

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2020 and December 31, 2019

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

	September 30, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash	102,365	23,440
Accounts receivable	102,989	38,309
Inventories	40,818	38,033
Other current assets (note 3(c) & 3(d))	2,460	5,244
	248,632	105,026
Non-Current Assets		
Investments at fair value (note 3(a) & 3(b))	75,593	59,362
Mine properties	156,833	180,732
Property, plant & equipment	361,913	387,181
Intangible assets	39,337	40,034
Deferred income tax assets	10,890	9,048
Other long-term assets	4,148	3,327
	648,714	679,684
TOTAL ASSETS	897,346	784,710
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	63,198	59,736
Income tax liabilities	15,256	2,579
Current portion of deferred revenue	9,520	42,176
Current portion of long-term liabilities	6,000	5,092
	93,974	109,583
Non-Current Liabilities		
Long-term debt (note 4(a))	-	10,000
Deferred revenue	-	3,207
Rehabilitation provisions	39,578	40,799
Share-based compensation plans	17,359	11,700
Deferred income tax liabilities	1,219	1,137
Other long-term liabilities	15,668	15,390
	73,824	82,233
TOTAL LIABILITIES	167,798	191,816
EQUITY		
Share capital	524,873	522,351
Contributed surplus	8,572	9,150
Retained earnings	179,878	45,007
Accumulated other comprehensive income	11,255	10,108
Equity attributable to common shareholders of the Company	724,578	586,616
Non-controlling interests	4,970	6,278
TOTAL EQUITY	729,548	592,894
TOTAL LIABILITIES AND EQUITY	897,346	784,710

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 nine months ended September 30, 2020 and 2019

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue (note 11)	157,940	94,890	466,680	279,421
Costs and expenses				
Cost of sales	82,291	71,758	257,440	208,208
General and administrative expenses	8,904	5,750	25,909	23,471
Corporate social responsibility expenses	764	289	2,244	1,231
Exploration and evaluation expenses	5,074	3,494	12,733	9,574
Finance cost	1,653	3,057	5,617	7,562
Other (income) expense	196	(1,133)	1,901	1,034
Earnings before income taxes	59,058	11,675	160,836	28,341
Current income tax expense	8,090	3,487	19,930	6,739
Deferred income tax expense (recovery)	(2,305)	674	(3,896)	296
Net earnings	53,273	7,514	144,802	21,306
Net earnings (loss) attributable to:				
Common shareholders of the Company	53,696	7,302	145,737	21,782
Non-controlling interests	(423)	212	(935)	(476)
Net earnings	53,273	7,514	144,802	21,306
Earnings per share attributable to common shareholders of the Company				
- Basic	0.30	0.04	0.81	0.12
- Diluted	0.29	0.04	0.80	0.12

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For the three and nine months ended September 30, 2020 and 2019

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Net earnings	53,273	7,514	144,802	21,306
Other comprehensive income (loss) items that may be reclassified subsequently to profit or loss:				
Foreign exchange forward and option contracts designated as cash flow hedges				
Unrealized gains (losses), net of income tax recovery of \$nil (2019 - \$nil) and \$nil (2019 - \$25), respectively	1,183	(533)	(6,321)	206
Deferred cost of hedging, net of income tax recovery of \$nil (2019 - \$nil) and \$nil (2019 - \$8), respectively	1,980	(3,433)	(3,412)	(1,097)
Realized (gains) losses transferred to cost of sales, net of income tax expense of \$nil (2019 - \$nil) and \$nil (2019 - \$nil), respectively	1,038	(84)	3,364	(633)
Currency translation adjustments	(500)	(1,581)	(5,391)	(974)
Other comprehensive income items that will not be reclassified subsequently to profit or loss:				
Unrealized gains on publicly traded securities, net of income tax expense of \$1,124 (2019 - \$nil) and \$2,004 (2019 - \$nil), respectively	7,356	7,647	11,709	10,810
	11,057	2,016	(51)	8,312
Comprehensive income	64,330	9,530	144,751	29,618
Comprehensive income (loss) attributable to:				
Common shareholders of the Company	64,864	9,670	146,884	30,314
Non-controlling interests	(534)	(140)	(2,133)	(696)
Comprehensive income	64,330	9,530	144,751	29,618

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three and nine months ended September 30, 2020 and 2019

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

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
OPERATING ACTIVITIES				
Earnings before income taxes	59,058	11,675	160,836	28,341
Revenue transferred from deferred revenue	(9,591)	-	(37,061)	-
Depreciation and amortization	26,416	21,003	77,016	50,938
Changes in non-cash working capital (note 7(a))	(27,919)	(9,178)	(67,027)	(30,843)
Other items not affecting cash (note 7(b))	1,353	974	11,273	3,668
Payments for settlement of derivative contracts	(5,148)	(688)	(10,474)	(1,745)
Income taxes paid	(1,877)	(1,052)	(7,385)	(3,855)
Cash provided from operating activities	42,292	22,734	127,178	46,504
INVESTING ACTIVITIES				
Purchase of publicly traded securities	-	-	-	(748)
Proceeds from disposal of mine properties, property, plant and equipment and intangible assets	-	13	122	8,201
Expenditures on mine properties	(3,055)	(1,608)	(5,192)	(31,022)
Expenditures on property, plant and equipment	(6,475)	(10,604)	(17,478)	(16,854)
Expenditures on intangible assets	(1,135)	(324)	(4,296)	(1,099)
Cash used in investing activities	(10,665)	(12,523)	(26,844)	(41,522)
FINANCING ACTIVITIES				
Proceeds from shares issued	371	21	1,553	2,291
Repayments of credit facilities (note 4(a))	-	(14,000)	(10,000)	(2,000)
Financing fees on debt	-	(488)	(375)	(488)
Lease obligations	(1,083)	(1,029)	(3,149)	(2,799)
Dividend paid (note 8(a))	(3,631)	-	(7,241)	-
Interest paid	(707)	(1,483)	(2,197)	(3,627)
Cash used in financing activities	(5,050)	(16,979)	(21,409)	(6,623)
Increase (decrease) in cash	26,577	(6,768)	78,925	(1,641)
Cash at beginning of period	75,788	22,170	23,440	17,043
Cash at end of period	102,365	15,402	102,365	15,402

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

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine months ended September 30, 2020 and 2019

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

	September 30, 2020		September 30, 2019	
	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	180,537,053	522,351	178,547,639	515,658
Shares issued as part of an exploration option agreement	25,000	153	20,000	74
Shares issued on exercise of stock options	724,060	1,553	938,682	2,190
Transferred from contributed surplus on exercise of stock options		816		1,124
Balance at end of period	181,286,113	524,873	179,506,321	519,046
Contributed surplus				
Balance at beginning of period		9,150		12,085
Share-based compensation expense		1,063		792
Transferred to share capital on exercise of stock options		(816)		(1,124)
Other changes in contributed surplus		(825)		(1,882)
Balance at end of period		8,572		9,871
Retained earnings				
Balance at beginning of period		45,007		115,909
Net earnings attributable to common shareholders of the Company		145,737		21,782
Dividend distribution (<i>note 8(a)</i>)		(10,866)		-
Balance at end of period		179,878		137,691
Accumulated other comprehensive income (loss)				
Balance at beginning of period		10,108		(11,652)
Other comprehensive income		1,147		8,532
Realized losses on foreign exchange forward contracts and cost of hedging transferred to Mine Properties, net of income tax recovery of \$nil (2019 - \$33)		-		334
Balance at end of period		11,255		(2,786)
Total equity attributable to common shareholders of the Company		724,578		663,822
Non-controlling interests				
Balance at beginning of period		6,278		6,181
Net loss attributable to non-controlling interests		(935)		(476)
Other comprehensive loss attributable to non-controlling interests		(1,198)		(220)
Other changes in non-controlling interests		825		1,191
Balance at end of period		4,970		6,676
Total equity at end of period		729,548		670,498

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 nine months ended September 30, 2020 and 2019

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

1. CORPORATE INFORMATION

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

As at September 30, 2020, DPM’s condensed interim consolidated financial statements include DPM and its subsidiary companies (collectively, the “Company”).

DPM’s principal subsidiaries include:

- 100% of Dundee Precious Metals Chelopech EAD (“Chelopech”), which owns and operates a gold, copper and silver mine located east of Sofia, Bulgaria;
- 100% of Dundee Precious Metals Krumovgrad EAD (“Ada Tepe”), which owns and operates a gold mine located in south eastern Bulgaria, near the town of Krumovgrad; and
- 92% of Dundee Precious Metals Tsumeb (Proprietary) Limited (“Tsumeb”), which owns and operates a custom smelter located in Tsumeb, Namibia.

DPM holds interests, directly or indirectly, in a number of exploration properties located in Serbia, Canada and Ecuador including:

- 100% of Avala Resources Ltd., which is focused on the exploration and development of the Timok gold project and other early stage projects in Serbia;
- 9.4% of Sabina Gold and Silver Corp. (“Sabina”), which is focused on the development of the Back River project in southwestern Nunavut, Canada;
- 19.4% of INV Metals Inc. (“INV”), which is focused on the exploration and development of the Loma Larga gold property located in Ecuador; and
- a 51% interest in Pershimex Resources Corporation’s gold property located in the Archean Abitibi greenstone belt near Val-d’Or, Canada, with the option to earn up to a 71% interest.

DPM also owns:

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

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board, including International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. These condensed interim consolidated financial statements do not include all of the information required for full financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2019, 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, 2019.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 12, 2020.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

(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	
		September 30, 2020	December 31, 2019
Financial assets			
Cash	Amortized cost	102,365	23,440
Accounts receivable			
on provisionally priced sales	Fair value through profit or loss	68,884	11,246
Other accounts receivable	Amortized cost	34,105	27,063
Restricted cash	Amortized cost	1,916	2,177
Sabina special warrants (a)	Fair value through profit or loss	9,004	6,488
Publicly traded securities (b)	Fair value through other comprehensive income	66,589	52,874
Commodity swap contracts (c)	Derivatives for fair value hedges	918	-
Foreign exchange option contracts (d)	Derivatives for cash flow hedges	-	3,938
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	60,735	58,320
Debt (note 4(a))	Amortized cost	-	10,000
Commodity swap contracts (c)	Derivatives for fair value hedges	504	1,416
Foreign exchange option contracts (d)	Derivatives for cash flow hedges	2,432	-

The carrying values of all the financial assets and liabilities measured at amortized cost approximate their fair values as at September 30, 2020 and December 31, 2019.

(a) Sabina special warrants

As at September 30, 2020, DPM held: (i) 30,537,746 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.

For the three and nine months ended September 30, 2020, the Company recognized unrealized gains on the Sabina special warrants of \$2.4 million (2019 – \$3.2 million) and \$2.5 million (2019 – \$3.5 million), respectively, in other (income) expense in the condensed interim consolidated statements of earnings (loss).

(b) Publicly traded securities

Publicly traded securities include a portfolio of equity investments in publicly traded mining and exploration companies, comprised primarily of Sabina and INV common shares. For the three and nine months ended September 30, 2020, the Company recognized unrealized gains on these publicly traded securities of \$8.5 million (2019 – \$7.6 million) and \$13.7 million (2019 – \$10.8 million), respectively, in other comprehensive income (loss) that will not be reclassified subsequently to profit or loss.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

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

(c) Commodity swap 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 September 30, 2020, the Company's outstanding QP Hedges, all of which mature within six months from the reporting date, are summarized in the table below:

Commodity hedged	Volume hedged	Weighted average fixed price of QP Hedges
Payable gold	34,415 ounces	1,921.16/ounce
Payable copper	6,569,768 pounds	2.97/pound

The Company designates the spot component of commodity swap contracts in respect of QP Hedges as fair value hedges.

The fair value gain or loss on commodity swap contracts is calculated based on the corresponding London Metal Exchange forward copper prices and New York Commodity Exchange forward gold and silver prices, as applicable. As at September 30, 2020, the net fair value gain on all outstanding commodity swap contracts was \$0.4 million (December 31, 2019 – net fair value loss of \$1.4 million), of which \$0.9 million (December 31, 2019 – \$nil) was included in other current assets and \$0.5 million (December 31, 2019 – \$1.4 million) in accounts payable and accrued liabilities.

The Company recognized net losses of \$1.5 million (2019 – net gains of \$0.3 million) and \$5.6 million (2019 – \$0.8 million), respectively, for the three and nine months ended September 30, 2020 in revenue on these commodity swap contracts.

(d) Foreign exchange forward and option contracts

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

Foreign exchange forward contracts are entered to fix foreign exchange rates on future operating expenses and capital expenditures. Foreign exchange option contracts are entered to provide price protection below a specified "floor" rate and participation up to a specified "ceiling" rate. The option contracts entered are comprised of a series of call options and put options (which when combined create a price "collar") that are structured so as to provide for a zero upfront cash cost.

As at September 30, 2020, the Company had outstanding foreign exchange option contracts in respect of a portion of its projected South African Rand ("ZAR") denominated operating expenses as summarized in the table below:

Year of projected operating expenses	Amount hedged in ZAR (i)	Call options sold weighted average ceiling rate US\$/ZAR	Put options purchased weighted average floor rate US\$/ZAR
Balance of 2020	367,180,000	16.14	14.61
2021	1,356,000,000	18.66	15.77

(i) The Namibian dollar is pegged to the ZAR on a 1:1 basis.

The Company designates the spot component of the foreign exchange forward contracts and the intrinsic value of option contracts as cash flow hedges. The time value component of foreign exchange forward and option contracts is treated as a separate cost of hedging.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

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

The fair value gain or loss on these outstanding contracts is calculated based on foreign exchange forward rates quoted in the market. As at September 30, 2020, the net fair value loss on all outstanding foreign exchange option contracts was \$2.4 million (December 31, 2019 – net fair value gain of \$3.9 million), of which \$nil (December 31, 2019 – \$3.9 million) was included in other current assets, \$2.0 million (December 31, 2019 – \$nil) in accounts payable and accrued liabilities, and \$0.4 million (December 31, 2019 – \$nil) in other long-term liabilities.

For the three and nine months ended September 30, 2020, the Company recognized unrealized gains of \$2.2 million (2019 – unrealized losses of \$0.6 million) and unrealized losses of \$3.0 million (2019 – \$0.3 million), respectively, in other comprehensive income (loss) on the spot component of the outstanding foreign exchange forward and option contracts. The Company also recognized realized losses of \$1.0 million (2019 – realized gains of \$0.1 million) and \$3.4 million (2019 – realized gains of \$0.7 million), respectively, for the three and nine months ended September 30, 2020 in cost of sales on the spot component of settled contracts in respect of foreign denominated operating expenses.

For the three and nine months ended September 30, 2020, the Company recognized unrealized gains of \$2.0 million (2019 – unrealized losses of \$3.4 million) and unrealized losses of \$3.4 million (2019 – \$0.9 million), respectively, on the time value component of the outstanding foreign exchange forward and option contracts in other comprehensive income (loss) as a deferred cost of hedging.

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 CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

(unaudited, 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 September 30, 2020 and December 31, 2019:

	As at September 30, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Accounts receivable on provisionally priced sales	-	68,884	-	68,884
Sabina special warrants	-	-	9,004	9,004
Publicly traded securities	66,589	-	-	66,589
Commodity swap contracts	-	918	-	918
Financial liabilities				
Commodity swap contracts	-	504	-	504
Foreign exchange option contracts	-	2,432	-	2,432

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Accounts receivable on provisionally priced sales	-	11,246	-	11,246
Sabina special warrants	-	-	6,488	6,488
Publicly traded securities	52,874	-	-	52,874
Foreign exchange option contracts	-	3,938	-	3,938
Financial liabilities				
Commodity swap contracts	-	1,416	-	1,416

During the nine months ended September 30, 2020 and the year ended December 31, 2019, 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, 2019 to September 30, 2020:

Balance as at January 1, 2019	2,617
Unrealized gains included in net earnings	3,871
Balance as at December 31, 2019	6,488
Unrealized gains included in net earnings	2,516
Balance as at September 30, 2020	9,004

4. DEBT

(a) DPM Revolving Credit Facility ("RCF")

DPM has a committed RCF with a consortium of banks. In June 2020, the Company amended the RCF by reducing tranche B of the facility from \$175.0 million to \$150.0 million and extending its maturity date from February 2022 to February 2023. The Company's borrowing spread above LIBOR is 2.5%, and can range between 2.5% and 3.5% depending upon the Company's funded net debt to adjusted earnings before interest, taxes, depreciation and amortization ("Debt Leverage Ratio"), as defined in the RCF agreement. The RCF is secured by pledges of the Company's investments in Ada Tepe, Chelopez and Tsumeb and by guarantees from each of these subsidiaries.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

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

The RCF contains financial covenants that require DPM to maintain: (i) a Debt Leverage Ratio below 3.75:1, (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 September 30, 2020, DPM was in compliance with all financial covenants and \$nil (December 31, 2019 – \$10.0 million) was drawn under the RCF.

(b) Tsumeb overdraft facility

In April 2020, Tsumeb increased its demand overdraft facility from Namibian \$50.0 million (\$3.0 million) to Namibian \$100.0 million (\$6.0 million). This facility is guaranteed by DPM and bears interest at a rate equal to the Namibian Prime Lending Rate minus 0.5%. As at September 30, 2020 and December 31, 2019, \$nil was drawn from this facility.

(c) Other credit agreements and guarantees

Chelopech and Ada Tepe have a \$16.0 million multi-purpose credit facility that matures on November 30, 2021. This credit facility is guaranteed by DPM. As at September 30, 2020, \$6.0 million (December 31, 2019 – \$5.7 million) had been utilized against this multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

Chelopech and Ada Tepe also have a Euro 21.0 million (\$24.6 million) credit facility to support mine closure and rehabilitation obligations. This credit facility matures on November 30, 2021 and is guaranteed by DPM. As at September 30, 2020, \$24.6 million (December 31, 2019 – \$23.6 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

Ada Tepe has a \$5.3 million multi-purpose credit facility that matures on November 30, 2021. This credit facility is guaranteed by DPM. As at September 30, 2020, \$0.2 million (December 31, 2019 – \$0.1 million) had been utilized against this multi-purpose revolving facility in the form of letters of credit and letters of guarantee.

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

5. SHARE-BASED COMPENSATION PLANS

The following is a summary of the new grants under the Company's share-based compensation plans during the nine months ended September 30, 2020:

	Number of units granted	Fair value granted
Restricted Share Units ("RSUs")	1,109,422	3,723
Performance Share Units ("PSUs")	357,766	1,209
Deferred Share Units ("DSUs")	118,944	595
DPM Stock Options	660,814	855

For the three and nine months ended September 30, 2020, mark-to-market adjustments related to the change in DPM's share price resulted in an increase in share-based compensation of \$2.0 million (2019 – a decrease of \$0.4 million) and \$9.0 million (2019 – \$3.0 million), respectively.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

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

6. RELATED PARTY TRANSACTIONS

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 nine months ended September 30, 2020 and 2019 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Salaries, management bonuses and director fees	705	944	2,380	4,115
Other benefits	41	50	163	284
Share-based compensation (a)	2,271	464	7,759	6,156
Total remuneration	3,017	1,458	10,302	10,555

(a) Included in share-based compensation for the nine months ended September 30, 2020 were MineRP stock options of \$0.4 million granted to the Company's former CEO.

7. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Changes in non-cash working capital

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
(Increase) decrease in accounts receivable and other assets	(27,377)	3,249	(65,420)	(6,201)
Increase in inventories	(5,072)	(5,521)	(1,431)	(7,436)
Increase (decrease) in accounts payable and accrued liabilities	2,271	(6,406)	(6,754)	(17,325)
Increase (decrease) in other liabilities	2,259	(500)	6,578	119
	(27,919)	(9,178)	(67,027)	(30,843)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

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

(b) Other items not affecting cash

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2020	2019	2020	2019
Net interest expense	1,087	2,357	3,871	5,626
Accretion expense related to rehabilitation provisions	526	577	1,639	1,713
Share-based compensation expense	594	235	1,063	792
Net gains on Sabina special warrants	(2,402)	(3,150)	(2,516)	(3,420)
Net (gains) losses on commodity swap contracts	1,504	(384)	5,350	756
Net (gains) losses on foreign exchange option contracts	1,038	(84)	3,364	(633)
Other, net	(994)	1,423	(1,498)	(1,166)
	1,353	974	11,273	3,668

8. SUPPLEMENTARY SHAREHOLDERS' EQUITY INFORMATION

(a) Dividend

On February 13, 2020, May 6, 2020 and July 30, 2020, the Company declared a quarterly dividend of \$0.02 per common share to shareholders of record on March 31, 2020, June 30, 2020 and September 30, 2020, respectively, resulting in total dividend distributions of \$10.9 million recognized against its retained earnings in the condensed interim consolidated statements of changes in shareholders' equity for the nine months ended September 30, 2020. The Company paid \$7.2 million of these dividends which was included in cash used in financing activities in the condensed interim consolidated statements of cash flows for the nine months ended September 30, 2020 and recognized a dividend payable of \$3.7 million in accounts payable and accrued liabilities in the condensed interim consolidated statements of financial position as at September 30, 2020.

On November 12, 2020, the Company declared a fourth quarter dividend of \$0.02 per common share payable on January 15, 2021 to shareholders of record on December 31, 2020 resulting in an aggregate of \$0.08 per common share of dividends being declared in 2020.

(b) Normal Course Issuer Bid ("NCIB") and Automatic Repurchase Direction

On February 21, 2020, the Company renewed its NCIB previously filed on May 16, 2018. On March 31, 2020, the Company issued an automatic purchase direction (the "Direction") to its designated broker under the NCIB in order to facilitate purchases, subject to certain specified parameters, of DPM common shares during a period when the Company would ordinarily not be active in the market due to regulatory restrictions or self-imposed blackout periods. This Direction was terminated by the Company on June 11, 2020 and, to date, no purchases of DPM shares have been made under the NCIB.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

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

9. COMMITMENTS AND OTHER CONTINGENCIES

(a) Commitments

The Company had the following minimum contractual commitments as at September 30, 2020:

	up to 1 year	1 - 5 years	Total
Capital commitments	7,550	-	7,550
Purchase commitments	10,185	8	10,193
Total commitments	17,735	8	17,743

As at September 30, 2020, Tsumeb had approximately \$55.6 million (December 31, 2019 – \$62.9 million) of recoverable third party in-process secondary materials, which it is obligated to process and return, generally in the form of blister, to IXM S.A. (“IXM”), pursuant to a tolling agreement (the “Tolling Agreement”).

In December 2019, the Company and IXM agreed to amend the existing Tolling Agreement to provide for lower stockpile interest on excess secondary materials, the establishment of the December 31, 2019 excess secondary balances as the new targeted levels above which secondary materials would be required to be purchased by the Company, an extension of the date by which the Company must eliminate excess secondary materials to March 31, 2021, and an extension of the Tolling Agreement by one year to December 31, 2023. During the nine months ended September 30, 2020, the Company purchased \$1.6 million of secondary materials, which was included in the other long-term assets in the condensed interim consolidated statements of financial position. As at September 30, 2020, the value of excess secondary materials was approximately \$27.4 million, which was approximately \$1.3 million above the targeted levels under the Tolling Agreement. IXM has agreed to waive the quarterly requirement to purchase secondary materials above targeted levels as at September 30, 2020.

(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.

10. FINANCIAL RISK MANAGEMENT IN RESPONSE TO CORONAVIRUS (“COVID-19”)

In March 2020, the World Health Organization classified COVID-19 as a worldwide pandemic and governments across the globe undertook extensive measures to combat the spread of this virus. To date, as a result of the proactive actions being taken within the regions in which we operate and by personnel at each of our sites, the Company has not experienced any material disruptions to its operations as a result of COVID-19. The Company’s Chelopech and Ada Tepe mines in Bulgaria continue to operate at full capacity and have not experienced any disruptions to their operations.

In April 2020, the Tsumeb smelter in Namibia curtailed its operations by shutting down ancillary plants for 30 days and reducing complex concentrate smelted for the three months ended June 30, 2020 by approximately 10% in response to a government directive to the natural resources industry aimed at limiting staffing levels. Full operations resumed in May 2020 with ongoing management of the number of employees and contractors working at site and continued observance of the COVID-19 controls that have been established across all sites.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

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

The Company continues to closely assess and monitor the COVID-19 situation and has undertaken a number of measures to mitigate the associated risks, including establishing procedures and contingency plans at each operating location, which are directed at safeguarding employees, managing potential supply chain disruptions, including complex concentrate feed for the smelter, and maintaining production at each of its operations. These activities are being overseen by an experienced cross-functional team that includes members of senior management and leaders at the Company's operations.

The Company has experienced a small number of positive cases within its workforce. These positive cases are being effectively managed with testing, contact tracing and isolation measures and, to date, the vast majority of employees have recovered with the remaining employees isolating offsite in accordance with the Company's procedures. Given the relatively low number of COVID-19 cases and the management protocols in effect, the impact on the Company's operations has been minimal.

At present, there do not appear to be any imminent COVID-19 related circumstances that are expected to disrupt the Company's operations, however, given the highly uncertain and evolving nature of this situation, the Company is not able to reliably estimate the likelihood, timing, duration, severity and scope of this pandemic and the potential impact it could have on the Company's operating and financial results.

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

The following table summarizes the relevant information by segment for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30, 2020				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Revenue (a)	67,567	55,999	32,427	1,947	157,940
Earnings (loss) before income taxes	39,714	31,991	(211)	(12,436)	59,058
Capital expenditures	5,987	3,927	1,321	2,021	13,256

	Three months ended September 30, 2019				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Revenue (a)	41,321	14,786	32,145	6,638	94,890
Earnings (loss) before income taxes	19,049	1,642	(4,712)	(4,304)	11,675
Capital expenditures	6,768	3,037	3,486	40	13,331

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

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

Nine months ended September 30, 2020					
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Revenue (a)	190,475	155,021	112,312	8,872	466,680
Earnings (loss) before income taxes	104,648	81,237	12,429	(37,478)	160,836
Capital expenditures	14,781	10,915	4,766	5,101	35,563

Nine months ended September 30, 2019					
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Revenue (a)	137,099	14,786	117,070	10,466	279,421
Earnings (loss) before income taxes	56,499	1,030	2,535	(31,723)	28,341
Capital expenditures	13,285	33,651	5,664	1,108	53,708

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

The following table summarizes the Company's revenue recognized for the three and nine months ended September 30, 2020 and 2019:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue recognized at a point in time from:				
Sale of concentrate	120,239	55,539	335,243	150,323
Processing concentrate	27,319	27,129	94,485	97,527
Acid sales	5,108	5,016	17,827	19,543
Sale of software licenses	479	2,419	2,654	2,764
Mark-to-market price adjustments on provisionally priced sales	3,327	568	10,253	1,562
Revenue recognized over time from:				
Software services	1,468	4,219	6,218	7,702
Total revenue	157,940	94,890	466,680	279,421

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2020 and 2019

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

The following table summarizes the total assets and total liabilities by segment as at September 30, 2020 and December 31, 2019:

	As at September 30, 2020				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Total current assets	72,524	74,164	36,266	65,678	248,632
Total non-current assets	173,233	262,426	106,797	106,258	648,714
Total assets	245,757	336,590	143,063	171,936	897,346
Total liabilities	48,520	39,397	37,645	42,236	167,798

	As at December 31, 2019				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Total current assets	36,525	25,607	27,258	15,636	105,026
Total non-current assets	177,494	291,997	118,671	91,522	679,684
Total assets	214,019	317,604	145,929	107,158	784,710
Total liabilities	40,566	64,083	43,549	43,618	191,816