

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2022 and December 31, 2021

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

	June 30, 2022	December 31, 2021
ASSETS		
Current Assets		
Cash	423,319	334,377
Accounts receivable	76,518	128,338
Inventories	49,643	49,626
Other current assets (note 5(c))	11,207	1,452
	560,687	513,793
Non-Current Assets		
Investments at fair value (note 5(a) & 5(b))	35,833	47,983
Exploration and evaluation assets	109,510	98,925
Mine properties	127,430	138,037
Property, plant & equipment	321,863	335,305
Intangible assets	16,352	17,359
Deferred income tax assets	7,602	8,685
Other long-term assets	5,089	8,323
	623,679	654,617
TOTAL ASSETS	1,184,366	1,168,410
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	76,038	77,170
Income tax liabilities	5,490	2,395
Current portion of long-term liabilities	8,189	6,234
	89,717	85,799
Non-Current Liabilities		
Rehabilitation provisions	42,329	50,401
Share-based compensation plans	6,675	13,933
Other long-term liabilities	14,778	13,864
	63,782	78,198
TOTAL LIABILITIES	153,499	163,997
EQUITY		
Share capital	584,039	585,050
Contributed surplus	2,366	8,629
Retained earnings	457,448	412,394
Accumulated other comprehensive loss	(12,986)	(1,660)
TOTAL SHAREHOLDERS' EQUITY	1,030,867	1,004,413
TOTAL LIABILITIES AND EQUITY	1,184,366	1,168,410

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, 2022 and 2021

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Continuing Operations				
Revenue (note 13)	134,483	174,736	288,284	312,766
Costs and expenses				
Cost of sales	86,834	89,941	184,117	175,584
General and administrative expenses	6,235	2,982	14,766	6,847
Corporate social responsibility expenses	757	654	1,511	1,133
Exploration and evaluation expenses	5,817	5,055	9,099	9,685
Finance cost	1,475	1,314	2,838	2,717
Other (income) expense (note 8)	(7,507)	(142)	1,191	6,591
	93,611	99,804	213,522	202,557
Earnings before income taxes	40,872	74,932	74,762	110,209
Current income tax expense	7,489	9,007	14,017	17,279
Deferred income tax expense (recovery)	(109)	(1,564)	428	4,727
Net earnings from continuing operations	33,492	67,489	60,317	88,203
Discontinued Operations				
Net earnings from discontinued operations (note 4)	-	20,630	-	19,738
Net earnings	33,492	88,119	60,317	107,941
Net earnings (loss) attributable to:				
Common shareholders of the Company				
From continuing operations	33,492	67,502	60,317	88,221
From discontinued operations	-	20,651	-	19,994
Non-controlling interests	-	(34)	-	(274)
Net earnings	33,492	88,119	60,317	107,941
Earnings per share attributable to common shareholders of the Company				
- Basic				
From continuing operations	0.18	0.37	0.32	0.49
From discontinued operations	-	0.11	-	0.11
- Diluted				
From continuing operations	0.17	0.37	0.31	0.48
From discontinued operations	-	0.11	-	0.11

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 six months ended June 30, 2022 and 2021

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net earnings	33,492	88,119	60,317	107,941
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	(609)	4,022	293	3,402
Deferred cost of hedging, net of income tax of \$nil for all periods	(4,449)	(1,832)	(964)	(1,849)
Realized gains transferred to cost of sales, net of income tax of \$nil for all periods	(69)	(2,373)	(200)	(3,596)
Commodity swap contracts designated as cash flow hedges				
Unrealized losses, net of income tax recovery of \$nil (2021 - \$623) and \$nil (2021 - \$1,394), respectively	-	(5,602)	-	(12,544)
Deferred cost of hedging, net of income tax recovery of \$nil (2021 - \$33) and \$nil (2021 - \$73), respectively	-	(282)	-	(655)
Realized losses transferred to revenue, net of income tax recovery of \$nil (2021 - \$496) and \$nil (2021 - \$600), respectively	-	4,471	-	5,404
Cost of hedging transferred to revenue, net of income tax recovery of \$nil (2021 - \$25) and \$nil (2021 - \$26), respectively	-	223	-	236
Currency translation adjustments from discontinued operations	-	(1,074)	-	(1,210)
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 \$nil (2021 - \$617) and \$nil (2021 - (\$4,287)), respectively	(12,724)	4,039	(10,455)	(28,071)
	(17,851)	1,592	(11,326)	(38,883)
Comprehensive income	15,641	89,711	48,991	69,058
Comprehensive income (loss) attributable to:				
Common shareholders of the Company				
From continuing operations	15,641	70,168	48,991	50,548
From discontinued operations	-	19,780	-	19,023
Non-controlling interests	-	(237)	-	(513)
Comprehensive income	15,641	89,711	48,991	69,058

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, 2022 and 2021

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

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
OPERATING ACTIVITIES				
Earnings before income taxes	40,872	74,932	74,762	110,209
Depreciation and amortization	27,248	24,247	51,502	48,425
Changes in working capital (note 10(a))	15,455	(8,976)	33,377	(24,253)
Other items not affecting cash (note 10(b))	(713)	7,311	3,952	11,923
Payments for settlement of derivative contracts	(642)	(9,942)	(2,803)	(11,107)
Income taxes paid	(10,382)	(11,875)	(10,413)	(11,909)
Cash provided from operating activities of continuing operations	71,838	75,697	150,377	123,288
Cash used in operating activities of discontinued operations (note 4)	-	(27)	-	(442)
INVESTING ACTIVITIES				
Proceeds from MineRP Disposition (note 4)	-	45,830	-	45,830
Purchase of publicly traded securities	-	(4,377)	(500)	(8,307)
Expenditures on exploration and evaluation assets	(5,684)	(2,545)	(10,604)	(2,583)
Expenditures on mine properties	(2,136)	(3,384)	(6,512)	(6,299)
Expenditures on property, plant and equipment	(13,363)	(12,717)	(20,354)	(20,436)
Expenditures on intangible assets	(282)	(1,614)	(861)	(2,163)
Increase in restricted cash	-	(5,128)	-	(5,128)
Cash provided from (used in) investing activities of continuing operations	(21,465)	16,065	(38,831)	914
FINANCING ACTIVITIES				
Proceeds from share issuance	190	138	2,767	1,178
Principal repayments related to leases	(1,143)	(1,062)	(2,274)	(2,119)
Dividends paid (note 11(a))	(7,639)	(5,459)	(13,374)	(10,901)
Payments for share repurchases (note 11(b))	(565)	-	(9,464)	-
Interest and finance fees received (paid)	106	(630)	(259)	(1,437)
Cash used in financing activities of continuing operations	(9,051)	(7,013)	(22,604)	(13,279)
Cash used in financing activities of discontinued operations (note 4)	-	(35)	-	(140)
Increase in cash of continuing operations	41,322	84,749	88,942	110,923
Decrease in cash of discontinued operations	-	(62)	-	(582)
Cash at beginning of period, continuing operations	381,997	175,706	334,377	149,532
Cash at beginning of period, discontinued operations	-	62	-	582
Cash at end of period, continuing operations	423,319	260,455	423,319	260,455
Cash at end of period, discontinued operations	-	-	-	-

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, 2022 and 2021

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

	June 30, 2022		June 30, 2021	
	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	191,441,200	585,050	181,400,125	525,219
Shares issued on exercise of stock options	907,677	2,767	630,244	1,178
Share repurchases <i>(note 11(b))</i>	(1,558,000)	(4,876)	-	-
Transferred from contributed surplus on exercise of stock options		1,098		620
Balance at end of period	190,790,877	584,039	182,030,369	527,017
Contributed surplus				
Balance at beginning of period		8,629		7,078
Share-based compensation expense		581		508
Transferred to share capital on exercise of stock options		(1,098)		(620)
MineRP Disposition <i>(note 4)</i>		-		4,741
Share repurchases <i>(note 11(b))</i>		(4,588)		-
Other changes in contributed surplus		(1,158)		39
Balance at end of period		2,366		11,746
Retained earnings				
Balance at beginning of period		412,394		224,701
Net earnings attributable to common shareholders of the Company		60,317		108,215
Dividend distributions <i>(note 11(a))</i>		(15,263)		(10,920)
Balance at end of period		457,448		321,996
Accumulated other comprehensive income (loss)				
Balance at beginning of period		(1,660)		41,671
Other comprehensive loss		(11,326)		(38,644)
MineRP Disposition <i>(note 4)</i>		-		2,845
Balance at end of period		(12,986)		5,872
Total equity attributable to common shareholders of the Company		1,030,867		866,631
Non-controlling interests				
Balance at beginning of period		-		6,615
Net loss attributable to non-controlling interests		-		(274)
Other comprehensive loss attributable to non-controlling interests		-		(239)
MineRP Disposition <i>(note 4)</i>		-		(6,010)
Other changes in non-controlling interests		-		3
Balance at end of period		-		95
Total equity at end of period		1,030,867		866,726

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, 2022 and 2021

(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 150 King Street West, Suite 902, P.O. Box 30, Toronto, Ontario M5H 1J9.

As at June 30, 2022, 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 and development properties located in Ecuador, Serbia and Canada including:

- 100% of DPM Ecuador S.A. (“DPM Ecuador”), which is focused on the exploration and development of the Loma Larga gold project located in Ecuador;
- 100% of DPM Avala d.o.o., which is focused on the exploration and development of the Timok gold project in Serbia; and
- 5.8% 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 4):

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, 2021, 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, 2021.

These condensed interim consolidated financial statements were approved by the Board of Directors on July 28, 2022.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and 2021

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

3. IMPAIRMENT ASSESSMENT AND SENSITIVITIES

As at June 30, 2022, the Company assessed the recoverable amount of each of its cash generating units (“CGUs”) as a result of the market capitalization of its shares being less than their carrying value. Based on this assessment, the carrying values of all CGUs were considered to be recoverable.

As at June 30, 2022, the carrying value of the Tsumeb CGU was \$116.6 million. The projected cash flows and fair value less cost of disposal (“FVLCD”) for Tsumeb can be affected by any one or more changes in the estimates used. Changes in third party toll rates, operating costs, foreign exchange rates and volumes of concentrate smelted have the greatest impact on value, where a 5% change in any one of above assumptions would each change the FVLCD by approximately \$25 million to \$40 million as at June 30, 2022. In addition, if Tsumeb were to not to achieve future cost savings in respect of its initiative to optimize the cost structure of the smelter or to proceed with its expansion plan, there could be an impairment charge.

4. 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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and 2021

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

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)
Working capital adjustment	(1,485)
Closing indebtedness	(534)
Closing cash	276
Cash consideration	36,686
Less: transaction costs	(3,048)
Net cash consideration	33,638
Cash paid to non-controlling interests	(9,021)
Net cash consideration received for DPM's equity interest in MineRP^{(a), (b)}	24,617

Net assets disposed:

Cash	276
Accounts receivable	2,231
Property, plant & equipment	1,137
Intangible assets	26,760
Other long-term assets	230
Total assets disposed	30,634

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	1,730

Reclassification of currency translation adjustments from accumulated other comprehensive income

(2,845)

Gain on MineRP Disposition included in net earnings from discontinued operations

20,042

(a) Net cash consideration received included \$5.1 million held in escrow on closing to secure against any post closing adjustments related to working capital and certain representations and warranties, of which \$1.6 million related to working capital items. The working capital adjustment was finalized in December 2021, resulting in an unfavourable final adjustment of \$0.6 million to the Company which was recognized as a reduction in the gain on MineRP Disposition included in net earnings from discontinued operations for the year ended December 31, 2021. As at June 30, 2022, the remaining cash held in escrow of \$3.5 million related to other indemnities was recognized as restricted cash included in other current assets in the condensed interim consolidated financial statements of financial position.

(b) 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 2022, for which no value has been recognized based on the assessment of its fair market value.

As a result of the MineRP Disposition, 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 six months ended June 30, 2021.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and 2021

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

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	
		June 30, 2022	December 31, 2021
Financial assets			
Cash	Amortized cost	423,319	334,377
Accounts receivable			
on provisionally priced sales	Fair value through profit or loss	34,720	85,083
Other accounts receivable	Amortized cost	41,798	43,255
Restricted cash	Amortized cost	5,698	5,730
Sabina special warrants (a)	Fair value through profit or loss	3,875	5,816
Publicly traded securities (b)	Fair value through other comprehensive income	31,958	42,167
Commodity swap contracts (c)	Derivatives for fair value hedges	6,417	21
Financial liabilities			
Accounts payable			
and accrued liabilities	Amortized cost	73,679	73,735
Commodity swap contracts (c)	Derivatives for fair value hedges	-	1,946
Foreign exchange option contracts (d)	Derivatives for cash flow hedges	2,359	1,489

The carrying values of all the financial assets and liabilities measured at amortized cost approximate their fair values as at June 30, 2022 and December 31, 2021.

(a) Sabina special warrants

As at June 30, 2022, 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.

For the three and six months ended June 30, 2022, the Company recognized unrealized losses on the Sabina special warrants of \$1.8 million (2021 – \$0.2 million) and \$2.2 million (2021 – \$5.6 million), respectively, in other (income) expense (*note 8*) 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.

For the three and six months ended June 30, 2022, the Company recognized unrealized losses on these publicly traded securities of \$12.8 million (2021 – unrealized gains of \$4.6 million) and \$10.5 million (2021 – \$32.4 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 six months ended June 30, 2022 and 2021

(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 June 30, 2022, 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	Weighed average fixed price of QP Hedges
Payable gold	20,085 ounces	\$1,828.16/ounce
Payable copper	10,053,067 pounds	\$4.34/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 June 30, 2022, the Company had no outstanding Production Hedges.

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 June 30, 2022, the net fair value gain on all outstanding QP Hedges was \$6.4 million (December 31, 2021 – a net fair value loss of \$1.9 million), of which \$6.4 million (December 31, 2021 – \$0.02 million) was included in other current assets and \$nil (December 31, 2021 – \$1.9 million) in accounts payable and accrued liabilities.

For the three and six months ended June 30, 2022 the Company recognized, in revenue, net gains of \$14.7 million (2021 – net losses of \$3.3 million) and \$7.9 million (2021 – net losses of \$0.9 million), respectively, on QP Hedges. For the three and six months ended June 30, 2021, the Company also recognized, in revenue, realized losses of \$5.3 million and \$6.3 million, respectively, on Production Hedges.

For the three and six months ended June 30, 2021, the Company recognized unrealized losses of \$1.2 million and \$7.9 million, 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 losses of \$0.1 million and \$0.5 million, respectively, for the three and six months ended June 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 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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and 2021

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

As at June 30, 2022, 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 2022	721,170,000	17.04	15.13
2023	1,263,876,000	17.50	15.50

(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 June 30, 2022, the net fair value loss on all outstanding foreign exchange option contracts was \$2.4 million (December 31, 2021 – \$1.5 million), of which \$1.3 million (December 31, 2021 – \$1.5 million) was included in accounts payable and accrued liabilities and \$1.1 million (December 31 2021 – \$nil) in other long-term liabilities.

The Company recognized realized gains of \$0.1 million (2021 – \$2.4 million) and \$0.2 million (2021 – \$3.6 million), respectively, for the three and six months ended June 30, 2022 in cost of sales on the spot component of settled contracts.

For the three and six months ended June 30, 2022, the Company recognized unrealized losses of \$0.7 million (2021 – unrealized gains of \$1.6 million) and unrealized gains of \$0.1 million (2021 – unrealized losses of \$0.2 million), respectively, in other comprehensive income (loss) on the spot component of the outstanding foreign exchange option contracts. The Company also recognized unrealized losses of \$4.5 million (2021 – \$1.8 million) and \$1.0 million (2021 – \$1.8 million), respectively, for the three and six months ended June 30, 2022 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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and 2021

(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 June 30, 2022 and December 31, 2021:

	As at June 30, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Accounts receivable on provisionally priced sales	-	34,720	-	34,720
Sabina special warrants	-	-	3,875	3,875
Publicly traded securities	31,958	-	-	31,958
Commodity swap contracts	-	6,417	-	6,417
Financial liabilities				
Foreign exchange option contracts	-	2,359	-	2,359
	As at December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Accounts receivable on provisionally priced sales	-	85,083	-	85,083
Sabina special warrants	-	-	5,816	5,816
Publicly traded securities	42,167	-	-	42,167
Commodity swap contracts	-	21	-	21
Financial liabilities				
Commodity swap contracts	-	1,946	-	1,946
Foreign exchange option contracts	-	1,489	-	1,489

During the six months ended June 30, 2022 and the year ended December 31, 2021, 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, 2021 to June 30, 2022:

Balance as at January 1, 2021	12,128
Unrealized losses included in net earnings	(6,312)
Balance as at December 31, 2021	5,816
Purchase of other warrants	244
Unrealized losses included in net earnings	(2,185)
Balance as at June 30, 2022	3,875

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and 2021

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

6. DEBT

(a) DPM Revolving Credit Facility

Up to July 2022, DPM had a committed revolving credit facility (the “RCF”) of \$150.0 million with a consortium of banks that was to mature in February 2024. The Company’s borrowing spread above LIBOR was 2.5%, and could range between 2.5% and 3.5% depending upon DPM’s funded net debt to adjusted earnings before interest, taxes, depreciation and amortization (“Debt Leverage Ratio”), as defined in the RCF. The RCF was secured by pledges of DPM’s investments in Ada Tepe, Chelopech and Tsumeb and by guarantees from each of the subsidiaries that hold these assets and by certain holding companies. The RCF contained financial covenants that required 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 equal to \$500.0 million plus (minus) 50% of ongoing net earnings (loss) plus 50% of all equity raised by DPM, in each case, after December 31, 2011, and as defined under the RCF. As at June 30, 2022 and December 31, 2021, DPM was in compliance with all financial covenants and \$nil was drawn under the RCF.

In July 2022, DPM replaced the RCF with a new committed revolving credit facility (the “New RCF”) with a consortium of four banks that matures in July 2026. Generally speaking, this facility contains more favourable terms and conditions than the old RCF, providing added flexibility, an extended term, and lower pricing, and is secured by pledges of DPM’s investments in Ada Tepe, Chelopech and Loma Larga and by guarantees from each of the subsidiaries that hold these assets and by certain holding companies. Initially, DPM is permitted to borrow up to an aggregate principal amount of \$150.0 million, which can be increased pursuant to an accordion feature that permits, subject to certain conditions, the facility to be increased to \$250.0 million. The cost of borrowing is based on the Secured Overnight Financing Rate (“SOFR”), the general replacement rate for LIBOR, plus a spread, which is currently 2.25%, and can range between 2.25% and 3.5% depending upon DPM’s leverage. The New RCF contains financial covenants that require DPM to maintain: (i) a Debt Leverage Ratio below 3.75:1, and (ii) a minimum net worth equal to \$600 million plus (minus) 50% of ongoing net earnings (loss) plus 50% of all equity raised by DPM, in each case, after December 31, 2021, and as defined under the New RCF.

(b) Tsumeb overdraft facility

Tsumeb has a Namibian \$100.0 million (\$6.1 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 June 30, 2022 and December 31, 2021, \$nil was drawn from this facility.

(c) Other credit agreements and guarantees

Chelopech and Ada Tepe have a \$21.0 million multi-purpose credit facility that matures on November 30, 2022 and is guaranteed by DPM. As at June 30, 2022, \$16.3 million (December 31, 2021 – \$13.9 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 (\$21.8 million) credit facility to support mine closure and rehabilitation obligations in respect of concession contracts with the Bulgarian Ministry of Energy. This credit facility matures on November 30, 2022 and is guaranteed by DPM. As at June 30, 2022, \$21.8 million (December 31, 2021 – \$23.8 million) had been utilized in the form of letters of guarantee.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and 2021

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

Ada Tepe also has a \$10.3 million multi-purpose credit facility that matures on November 30, 2022 and is guaranteed by DPM. As at June 30, 2022, \$0.1 million (December 31, 2021 – \$0.2 million) had been utilized in the form of letters of credit and letters of guarantee, primarily in respect of exploration contracts with the Bulgarian Ministry of Energy.

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 six months ended June 30, 2022:

	Number of units granted	Fair value granted
Restricted Share Units	787,080	4,745
Performance Share Units	259,206	1,575
Deferred Share Units	100,232	576
DPM Stock Options	600,895	1,191

For the three and six months ended June 30, 2022, mark-to-market adjustments related to the change in DPM's share price resulted in a decrease in share-based compensation of \$2.6 million (2021 – an increase of \$1.2 million) and \$0.8 million (2021 – \$1.7 million), respectively.

8. OTHER (INCOME) EXPENSE

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net losses on Sabina special warrants (note 5(a))	1,797	231	2,185	5,630
Tsumeb restructuring costs	(2,023)	-	7,806	-
Bulgarian government subsidy for electricity	(3,390)	-	(7,543)	-
Net foreign exchange (gains) losses	(2,975)	340	(301)	1,205
Interest income	(716)	(92)	(965)	(184)
Other, net	(200)	(621)	9	(60)
	(7,507)	(142)	1,191	6,591

9. 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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and 2021

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

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, 2022 and 2021 was as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Salaries, management bonuses and director fees	775	865	1,630	1,707
Other benefits	62	61	145	123
Share-based compensation	(405)	967	1,023	(810)
Total remuneration	432	1,893	2,798	1,020

10. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Changes in working capital

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
(Increase) decrease in accounts receivable and other assets	35,731	2,409	46,691	(15,414)
(Increase) decrease in inventories	(4,359)	(1,951)	(1,033)	329
Increase (decrease) in accounts payable and accrued liabilities	(5,808)	36	(4,024)	1,464
Decrease in other liabilities	(10,109)	(9,470)	(8,257)	(10,632)
	15,455	(8,976)	33,377	(24,253)

(b) Other items not affecting cash

	Three months ended		Six months ended	
	June 30,		June 30,	
	2022	2021	2022	2021
Net finance cost	760	1,222	1,873	2,533
Share-based compensation expense	274	260	581	508
Net losses on Sabina special warrants	1,797	231	2,185	5,630
Realized (gains) losses on commodity swap contracts	(2,635)	8,579	470	7,236
Realized gains on foreign exchange option contracts	(69)	(2,373)	(200)	(3,596)
Other, net	(840)	(608)	(957)	(388)
	(713)	7,311	3,952	11,923

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and 2021

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

11. SUPPLEMENTARY SHAREHOLDERS' EQUITY INFORMATION

(a) Dividend

During the six months ended June 30, 2022, the Company declared a quarterly dividend of \$0.04 (2021 – \$0.03) per common share to its shareholders of record resulting in total dividend distributions of \$15.3 million (2021 – \$10.9 million) recognized against its retained earnings in the condensed interim consolidated statements of changes in shareholders' equity. The Company paid an aggregate of \$13.4 million (2021 – \$10.9 million) of dividends which were included in cash used in financing activities in the condensed interim consolidated statements of cash flows for the six months ended June 30, 2022 and recognized a dividend payable of \$7.6 million (December 31, 2021 – \$5.7 million) in accounts payable and accrued liabilities in the condensed interim consolidated statements of financial position as at June 30, 2022.

On July 28, 2022, the Company declared a dividend of \$0.04 per common share payable on October 17, 2022 to shareholders of record on September 30, 2022.

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

The Company established a NCIB on March 1, 2021, which provided for the repurchase of up to 9,000,000 of its common shares through the facility of the TSX up to February 28, 2022. A new NCIB was established on March 1, 2022 extending to February 28, 2023. The maximum number of shares that can be repurchased during this period is 9,000,000 shares. In July 2022, the Company initiated an automatic purchase program under the NCIB to facilitate share repurchases.

During the six months ended June 30, 2022, the Company purchased a total of 1,598,800 shares, of which 1,528,400 shares were cancelled as at June 30, 2022 with the remaining shares cancelled in July 2022. The Company also cancelled additional 29,600 shares that were purchased in 2021, resulting in a total of 1,558,000 shares being cancelled during the six months ended June 30, 2022. The total cost of these purchases was \$9.5 million at an average price of \$5.92 (Cdn\$7.55) per share, \$4.9 million of which was recognized as a reduction in share capital and \$4.6 million as a reduction in contributed surplus in the condensed interim consolidated statements of changes in shareholders' equity for the six months ended June 30, 2022 and the payment for which was included in cash used in financing activities in the condensed interim consolidated statements of cash flows for the six months ended June 30, 2022.

12. COMMITMENTS AND OTHER CONTINGENCIES

(a) Commitments

The Company had the following minimum contractual commitments as at June 30, 2022:

	up to 1 year	1 - 5 years	Total
Capital commitments	10,926	-	10,926
Purchase commitments	12,360	48	12,408
Total commitments	23,286	48	23,334

As at June 30, 2022, Tsumeb had approximately \$58.9 million (December 31, 2021 – \$73.8 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").

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and 2021

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

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 June 30, 2022, the value of excess secondary materials, as defined in the Tolling Agreement, was approximately \$23.7 million, which was approximately \$14.3 million above the targeted levels under the Tolling Agreement. IXM has agreed to waive the quarterly requirement to purchase secondary material above the targeted levels as at June 30, 2022.

(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.

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 following table summarizes the relevant information by segment for the three and six months ended June 30, 2022 and 2021:

	Three months ended June 30, 2022				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Continuing Operations					
Revenue (a)	66,917	41,600	25,966	-	134,483
Earnings (loss) before income taxes	35,452	15,626	(1,032)	(9,174)	40,872
Capital expenditures	5,189	2,195	11,590	9,757	28,731
	Three months ended June 30, 2021				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Continuing Operations					
Revenue (a)	78,810	55,849	40,077	-	174,736
Earnings (loss) before income taxes	44,834	30,586	6,087	(6,575)	74,932
Capital expenditures	6,347	4,605	1,490	3,352	15,794

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and 2021

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

Six months ended June 30, 2022					
	Chelopezch	Ada Tepe	Tsumeb	Corporate & Other	Total
Continuing Operations					
Revenue (a)	150,514	80,711	57,059	-	288,284
Earnings (loss) before income taxes	82,676	29,246	(16,173)	(20,987)	74,762
Capital expenditures	8,344	5,395	13,899	16,073	43,711
Six months ended June 30, 2021					
	Chelopezch	Ada Tepe	Tsumeb	Corporate & Other	Total
Continuing Operations					
Revenue (a)	150,515	113,266	48,985	-	312,766
Earnings (loss) before income taxes	81,639	63,929	(14,369)	(20,990)	110,209
Capital expenditures	10,639	8,943	10,724	4,519	34,825

(a) Revenues from Chelopezch 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 six months ended June 30, 2022 and 2021:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue recognized at a point in time from:				
Sale of concentrate	123,650	130,922	239,532	263,003
Processing concentrate	22,869	35,898	46,905	42,511
Acid sales	3,097	4,179	10,154	6,474
Mark-to-market price adjustments on provisionally priced sales	(15,133)	3,737	(8,307)	778
Total revenue	134,483	174,736	288,284	312,766

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2022 and 2021

(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, 2022 and December 31, 2021:

	As at June 30, 2022				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Total current assets	184,043	146,838	36,861	192,945	560,687
Total non-current assets	164,612	193,477	108,127	157,463	623,679
Total assets	348,655	340,315	144,988	350,408	1,184,366
Total liabilities	47,079	24,959	48,549	32,912	153,499

	As at December 31, 2021				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Total current assets	117,806	110,689	33,440	251,858	513,793
Total non-current assets	173,894	216,702	106,392	157,629	654,617
Total assets	291,700	327,391	139,832	409,487	1,168,410
Total liabilities	54,388	31,660	41,865	36,084	163,997