

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2021 and December 31, 2020

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

	September 30, 2021	December 31, 2020
ASSETS		
Current Assets		
Cash	220,401	149,532
Short-term investments	49,102	-
Accounts receivable	128,629	84,920
Inventories	45,622	43,049
Other current assets <i>(note 5(c) & 5(d))</i>	6,239	10,818
	449,993	288,319
Assets held for sale <i>(note 3)</i>	-	30,713
	449,993	319,032
Non-Current Assets		
Investments at fair value <i>(note 5(a) & 5(b))</i>	48,527	106,595
Exploration and evaluation assets <i>(note 4)</i>	92,934	-
Mine properties	141,306	155,438
Property, plant & equipment	344,344	364,337
Intangible assets	16,587	16,139
Deferred income tax assets	8,510	9,470
Other long-term assets	8,479	3,849
	660,687	655,828
TOTAL ASSETS	1,110,680	974,860
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	60,550	72,234
Income tax liabilities	6,065	910
Current portion of long-term liabilities	5,950	5,929
	72,565	79,073
Liabilities held for sale <i>(note 3)</i>	-	6,003
	72,565	85,076
Non-Current Liabilities		
Rehabilitation provisions	51,523	51,338
Share-based compensation plans	12,932	19,002
Other long-term liabilities	13,606	14,160
	78,061	84,500
TOTAL LIABILITIES	150,626	169,576
EQUITY		
Share capital	584,538	525,219
Contributed surplus	9,198	7,078
Retained earnings	366,673	224,701
Accumulated other comprehensive income (loss)	(355)	41,671
Equity attributable to common shareholders		
of the Company	960,054	798,669
Non-controlling interests <i>(note 3)</i>	-	6,615
TOTAL EQUITY	960,054	805,284
TOTAL LIABILITIES AND EQUITY	1,110,680	974,860

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, 2021 and 2020

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Continuing Operations				
Revenue (note 13)	162,244	155,993	475,010	457,808
Costs and expenses				
Cost of sales	87,510	79,875	263,094	249,740
General and administrative expenses	7,561	7,076	14,408	21,226
Corporate social responsibility expenses	738	764	1,871	2,244
Exploration and evaluation expenses	3,952	5,074	13,637	12,733
Finance cost	1,452	1,613	4,169	5,541
Other expense	2,096	600	8,687	989
	103,309	95,002	305,866	292,473
Earnings before income taxes	58,935	60,991	169,144	165,335
Current income tax expense	7,635	8,090	24,914	19,930
Deferred income tax expense (recovery)	879	(2,241)	5,606	(3,461)
Net earnings from continuing operations	50,421	55,142	138,624	148,866
Discontinued Operations				
Net earnings (loss) from discontinued operations (note 3)	-	(1,869)	19,738	(4,064)
Net earnings	50,421	53,273	158,362	144,802
Net earnings (loss) attributable to:				
Common shareholders of the Company				
From continuing operations	50,421	55,150	138,642	148,898
From discontinued operations	-	(1,454)	19,994	(3,161)
Non-controlling interests	-	(423)	(274)	(935)
Net earnings	50,421	53,273	158,362	144,802
Earnings (loss) per share attributable to common shareholders of the Company				
- Basic				
From continuing operations	0.27	0.31	0.75	0.83
From discontinued operations	0.00	(0.01)	0.11	(0.02)
- Diluted				
From continuing operations	0.26	0.30	0.75	0.82
From discontinued operations	0.00	(0.01)	0.11	(0.02)

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, 2021 and 2020

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

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net earnings	50,421	53,273	158,362	144,802
Other comprehensive income (loss) items that may be reclassified subsequently to profit or loss:				
Foreign exchange option contracts designated as cash flow hedges				
Unrealized gains (losses), net of income tax of \$nil for all periods	(394)	1,183	3,008	(6,321)
Deferred cost of hedging, net of income tax of \$nil for all periods	(533)	1,980	(2,382)	(3,412)
Realized (gains) losses transferred to cost of sales, net of income tax of \$nil for all periods	(2,426)	1,038	(6,022)	3,364
Commodity swap contracts designated as cash flow hedges				
Unrealized gains (losses), net of income tax expense (recovery) of \$153 (2020 - \$nil) and (\$1,241) (2020 - \$nil), respectively	1,370	-	(11,174)	-
Deferred cost of hedging, net of income tax expense (recovery) of \$19 (2020 - \$nil) and (\$54) (2020 - \$nil), respectively	173	-	(482)	-
Realized losses transferred to revenue, net of income tax recovery of \$416 (2020 - \$nil) and \$1,016 (2020 - \$nil), respectively	3,740	-	9,144	-
Cost of hedging transferred to revenue, net of income tax recovery of \$69 (2020 - \$nil) and \$95 (2020 - \$nil), respectively	616	-	852	-
Currency translation adjustments from discontinued operations	-	(500)	(1,210)	(5,391)
Other comprehensive income (loss) items that will not be reclassified subsequently to profit or loss:				
Unrealized gains (losses) on publicly traded securities, net of income tax expense (recovery) of (\$732) (2020 - \$1,124) and (\$5,019) (2020 - \$2,004), respectively	(8,773)	7,356	(36,844)	11,709
	(6,227)	11,057	(45,110)	(51)
Comprehensive income	44,194	64,330	113,252	144,751
Comprehensive income (loss) attributable to:				
Common shareholders of the Company				
From continuing operations	44,194	66,707	94,742	154,238
From discontinued operations	-	(1,843)	19,023	(7,354)
Non-controlling interests	-	(534)	(513)	(2,133)
Comprehensive income	44,194	64,330	113,252	144,751

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, 2021 and 2020

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
OPERATING ACTIVITIES				
Earnings before income taxes	58,935	60,991	169,144	165,335
Revenue transferred from deferred revenue	-	(9,591)	-	(37,061)
Depreciation and amortization	24,249	26,140	72,674	76,227
Changes in working capital (note 9(a))	(40,093)	(31,098)	(64,346)	(72,052)
Other items not affecting cash (note 9(b))	1,748	2,212	13,671	11,629
Proceeds from (payments for) settlement of derivative contracts	1,193	(5,148)	(9,914)	(10,474)
Income taxes paid	(4,971)	(1,667)	(16,880)	(7,175)
Cash provided from operating activities of continuing operations	41,061	41,839	164,349	126,429
Cash provided from (used in) operating activities of discontinued operations (note 3)	-	453	(442)	749
INVESTING ACTIVITIES				
Proceeds from MineRP Disposition (note 3)	-	-	45,830	-
Cash payment for acquisition of INV, net of cash acquired (note 4(a))	(1,569)	-	(1,569)	-
Purchase of short-term investments	(49,694)	-	(49,694)	-
Purchase of publicly traded securities	-	-	(8,307)	-
Proceeds from disposal of mine properties, property, plant and equipment and intangible assets	-	-	-	122
Expenditures on exploration and evaluation assets	(2,967)	-	(5,550)	-
Expenditures on mine properties	(4,761)	(3,055)	(11,060)	(5,192)
Expenditures on property, plant and equipment	(6,388)	(6,458)	(26,824)	(17,345)
Expenditures on intangible assets	(666)	(1,135)	(2,829)	(3,308)
Increase in restricted cash	-	-	(5,128)	-
Cash used in investing activities of continuing operations	(66,045)	(10,648)	(65,131)	(25,723)
Cash used in investing activities of discontinued operations (note 3)	-	(17)	-	(1,121)
FINANCING ACTIVITIES				
Proceeds from share issuance	1,026	371	2,204	1,553
Repayments of credit facilities (note 6(a))	-	-	-	(10,000)
Lease obligations	(1,171)	(1,025)	(3,290)	(2,932)
Dividend paid (note 10(a))	(5,498)	(3,631)	(16,399)	(7,241)
Payments for share repurchases (note 10(b))	(8,855)	-	(8,855)	-
Interest and finance fees paid	(572)	(640)	(2,009)	(2,496)
Cash used in financing activities of continuing operations	(15,070)	(4,925)	(28,349)	(21,116)
Cash used in financing activities of discontinued operations (note 3)	-	(125)	(140)	(293)
Increase (decrease) in cash of continuing operations	(40,054)	26,266	70,869	79,590
Increase (decrease) in cash of discontinued operations	-	311	(582)	(665)
Cash at beginning of period, continuing operations	260,455	74,607	149,532	21,283
Cash at beginning of period, discontinued operations	-	1,181	582	2,157
Cash at end of period, continuing operations	220,401	100,873	220,401	100,873
Cash at end of period, discontinued operations	-	1,492	-	1,492

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, 2021 and 2020

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

	September 30, 2021		September 30, 2020	
	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	181,400,125	525,219	180,537,053	522,351
Shares issued as part of an exploration option agreement	-	-	25,000	153
Shares issued on exercise of stock options	871,184	2,204	724,060	1,553
Shares issued on acquisition of INV (note 4(a))	10,664,501	60,844	-	-
Share repurchases (note 10(b))	(1,465,100)	(4,803)	-	-
Transferred from contributed surplus on exercise of stock options		1,074		816
Balance at end of period	191,470,710	584,538	181,286,113	524,873
Contributed surplus				
Balance at beginning of period		7,078		9,150
Share-based compensation expense		774		1,063
Transferred to share capital on exercise of stock options		(1,074)		(816)
MineRP Disposition (note 3)		4,741		-
Stock options issued on acquisition of INV (note 4(a))		2,366		-
Share repurchases (note 10(b))		(4,686)		-
Other changes in contributed surplus		(1)		(825)
Balance at end of period		9,198		8,572
Retained earnings				
Balance at beginning of period		224,701		45,007
Net earnings attributable to common shareholders of the Company		158,636		145,737
Dividend distribution (note 10(a))		(16,664)		(10,866)
Balance at end of period		366,673		179,878
Accumulated other comprehensive income (loss)				
Balance at beginning of period		41,671		10,108
Other comprehensive income (loss)		(44,871)		1,147
MineRP Disposition (note 3)		2,845		-
Balance at end of period		(355)		11,255
Total equity attributable to common shareholders of the Company				
		960,054		724,578
Non-controlling interests				
Balance at beginning of period		6,615		6,278
Net loss attributable to non-controlling interests		(274)		(935)
Other comprehensive loss attributable to non-controlling interests		(239)		(1,198)
MineRP Disposition (note 3)		(6,010)		-
Other changes in non-controlling interests		(92)		825
Balance at end of period		-		4,970
Total equity at end of period		960,054		729,548

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, 2021 and 2020

(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 under the federal laws of Canada. 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, 2021, 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 (“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, Bulgaria and Ecuador including:

- 100% of DPM Avala d.o.o. (“Avala”), formerly Avala Resources d.o.o., which is focused on the exploration and development of the Timok gold project in Serbia;
- 100% of INV Minerale Ecuador S.A. (“INV Minerale”), which is focused on the exploration and development of the Loma Larga gold project located in Ecuador (*note 4(a)*); and
- 8.9% of Sabina Gold and Silver Corp. (“Sabina”), which is focused on the development of the Back River project in southwestern Nunavut, Canada.

Discontinued Operations (*note 3*):

On May 3, 2021, DPM sold its 73.7% ownership interest in MineRP Holdings Inc. (“MineRP”), which owns MineRP Holdings (Proprietary) Limited, an independent mining software vendor with operations in Canada, South Africa, Australia and Chile.

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 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, 2020, 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, 2020.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 11, 2021.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

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

3. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

On December 22, 2020, the Company and other shareholders of MineRP entered into a definitive agreement with Epiroc Canada Holding Inc., a subsidiary of Epiroc Rock Drills AB (“Epiroc”) for the sale of MineRP (the “MineRP Disposition”). The MineRP Disposition closed on May 3, 2021.

MineRP Disposition

Net cash consideration received for DPM's equity interest in MineRP:

Total purchase price	59,000
Cash received for settlement of DPM loan to MineRP	(20,571)
Estimated working capital adjustment	(753)
Estimated closing indebtedness	(524)
Estimated closing cash	176
Cash consideration	37,328
Less: transaction costs	(3,048)
Net cash consideration	34,280
Cash paid to non-controlling interests	(9,021)
Net cash consideration received for DPM's equity interest in MineRP^{(i), (ii)}	25,259

Net assets disposed:

Cash	247
Accounts receivable	2,231
Property, plant & equipment	1,137
Intangible assets	26,760
Other long-term assets	230
Total assets disposed	30,605
Accounts payable and accrued liabilities	5,835
Loan payable to Epiroc	20,571
Current portion of long-term liabilities	311
Deferred income tax liabilities	950
Other long-term liabilities	630
Total liabilities disposed	28,297
Non-controlling interests	607
Net assets disposed	1,701

Reclassification of currency translation adjustments from accumulated other comprehensive income (2,845)

Gain on MineRP Disposition included in net earnings from discontinued operations 20,713

- (i) Net cash consideration received includes \$5.1 million held in escrow on closing to secure against any post closing adjustments related to working capital and certain representations and warranties for a period up to 2 years. This \$5.1 million was recognized as restricted cash in the condensed interim consolidated statements of financial position as at September 30, 2021, of which \$1.6 million relating to working capital items was included in other current assets and \$3.5 million relating to other indemnities was included in other long-term assets.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

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

- (ii) The MineRP Disposition also provides for potential additional proceeds in the form of an earn-out conditional on the achievement of certain revenue targets by MineRP in 2021 and 2022, for which no value has been recognized as at September 30, 2021 based on the assessment of its fair market value.

As a result of the MineRP Disposition, the assets and liabilities of MineRP have been presented as held for sale in the consolidated statement of financial position as at December 31, 2020, and the operating results and cash flows of MineRP have been presented as discontinued operations in the condensed interim consolidated statements of earnings (loss) and cash flows for the three and nine months ended September 30, 2021 and 2020. As a consequence, certain comparative figures in the condensed interim consolidated statements of earnings (loss) and cash flows have been reclassified to conform with current period presentation.

The following table summarizes the assets and liabilities of MineRP which have been aggregated and presented as held for sale as at December 31, 2020:

	December 31, 2020
Cash	582
Accounts receivable	1,524
Property, plant & equipment	1,265
Intangible assets	27,153
Other long-term assets	189
Total assets held for sale	30,713
Accounts payable and accrued liabilities	4,038
Current portion of long-term liabilities	303
Deferred income tax liabilities	950
Other long-term liabilities	712
Total liabilities held for sale	6,003
Non-controlling interests of net assets held for sale	6,504

The following table summarizes the operating results of MineRP which have been aggregated and presented as discontinued operations for the three and nine months ended September 30, 2021 and 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue	-	1,947	4,521	8,872
Costs and expenses				
Cost of sales	-	2,416	3,726	7,700
General and administrative expenses	-	1,828	2,384	4,683
Other (income) expense	-	(364)	(603)	988
	-	3,880	5,507	13,371
Loss before income taxes	-	(1,933)	(986)	(4,499)
Deferred income tax recovery	-	(64)	(11)	(435)
Net loss from discontinued operations before gain on MineRP Disposition	-	(1,869)	(975)	(4,064)
Gain on MineRP Disposition	-	-	20,713	-
Net earnings (loss) from discontinued operations	-	(1,869)	19,738	(4,064)

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

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

4. EXPLORATION AND EVALUATION ASSETS

(a) Acquisition of INV

On July 26, 2021, the Company acquired all of the issued and outstanding shares it did not already own of INV Metals Inc. ("INV"), subsequently renamed DPM Ecuador Holdings Inc., which owns INV Minerales, the principal assets of which are comprised of the Loma Larga gold project and certain other exploration licenses. As consideration for the acquisition, DPM issued 10,664,501 common shares representing 0.0910 of a DPM common share for each INV common share acquired at a market price of \$5.72 (Cdn\$7.19) per share with an aggregate value of \$61.0 million.

This transaction was accounted for as an asset acquisition with the consideration paid allocated primarily to the exploration and evaluation assets related to the Loma Larga project. The following table summarizes the consideration paid and the allocation of this consideration to the assets acquired and liabilities assumed as at the date of acquisition.

Consideration paid

DPM common shares issued, net of share issuance costs	60,844
Fair value of previously held equity interest ⁽ⁱ⁾	17,988
DPM stock options ⁽ⁱⁱ⁾	2,366
Transaction costs	2,463
Total consideration paid	83,661

Assets acquired and liabilities assumed

Cash	1,029
Accounts receivable	556
Investments at fair value	151
Exploration and evaluation assets	86,372
Property, plant and equipment	589
Other long-term assets	897
Accounts payable and accrued liabilities	(4,677)
Current portion of long-term liabilities	(220)
Other long-term liabilities	(1,036)
Net assets acquired	83,661

- (i) The fair value of the 35,344,424 INV shares previously held by DPM (*note 5(b)*) was based on the market price of \$0.51 (Cdn\$0.64) per INV share as at the date of acquisition.
- (ii) As at the date of acquisition, 12,304,700 outstanding INV stock options vested immediately and were exchanged for 1,119,728 DPM stock options, the fair value of which was estimated using the Black-Scholes option pricing model.

The Company recognized a post-acquisition net loss of \$0.2 million from INV in the condensed interim consolidated statements of earnings (loss) for the three months ended September 30, 2021. Had INV been consolidated from January 1, 2021, the Company would have reported a net loss of \$7.8 million in its condensed interim consolidated statements of earnings (loss) for the nine months ended September 30, 2021.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

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

(b) Avala

In February 2021, the Company announced the results of a pre-feasibility study (“PFS”) for its Timok gold project in Serbia. Based on the results of the PFS, the Board of Directors approved proceeding with a feasibility study (“FS”). As a result, \$5.8 million costs related to the FS for the Timok gold project were capitalized to exploration and evaluation assets in the condensed interim consolidated statements of financial position as at September 30, 2021.

5. 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, 2021	December 31, 2020
Financial assets			
Cash	Amortized cost	220,401	149,532
Short-term investments	Amortized cost	49,102	-
Accounts receivable			
on provisionally priced sales	Fair value through profit or loss	70,532	52,957
Other accounts receivable	Amortized cost	58,097	31,963
Restricted cash	Amortized cost	7,433	2,111
Sabina special warrants (a)	Fair value through profit or loss	5,157	12,128
Publicly traded securities	Fair value through profit or loss	448	-
Publicly traded securities (b)	Fair value through other comprehensive income	42,922	94,467
Commodity swap contracts (c)	Derivatives for cash flow and fair value hedges	1,743	104
Foreign exchange option contracts (d)	Derivatives for cash flow hedges	968	6,364
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	59,744	66,465
Commodity swap contracts (c)	Derivatives for cash flow and fair value hedges	806	5,769

The carrying values of all the financial assets and liabilities measured at amortized cost approximate their fair values as at September 30, 2021 and December 31, 2020.

(a) Sabina special warrants

During the nine months ended September 30, 2021, the Company purchased an additional 512,820 common shares of Sabina at an average price of \$1.56 (Cdn\$1.95) per share. As at September 30, 2021, DPM held: (i) 31,050,566 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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

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

For the three and nine months ended September 30, 2021, the Company recognized unrealized losses on the Sabina special warrants of \$1.3 million (2020 – unrealized gains of \$2.4 million) and \$6.9 million (2020 – unrealized gains of \$2.5 million), respectively, in other expense in the condensed interim consolidated statements of earnings (loss).

(b) Publicly traded securities

Publicly traded securities include a portfolio of equity investments in publicly traded mining and exploration companies, comprised primarily of Sabina. As a result of the Company acquiring 100% of INV on July 26, 2021, INV is no longer reported under investments at fair value (note 4(a)).

For the three and nine months ended September 30, 2021, the Company recognized unrealized losses on these publicly traded securities of \$9.5 million (2020 – unrealized gains of \$8.5 million) and \$41.9 million (2020 – unrealized gains of \$13.7 million), respectively, in other comprehensive income (loss) that will not be reclassified subsequently to profit or loss.

(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, 2021, the Company’s outstanding QP Hedges, all of which mature within seven months from the reporting date, are summarized in the table below:

Commodity hedged	Volume hedged	Weighed average fixed price of QP Hedges
Payable gold	45,905 ounces	\$1,766.38/ounce
Payable copper	11,640,394 pounds	\$4.24/pound

The Company also enters into cash settled commodity swap contracts from time to time to swap future contracted monthly average prices for fixed metal prices to reduce its future metal price exposure in respect of its projected production (“Production Hedges”).

As at September 30, 2021, the Company had outstanding commodity swap contracts in place in respect of its projected copper production as summarized in the table below:

Year of projected production	Volume of copper hedged (pounds)	Average fixed price (\$/pound)
Balance of 2021	8,290,060	3.84

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

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 prices, as applicable. As at September 30, 2021, the net fair value gain on all outstanding commodity swap contracts was \$0.9 million (December 31, 2020 – net fair value loss of \$5.7 million), of which \$1.7 million (December 31, 2020 – \$0.1 million) was included in other current assets and \$0.8 million (December 31, 2020 – \$5.8 million) in accounts payable and accrued liabilities.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

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

For the three and nine months ended September 30, 2021, the Company recognized, in revenue, net gains of \$3.8 million (2020 – net losses of \$1.5 million) and \$2.9 million (2020 – net losses of \$5.6 million) respectively, on commodity swap contracts in respect of QP Hedges and realized losses of \$4.9 million (2020 – \$nil) and \$11.2 million (2020 – \$nil), respectively, on commodity swap contracts in respect of Production Hedges.

For the three and nine months ended September 30, 2021, the Company recognized unrealized gains of \$5.6 million (2020 – \$nil) and unrealized losses of \$2.3 million (2020 – \$nil), respectively, in other comprehensive income (loss) on the spot component of the outstanding commodity swap contracts in respect of Production Hedges. The Company also recognized unrealized gains of \$0.9 million (2020 – \$nil) and \$0.4 million (2020 – \$nil), respectively, for the three and nine months ended September 30, 2021 on the forward point component of the outstanding commodity swap contracts in respect of Production Hedges in other comprehensive income (loss) as a deferred cost of hedging.

(d) Foreign exchange option contracts

The Company enters into foreign exchange 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 option contracts are entered to provide price protection below a specified “floor” rate and participation up to a specified “ceiling” rate. The option contracts comprise 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, 2021, 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 2021	318,300,000	18.71	15.68
2022	399,852,000	16.52	15.00

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

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

The fair value gain or loss on these outstanding contracts was calculated based on foreign exchange forward rates quoted in the market. As at September 30, 2021, the net fair value gain on all outstanding foreign exchange option contracts was \$1.0 million (December 31, 2020 – \$6.4 million), which was included in other current assets.

The Company recognized realized gains of \$2.4 million (2020 – realized losses of \$1.0 million) and \$6.0 million (2020 – realized losses of \$3.4 million), respectively, for the three and nine months ended September 30, 2021 in cost of sales on the spot component of settled contracts.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

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

For the three and nine months ended September 30, 2021, the Company recognized unrealized losses of \$2.8 million (2020 – unrealized gains of \$2.2 million) and \$3.0 million (2020 – \$3.0 million), respectively, in other comprehensive income (loss) on the spot component of the outstanding foreign exchange option contracts. For the three and nine months ended September 30, 2021, the Company also recognized unrealized losses of \$0.6 million (2020 – unrealized gains of \$2.0 million) and \$2.4 million (2020 – \$3.4 million), respectively, on the time value component of the outstanding foreign exchange 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.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at September 30, 2021 and December 31, 2020:

	As at September 30, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Accounts receivable on provisionally priced sales	-	70,532	-	70,532
Sabina special warrants	-	-	5,157	5,157
Publicly traded securities	43,370	-	-	43,370
Commodity swap contracts	-	1,743	-	1,743
Foreign exchange option contracts	-	968	-	968
Financial liabilities				
Commodity swap contracts	-	806	-	806
	As at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Accounts receivable on provisionally priced sales	-	52,957	-	52,957
Sabina special warrants	-	-	12,128	12,128
Publicly traded securities	94,467	-	-	94,467
Commodity swap contracts	-	104	-	104
Foreign exchange option contracts	-	6,364	-	6,364
Financial liabilities				
Commodity swap contracts	-	5,769	-	5,769

During the nine months ended September 30, 2021 and the year ended December 31, 2020, 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 nine months ended September 30, 2021 and 2020

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

The following table reconciles Level 3 fair value measurements from January 1, 2020 to September 30, 2021:

Balance as at January 1, 2020	6,488
Unrealized gains included in net earnings	5,640
Balance as at December 31, 2020	12,128
Unrealized losses included in net earnings	(6,971)
Balance as at September 30, 2021	5,157

6. DEBT

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

DPM has a committed RCF of \$150.0 million with a consortium of banks. In February 2021, the Company extended the RCF’s maturity date from February 2023 to February 2024. 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, Chelopech and Tsumeb and by guarantees from each of these subsidiaries.

The RCF contains financial covenants that require DPM to maintain: (i) a Debt Leverage Ratio below 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 (loss).

As at September 30, 2021 and December 31, 2020, DPM was in compliance with all financial covenants and \$nil was drawn under the RCF.

(b) Tsumeb overdraft facility

Tsumeb has a Namibian \$100.0 million (\$6.6 million) demand overdraft facility. 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, 2021 and December 31, 2020, \$nil was drawn from this facility.

(c) Other credit agreements and guarantees

In February 2021, Chelopech and Ada Tepe increased its multi-purpose credit facility from \$16.0 million to \$21.0 million. This credit facility matures on November 30, 2022 and is guaranteed by DPM. As at September 30, 2021, \$10.3 million (December 31, 2020 – \$6.1 million) had been utilized in the form of letters of credit and letters of guarantee, primarily in respect of concession contracts with the Bulgarian Ministry of Energy.

Chelopech and Ada Tepe also have a Euro 21.0 million (\$24.3 million) credit facility to support mine closure and rehabilitation obligations. This credit facility matures on November 30, 2022 and is guaranteed by DPM. As at September 30, 2021, \$24.3 million (December 31, 2020 – \$25.8 million) had been utilized against this credit facility in the form of letters of guarantee, which were posted with the Bulgarian Ministry of Energy.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

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

In February 2021, Ada Tepe increased its multi-purpose credit facility from \$5.3 million to \$10.3 million. This credit facility matures on November 30, 2022 and is guaranteed by DPM. As at September 30, 2021, \$4.1 million (December 31, 2020 – \$0.2 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.

7. 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, 2021:

	Number of units granted	Fair value granted
Restricted Share Units	717,017	4,386
Performance Share Units	236,419	1,450
Deferred Share Units	135,689	831
DPM Stock Options	464,443	1,119

For the three and nine months ended September 30, 2021, mark-to-market adjustments related to the change in DPM's share price resulted in an increase in share-based compensation of \$0.3 million (2020 – \$2.0 million) and a decrease of \$1.4 million (2020 – an increase of \$9.0 million), respectively.

8. 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 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, 2021 and 2020 was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Salaries, management bonuses and director fees	784	705	2,491	2,380
Other benefits	48	41	171	163
Share-based compensation	1,172	2,271	362	7,759
Total remuneration	2,004	3,017	3,024	10,302

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

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

9. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Changes in working capital

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Increase in accounts receivable and other assets	(28,034)	(28,235)	(43,448)	(66,282)
Increase in inventories	(1,164)	(5,072)	(835)	(1,431)
Increase (decrease) in accounts payable and accrued liabilities	(9,292)	1,706	(7,828)	(6,908)
Increase (decrease) in other liabilities	(1,603)	503	(12,235)	2,569
	(40,093)	(31,098)	(64,346)	(72,052)

(b) Other items not affecting cash

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net finance cost	1,258	1,573	3,791	5,434
Share-based compensation expense	266	209	774	678
Net (gains) losses on Sabina special warrants	1,341	(2,402)	6,971	(2,516)
Net losses on commodity swap contracts	1,040	1,504	8,276	5,350
Net (gains) losses on foreign exchange option contracts	(2,426)	1,038	(6,022)	3,364
Other, net	269	290	(119)	(681)
	1,748	2,212	13,671	11,629

10. SUPPLEMENTARY SHAREHOLDERS' EQUITY INFORMATION

(a) Dividend

On February 11, 2021, May 5, 2021 and July 29, 2021, the Company declared a quarterly dividend of \$0.03 per common share to shareholders of record on March 31, 2021, June 30, 2021 and September 30, 2021, respectively, resulting in total dividend distributions of \$16.7 million (2020 – \$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, 2021. The Company paid an aggregate of \$16.4 million (2020 – \$7.2 million) of dividends which were included in cash used in financing activities in the condensed interim consolidated statements of cash flows for the nine months ended September 30, 2021 and recognized a dividend payable of \$5.5 million (December 31, 2020 – \$5.4 million) in accounts payable and accrued liabilities in the condensed interim consolidated statements of financial position as at September 30, 2021.

On November 11, 2021, the Company declared a dividend of \$0.03 per common share payable on January 17, 2022 to shareholders of record on December 31, 2021.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

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

(b) Share repurchases under the Normal Course Issuer Bid (“NCIB”)

Effective March 2, 2021, DPM renewed its NCIB to repurchase certain of its common shares (“Shares”) through the facility of the TSX. The number of Shares that can be purchased during the period of the NCIB will not exceed 9,000,000 Shares. The NCIB will expire on February 28, 2022.

During the three months ended September 30, 2021, the Company purchased 1,571,500 Shares, of which 1,465,100 Shares were cancelled as at September 30, 2021 with the remaining shares cancelled in October 2021. The total cost of these purchases was \$9.5 million at an average price of \$6.04 (Cdn\$7.65) per Share, \$4.8 million of which was recognized as a reduction in share capital to the extent of its book value and \$4.7 million as a reduction in contributed surplus for the excess of the purchase price over the book value in the condensed interim consolidated statements of changes in shareholders’ equity for the nine months ended September 30, 2021. The Company paid an aggregate of \$8.9 million 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, 2021 and recognized an obligation of \$0.6 million in accounts payable and accrued liabilities in the condensed interim consolidated statements of financial position as at September 30, 2021.

11. COMMITMENTS AND OTHER CONTINGENCIES

(a) Commitments

The Company had the following minimum contractual commitments as at September 30, 2021:

	up to 1 year	1 - 5 years	Total
Capital commitments	9,531	-	9,531
Purchase commitments	21,987	2,255	24,242
Total commitments	31,518	2,255	33,773

As at September 30, 2021, Tsumeb had approximately \$86.3 million (December 31, 2020 – \$76.9 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 April 2021, the Company and IXM agreed to amend the existing Tolling Agreement to provide for, among other things: i) targeted declining excess secondary material balances, above which excess secondary material would be required to be purchased by the Company; ii) the elimination of all excess secondary material by March 31, 2023; iii) an increase in the defined level of normal secondary material; and iv) an extension of the Tolling Agreement by three years to December 31, 2026.

As at September 30, 2021, the value of excess secondary materials, as defined in the Tolling Agreement, was approximately \$51.4 million, which was approximately \$19.9 million above the targeted levels under the Tolling Agreement. IXM has agreed to waive the quarterly requirement to purchase secondary materials above the targeted levels as at September 30, 2021.

(b) Contingencies

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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

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

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

In March 2020, the World Health Organization classified the COVID-19 epidemic 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.

As previously reported, the Tsumeb smelter in Namibia curtailed its operations by shutting down ancillary plants for 30 days in April 2020 in response to a government directive to the natural resources sector 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. During the first quarter of 2021, Tsumeb’s maintenance shutdown, which was originally planned for 30 days, was extended to 45 days in part as a result of COVID-19 related safety protocols, travel restrictions and the use of remote commissioning support.

The Company continues to closely assess and monitor the COVID-19 situation. The Company is continuing with a number of measures to mitigate the associated risks, including procedures and contingency plans that were established at each operating location directed at safeguarding employees, managing potential supply chain disruptions, and maintaining production at each of its operations. Management of the situation is being overseen by an experienced cross-functional team that includes members of senior management and leaders at each of the Company’s operations.

The Company has experienced several positive cases of COVID-19 within its workforce. 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.

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 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 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 MineRP have been presented as a discontinued operation for the three and nine months ended September 30, 2021 and the assets and liabilities of MineRP have been presented as held for sale as at December 31, 2020 as a result of the MineRP Disposition (*note 3*).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

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

The following table summarizes the relevant information by segment for the three and nine months ended September 30, 2021 and 2020:

	Three months ended September 30, 2021				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Continuing Operations					
Revenue (a)	68,778	56,675	36,791	-	162,244
Earnings (loss) before income taxes	36,966	31,359	3,214	(12,604)	58,935
Capital expenditures	6,917	4,462	-	3,652	15,031

	Three months ended September 30, 2020				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Continuing Operations					
Revenue (a)	67,567	55,999	32,427	-	155,993
Earnings (loss) before income taxes	39,714	31,991	(211)	(10,503)	60,991
Capital expenditures	5,987	3,927	1,321	1,148	12,383

	Nine months ended September 30, 2021				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Continuing Operations					
Revenue (a)	219,293	169,941	85,776	-	475,010
Earnings (loss) before income taxes	118,605	95,288	(11,155)	(33,594)	169,144
Capital expenditures	17,556	13,405	10,724	8,171	49,856

	Nine months ended September 30, 2020				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Continuing Operations					
Revenue (a)	190,475	155,021	112,312	-	457,808
Earnings (loss) before income taxes	104,648	81,237	12,429	(32,979)	165,335
Capital expenditures	14,781	10,915	4,766	3,123	33,585

(a) Revenues from Chelopech and Ada Tepe were generated from the sale of concentrate and Tsumeb's revenues were generated from processing concentrate and acid sales.

The following table summarizes the Company's revenue recognized for the three and nine months ended September 30, 2021 and 2020:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenue recognized at a point in time from:				
Sale of concentrate	129,149	120,239	392,152	335,243
Processing concentrate	31,039	27,319	73,550	94,485
Acid sales	5,752	5,108	12,226	17,827
Mark-to-market price adjustments on provisionally priced sales	(3,696)	3,327	(2,918)	10,253
Total revenue	162,244	155,993	475,010	457,808

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2021 and 2020

(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, 2021 and December 31, 2020:

	As at September 30, 2021				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Total current assets	74,388	100,398	32,684	242,523	449,993
Total non-current assets	175,658	225,684	107,601	151,744	660,687
Total assets	250,046	326,082	140,285	394,267	1,110,680
Total liabilities	50,648	29,678	36,680	33,620	150,626

	As at December 31, 2020				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Total current assets	98,584	63,651	46,969	79,115	288,319
Total non-current assets	175,518	256,771	111,750	111,789	655,828
Assets held for sale				30,713	30,713
Total assets	274,102	320,422	158,719	221,617	974,860
Liabilities	52,830	27,776	37,660	45,307	163,573
Liabilities held for sale				6,003	6,003
Total liabilities	52,830	27,776	37,660	51,310	169,576