

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2017 and December 31, 2016

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

	June 30, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash	19,866	11,757
Accounts receivable	31,163	45,131
Inventories	30,742	28,335
Other current assets ((note 3(c)) & 3(d))	6,670	6,383
	88,441	91,606
Non-Current Assets		
Investments at fair value (note 3(a) & 3(b))	40,230	19,216
Mine properties	231,308	203,547
Property, plant & equipment	370,707	384,920
Intangible assets	23,168	22,754
Deferred income tax assets	7,156	5,255
Other long-term assets	5,227	6,654
	677,796	642,346
TOTAL ASSETS	766,237	733,952
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	46,685	40,545
Income tax liabilities	2,541	119
Current portion of long-term debt (note 4)	-	16,110
Current portion of long-term liabilities	2,167	2,030
	51,393	58,804
Non-Current Liabilities		
Long-term debt (note 4)	-	25,000
Deferred revenue	50,000	50,000
Rehabilitation provisions (note 5)	33,808	30,296
Share based compensation plans (note 6)	4,356	3,654
Other long-term liabilities	14,705	14,171
	102,869	123,121
TOTAL LIABILITIES	154,262	181,925
EQUITY		
Share capital	515,413	482,656
Contributed surplus	11,465	10,890
Retained earnings	55,419	56,898
Accumulated other comprehensive income	29,504	1,360
Equity attributable to common shareholders of the Company	611,801	551,804
Non-controlling interests	174	223
TOTAL EQUITY	611,975	552,027
TOTAL LIABILITIES AND EQUITY	766,237	733,952

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the three and six months ended June 30, 2017 and 2016

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Continuing Operations				
Revenue	86,853	72,470	161,521	142,638
Costs and expenses				
Cost of sales	63,455	64,966	126,388	121,982
General and administrative expenses	3,062	4,672	9,712	9,832
Corporate social responsibility expenses	465	455	800	665
Exploration expenses	2,598	2,784	4,238	3,732
Finance cost	1,996	3,497	4,059	6,882
Other expense (note 7)	2,465	2,947	15,026	10,061
Earnings (loss) before income taxes	12,812	(6,851)	1,298	(10,516)
Current income tax expense	2,521	2,195	4,826	3,574
Deferred income tax recovery	(671)	(466)	(1,918)	(1,398)
Net earnings (loss) from continuing operations	10,962	(8,580)	(1,610)	(12,692)
Discontinued Operations				
Net earnings				
from discontinued operations	-	3,267	-	970
Net earnings (loss)	10,962	(5,313)	(1,610)	(11,722)
Net earnings (loss) attributable to:				
Common shareholders of the Company				
From continuing operations	11,039	(8,935)	(1,479)	(12,692)
From discontinued operations	-	3,267	-	970
Non-controlling interests	(77)	355	(131)	-
Net earnings (loss)	10,962	(5,313)	(1,610)	(11,722)
Basic and diluted earning (loss) per share attributable to common shareholders of the Company (note 8)				
From continuing operations	0.06	(0.06)	(0.01)	(0.09)
From discontinued operations	-	0.02	-	0.01
Basic and diluted earnings (loss) per share	0.06	(0.04)	(0.01)	(0.08)

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three and six months ended June 30, 2017 and 2016

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Net earnings (loss)	10,962	(5,313)	(1,610)	(11,722)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Unrealized gains (losses) on forward foreign exchange contracts designated as cash flow hedges, net of income tax expense (recovery) of \$542 (2016 - \$(49)) and \$557 (2016 - \$58), respectively	5,681	(258)	7,401	4,283
Realized losses on forward foreign exchange contracts, transferred to net earnings (loss), net of income tax expense of \$60 (2016 - \$8) and \$53 (2016 - \$11), respectively	565	2,795	1,744	6,305
Unrealized gains on publicly traded securities, net of income tax expense of \$nil (2016 - \$nil) and \$nil (2016 - \$nil), respectively	8,850	3,894	18,999	7,781
Impairment charges on publicly traded securities, transferred to net loss, net of income tax recovery of \$nil (2016 - \$nil) and \$nil (2016 - \$nil), respectively	-	24	-	24
Currency translation adjustments	-	(4)	-	13
	15,096	6,451	28,144	18,406
Comprehensive income, net of income taxes	26,058	1,138	26,534	6,684
Comprehensive income (loss) attributable to:				
Common shareholders of the Company				
From continuing operations	26,135	(2,476)	26,665	5,714
From discontinued operations	-	3,267	-	970
Non-controlling interests	(77)	347	(131)	-
Comprehensive income, net of income taxes	26,058	1,138	26,534	6,684

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and six months ended June 30, 2017 and 2016

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

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
OPERATING ACTIVITIES				
Earnings (loss) before income taxes				
from continuing operations	12,812	(6,851)	1,298	(10,516)
Items not affecting cash and other adjustments (note 10(a))	18,204	28,273	48,588	58,955
Changes in non-cash working capital (note 10(b))	(8,578)	(9,014)	9,008	(34,181)
(Payments for) proceeds from settlement of derivative contracts	(2,911)	(4,365)	(4,670)	1,150
Income taxes paid	(2,429)	(1,372)	(2,560)	(3,214)
Cash provided from operating activities of continuing operations	17,098	6,671	51,664	12,194
Cash used in operating activities of discontinued operations	-	(1,253)	-	(861)
INVESTING ACTIVITIES				
Proceeds from Kapan Disposition	4,372	24,778	4,372	24,778
Proceeds from disposal of mine properties and property, plant and equipment	76	90	96	108
Expenditures on exploration and evaluation assets	-	(1,825)	-	(2,811)
Expenditures on mine properties	(13,197)	(3,123)	(25,398)	(6,577)
Expenditures on property, plant and equipment	(4,268)	(5,742)	(8,208)	(13,613)
Expenditures on intangible assets	(1,626)	-	(1,965)	(170)
Cash (used in) provided from investing activities of continuing operations	(14,643)	14,178	(31,103)	1,715
Cash used in investing activities of discontinued operations	-	(400)	-	(2,314)
FINANCING ACTIVITIES				
Proceeds from shares issued (note 11(a))	-	-	33,196	-
Share issuance costs	(164)	-	(493)	-
Repayments under revolving credit facility (note 4(b))	-	(10,000)	(25,000)	-
Repayments of term loans (note 4(a))	(16,250)	(8,125)	(16,250)	(8,125)
Financing fees on debt	-	(693)	(390)	(693)
Finance lease obligation	(376)	(417)	(752)	(771)
Interest paid	(1,347)	(2,027)	(2,763)	(3,870)
Cash used in financing activities of continuing operations	(18,137)	(21,262)	(12,452)	(13,459)
(Decrease) increase in cash of continuing operations	(15,682)	(413)	8,109	450
Decrease in cash of discontinued operations	-	(1,653)	-	(3,175)
Cash of continuing operations, beginning of period	35,548	24,258	11,757	23,395
Cash of discontinued operations, beginning of period	-	1,653	-	3,175
Cash of continuing operations, end of period	19,866	23,845	19,866	23,845
Cash of discontinued operations, end of period	-	-	-	-

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the six months ended June 30, 2017 and 2016

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

	June 30, 2017		June 30, 2016	
	Number	Amount	Number	Amount
Share Capital				
Authorized				
Unlimited common and preference shares with no par value				
Issued				
Fully paid common shares with one vote per share				
Balance at beginning of period	160,588,112	482,656	140,575,783	439,736
Shares issued on financing <i>(note 11(a))</i>	17,843,120	33,176	-	-
Share issuance costs <i>(note 11(a))</i>	-	(493)	-	-
Shares issued on option agreement	10,000	17	-	-
Shares issued upon Avala acquisition	-	-	956,329	1,608
Shares issued on exercise of stock options <i>(note 6)</i>	9,466	37	-	-
Transferred from contributed surplus on exercise of stock options	-	20	-	-
Balance at end of period	178,450,698	515,413	141,532,112	441,344
Contributed surplus				
Balance at beginning of period	-	10,890	-	9,695
Share based compensation expense	-	677	-	936
Transferred to share capital on exercise of stock options	-	(20)	-	-
Other changes in contributed surplus	-	(82)	-	530
Balance at end of period	-	11,465	-	11,161
Retained earnings				
Balance at beginning of period	-	56,898	-	208,450
Net loss attributable to common shareholders of the Company	-	(1,479)	-	(11,722)
Balance at end of period	-	55,419	-	196,728
Accumulated other comprehensive income (loss) <i>(note 11 (b))</i>				
Balance at beginning of period	-	1,360	-	(20,424)
Other comprehensive income	-	28,144	-	16,924
Balance at end of period	-	29,504	-	(3,500)
Total equity attributable to common shareholders of the Company				
	-	611,801	-	645,733
Non-controlling interests				
Balance at beginning of period	-	223	-	656
Net loss attributable to non-controlling interests	-	(131)	-	-
Other changes in non-controlling interests	-	82	-	(656)
Balance at end of period	-	174	-	-
Total equity at end of period	-	611,975	-	645,733

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

1. CORPORATE INFORMATION

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

As at June 30, 2017, DPM’s condensed interim consolidated financial statements include DPM and its subsidiary companies (collectively, the “Company”).

Continuing operations:

DPM’s principal subsidiaries include:

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

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

- 10.5% of Sabina Gold and Silver Corp. (“Sabina”), which is advancing its Back River project through the environmental assessment process and recently received a positive recommendation from the Nunavut Impact Review Board to proceed to the licensing phase;
- 100% of Avala Resources Ltd. (“Avala”), which is focused on the exploration and development of the Lenovac project, the Timok gold project, the Tulare copper and gold project and other early stage projects in Serbia; and
- through an option agreement, the right to earn up to a 71% interest in Khalkos Exploration Inc.’s Malartic gold property located in the Archean Abitibi greenstone belt in the Malartic mining camp in Quebec.

Discontinued operations:

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

2.1 BASIS OF PREPARATION

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) which the Canadian Accounting Standards Board has approved for incorporation into Part I of the Chartered Professional Accountants of Canada Handbook – Accounting applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. These condensed interim consolidated financial statements do not include all of the information required for full financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS.

The accounting policies applied in these condensed interim consolidated financial statements are consistent with those applied in the preparation of the Company’s annual consolidated financial statements for the year ended December 31, 2016.

These condensed interim consolidated financial statements were approved by the Board of Directors on July 27, 2017.

2.2 CRITICAL ACCOUNTING ESTIMATES AND POLICIES

The preparation of the Company’s condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities on the date of the condensed interim consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates. The significant areas of estimation and uncertainty considered by management in preparing the condensed interim consolidated financial statements for the three and six months ended June 30, 2017 are the same as those described in the Company’s annual consolidated financial statements for the year ended December 31, 2016.

2.3 NEW STANDARDS NOT YET ADOPTED

The following new standards are not yet effective for the year ending December 31, 2017, and have not been applied when preparing the Company’s condensed interim consolidated financial statements for the three and six months ended June 30, 2017. The Company’s assessment of the impact of these new standards is set out below.

IFRS 9, *Financial Instruments*

IFRS 9, published in July 2014, replaces International Accounting Standard (“IAS”) 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets and hedge accounting. It establishes two primary measurement categories for financial assets: (i) amortized cost and (ii) fair value; establishes criteria for classification of financial assets within the measurement category based on business model and cash flow characteristics; and eliminates existing held for trading, held to maturity, available for sale, loans and receivable and other financial liabilities categories. IFRS 9 also introduces a new model for the impairment of financial assets and requires an economic relationship between the hedged item and hedging instrument.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

While the Company has not finalized its detailed assessment of the classification and measurement of financial assets, equity investments currently classified as available-for-sale financial assets are expected to satisfy the conditions for classification as an asset that is fair valued through other comprehensive income or loss. Gains and losses in respect of these investments are recognized in other comprehensive income or loss, are not transferred to profit or loss upon disposition and are not subject to impairment assessments. Financial instruments currently measured at fair value with any resulting gains or losses recognized through profit or loss would likely continue to be measured on the same basis under IFRS 9. Accordingly, the Company does not expect the new standard to have a significant impact on the classification and measurement of its financial assets.

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

Upon adoption of IFRS 9, the effective portion of changes in fair value of commodity contracts relating to production hedges, which are currently recognized in other income or expense, would be recognized in other comprehensive income or loss and would be reclassified to profit or loss in the same periods as the underlying projected sales occur. In the case of forward foreign exchange contracts, the Company would continue to be able to designate the change in fair value of the spot element of the forward foreign exchange contract as the hedging instrument in the cash flow hedging relationship such that any unrealized fair value change would be initially recognized in other comprehensive income or loss and subsequently reclassified to profit or loss when realized in the same periods as the underlying projected operating expenditures. For hedges of capital expenditures, realized gains or losses would be included in the carrying value of assets when the capital expenditures occur.

Upon adoption of IFRS 9, the Company may also elect that the forward points in the forward foreign exchange contract be separately accounted for as a cost of hedging. This would result in any initial unrealized change in the fair value of the forward point component of the forward foreign exchange contracts being recognized in other comprehensive income or loss and accumulated as a cost of hedging within shareholders' equity. Accumulated gains and losses would be recognized in profit or loss for hedges of operating expenses and included in the carrying amount of assets for hedges of capital expenditures, when the contracts settle. The Company has not made a decision on this election.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS 39 and applies to financial assets measured at amortized cost. While the Company has not finalized its assessment of the impairment methodologies that it will apply under IFRS 9, the Company does not expect the new impairment model to have a significant impact. The new standard also introduces expanded disclosure requirements and changes in presentation with respect to financial instruments, which are expected to change the nature and extent of the Company's disclosures in the year the new standard is adopted.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is planning to adopt this standard effective January 1, 2018. Changes in accounting policies resulting from the adoption of IFRS 9, other than hedge accounting, would generally be applied retrospectively. IFRS 9 contains certain exemptions with respect to full retrospective application whereby the restatement of comparative information in prior periods would not be required but instead would be reflected in retained earnings and reserves as at January 1, 2018. The Company has not yet determined the transition approach it intends to apply.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

IFRS 15, Revenue from Contracts with Customers

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

IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is planning to adopt this standard effective January 1, 2018. IFRS 15 provides the choice for either full retrospective application or modified retrospective application whereby the cumulative effect of retrospectively applying IFRS 15 would apply only to those contracts that are not settled as at the date of adoption. The Company is in the process of completing the review of its revenue contracts with customers.

While the Company has not finalized its impact assessment, the Company may be required to recognize a financing expense in respect of its prepaid forward gold sales arrangement upon adoption of IFRS 15.

The Company has prepared a project plan for IFRS 9 and IFRS 15 and will provide an update on its assessments in the third quarter of 2017. The Company expects to complete its preparatory work in the fourth quarter of 2017 with implementation commencing on January 1, 2018.

IFRS 16, Leases

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

IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for companies that also adopt IFRS 15. The Company does not intend to adopt IFRS 16 before its mandatory date. As a lessee, the Company can either apply the standard using a retrospective approach or a modified retrospective approach. The Company is currently assessing the impact of this standard and therefore has not yet determined the transition approach it intends to apply.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

3. FINANCIAL INSTRUMENTS

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

	Financial instrument classification	Carrying Amount	
		June 30, 2017	December 31, 2016
Financial assets			
Cash	Loans and receivables	19,866	11,757
Accounts receivable	Loans and receivables	31,163	45,131
Restricted cash	Loans and receivables	2,285	2,216
Sabina special warrants (a)	Held for trading	4,023	2,008
Publicly traded securities (b)	Available for sale	36,207	17,208
Commodity swap and option contracts (c)	Derivatives held for trading	244	6,941
Forward foreign exchange contracts (d)	Derivatives for cash flow hedges	5,425	-
Financial liabilities			
Accounts payable and accrued liabilities	Other financial liabilities	41,063	33,905
Debt (note 4)	Other financial liabilities	-	41,110
Commodity swap and option contracts (c)	Derivatives held for trading	6,503	4,685
Forward foreign exchange contracts (d)	Derivatives for cash flow hedges	-	1,955

The carrying values of all the financial assets and liabilities approximate their fair values as at June 30, 2017 and December 31, 2016.

(a) Sabina special warrants

As at June 30, 2017, DPM held: (i) 23,539,713 common shares of Sabina; and (ii) 5,000,000 Series B special warrants, which will be automatically exercised upon a positive production decision with respect to the Back River project or upon the occurrence of certain other events. Each of the special warrants is exercisable into one common share until 2044.

The fair value of the special warrants was based on the fair value of the Sabina common shares, which was determined based on the closing bid prices as at June 30, 2017 and December 31, 2016.

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

For the three and six months ended June 30, 2017, the Company reported unrealized gains on the Sabina special warrants of \$0.8 million (2016 – \$0.3 million) and \$2.0 million (2016 – \$0.8 million), respectively, in other expense (note 7) in the condensed interim consolidated statements of earnings (loss).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

(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. For the three and six months ended June 30, 2017, the Company reported unrealized gains on these publicly traded securities of \$8.9 million (2016 – \$3.9 million) and \$19.0 million (2016 – \$7.8 million), respectively, in other comprehensive income.

(c) Commodity swap and option contracts

The Company enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average metal prices for fixed metal prices to eliminate or substantially reduce the metal price exposure associated with the time lag between the provisional and final determination of concentrate sales (“QP Hedges”). As at June 30, 2017, the Company had outstanding commodity swap contracts in respect of this exposure as summarized in the table below:

Commodity hedged	Volume hedged	Average fixed price of QP Hedges
Payable gold	7,200 ounces	\$1,256.22/ounce
Payable copper	981,056 pounds	\$2.62/pound
Payable silver	5,590 ounces	\$17.49/ounce

The Company also enters into cash settled commodity swap and option contracts from time to time to reduce its future metal price exposures (“Production Hedges”). The commodity swap contracts were entered to swap future contracted monthly average copper prices for fixed prices. The commodity option contracts were entered to provide price protection below a specified “floor” price and price participation up to a specified “ceiling” price. These option contracts are comprised of a series of call options and put options (which when combined create a price “collar”) that were structured so as to provide for a zero upfront cash cost. As at June 30, 2017 the Company had outstanding commodity swap contracts as summarized in the table below:

Year of projected production	Volume of copper hedged (pounds)	Average fixed price (\$/pound)
Balance of 2017	16,271,194	2.40
2018	19,166,966	2.62
	35,438,160	2.52

As at June 30, 2017, the Company had outstanding commodity option contracts as summarized in the table below:

Year of projected production	Volume of gold hedged (ounces)	Call options sold Average ceiling price (\$/ounce)	Put options purchased Floor price (\$/ounce)
Balance of 2017	22,500	1,497	1,200

The fair value gain or loss on commodity swap contracts was calculated based on the corresponding London Metal Exchange forward copper prices and New York Commodity Exchange forward gold and silver prices, as applicable. The fair value gain or loss on commodity option contracts was calculated based on the option prices quoted on the Commodity Exchange (a part of the Chicago Mercantile Exchange). As at June 30, 2017, the net fair value loss on all outstanding commodity swap and option contracts was \$6.3 million (December 31, 2016 – a net fair value gain of \$2.3 million), of which \$0.2 million (December 31, 2016 – \$4.8 million) was included in other current assets, \$5.6 million (December 31, 2016 – \$4.7 million) in accounts payable and accrued liabilities, \$nil (December 31, 2016 – \$2.2 million) in other long-term assets, and \$0.9 million (December 31, 2016 – \$nil) in other long-term liabilities.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

For the three and six months ended June 30, 2017, the Company reported unrealized gains on the commodity swap and option contracts related to continuing operations of \$1.4 million (2016 – unrealized losses of \$3.0 million) and unrealized losses of \$8.5 million (2016 - \$10.1 million), respectively, in other expense (*note 7*). The Company also reported realized losses on the settlement of certain commodity swap and option contracts related to continuing operations of \$2.5 million (2016 – \$0.3 million) and \$5.6 million (2016 – \$0.03 million), respectively, in other expense (*note 7*) for the three and six months ended June 30, 2017.

For the three and six months ended June 30, 2016, the Company reported unrealized gains of \$0.5 million and unrealized losses of \$0.5 million, respectively, on commodity swap contracts related to discontinued operations in net loss from discontinued operations. The Company also reported realized losses on the settlement of certain commodity swap contracts related to discontinued operations of \$1.0 million and \$1.1 million, respectively, in net loss from discontinued operations for the three and six months ended June 30, 2016.

(d) Forward foreign exchange contracts

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

As at June 30, 2017, the Company had outstanding forward foreign exchange contracts in respect of projected foreign denominated operating expenses and capital expenditures as summarized in the table below:

Year of projected operating expenses	Foreign currency hedged (i)	Amount hedged in foreign currency	Average exchange rate Foreign currency/US\$
Balance of 2017	Euro	5,400,000	1.1338
	South African rand	360,000,000	14.0997

Year of projected capital expenditures	Foreign currency hedged (i)	Amount hedged in foreign currency	Average exchange rate Foreign currency/US\$
Balance of 2017	Euro	50,039,000	1.1048
2018	Euro	43,045,000	1.1236
	Euro	93,084,000	1.1135

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

The fair value gain or loss on these outstanding contracts was calculated based on the forward foreign exchange rates quoted in the market. As at June 30, 2017, the net fair value gain on all outstanding forward foreign exchange contracts was \$5.4 million (December 31, 2016 – a net fair value loss of \$2.0 million), of which \$4.8 million (December 31, 2016 – \$nil) was included in other current assets, \$nil (December 31, 2016 – \$2.0 million) in accounts payable and accrued liabilities, and \$0.6 million (December 31, 2016 – \$nil) in other long-term assets.

For the three and six months ended June 30, 2017, the Company reported unrealized gains of \$6.7 million (2016 – \$2.4 million) and \$9.6 million (2016 – \$10.6 million), respectively, in other comprehensive income on the spot component of the outstanding forward foreign exchange contracts. The Company also reported realized losses of \$0.5 million (2016 – \$2.8 million) and \$1.7 million (2016 – \$6.3 million) for the three and six months ended June 30, 2017, respectively, in cost of sales on the spot component of the settled contracts.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

For the three and six months ended June 30, 2017, the Company reported unrealized losses of \$1.8 million (2016 – \$0.2 million) and \$2.3 million (2016 – unrealized gains of \$0.6 million), respectively, in other expense (*note 7*) on the forward point component of the outstanding forward foreign exchange contracts. The Company also reported realized gains of \$1.5 million (2016 – \$0.9 million) and \$2.9 million (2016 – \$1.5 million) for the three and six months ended June 30, 2017, respectively, in other expense (*note 7*) on the forward point component of the settled contracts.

Fair value hierarchy

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

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at June 30, 2017 and December 31, 2016:

	Level 1	Level 2	As at June 30, 2017	
			Level 3	Total
Financial assets				
Sabina special warrants	-	-	4,023	4,023
Publicly traded securities	36,207	-	-	36,207
Commodity swap and option contracts	-	244	-	244
Forward foreign exchange contracts	-	5,425	-	5,425
Financial liabilities				
Commodity swap and option contracts	-	6,503	-	6,503
			As at December 31, 2016	
	Level 1	Level 2	Level 3	Total
Financial assets				
Sabina special warrants	-	-	2,008	2,008
Publicly traded securities	17,208	-	-	17,208
Commodity swap and option contracts	-	6,941	-	6,941
Financial liabilities				
Commodity swap and option contracts	-	4,685	-	4,685
Forward foreign exchange contracts	-	1,955	-	1,955

During the six months ended June 30, 2017 and the year ended December 31, 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

The following table reconciles level 3 fair value measurements from January 1, 2016 to June 30, 2017:

Balance as at January 1, 2016	1,451
Unrealized gains included in net loss	557
Balance as at December 31, 2016	2,008
Unrealized gains included in net loss (note 7)	2,015
Balance as at June 30, 2017	4,023

4. DEBT

	June 30, 2017	December 31, 2016
Current portion of debt		
Term loans (a)	-	16,110
Long-term portion of debt		
Revolving credit facility (b)	-	25,000
Total debt	-	41,110

(a) Term Loans

The original aggregate principal amount of DPM's secured term loans ("Term Loans") was \$81.25 million. In June 2017, the Company repaid the remaining balance owing under the Term Loans. The Term Loans were repayable in 10 equal semi-annual instalments, which commenced in June 2013, and bore interest at a rate equal to the three month U.S. Dollar LIBOR plus 2.80%. The Term Loans were secured by pledges of the Company's investments in Krumovgrad, Chelopech and Tsumeb and by guarantees from each of these subsidiaries.

(b) Credit agreements and guarantees

Chelopech and Krumovgrad

Chelopech and Krumovgrad have a \$16.3 million multi-purpose credit facility that matures on November 29, 2017. 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 June 30, 2017, \$4.2 million (December 31, 2016 – \$4.2 million) had been utilized against the multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech and Krumovgrad also have a Euro 21.0 million (\$24.0 million) credit facility to support their mine closure and rehabilitation plans. This credit facility matures on December 31, 2017 and is guaranteed by DPM. As at June 30, 2017, \$16.6 million (December 31, 2016 – \$15.3 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

DPM

DPM has a committed revolving credit facility ("RCF") with a consortium of banks. In March 2017, the RCF was amended to extend the terms of tranche A and tranche B by an additional year. As at June 30, 2017, the RCF is comprised of a \$45.0 million tranche A maturing in February 2022, a \$150.0 million tranche B maturing in February 2020, and an \$80.0 million tranche C maturing in September 2021 that has quarterly availability reductions of \$4.0 million beginning in the third quarter of 2018.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

The RCF bears interest at a spread above LIBOR, which varies between 2.75% and 5.50% depending upon the tranche being drawn and the Company's funded net debt to adjusted earnings before interest, taxes, depreciation, and amortization ("Debt Leverage Ratio"), as defined in the RCF agreement.

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

As at June 30, 2017, DPM was in compliance with all financial covenants and no amounts were drawn under the RCF.

5. REHABILITATION PROVISIONS

The rehabilitation provisions represent the present value of rehabilitation costs relating to the Chelopech, Tsumeb and Krumovgrad sites, which are expected to be incurred between 2017 and 2041.

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

	June 30, 2017	December 31, 2016
Discount period		
Chelopech	2018 - 2029	2017 - 2029
Tsumeb	2017 - 2039	2017 - 2039
Krumovgrad	2019 - 2041	2019 - 2041
Local discount rate		
Chelopech/Krumovgrad	1.7%	1.8%
Tsumeb	10.2%	10.0%
Local inflation rate		
Chelopech/Krumovgrad	2.0%	2.0%
Tsumeb	5.0%	5.0%

Changes to rehabilitation provisions were as follows:

	Chelopech	Tsumeb	Krumovgrad	Kapan	Total
Balance as at January 1, 2016	14,582	15,524	-	5,021	35,127
Change in cost estimate	-	(4,753)	306	-	(4,447)
Remeasurement of provisions (a)	341	2,167	-	813	3,321
Accretion expense	358	1,771	-	287	2,416
Kapan Disposition	-	-	-	(6,121)	(6,121)
Balance as at December 31, 2016	15,281	14,709	306	-	30,296
Change in cost estimate	-	-	1,139	-	1,139
Remeasurement of provisions (a)	1,420	138	(58)	-	1,500
Accretion expense	141	727	5	-	873
Balance as at June 30, 2017	16,842	15,574	1,392	-	33,808

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

6. SHARE BASED COMPENSATION PLANS

Restricted Share Unit

DPM has a Restricted Share Unit Plan for directors, certain employees and eligible contractors of DPM and its wholly-owned subsidiaries in consideration of past services to the Company. The Board of Directors administers this plan and determines the grants.

(a) Non-performance based restricted share units (“RSUs”)

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

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

	Number of RSUs	Amount
Balance as at January 1, 2016	1,939,129	965
RSUs granted	1,824,700	3,138
RSUs redeemed	(920,012)	(1,560)
RSUs forfeited	(83,837)	(55)
Mark-to-market adjustments	-	(2)
Balance as at December 31, 2016	2,759,980	2,486
RSUs granted	1,635,150	1,640
RSUs redeemed	(1,190,339)	(2,453)
RSUs forfeited	(168,336)	(204)
Mark-to-market adjustments	-	534
Balance as at June 30, 2017	3,036,455	2,003

As at June 30, 2017, there was \$3.8 million (December 31, 2016 – \$2.0 million) of expenses remaining to be charged to net earnings in future periods relating to these RSUs.

(b) Performance share units (“PSUs”)

Under the Restricted Share Unit Plan, the Board of Directors may, at its sole discretion, (i) grant RSUs with a performance-based component, referred to as PSUs, subject to performance conditions to be achieved by the Company and (ii) determine the entitlement date or dates of such PSUs. These PSUs vest after three years and are paid in cash based on the market value of DPM’s publicly traded common shares, subject to established performance criteria, on the entitlement date or dates, which shall not be later than December 31 of the year that is three years after the year of service for which the PSUs were granted, as determined by the Board of Directors in its sole discretion.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

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

	Number of PSUs	Amount
Balance as at January 1, 2016	369,800	79
PSUs granted	854,500	592
PSUs forfeited	(62,500)	(25)
Mark-to-market adjustments	-	(6)
Balance as at December 31, 2016	1,161,800	640
PSUs granted	645,100	453
PSUs forfeited	(33,700)	(31)
Mark-to-market adjustments	-	21
Balance as at June 30, 2017	1,773,200	1,083

As at June 30, 2017, there was \$2.1 million (December 31, 2016 – \$1.2 million) of expenses remaining to be charged to net earnings in future periods relating to these PSUs.

Deferred Share Unit (“DSU”) Plan

DPM has a DSU Plan for directors and certain employees.

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

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

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

	Number of DSUs	Amount
Balance as at January 1, 2016	1,122,020	1,049
DSUs granted	254,750	500
DSUs redeemed	(121,383)	(225)
Mark-to-market adjustments	-	755
Balance as at December 31, 2016	1,255,387	2,079
DSUs granted	128,360	256
Mark-to-market adjustments	-	346
Balance as at June 30, 2017	1,383,747	2,681

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

DPM Stock option plan

The Company has established an incentive stock option plan for the directors, selected employees and consultants. Pursuant to the plan, the exercise price of the option cannot be less than the market price of DPM's common shares on the trading date preceding the effective date of the option grant. The aggregate number of shares that can be issued from treasury under this plan is 12,500,000. Options granted vest equally over a three year period and expire five years from the date of grant.

During the six months ended June 30, 2017, the Company granted 931,947 (2016 – 1,231,364) stock options with a fair value of \$1.1 million (2016 – \$1.1 million). The estimated value of the options granted will be recognized as an expense in the condensed interim consolidated statements of earnings (loss) and an addition to contributed surplus in the condensed interim consolidated statements of changes in shareholders' equity over the vesting period. The Company recorded a stock option expense of \$0.3 million (2016 – \$0.3 million) and \$0.7 million (2016 - \$0.9 million), respectively, for the three and six months ended June 30, 2017 under this stock option plan.

As at June 30, 2017, there was \$1.3 million (December 31, 2016 – \$0.9 million) of share based compensation cost remaining to be charged to net earnings in future periods relating to stock option grants. The fair value of options granted was estimated using the Black-Scholes option pricing model. The expected volatility is estimated based on the historic average share price volatility. The inputs used in the measurement of the fair values at the time the options were granted were as follows:

	June 30, 2017	June 30, 2016
Five year risk free interest rate	1.0%	0.5%
Expected life in years	4.75	4.75
Expected volatility	68.5%	64.8%
Dividends per share	-	-

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

	Number of options	Weighted average exercise price per share (Cdn\$)
Balance as at January 1, 2016	6,126,937	6.03
Options granted	1,262,584	2.21
Options forfeited	(103,735)	2.64
Options expired	(1,638,133)	8.81
Balance as at December 31, 2016	5,647,653	4.44
Options granted	931,947	2.83
Options exercised	(19,333)	2.58
Options forfeited	(46,333)	2.73
Options expired	(777,782)	8.31
Balance as at June 30, 2017	5,736,152	3.67

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

The following lists the options outstanding and exercisable as at June 30, 2017:

Range of exercise prices per share (Cdn\$)	Options outstanding			Options exercisable	
	Number of options outstanding	Weighted average remaining years	Weighted average exercise price per share (Cdn\$)	Number of options exercisable	Weighted average exercise price per share (Cdn\$)
2.05 - 3.96	4,963,552	3.08	3.01	2,738,633	3.31
7.71 - 7.84	682,600	0.73	7.84	682,600	7.84
8.34 - 8.54	90,000	0.44	8.42	90,000	8.42
2.05 - 8.54	5,736,152	2.76	3.67	3,511,233	4.32

7. OTHER EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net gains on Sabina special warrants (note 3(a))	838	349	2,015	804
Net losses on commodity swap and option contracts (note 3(c))	(1,061)	(3,320)	(14,069)	(10,142)
Net (losses) gains on forward foreign exchange contracts (note 3(d))	(283)	638	597	2,034
Impairment charges on publicly traded securities (note 3(b))	-	(24)	-	(24)
Net foreign exchange losses	(2,420)	(584)	(4,306)	(2,060)
Interest income	76	63	141	111
Other income (expense), net	385	(69)	596	(784)
	(2,465)	(2,947)	(15,026)	(10,061)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

8. EARNINGS (LOSS) PER SHARE

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net earnings (loss) attributable to common shareholders				
From continuing operations	11,039	(8,935)	(1,479)	(12,692)
From discontinued operations	-	3,267	-	970
Net earnings (loss)	11,039	(5,668)	(1,479)	(11,722)
Basic weighted average number of common shares	178,441,132	141,448,039	176,082,352	141,011,911
Effect of stock options	151,552	244,953	-	125,220
Diluted weighted average number of common shares	178,592,684	141,692,992	176,082,352	141,137,131
Basic and diluted earnings (loss) per share attributable to common shareholders of the Company				
From continuing operations	0.06	(0.06)	(0.01)	(0.09)
From discontinued operations	-	0.02	-	0.01
Basic and diluted earnings (loss) per share	0.06	(0.04)	(0.01)	(0.08)

9. KEY MANAGEMENT REMUNERATION

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

The remuneration of the key management of the Company recognized in the condensed interim consolidated statements of earnings (loss) for the three and six months ended June 30, 2017 and 2016 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Salaries, management bonuses and director fees	1,156	1,136	2,330	2,208
Other benefits	94	93	193	182
Share based compensation	511	1,916	2,332	3,609
Total remuneration	1,761	3,145	4,855	5,999

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

10. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Items not affecting cash and other adjustments

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Depreciation and amortization	15,605	19,456	31,500	38,405
Net interest expense	1,474	2,902	3,045	5,748
Accretion expense related to rehabilitation provisions	446	532	873	1,023
Share based compensation expense	275	379	677	936
Net gains on Sabina special warrants	(838)	(349)	(2,015)	(804)
Net losses on commodity swap and option contracts	1,061	3,320	14,069	10,142
Net losses on forward foreign exchange contracts	790	2,148	1,096	4,260
Impairment charges on publicly traded securities	-	24	-	24
Other, net	(609)	(139)	(657)	(779)
	18,204	28,273	48,588	58,955

(b) Changes in non-cash working capital

	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
(Increase) decrease in accounts receivable and other assets	(6,636)	(9,167)	8,984	(21,713)
Increase in inventories	(4,092)	(570)	(2,407)	(5,512)
Increase (decrease) in accounts payable and accrued liabilities	2,424	53	1,242	(9,079)
(Decrease) increase in other liabilities	(274)	670	1,189	2,123
	(8,578)	(9,014)	9,008	(34,181)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

11. SUPPLEMENTARY SHAREHOLDERS' EQUITY INFORMATION

(a) Equity financing

On January 24, 2017, the Company completed a non-brokered private placement with the European Bank for Reconstruction and Development, pursuant to which the Company issued 17,843,120 common shares of the Company at a price of Cdn\$2.45 per share for gross proceeds of \$33.2 million (Cdn\$43.7 million) and total share issuance costs of \$0.5 million.

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

	Six months ended June 30,	
	2017	2016
Unrealized gains (losses) on forward foreign exchange contracts designated as cash flow hedges		
Balance at beginning of period	(6,924)	(25,405)
Unrealized gains on forward foreign exchange contracts designated as cash flow hedges, net of income taxes	7,401	4,283
Realized losses on forward foreign exchange contracts transferred to net loss, net of income taxes	1,744	6,305
Balance at end of period	2,221	(14,817)
Unrealized gains on publicly traded securities		
Balance at beginning of period	10,867	6,095
Unrealized gains on publicly traded securities, net of income taxes	18,999	7,781
Impairment charges on publicly traded securities transferred to net loss, net of income taxes	-	24
Balance at end of period	29,866	13,900
Accumulated currency translation adjustments		
Balance at beginning of period	(2,583)	(1,114)
Currency translation adjustments	-	(1,469)
Balance at end of period	(2,583)	(2,583)
Accumulated other comprehensive income (loss)	29,504	(3,500)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

12. COMMITMENTS AND OTHER CONTINGENCIES

(a) Commitments

The Company had the following minimum contractual commitments as at June 30, 2017:

	up to 1 year	1 - 5 years	over 5 years	Total
Capital commitments	75,952	-	-	75,952
Purchase commitments	28,069	-	-	28,069
Operating lease payments	3,826	13,689	1,022	18,537
Total commitments	107,847	13,689	1,022	122,558

As at June 30, 2017, Tsumeb had approximately \$113 million (December 31, 2016 – \$130 million) of recoverable third party in-process secondary materials, which it is obligated to process and return, generally in the form of blister, to Louis Dreyfus Company Metals Suisse (“LD”) pursuant to a tolling agreement.

In July 2017, the Company and LD agreed to amend the existing tolling agreement to provide for, among other things, lower stockpile interest deductions on excess secondary materials, specified quarterly targeted reductions of excess secondary materials representing approximately \$90 million over a 3 ½ year period ending December 31, 2020, the purchase of secondary materials in excess of established quarterly targeted levels, and the extension of the tolling agreement by one year.

(b) Other

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

13. OPERATING SEGMENT INFORMATION

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

The Company has two operating segments from continuing operations – Chelopech in Bulgaria and Tsumeb in Namibia. The nature of their operations 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. There are no significant inter-segment transactions that have not been eliminated on consolidation.

The operating results of Kapan have been presented as discontinued operations as a result of the Kapan Disposition.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

The following table summarizes the relevant information from continuing operations by segment for the three and six months ended June 30, 2017 and 2016:

	Three months ended June 30, 2017			
	Chelopech	Tsumeb	Corporate & Other	Total
Continuing Operations				
Revenue (a)	42,980	43,873	-	86,853
Earnings (loss) before income taxes	17,120	2,174	(6,482)	12,812
Capital expenditures	4,616	844	15,305	20,765
	Three months ended June 30, 2016			
	Chelopech	Tsumeb	Corporate & Other	Total
Continuing Operations				
Revenue (a)	47,065	25,405	-	72,470
Earnings (loss) before income taxes	14,714	(11,794)	(9,771)	(6,851)
Capital expenditures	1,637	8,358	3,075	13,070
	Six months ended June 30, 2017			
	Chelopech	Tsumeb	Corporate & Other	Total
Continuing Operations				
Revenue (a)	95,018	66,503	-	161,521
Earnings (loss) before income taxes	26,648	(10,565)	(14,785)	1,298
Capital expenditures	6,968	5,307	30,474	42,749
	Six months ended June 30, 2016			
	Chelopech	Tsumeb	Corporate & Other	Total
Continuing Operations				
Revenue (a)	85,643	56,995	-	142,638
Earnings (loss) before income taxes	21,862	(14,100)	(18,278)	(10,516)
Capital expenditures	4,651	12,583	7,259	24,493

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2017 and 2016

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

The following table summarizes the total assets and total liabilities by segment as at June 30, 2017 and December 31, 2016:

	As at June 30, 2017			
	Chelopech	Tsumeb	Corporate & Other	Total
Total current assets	45,566	23,985	18,890	88,441
Total non-current assets	212,131	254,637	211,028	677,796
Total assets	257,697	278,622	229,918	766,237
Total liabilities	38,568	43,500	72,194	154,262

	As at December 31, 2016			
	Chelopech	Tsumeb	Corporate & Other	Total
Total current assets	53,222	19,596	18,788	91,606
Total non-current assets	222,178	261,774	158,394	642,346
Total assets	275,400	281,370	177,182	733,952
Total liabilities	36,066	40,053	105,806	181,925