Dundee Precious Metals Announces Updated Krumovgrad Project Economics and Mine Plan Optimization

March 28, 2014 (Source: Marketwired) — **Dundee Precious Metals Inc. (TSX:DPM)(TSX:DPM.WT.A)** ("DPM" or "the Company") announces the results of the capital cost update and mine plan optimization which continue to support the construction and operation of its Krumovgrad gold project (the "Project") in Bulgaria.

Highlights:

- Upfront capital cost to build the Project estimated at $164 million
- Generates an IRR of 26%
- Low cash cost maintained at $389 per ounce of gold equivalent
- Increased gold and silver production at lower throughput rate
- Estimated average EBITDA increased to $65 million per year over life of mine at $1,250 per ounce of gold

"As expected, the updated economics on Krumovgrad continue to confirm the commercial and economic viability of the project," stated Rick Howes, President and CEO. "Further optimization of the mine plan has provided for increased metals production at reduced throughput. We continue to work hard to build strong relationships within the community and gain their support in advancing to the next stage of development. We continue to evaluate alternatives to supplement internal cash flow with the optimal funding to support the project, prior to moving forward with construction. This project, once completed, will bring new economic opportunities to the local community, the region and Bulgaria while creating value for our shareholders," he added.

Following completion of the updated capital estimate and optimized mine plan, the new up-front capital cost, excluding sunk costs, is estimated at $164 million, up from the preliminary estimate of $127 million, contained in the "Krumovgrad Gold Project Definitive Feasibility Study NI 43-101 Technical Report" that was filed on SEDAR at www.sedar.com on January 13, 2012 (the "2012 Report"). This increase is due primarily to: an increase in the contingency allowance of $11.0 million; better design certainty which in turn generated increased capital cost estimates especially in the earthworks and civil engineering areas; and vendor, contractor and labour cost escalation since the 2010 based cost estimates in the 2012 Report were established. Estimated sustaining capital over the life of the mine is unchanged at $12.5 million.

Average annual concentrate production over the life of mine ("LOM") is anticipated to be 4,100 tonnes, containing, on average, 85,700 ounces of gold, and an average of 103,000 ounces of gold in the first three years, and 38,700 ounces of silver. This compares with average annual LOM concentrate production in the 2012 Report of 11,500 tonnes containing, on average, 74,000 ounces of gold and 35,000 ounces of silver. Assumed gold and silver prices used for financial modelling, of $1,250 per ounce and $23.00 per ounce, respectively, produced a cash cost per ounce of gold equivalent ("AuEq") (defined below), estimated at $389 and an average annual EBITDA (defined below) estimated at $65 million. The cash cost per ounce of AuEq and EBITDA in the 2012 Report were estimated at $404 and $53 million, respectively. The updated return on the Project is estimated to be 26%, down from the original estimate of 31%, primarily reflecting a longer construction period and a higher estimated project capital costs, partially offset by the benefits resulting from an optimized mine plan.

Key Project Operating and Financial Metrics	**2014**	**2012**
Average annual plant throughput	**775,512 tonnes**	850,000 tonnes
Average annual concentrate production	**4,100 tonnes**	11,500 tonnes
Average annual gold production	**85,700 oz**	74,000 oz
Average annual silver production	**38,700 oz**	35,000 oz
Total cash cost/tonne ore processed	**$44.13**	$38.11
Total cash cost per oz AuEq *(1)*	**$389**	$404
Upfront capital cost *(2)*	**$164.1 million**	$127.4 million
Sustaining capital	**$12.5 million**	$12.5 million
Closure and rehabilitation costs	**$14.7 million**	$13.5 million
Average annual EBITDA	**$64.9 million**	$52.6 million
	Life of Mine	**Life of Mine**
Total gold production	**685,549 oz**	663,641 oz
Total silver production	**309,915 oz**	314,939 oz
NPV at a discount rate of 7.5%, after tax *(2)*	**$143.9 million**	$165.3 million
Internal Rate of Return, after tax (IRR) *(2)*	**26.3%**	31.0%
Payback Period, after tax (from start of production)	**2.5 years**	3.3 years
Mine Life	**8 years**	9 years
Gold Price Assumption	**$1,250/oz**	$1,250/oz
Silver Price Assumption	**$23.00/oz**	$25.00/0z

(1)	*AuEq ounces include silver ounces produced and sold converted to a AuEq based on the ratio of the average metal prices for the commodities.*
(2)	*Excludes sunk capital.*

Summary of Mineral Reserve and Mineral Resource Estimates

The estimate of Mineral Resources completed by RSG Global in 2005 has been reviewed by CSA Global (UK) Ltd. ("CSA") in 2012 and 2014 and modified, though not materially or significantly. The estimation parameters and assumptions used by RSG remain valid and modification by CSA relates only to how the block model has been reported and presented for mine planning purposes. The underlying grade estimations have not been modified.

The following table summarizes the Mineral Reserve and Mineral Resource estimates for the Project as at December 31, 2013.

MINERAL RESERVES		**GOLD**		**SILVER**	
	Tonnes	**Grade**	**Ounces**	**Grade**	**Ounces**
	M	**g/t**	**M**	**g/t**	**M**
Proven	**2.6**	**5.39**	**0.449**	**2.82**	**0.235**
Krumovgrad (Upper Zone)	1.1	3.46	0.124	1.91	0.068
Krumovgrad (Wall)	1.5	6.83	0.325	3.50	0.166
Probable	**3.6**	**3.08**	**0.358**	**1.79**	**0.208**
Krumovgrad (Upper Zone)	3.5	3.00	0.337	1.75	0.197
Krumovgrad (Wall)	0.1	5.54	0.020	2.93	0.011
Proven and Probable	**6.2**	**4.04**	**0.807**	**2.22**	**0.443**
Krumovgrad (Upper Zone)	4.6	3.11	0.461	1.79	0.266
Krumovgrad (Wall)	1.6	6.74	0.345	3.46	0.177
MINERAL RESOURCES		**GOLD**		**SILVER**	
	Tonnes	**Grade**	**Ounces**	**Grade**	**Ounces**
	M	**g/t**	**M**	**g/t**	**M**

Measured	**2.8**	**5.19**	**0.478**	**2.74**	**0.252**
Krumovgrad (Upper Zone)	1.1	3.46	0.125	1.91	0.069
Krumovgrad (Wall)	1.7	6.32	0.353	3.27	0.183
Indicated	**4.1**	**2.92**	**0.382**	**1.73**	**0.226**
Krumovgrad (Upper Zone)	3.9	2.86	0.357	1.70	0.212
Krumovgrad (Wall)	0.2	4.28	0.024	2.38	0.014
Measured and Indicated	**6.9**	**3.86**	**0.859**	**2.15**	**0.477**
Krumovgrad (Upper Zone)	5.0	2.99	0.482	1.75	0.281
Krumovgrad (Wall)	1.9	6.13	0.377	3.19	0.196
Inferred	**0.3**	**1.30**	**0.013**	**1.06**	**0.011**
Krumovgrad (Upper Zone)	0.3	1.31	0.013	1.06	0.011
Krumovgrad (Wall)	0.0	0.87	0.000	0.88	0.000

(1)	*The rounding of tonnage and grade figures has resulted in some columns showing relatively minor discrepancies in sum totals;*
(2)	*All Mineral Resources and Mineral Reserves estimates have been determined and reported in accordance with NI 43-101 and the classification adopted by the CIM;*
(3)	*Measured and Indicated Mineral Resources are inclusive of Proven and Probable Mineral Reserves;*
(4)	*Mineral Resources and Mineral Reserves may be subject to legal, political, environmental and other risks and uncertainties;*
(5)	*Mineral Resources and Mineral Reserves estimates have been reviewed and prepared by CSA Global (UK) Ltd, a privately-owned consulting company that provides multi-disciplinary services to the global resources industry and is independent of the Company;*
(6)	*Mineral Resources and Mineral Reserves estimates are based on long term metals prices of $1,250/oz Au and $23/oz Ag and are as of December 31, 2013; and*

(7)	*Mineral Resources and Mineral Reserves are based on a gold cut-off grade of 0.6 g/t for the Upper Zone and Overburden and 0.8 g/t for the Wall.*

Capital Cost

The upfront Project capital cost estimate of $164.1 million reflects the remainder of engineering costs, all construction, direct and indirect, costs and commissioning, including an accuracy allowance and contingency of $15.5 million. The total future capital cost reflects the Project capital plus sustaining capital through the operating period, and closure and rehabilitation costs. The updated capital cost and the related financial analysis include only incremental capital costs and excludes financing and sunk costs.

The table below is a summary of the estimated upfront capital costs required to complete the Project, together with the additional capital expected to be incurred over the life of the Project.

CAPITAL COST ESTIMATE SUMMARY	
Item	**Total ($M)**
Direct costs	124.3
Indirect costs	24.3
Accuracy Allowance and Contingency (12.5%)	15.5
Total Upfront Capital Cost	**164.1**
Sustaining capital	12.5
Closure and rehabilitation costs	14.7
TOTAL FUTURE CAPITAL	**191.3**

Operating Costs

Operating costs are based on the mining and treatment of 775,000 tpy of ore, producing an annual average of 85,700 oz of gold and 38,700 oz of silver for the estimated life of the mine. Costs are based on 2013 quotations for all materials and consumables.

SUMMARY OF ESTIMATED OPERATING COSTS	
Item	**$/t ore Processed** [(1)]
Mining costs	12.10
Processing costs	21.81
Tailings treatment & IMWF costs [(2)]	2.50
General & administration	3.71
Royalty	4.01
Total Annual Cash Costs	**44.13**

(1)	*Average cash cost over eight (8) years; and*
(2)	*Integrated Mine Waste Facility.*

Permitting Update

On October 4, 2013, the Administrative Court in Kardzhali issued a Ruling, which overturned the refusal of the Krumovgrad Municipal Council (the “Council”) to issue permission for the preparation of the detailed development plan (“DDP”) and returned the matter to the Council to decide on the Company’s request within one month. This Ruling was appealed by the Council before the three-member panel of the Court, and on December 18, 2013, the appeal was dismissed by the Court. The Council’s final appeal to the five member panel was heard on January 13, 2014, and, on February 10, 2014, the Court again ruled in favour of the Company. As a result, the case was dismissed by the Court and may not be appealed further. On March 7, 2014, the Council again considered the Company’s application and a majority of the Council voted not to approve the Terms of Reference and the preparation of the DDP. The Council’s decision has been formally presented to the Governor of the Kardzhali District for ratification, as required by Bulgarian law. The Governor has refused to ratify the Council’s decision and returned the matter to the Council for further consideration. The Company is in dialogue with the Council and its leadership regarding calling a further meeting to again consider the DDP terms of reference. Independent of the Governor’s action, in order to preserve its legal rights, the Company has filed an appeal of the Council’s decision with the Administrative Court in Kardzhali.

The Company maintains active dialogue with the government and other stakeholders to build relationships and work towards securing the remaining permits throughout 2013 and 2014. The Company remains confident that the Council will eventually issue a favourable decision on the DDP terms of reference, which in turn is expected to facilitate obtaining the remaining local permits and approvals allowing the Project to move forward to construction.

Should the Council continue to delay progress, DPM will defer its scheduled ramp-up and take steps to limit spending to only those activities necessary to secure the remaining local permits. Provided the existing delays are resolved, 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.

Technical Information

The Mineral Resource and Mineral Reserve estimates and other scientific and technical information contained in this news release was prepared by CSA Global (UK) Ltd. (“CSA”), in accordance with Canadian regulatory requirements set out in National Instrument 43-101 *Standards of Disclosure for Mineral Projects*, and has been reviewed and approved by, as relates to Mineral Resources, Galen White, BSc (Hons) FAusIMM FGS, Director and Principal Consultant of CSA, and Julian Bennett, BSc ARSM FIMMM CEng, as relates to Mineral Reserves. Both Galen White and Julian Bennett are independent Qualified Persons (“QP”), as defined under NI 43-101. The NI 43-101 technical report (the “Technical Report”) entitled “NI 43-101

Technical Report, Ada Tepe Deposit, Krumovgrad Project, Bulgaria” dated March 21, 2014, in respect of the study for the construction and operation of its Krumovgrad gold project disclosed herein, is being filed today on SEDAR at www.sedar.com. Simon Meik, Vice President, Processing, Jean Francois Laurin, Project Director, Krumovgrad, and Edgar Urbaez, Corporate Director, Technical Services, all of DPM, who are QPs and not independent of the Company, have also reviewed and approved the contents of this release.

The Mineral Resource and Mineral Reserve estimates contained herein may be subject to legal, political, environmental or other risks that could materially affect the potential development of such Mineral Resources. See the Technical Report for more information with respect to the key assumptions, parameters, methods and risks of determination associated with the foregoing Mineral Resource estimates.

Cautionary note to U.S. Investors concerning estimates of Mineral Resources. These estimates have been prepared in accordance with the requirements of Canadian securities laws, which differ from the requirements of U.S. securities laws. The terms “mineral resource”, “measured mineral resource”, “indicated mineral resource” and “inferred mineral resource” are defined in NI 43-101 and recognized by Canadian securities laws but are not defined terms under the U.S. Securities and Exchange Commission (“SEC”) Guide 7 (“SEC Guide 7”) or recognized under U.S. securities laws. U.S. investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be upgraded to mineral reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an “inferred mineral resource” will ever by upgraded to a higher category. Under Canadian securities laws, estimates of “inferred mineral resources” may not form the basis of feasibility or pre-feasibility studies.

U.S. investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Accordingly, these mineral resource estimates and related information may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the U.S. federal securities laws and the rules and regulations thereunder, including SEC Guide 7.

FORWARD LOOKING STATEMENTS

This news release contains “forward-looking statements” that involve a number of risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold and silver, the estimation of mineral reserves and resources, the realization of 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, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and timing and possible outcome of pending litigation. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made, and they involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any other future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others: the actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; 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, fluctuations in metal prices, as well as those risk factors discussed or referred to in Management's Discussion and Analysis under the heading "Risks and Uncertainties" and other documents filed from time to time with the securities regulatory authorities in all provinces and territories of Canada and available at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Unless required by securities laws, the Company undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements.

NON-IFRS FINANCIAL MEASURES

This news release refers to estimated EBITDA (defined as earnings before interest, taxes, depreciation and amortization), cash cost per tonne of ore processed and cash cost per ounce of AuEq because management and certain investors use this information to assess the Company’s performance and also determine the Company’s ability to generate cash flow for investing activities. In addition, management utilizes these metrics as an important management tool to monitor cost performance of the Company’s operations. These measurements have no standardized meaning under International Financial Reporting Standards (“IFRS”) and may not be comparable to similar measures presented by other companies. These measurements are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

DPM is a Canadian based, international gold mining company engaged in the acquisition, exploration, development, mining and processing of precious metals. The Company’s principal operating assets include the Chelopech operation, which produces a copper concentrate containing gold and silver, located east of Sofia, Bulgaria; the Kapan operation, which produces a copper concentrate and a zinc concentrate both containing gold and silver, located in southern Armenia; and the Tsumeb smelter, a concentrate processing facility located in Namibia. DPM also holds interests in a number of developing gold properties located in Bulgaria, Serbia, and northern Canada, including interests held through its 53.1% owned subsidiary, Avala Resources Ltd., its 45.5% interest in Dunav Resources Ltd. and its 12.1% interest in Sabina Gold & Silver Corp.