

# CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at March 31, 2022 and December 31, 2021

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

|   | March 31,<br>2022 | December 31,<br>2021 |
|---|-------------------|----------------------|
| <b>ASSETS</b>                                 |                   |                      |
| <b>Current Assets</b>                         |                   |                      |
| Cash  | 381,997           | 334,377              |
| Accounts receivable                           | 117,098           | 128,338              |
| Inventories                                   | 45,437            | 49,626               |
| Other current assets (note 3(c) & 3(d))       | 4,141             | 1,452                |
|   | <b>548,673</b>    | <b>513,793</b>       |
| <b>Non-Current Assets</b>                     |                   |                      |
| Investments at fair value (note 3(a) & 3(b))  | 50,362            | 47,983               |
| Exploration and evaluation assets             | 103,595           | 98,925               |
| Mine properties                               | 134,161           | 138,037              |
| Property, plant & equipment                   | 325,719           | 335,305              |
| Intangible assets                             | 17,013            | 17,359               |
| Deferred income tax assets                    | 8,023             | 8,685                |
| Other long-term assets                        | 8,468             | 8,323                |
|   | <b>647,341</b>    | <b>654,617</b>       |
| <b>TOTAL ASSETS</b>                           | <b>1,196,014</b>  | <b>1,168,410</b>     |
| <b>LIABILITIES</b>                            |                   |                      |
| <b>Current Liabilities</b>                    |                   |                      |
| Accounts payable and accrued liabilities      | 81,358            | 77,170               |
| Income tax liabilities                        | 8,817             | 2,395                |
| Current portion of long-term liabilities      | 6,055             | 6,234                |
|   | <b>96,230</b>     | <b>85,799</b>        |
| <b>Non-Current Liabilities</b>                |                   |                      |
| Rehabilitation provisions                     | 50,471            | 50,401               |
| Share-based compensation plans                | 12,759            | 13,933               |
| Other long-term liabilities                   | 12,437            | 13,864               |
|   | <b>75,667</b>     | <b>78,198</b>        |
| <b>TOTAL LIABILITIES</b>                      | <b>171,897</b>    | <b>163,997</b>       |
| <b>EQUITY</b>                                 |                   |                      |
| Share capital                                 | 584,115           | 585,050              |
| Contributed surplus                           | 3,549             | 8,629                |
| Retained earnings                             | 431,588           | 412,394              |
| Accumulated other comprehensive income (loss) | 4,865             | (1,660)              |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>             | <b>1,024,117</b>  | <b>1,004,413</b>     |
| <b>TOTAL LIABILITIES AND EQUITY</b>           | <b>1,196,014</b>  | <b>1,168,410</b>     |

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

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF EARNINGS (LOSS)

For the three months ended March 31, 2022 and 2021

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

|   | Three months ended March 31, |         |
|---|------------------------------|---------|
|   | 2022                         | 2021    |
| <b>Continuing Operations</b>  |                              |         |
| <b>Revenue (note 11)</b>  | <b>153,801</b>               | 138,030 |
| <b>Costs and expenses</b>   |                              |         |
| Cost of sales   | <b>97,283</b>                | 85,643  |
| General and administrative expenses   | <b>8,531</b>                 | 3,865   |
| Corporate social responsibility expenses  | <b>754</b>                   | 479     |
| Exploration and evaluation expenses   | <b>3,282</b>                 | 4,630   |
| Finance cost  | <b>1,363</b>                 | 1,403   |
| Other expense (note 6)  | <b>8,698</b>                 | 6,733   |
|   | <b>119,911</b>               | 102,753 |
| <b>Earnings before income taxes</b>   | <b>33,890</b>                | 35,277  |
| Current income tax expense  | <b>6,528</b>                 | 8,272   |
| Deferred income tax expense   | <b>537</b>                   | 6,291   |
| <b>Net earnings from continuing operations</b>                                      | <b>26,825</b>                | 20,714  |
| <b>Discontinued Operations</b>  |                              |         |
| Net loss from discontinued operations   | -                            | (892)   |
| <b>Net earnings</b>   | <b>26,825</b>                | 19,822  |
| <b>Net earnings (loss) attributable to:</b>   |                              |         |
| Common shareholders of the Company  |                              |         |
| From continuing operations  | <b>26,825</b>                | 20,719  |
| From discontinued operations  | -                            | (657)   |
| Non-controlling interests   | -                            | (240)   |
| <b>Net earnings</b>   | <b>26,825</b>                | 19,822  |
| <b>Earnings (loss) per share attributable to common shareholders of the Company</b> |                              |         |
| <b>- Basic</b>  |                              |         |
| From continuing operations  | <b>0.14</b>                  | 0.11    |
| From discontinued operations  | <b>0.00</b>                  | (0.00)  |
| <b>- Diluted</b>  |                              |         |
| From continuing operations  | <b>0.14</b>                  | 0.11    |
| From discontinued operations  | <b>0.00</b>                  | (0.00)  |

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 months ended March 31, 2022 and 2021

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

|   | <b>Three months ended March 31,</b> |             |
|---|-------------------------------------|-------------|
|   | <b>2022</b>                         | <b>2021</b> |
| <b>Net earnings</b>   | <b>26,825</b>                       | 19,822      |
| <b>Other comprehensive income (loss) items that may be reclassified subsequently to profit or loss:</b>       |                                     |             |
| <b>Foreign exchange option contracts designated as cash flow hedges</b>                                       |                                     |             |
| Unrealized gains (losses), net of income tax of \$nil (2021 – \$nil)  | <b>902</b>                          | (620)       |
| Deferred cost of hedging, net of income tax of \$nil (2021 – \$nil)   | <b>3,485</b>                        | (17)        |
| Realized gains transferred to cost of sales, net of income tax of \$nil (2021 – \$nil)                        | <b>(131)</b>                        | (1,223)     |
| <b>Commodity swap contracts designated as cash flow hedges</b>  |                                     |             |
| Unrealized losses, net of income tax recovery of \$nil (2021 – \$667)   | -                                   | (6,942)     |
| Deferred cost of hedging, net of income tax recovery of \$nil (2021 – \$40)                                   | -                                   | (373)       |
| Realized losses transferred to revenue, net of income tax recovery of \$nil (2021 – \$104)                    | -                                   | 933         |
| Cost of hedging transferred to revenue, net of income tax recovery of \$nil (2021 – \$1)                      | -                                   | 13          |
| Currency translation adjustments from discontinued operations   | -                                   | (136)       |
| <b>Other comprehensive income (loss) items that will not be reclassified subsequently to profit or loss:</b>  |                                     |             |
| Unrealized gains (losses) on publicly traded securities, net of income tax recovery of \$nil (2021 – \$4,904) | <b>2,269</b>                        | (32,110)    |
|   | <b>6,525</b>                        | (40,475)    |
| <b>Comprehensive income (loss)</b>  | <b>33,350</b>                       | (20,653)    |
| <b>Comprehensive income (loss) attributable to:</b>   |                                     |             |
| Common shareholders of the Company  |                                     |             |
| From continuing operations  | <b>33,350</b>                       | (19,620)    |
| From discontinued operations  | -                                   | (757)       |
| Non-controlling interests   | -                                   | (276)       |
| <b>Comprehensive income (loss)</b>  | <b>33,350</b>                       | (20,653)    |

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

# CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three months ended March 31, 2022 and 2021

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

|   | Three months ended March 31, |                 |
|---|------------------------------|-----------------|
|   | 2022                         | 2021            |
| <b>OPERATING ACTIVITIES</b>   |                              |                 |
| Earnings before income taxes  | 33,890                       | 35,277          |
| Depreciation and amortization   | 24,254                       | 24,178          |
| Changes in working capital (note 8(a))                                  | 14,268                       | (15,277)        |
| Other items not affecting cash (note 8(b))                              | 8,319                        | 4,612           |
| Payments for settlement of derivative contracts                         | (2,161)                      | (1,165)         |
| Income taxes paid   | (31)                         | (34)            |
| <b>Cash provided from operating activities of continuing operations</b> | <b>78,539</b>                | <b>47,591</b>   |
| <b>Cash used in operating activities of discontinued operations</b>     | <b>-</b>                     | <b>(415)</b>    |
| <b>INVESTING ACTIVITIES</b>   |                              |                 |
| Purchase of publicly traded securities                                  | (500)                        | (3,930)         |
| Expenditures on exploration and evaluation assets                       | (4,920)                      | (38)            |
| Expenditures on mine properties   | (4,376)                      | (2,915)         |
| Expenditures on property, plant and equipment                           | (6,991)                      | (7,719)         |
| Expenditures on intangible assets                                       | (579)                        | (549)           |
| <b>Cash used in investing activities of continuing operations</b>       | <b>(17,366)</b>              | <b>(15,151)</b> |
| <b>FINANCING ACTIVITIES</b>   |                              |                 |
| Proceeds from share issuance  | 2,577                        | 1,040           |
| Principal repayments related to leases                                  | (1,131)                      | (1,057)         |
| Dividends paid (note 9(a))  | (5,735)                      | (5,442)         |
| Payments for share repurchases (note 9(b))                              | (8,899)                      | -               |
| Interest and finance fees paid  | (365)                        | (807)           |
| <b>Cash used in financing activities of continuing operations</b>       | <b>(13,553)</b>              | <b>(6,266)</b>  |
| <b>Cash used in financing activities of discontinued operations</b>     | <b>-</b>                     | <b>(105)</b>    |
| Increase in cash of continuing operations                               | 47,620                       | 26,174          |
| Decrease in cash of discontinued operations                             | -                            | (520)           |
| Cash at beginning of period, continuing operations                      | 334,377                      | 149,532         |
| Cash at beginning of period, discontinued operations                    | -                            | 582             |
| <b>Cash at end of period, continuing operations</b>                     | <b>381,997</b>               | <b>175,706</b>  |
| <b>Cash at end of period, discontinued operations</b>                   | <b>-</b>                     | <b>62</b>       |

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 three months ended March 31, 2022 and 2021

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

|  | March 31, 2022     |                  | March 31, 2021 |          |
|--|--------------------|------------------|----------------|----------|
|  | Number             | Amount           | Number         | Amount   |
| <b>Share capital</b>   |                    |                  |                |          |
| <b>Authorized</b>  |                    |                  |                |          |
| Unlimited common and preference shares<br>with no par value                |                    |                  |                |          |
| <b>Issued</b>  |                    |                  |                |          |
| Fully paid common shares with one vote per share                           |                    |                  |                |          |
| <b>Balance at beginning of period</b>                                      | <b>191,441,200</b> | <b>585,050</b>   | 181,400,125    | 525,219  |
| Shares issued on exercise of stock options                                 | 855,508            | 2,577            | 580,164        | 1,040    |
| Share repurchases <i>(note 9(b))</i>                                       | (1,518,700)        | (4,540)          | -              | -        |
| Transferred from contributed surplus<br>on exercise of stock options       |                    | 1,028            |                | 550      |
| <b>Balance at end of period</b>  | <b>190,778,008</b> | <b>584,115</b>   | 181,980,289    | 526,809  |
| <b>Contributed surplus</b>   |                    |                  |                |          |
| <b>Balance at beginning of period</b>                                      |                    | 8,629            |                | 7,078    |
| Share-based compensation expense   |                    | 307              |                | 248      |
| Transferred to share capital on exercise of stock options                  |                    | (1,028)          |                | (550)    |
| Share repurchases <i>(note 9(b))</i>                                       |                    | (4,359)          |                | -        |
| Other changes in contributed surplus                                       |                    | -                |                | 3        |
| <b>Balance at end of period</b>  |                    | <b>3,549</b>     |                | 6,779    |
| <b>Retained earnings</b>   |                    |                  |                |          |
| <b>Balance at beginning of period</b>                                      |                    | 412,394          |                | 224,701  |
| Net earnings attributable to common<br>shareholders of the Company         |                    | 26,825           |                | 20,062   |
| Dividend distributions <i>(note 9(a))</i>                                  |                    | (7,631)          |                | (5,459)  |
| <b>Balance at end of period</b>  |                    | <b>431,588</b>   |                | 239,304  |
| <b>Accumulated other comprehensive income (loss)</b>                       |                    |                  |                |          |
| <b>Balance at beginning of period</b>                                      |                    | (1,660)          |                | 41,671   |
| Other comprehensive income (loss)  |                    | 6,525            |                | (40,439) |
| <b>Balance at end of period</b>  |                    | <b>4,865</b>     |                | 1,232    |
| <b>Total equity attributable to common shareholders<br/>of the Company</b> |                    | <b>1,024,117</b> |                | 774,124  |
| <b>Non-controlling interests</b>   |                    |                  |                |          |
| <b>Balance at beginning of period</b>                                      |                    | -                |                | 6,615    |
| Net loss attributable to non-controlling interests                         |                    | -                |                | (240)    |
| Other comprehensive loss attributable to<br>non-controlling interests      |                    | -                |                | (36)     |
| Other changes in non-controlling interests                                 |                    | -                |                | 14       |
| <b>Balance at end of period</b>  |                    | -                |                | 6,353    |
| <b>Total equity at end of period</b>                                       |                    | <b>1,024,117</b> |                | 780,477  |

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

# NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

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

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## 1. CORPORATE INFORMATION

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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 March 31, 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
- 6.7% of Sabina Gold and Silver Corp. (“Sabina”), which is focused on the development of the Back River project in southwestern Nunavut, Canada.

### Discontinued operations:

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 (“MineRP Disposition”).

As a result of the MineRP Disposition, DPM no longer owns any shares of MineRP and the operating results and cash flows of MineRP have been presented as discontinued operations in the consolidated statements of earnings (loss) and cash flows for the three months ended March 31, 2021.

## 2. BASIS OF PREPARATION

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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 May 4, 2022.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

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

### 3. FINANCIAL INSTRUMENTS

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

|  | Financial instrument classification             | Carrying Amount |                   |
|--|---|-----------------|-------------------|
|  |   | March 31, 2022  | December 31, 2021 |
| <b>Financial assets</b>                  |   |                 |                   |
| Cash                                     | Amortized cost                                  | 381,997         | 334,377           |
| Accounts receivable                      |   |                 |                   |
| on provisionally priced sales            | Fair value through profit or loss               | 75,056          | 85,083            |
| Other accounts receivable                | Amortized cost                                  | 42,042          | 43,255            |
| Restricted cash                          | Amortized cost                                  | 5,861           | 5,730             |
| Sabina special warrants (a)              | Fair value through profit or loss               | 5,672           | 5,816             |
| Publicly traded securities (b)           | Fair value through other comprehensive income   | 44,690          | 42,167            |
| Commodity swap contracts (c)             | Derivatives for cash flow and fair value hedges | -               | 21                |
| Foreign exchange option contracts (d)    | Derivatives for cash flow hedges                | 2,767           | -                 |
| <b>Financial liabilities</b>             |   |                 |                   |
| Accounts payable and accrued liabilities | Amortized cost                                  | 75,779          | 73,735            |
| Commodity swap contracts (c)             | Derivatives for cash flow and fair value hedges | 5,579           | 1,946             |
| Foreign exchange option contracts (d)    | Derivatives for cash flow hedges                | -               | 1,489             |

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

#### (a) Sabina special warrants

As at March 31, 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 months ended March 31, 2022, the Company recognized unrealized losses on the Sabina special warrants of \$0.4 million (2021 – \$5.4 million) in other expense (note 6) 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 months ended March 31, 2022, the Company recognized unrealized gains on these publicly traded securities of \$2.3 million (2021 – unrealized losses of \$37.0 million) 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 months ended March 31, 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 March 31, 2022, the Company’s outstanding QP Hedges, all of which mature within four months from the reporting date, are summarized in the table below:

| <b>Commodity hedged</b> | <b>Volume hedged</b> | <b>Weighed average fixed price of QP Hedges</b> |
|-------------------------|----------------------|---|
| Payable gold            | 19,300 ounces        | \$1,932.53/ounce                                |
| Payable copper          | 15,619,733 pounds    | \$4.37/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 March 31, 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 March 31, 2022, the net fair value loss on all outstanding QP Hedges was \$5.6 million (December 31, 2021 – \$1.9 million), of which \$nil (December 31, 2021 – \$0.02 million) was included in other current assets and \$5.6 million (December 31, 2021 – \$1.9 million) in accounts payable and accrued liabilities.

For the three months ended March 31, 2022, the Company recognized, in revenue, net losses of \$6.8 million (2021 – \$1.5 million) on QP Hedges and realized gains of \$nil (2021 – \$2.9 million) on Production Hedges.

For the three months ended March 31, 2022, the Company recognized unrealized losses of \$nil (2021 – \$6.7 million) 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 \$nil (2021 – \$0.4 million) 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 provide price protection below a specified “floor” rate and participation up to a specified “ceiling” rate. The option contracts 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 months ended March 31, 2022 and 2021

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

As at March 31, 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:

| <b>Year of projected operating expenses</b> | <b>Amount hedged in ZAR <sup>(i)</sup></b> | <b>Call options sold Weighted average ceiling rate US\$/ZAR</b> | <b>Put options purchased Weighted average floor rate US\$/ZAR</b> |
|---|--|---|---|
| Balance of 2022                             | 1,092,630,000                              | 17.05   | 15.13   |

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

The Company designates the intrinsic value of 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 March 31, 2022, the net fair value gain on all outstanding foreign exchange option contracts was \$2.8 million (December 31, 2021 – a net fair value loss of \$1.5 million), of which \$2.8 million (December 31, 2021 – \$nil) was included in other current assets and \$nil (December 31, 2021 – \$1.5 million) in accounts payable and accrued liabilities.

The Company recognized realized gains of \$0.1 million (2021 – \$1.2 million) for the three months ended March 31, 2022 in cost of sales on the spot component of settled contracts.

For the three months ended March 31, 2022, the Company recognized unrealized gains of \$0.8 million (2021 – unrealized losses of \$1.8 million) in other comprehensive income (loss) on the spot component of the outstanding foreign exchange option contracts. The Company also recognized unrealized gains of \$3.5 million (2021 – unrealized losses of \$0.02 million) 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 months ended March 31, 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 March 31, 2022 and December 31, 2021:

|   | As at March 31, 2022 |         |                         |        |
|---|----------------------|---------|-------------------------|--------|
|   | Level 1              | Level 2 | Level 3                 | Total  |
| <b>Financial assets</b>                           |                      |         |                         |        |
| Accounts receivable on provisionally priced sales | -                    | 75,056  | -                       | 75,056 |
| Sabina special warrants                           | -                    | -       | 5,672                   | 5,672  |
| Publicly traded securities                        | 44,690               | -       | -                       | 44,690 |
| Foreign exchange option contracts                 | -                    | 2,767   | -                       | 2,767  |
| <b>Financial liabilities</b>                      |                      |         |                         |        |
| Commodity swap contracts                          | -                    | 5,579   | -                       | 5,579  |
|   |                      |         | As at December 31, 2021 |        |
|   | Level 1              | Level 2 | Level 3                 | Total  |
| <b>Financial assets</b>                           |                      |         |                         |        |
| 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     |
| <b>Financial liabilities</b>                      |                      |         |                         |        |
| Commodity swap contracts                          | -                    | 1,946   | -                       | 1,946  |
| Foreign exchange option contracts                 | -                    | 1,489   | -                       | 1,489  |

During the three months ended March 31, 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 March 31, 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 | (388)        |
| <b>Balance as at March 31, 2022</b>        | <b>5,672</b> |

## 4. 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.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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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 March 31, 2022 and December 31, 2021, 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 (\$6.9 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 March 31, 2022 and December 31, 2021, \$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 March 31, 2022, \$17.1 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 (\$23.3 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 March 31, 2022, \$23.3 million (December 31, 2021 – \$23.8 million) had been utilized in the form of letters of guarantee.

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 March 31, 2022, \$0.3 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 concession 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.

## 5. SHARE-BASED COMPENSATION PLANS

The following is a summary of the new grants under the Company's share-based compensation plans in April 2022:

|                         | Number of units granted | Fair value granted |
|-------------------------|-------------------------|--------------------|
| Restricted Share Units  | 772,791                 | 4,694              |
| Performance Share Units | 255,532                 | 1,552              |
| Deferred Share Units    | 44,335                  | 272                |
| DPM Stock Options       | 590,601                 | 1,170              |

For the three months ended March 31, 2022, mark-to-market adjustments related to the change in DPM's share price resulted in an increase in share-based compensation of \$1.8 million (2021 – a decrease of \$2.9 million).

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

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### 6. OTHER EXPENSE

|   | Three months ended March |              |
|---|--------------------------|--------------|
|   | 2022                     | 2021         |
| Net losses on Sabina special warrants (note 3(a)) | 388                      | 5,399        |
| Tsumeb restructuring costs                        | 9,829                    | -            |
| Bulgarian government subsidy for electricity      | (4,153)                  | -            |
| Net foreign exchange losses                       | 2,674                    | 865          |
| Interest income                                   | (249)                    | (92)         |
| Other expense                                     | 209                      | 561          |
|   | <b>8,698</b>             | <b>6,733</b> |

### 7. 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 months ended March 31, 2022 and 2021 was as follows:

|  | Three months ended March 31, |              |
|--|------------------------------|--------------|
|  | 2022                         | 2021         |
| Salaries, management bonuses and director fees | 855                          | 842          |
| Other benefits                                 | 83                           | 62           |
| Share-based compensation                       | 1,428                        | (1,777)      |
| <b>Total remuneration</b>                      | <b>2,366</b>                 | <b>(873)</b> |

### 8. SUPPLEMENTARY CASH FLOW INFORMATION

#### (a) Changes in working capital

|   | Three months ended March 31, |                 |
|---|------------------------------|-----------------|
|   | 2022                         | 2021            |
| (Increase) decrease in accounts receivable and other assets     | 10,940                       | (17,823)        |
| Decrease in inventories   | 3,326                        | 2,280           |
| Increase (decrease) in accounts payable and accrued liabilities | (1,850)                      | 1,428           |
| Increase (decrease) in other liabilities                        | 1,852                        | (1,162)         |
|   | <b>14,268</b>                | <b>(15,277)</b> |

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

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

### (b) Other items not affecting cash

|  | Three months ended March 31, |              |
|--|------------------------------|--------------|
|  | 2022                         | 2021         |
| Net finance cost                               | 1,113                        | 1,311        |
| Share-based compensation expense               | 307                          | 248          |
| Net losses on Sabina special warrants          | 388                          | 5,399        |
| Net (gains) losses on commodity swap contracts | 6,759                        | (1,343)      |
| Net gains on foreign exchange option contracts | (131)                        | (1,223)      |
| Other, net                                     | (117)                        | 220          |
|  | <b>8,319</b>                 | <b>4,612</b> |

## 9. SUPPLEMENTARY SHAREHOLDERS' EQUITY INFORMATION

### (a) Dividend

On February 17, 2022, the Company declared a quarterly dividend of \$0.04 (2021 – \$0.03) per common share payable on April 18, 2022 to shareholders of record on March 31, 2022 resulting in dividend distributions of \$7.6 million (2021 – \$5.5 million) recognized against its retained earnings in the condensed interim consolidated statements of changes in shareholders' equity for the three months ended March 31, 2022. As at March 31, 2022, the Company 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. For the three months ended March 31, 2022, the Company also paid \$5.7 million (2021 – \$5.4 million) of dividends which was included in cash used in financing activities in the condensed interim consolidated statements of cash flows.

On May 4, 2022, the Company declared a dividend of \$0.04 per common share payable on July 15, 2022 to shareholders of record on June 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.

During the three months ended March 31, 2022, the Company purchased a total of 1,489,100 shares, all of which were cancelled. The Company also cancelled an additional 29,600 shares that were purchased in 2021, resulting in a total of 1,518,700 shares being cancelled during the three months ended March 31, 2022. The total cost of these purchases was \$8.9 million at an average price of \$5.98 (Cdn\$7.59) per share, \$4.5 million of which was recognized as a reduction in share capital and \$4.4 million as a reduction in contributed surplus in the condensed interim consolidated statements of changes in shareholders' equity for the three months ended March 31, 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 three months ended March 31, 2022.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

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

### 10. COMMITMENTS AND OTHER CONTINGENCIES

#### (a) Commitments

The Company had the following minimum contractual commitments as at March 31, 2022:

|                          | up to 1 year  | 1 - 5 years | Total         |
|--------------------------|---------------|-------------|---------------|
| Capital commitments      | 13,426        | -           | 13,426        |
| Purchase commitments     | 20,106        | 60          | 20,166        |
| <b>Total commitments</b> | <b>33,532</b> | <b>60</b>   | <b>33,592</b> |

As at March 31, 2022, Tsumeb had approximately \$67.3 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”).

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 March 31, 2022, the value of excess secondary materials, as defined in the Tolling Agreement, was approximately \$30.6 million, which was approximately \$16.4 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 March 31, 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.

### 11. OPERATING SEGMENT INFORMATION

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

The Company has three reportable operating segments – Chelopech and Ada Tepe in Bulgaria and Tsumeb in Namibia. The nature of their operations, products and services are described in *note 1, Corporate Information*. These segments are organized predominantly by the products and services provided to customers and geography of the businesses. The Corporate and Other segment includes corporate, exploration and evaluation 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.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 2022 and 2021

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

The following table summarizes the relevant information by segment for the three months ended March 31, 2022 and 2021:

|                                     | Three months ended March 31, 2022 |          |          |                      |         |
|-------------------------------------|-----------------------------------|----------|----------|----------------------|---------|
|                                     | Chelopech                         | Ada Tepe | Tsumeb   | Corporate<br>& Other | Total   |
| <b>Continuing Operations</b>        |                                   |          |          |                      |         |
| Revenue (a)                         | 83,597                            | 39,111   | 31,093   | -                    | 153,801 |
| Earnings (loss) before income taxes | 47,224                            | 13,620   | (15,141) | (11,813)             | 33,890  |
| Capital expenditures                | 3,155                             | 3,200    | 2,309    | 6,316                | 14,980  |

|                                     | Three months ended March 31, 2021 |          |          |                      |         |
|-------------------------------------|-----------------------------------|----------|----------|----------------------|---------|
|                                     | Chelopech                         | Ada Tepe | Tsumeb   | Corporate<br>& Other | Total   |
| <b>Continuing Operations</b>        |                                   |          |          |                      |         |
| Revenue (a)                         | 71,705                            | 57,417   | 8,908    | -                    | 138,030 |
| Earnings (loss) before income taxes | 36,805                            | 33,343   | (20,456) | (14,415)             | 35,277  |
| Capital expenditures                | 4,292                             | 4,338    | 9,234    | 1,167                | 19,031  |

(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 months ended March 31, 2022 and 2021:

|   | Three months ended March 31, |                |
|---|------------------------------|----------------|
|   | 2022                         | 2021           |
| <b>Revenue recognized at a point in time from:</b>                |                              |                |
| Sale of concentrate   | 115,882                      | 132,081        |
| Processing concentrate  | 24,036                       | 6,613          |
| Acid sales  | 7,057                        | 2,295          |
| Mark-to-market price adjustments<br>on provisionally priced sales | 6,826                        | (2,959)        |
| <b>Total revenue</b>  | <b>153,801</b>               | <b>138,030</b> |

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended March 31, 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 March 31, 2022 and December 31, 2021:

|                                 | As at March 31, 2022 |                |                |                      |                  |
|---------------------------------|----------------------|----------------|----------------|----------------------|------------------|
|                                 | Chelopech            | Ada Tepe       | Tsumeb         | Corporate<br>& Other | Total            |
| <b>Total current assets</b>     | <b>163,304</b>       | <b>126,737</b> | <b>36,387</b>  | <b>222,245</b>       | <b>548,673</b>   |
| <b>Total non-current assets</b> | <b>168,901</b>       | <b>206,176</b> | <b>106,307</b> | <b>165,957</b>       | <b>647,341</b>   |
| <b>Total assets</b>             | <b>332,205</b>       | <b>332,913</b> | <b>142,694</b> | <b>388,202</b>       | <b>1,196,014</b> |
| <b>Total liabilities</b>        | <b>58,679</b>        | <b>25,998</b>  | <b>51,771</b>  | <b>35,449</b>        | <b>171,897</b>   |

  

|                          | As at December 31, 2021 |          |         |                      |           |
|--------------------------|-------------------------|----------|---------|----------------------|-----------|
|                          | Chelopech               | Ada Tepe | Tsumeb  | Corporate<br>& 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   |