ratings, and/or maximum prescribed exposures.

### Liquidity risk

The Company relies on the cash flows generated from its operations, including provisional payments received from its customers, retained cash balances, its RCF and its ability to raise debt and equity from the capital markets to fund its operating, investment and liquidity needs. The cyclical nature of the Company's businesses and the volatility of capital markets are such that conditions could change dramatically, affecting the Company's cash flow generating capability, its ability to maintain its RCF or the existing terms under its concentrate sales or smelting agreements, as well as its liquidity, cost of capital and its ability to access capital, which could adversely affect the Company's earnings and cash flows and, in turn, could affect total shareholder returns. To reduce these risks, the Company: (i) prepares regular cash flow forecasts to monitor its capital requirements; (ii) maintains a prudent capital structure that is comprised primarily of equity financing as well as long-term amortizing debt and a long-term committed RCF; and (iii) maintains sufficient liquidity in the forms of surplus cash balances, short-term investments and/or undrawn committed lines of credit to avoid having to raise additional capital at times when the costs or terms would be regarded as unfavourable.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments.

	As at December 31, 2013			
	up to 1 year	1 - 5 years	over 5 years	Total
Accounts payable and accrued liabilities	53,739	-	-	53,739
Derivative commodity contract liabilities	2,325	3,388	-	5,713
Long term debt	16,643	68,750	-	85,393
Finance lease obligations	4,146	10,494	16,492	31,132
Other obligations	408	26	19	453
	77,261	82,658	16,511	176,430

	As at December 31, 2012			
	up to 1 year	1 - 5 years	over 5 years	Total
Accounts payable and accrued liabilities	54,218	-	-	54,218
Long term debt	17,821	65,393	-	83,214
Finance lease obligations	4,507	11,636	18,956	35,099
Other obligations	165	211	13	389
	76,711	77,240	18,969	172,920

### Capital management

The Company's objective for capital management is to: (i) maintain sufficient levels of liquidity to fund and support its exploration, development and operating activities; (ii) maintain a strong financial position to ensure it has ready access to debt and equity markets to supplement free cash flow being invested in its growth projects; and (iii) comply with all financial covenants set out in its credit agreements and guarantees. See *note 13* for discussion on the Company's compliance with these requirements. The Company monitors its financial position and the potential impact of adverse market conditions on an ongoing basis. The Company manages its capital structure and makes adjustments to it based on prevailing market conditions and according to its business plan. The Company's primary long-term funding strategy has been to raise Canadian public equity to supplement the free cash flow generated from its businesses. As a result, the portion of debt making up the Company's capital base is relatively low. Given the long term nature of the assets being funded and the U.S. dollar denominated revenue stream generated therefrom, the Company's general strategy around any debt financing is to raise long-term U.S. dollar denominated debt to supplement these equity financings.

Overall financial leverage is monitored based upon a number of non-financial and financial factors, including a number of credit related ratios contained in DPM's loan agreements and net debt (defined as total debt less cash and cash equivalents and short-term investments) as a percentage of total capital (defined as total equity plus net debt). As of December 31, 2013, the Company was in compliance with all loan covenants and its net debt as a percentage of total capital was 4% (December 31, 2012 – (6%)).

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

### 27. 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 three operating segments – Chelopech in Bulgaria, Kapan in Armenia and Tsumeb in Namibia. The nature of their operations and products and services are described in *note 1, Corporate Information*. These segments are organized predominantly by the products and services provided to customers and geography of the businesses. The Corporate and Other segment includes corporate, exploration and development projects, and other income and cost items that do not pertain directly to an operating segment.

The accounting policies of the segments are the same as those described in *note 2.2, Significant Accounting Policies*. There are no significant inter-segment transactions that have not been eliminated on consolidation. Segment performance is evaluated based on several operating and financial measures, including net earnings, which is measured consistently with net earnings in the consolidated financial statements.

The following table summarizes the net earnings (loss) and other relevant information by segment for the years ended December 31, 2013 and 2012:

	Year ended December 31, 2013				
	Chelopech	Kapan	Tsumeb	Corporate & Other	Total
Revenue (a)	231,887	44,131	68,636	-	344,654
Cost of sales	120,480	46,823	87,584	-	254,887
<b>Gross profit (loss)</b>	<b>111,407</b>	<b>(2,692)</b>	<b>(18,948)</b>	<b>-</b>	<b>89,767</b>
General and administrative expenses	-	-	-	29,564	29,564
Exploration expenses	-	692	-	16,992	17,684
Finance cost	2,179	862	2,547	4,735	10,323
Interest income	(34)	(5)	(114)	(339)	(492)
Other expense (income)	6,750	685	1,293	(2,899)	5,829
Earnings (loss) before income taxes	102,512	(4,926)	(22,674)	(48,053)	26,859
Income tax expense	9,320	393	-	3,965	13,678
<b>Net earnings (loss)</b>	<b>93,192</b>	<b>(5,319)</b>	<b>(22,674)</b>	<b>(52,018)</b>	<b>13,181</b>
<b>Other disclosures</b>					
Depreciation and amortization	32,846	6,047	13,243	1,458	53,594
Capital expenditures (b)	42,294	17,240	139,809	16,657	216,000

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

	Year ended December 31, 2012				
	Chelopech	Kapan	Tsumeb	Corporate & Other	Total
Revenue (a)	263,577	53,989	67,119	-	384,685
Cost of sales	98,298	50,547	78,796	-	227,641
<b>Gross profit (loss)</b>	<b>165,279</b>	<b>3,442</b>	<b>(11,677)</b>	<b>-</b>	<b>157,044</b>
General and administrative expenses	-	-	-	37,897	37,897
Exploration expenses	-	-	-	42,489	42,489
Finance cost	1,942	798	2,926	37	5,703
Interest income	(151)	(6)	(188)	(703)	(1,048)
Other expense	7,843	1,448	750	12,308	22,349
Earnings (loss) before income taxes	155,645	1,202	(15,165)	(92,028)	49,654
Income tax expense	15,423	830	-	3,570	19,823
<b>Net earnings (loss)</b>	<b>140,222</b>	<b>372</b>	<b>(15,165)</b>	<b>(95,598)</b>	<b>29,831</b>
<b>Other disclosures</b>					
Depreciation and amortization	19,950	8,970	9,834	1,454	40,208
Capital expenditures (b)	62,474	21,105	63,144	13,860	160,583

- (a) Chelopech and Kapan's revenues were generated from the sale of concentrate and Tsumeb's revenue was generated from metals smelting. For the year ended December 31, 2013, revenue from the sale of concentrate of \$211.5 million or 77% (2012 - \$284.8 million or 90%) and all revenue from metals smelting were derived from a single external customer. Revenue from the sale of concentrate of \$59.0 million or 21% (2012 - \$0.4 million or 0.1%) was derived from another single external customer.
- (b) Capital expenditures represent cash and non-cash additions to exploration and evaluation assets (note 7), mine properties (note 8), property, plant and equipment (note 9) and intangible assets (note 10).

The following table summarizes the total assets and total liabilities by segment as at December 31, 2013 and 2012:

	As at December 31, 2013				
	Chelopech	Kapan	Tsumeb	Corporate & Other	Total
Total current assets	74,530	44,010	15,051	29,192	162,783
Total non-current assets	298,037	124,248	294,799	107,916	825,000
<b>Total assets</b>	<b>372,567</b>	<b>168,258</b>	<b>309,850</b>	<b>137,108</b>	<b>987,783</b>
<b>Total liabilities</b>	<b>54,067</b>	<b>9,904</b>	<b>60,640</b>	<b>111,694</b>	<b>236,305</b>

	As at December 31, 2012				
	Chelopech	Kapan	Tsumeb	Corporate & Other	Total
Total current assets	71,561	54,835	11,853	115,176	253,425
Total non-current assets	298,236	112,624	157,871	150,029	718,760
<b>Total assets</b>	<b>369,797</b>	<b>167,459</b>	<b>169,724</b>	<b>265,205</b>	<b>972,185</b>
<b>Total liabilities</b>	<b>142,458</b>	<b>8,691</b>	<b>43,430</b>	<b>23,265</b>	<b>217,844</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended December 31, 2013 and 2012 (in thousands of U.S. dollars, unless otherwise indicated)

DPM is domiciled in Canada. Revenues by geographic location are based on the location in which the revenues originate. Revenues by geographic location for the years ended December 31, 2013 and 2012 are summarized below:

Year ended December 31, 2013					
	Canada	Europe	Armenia	Namibia	Total
<b>Revenue</b>	-	231,887	44,131	68,636	344,654

Year ended December 31, 2012					
	Canada	Europe	Armenia	Namibia	Total
<b>Revenue</b>	-	263,577	53,989	67,119	384,685

Assets by geographic location as at December 31, 2013 and 2012 are summarized below:

As at December 31, 2013					
	Canada	Europe	Armenia	Namibia	Total
Total current assets	14,251	89,471	44,010	15,051	162,783
Financial assets	18,510	-	-	2,108	20,618
Deferred income tax assets	-	2,759	1,628	-	4,387
Other non-current assets	1,931	382,753	122,620	292,691	799,995
<b>Total assets</b>	<b>34,692</b>	<b>474,983</b>	<b>168,258</b>	<b>309,850</b>	<b>987,783</b>

As at December 31, 2012					
	Canada	Europe	Armenia	Namibia	Total
Total current assets	103,533	83,204	54,835	11,853	253,425
Financial assets	76,076	768	-	465	77,309
Deferred income tax assets	-	1,202	1,187	-	2,389
Other non-current assets	1,715	368,504	111,437	157,406	639,062
<b>Total assets</b>	<b>181,324</b>	<b>453,678</b>	<b>167,459</b>	<b>169,724</b>	<b>972,185</b>

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# Corporate Information

## Directors

**Derek H.L. Buntain** <sup>4</sup>  
Cayman Islands, B.W.I.

**R. Peter Gillin** <sup>2, 5</sup>  
Toronto, Ontario, Canada

**Jonathan Goodman**  
Toronto, Ontario, Canada

**Richard Howes**  
Toronto, Ontario, Canada

**Murray John** <sup>4</sup>  
Toronto, Ontario, Canada

**Jeremy Kinsman** <sup>2, 3</sup>  
Victoria, British Columbia, Canada

**Garth MacRae** <sup>1, 4</sup>  
Toronto, Ontario, Canada

**Peter Nixon** <sup>2, 3</sup>  
Niagara-on-the-Lake, Ontario, Canada

**Ronald Singer** <sup>1, 3</sup>  
Montreal, Québec, Canada

**Eira Thomas** <sup>1, 3</sup>  
Vancouver, British Columbia, Canada

**Anthony P. Walsh** <sup>1, 2</sup>  
Vancouver, British Columbia, Canada

**William G. Wilson**  
Vancouver, British Columbia, Canada

**Donald Young** <sup>1, 4</sup>  
Vancouver, British Columbia, Canada

## Officers

**Jonathan Goodman**  
Executive Chairman

**Richard Howes**  
President and Chief Executive Officer

**Adrian Goldstone**  
Executive Vice President,  
Sustainable Business Development

**Hume Kyle**  
Executive Vice President and  
Chief Financial Officer

**Lori E. Beak**  
Senior Vice President,  
Investor and Regulatory Affairs,  
and Corporate Secretary

**Michael Dorfman**  
Senior Vice President,  
Corporate Development

**Richard Gosse**  
Senior Vice President, Exploration

**Paul Proulx**  
Senior Vice President, Corporate Services

**David Rae**  
Senior Vice President, Operations

**Jeremy Cooper**  
Vice President, Commercial Affairs

**Iliya Garkov**  
Vice President and General Manager,  
Dundee Precious Metals  
Krumovgrad EAD

**Nikolay Hristov**  
Vice President and General Manager,  
Dundee Precious Metals  
Chelopech EAD

**Hratch Jabrayan**  
Vice President and General Manager,  
Dundee Precious Metals  
Kapan CJSC

**Simon Meik**  
Vice President, Processing

**Hans Nolte**  
Vice President and General Manager,  
Dundee Precious Metals  
Tsumeb (PTY) Limited

**Colin McAnuff**  
Treasurer

**Patrick Lim**  
Director, Finance and Global Controller

## Shareholder Contact

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

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# Corporate Information

## Corporate Office

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## Operations

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## Stock Listing and Symbols

### The Toronto Stock Exchange

DPM – Common Shares  
DPM.WT.A – 2015 Warrants

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

### Computershare Investor Services Inc.

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Email: [service@computershare.com](mailto:service@computershare.com)



## 2013 Corporate Sustainability Report

In May, the Company will publish its third annual Corporate Sustainability Report. It will highlight, in detail, DPM's core values at work and the many tangible key performance indicators that support our strategy of creating stakeholder value in a safe and socially responsible manner.



**Visit us online**

[www.dundeeprecious.com](http://www.dundeeprecious.com)

