

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2023 and December 31, 2022
(unaudited, in thousands of U.S. dollars)

		June 30, 2023	December 31, 2022
ASSETS	Notes		
Current Assets			
Cash and cash equivalents		541,947	433,176
Accounts receivable		136,214	126,437
Inventories		44,398	45,813
Other current assets		1,867	5,495
		724,426	610,921
Non-Current Assets			
Investments at fair value	3(a)	5,990	40,773
Exploration and evaluation assets		136,991	126,231
Mine properties		101,828	113,520
Property, plant & equipment		222,074	237,103
Intangible assets		15,141	15,501
Deferred income tax assets		11,601	6,590
Other long-term assets		6,558	6,615
		500,183	546,333
TOTAL ASSETS		1,224,609	1,157,254
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities		75,581	86,529
Income tax liabilities		6,334	83
Current portion of long-term liabilities		8,167	10,273
		90,082	96,885
Non-Current Liabilities			
Rehabilitation provisions		44,705	45,823
Share-based compensation liabilities	5	10,040	8,122
Other long-term liabilities		11,539	13,330
		66,284	67,275
TOTAL LIABILITIES		156,366	164,160
EQUITY			
Share capital		569,541	583,027
Contributed surplus		5,340	6,436
Retained earnings		499,137	411,786
Accumulated other comprehensive loss		(5,775)	(8,155)
TOTAL SHAREHOLDERS' EQUITY		1,068,243	993,094
TOTAL LIABILITIES AND EQUITY		1,224,609	1,157,254

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, 2023 and 2022

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

		Three months ended June 30,		Six months ended June 30,	
		2023	2022	2023	2022
	Notes				
Revenue	11	167,523	134,483	323,356	288,284
Costs and expenses					
Cost of sales		82,900	83,444	170,361	176,574
General and administrative expenses	5	6,220	6,235	19,690	14,766
Corporate social responsibility expenses		606	757	1,351	1,511
Exploration and evaluation expenses		11,076	5,817	18,737	9,099
Finance costs		1,715	1,475	3,344	2,838
Other income and expense	6	(4,238)	(4,117)	(8,369)	8,734
		98,279	93,611	205,114	213,522
Earnings before income taxes		69,244	40,872	118,242	74,762
Current income tax expense		8,000	7,489	14,807	14,017
Deferred income tax expense (recovery)		(492)	(109)	(4,901)	428
Net earnings		61,736	33,492	108,336	60,317
Earnings per share					
- Basic		0.33	0.18	0.57	0.32
- Diluted		0.33	0.17	0.57	0.31

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, 2023 and 2022

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

	Three months ended		Six months ended	
	June 30, 2023	2022	June 30, 2023	2022
Net earnings	61,736	33,492	108,336	60,317
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	3(c) (1,203)	(609)	(3,446)	293
Deferred cost of hedging, net of income tax of \$nil for all periods	3(c) (731)	(4,449)	214	(964)
Realized (gains) losses transferred to cost of sales, net of income tax of \$nil for all periods	3(c) 1,154	(69)	1,575	(200)
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 recovery of \$464 (2022 - \$nil) and \$nil (2022 - \$nil), respectively	3(a) 2,209	(12,724)	21,754	(10,455)
Transferred to retained earnings on derecognition of investment in Sabina	3(a) (17,717)	-	(17,717)	-
	(16,288)	(17,851)	2,380	(11,326)
Comprehensive income	45,448	15,641	110,716	48,991

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, 2023 and 2022

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

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Notes				
OPERATING ACTIVITIES				
Earnings before income taxes	69,244	40,872	118,242	74,762
Depreciation and amortization	21,716	27,248	43,611	51,502
Changes in working capital	8(a) (22,505)	15,455	(27,031)	33,377
Other items not affecting cash	8(b) 2,137	(3,369)	10,621	1,805
Proceeds from (payments for) settlement of derivative contracts	(10,693)	2,014	(18,860)	(656)
Interest received	5,926	692	10,418	915
Income taxes paid	(6,648)	(10,382)	(6,924)	(10,413)
Cash provided from operating activities	59,177	72,530	130,077	151,292
INVESTING ACTIVITIES				
Purchase of publicly traded securities	(119)	-	(516)	(500)
Proceeds from disposal of B2Gold shares	3(a) 56,459	-	56,459	-
Proceeds from disposal of mine properties, property, plant and equipment and intangible assets	45	-	45	-
Expenditures on exploration and evaluation assets	(4,964)	(5,684)	(11,360)	(10,604)
Expenditures on mine properties	(2,005)	(2,136)	(3,127)	(6,512)
Expenditures on property, plant and equipment	(7,894)	(13,363)	(15,998)	(20,354)
Expenditures on intangible assets	(817)	(282)	(1,020)	(861)
Decrease in restricted cash	3,537	-	3,537	-
Cash provided from (used in) investing activities	44,242	(21,465)	28,020	(38,831)
FINANCING ACTIVITIES				
Proceeds from exercise of stock options	210	190	3,063	2,767
Dividends paid	9(a) (7,587)	(7,639)	(15,187)	(13,374)
Payments for share repurchases	9(b) (25,338)	(565)	(33,668)	(9,464)
Principal repayments related to leases	(1,356)	(1,143)	(2,634)	(2,274)
Interest and finance fees paid	(444)	(586)	(900)	(1,174)
Cash used in financing activities	(34,515)	(9,743)	(49,326)	(23,519)
Increase in cash and cash equivalents	68,904	41,322	108,771	88,942
Cash and cash equivalents at beginning of period	473,043	381,997	433,176	334,377
Cash and cash equivalents at end of period	541,947	423,319	541,947	423,319

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, 2023 and 2022

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

	June 30, 2023		June 30, 2022	
	Number	Amount	Number	Amount
<i>Notes</i>				
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	190,000,202	583,027	191,441,200	585,050
Shares issued on exercise of stock options	1,017,716	3,063	907,677	2,767
Share repurchases	9(b) (4,798,095)	(18,122)	(1,558,000)	(4,876)
Transferred from contributed surplus on exercise of stock options		1,573		1,098
Balance at end of period	186,219,823	569,541	190,790,877	584,039
Contributed surplus				
Balance at beginning of period		6,436		8,629
Share-based compensation expense		477		581
Transferred to share capital on exercise of stock options		(1,573)		(1,098)
Share repurchases	9(b)	-		(4,588)
Other changes in contributed surplus		-		(1,158)
Balance at end of period		5,340		2,366
Retained earnings				
Balance at beginning of period		411,786		412,394
Net earnings		108,336		60,317
Transferred from accumulated other comprehensive income (loss) on derecognition of investment in Sabina	3(a)	17,717		-
Dividend distributions	9(a)	(15,036)		(15,263)
Share repurchases	9(b)	(23,666)		-
Balance at end of period		499,137		457,448
Accumulated other comprehensive income (loss)				
Balance at beginning of period		(8,155)		(1,660)
Other comprehensive income (loss)		2,380		(11,326)
Balance at end of period		(5,775)		(12,986)
Total equity at end of period		1,068,243		1,030,867

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, 2023 and 2022

(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, 2023, DPM’s condensed interim consolidated financial statements included DPM and its subsidiary companies (collectively, the “Company”).

DPM’s principal subsidiaries included:

- 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 held interests, directly or indirectly, in a number of exploration and development properties located in Ecuador and Serbia including:

- 100% of DPM Ecuador S.A. (“DPM Ecuador”), which is focused on the exploration and development of the Loma Larga gold project and the Tierras Coloradas exploration property in Ecuador; and
- 100% of DPM Avala d.o.o. and Crni Vrh Resources d.o.o., which are focused on the exploration and development of the Timok gold project and the exploration and evaluation of the Čoka Rakita project in Serbia, respectively.

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, 2022, 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, 2022.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 1, 2023.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2023 and 2022

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

3. FINANCIAL INSTRUMENTS

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

	Financial instrument classification	Carrying Amount	
		June 30, 2023	December 31, 2022
Financial assets			
Cash and cash equivalents	Amortized cost	541,947	433,176
Accounts receivable on provisionally priced sales	Fair value through profit or loss	89,091	75,707
Other accounts receivable	Amortized cost	47,123	50,730
Restricted cash	Amortized cost	1,978	5,641
Warrants	Fair value through profit or loss	29	219
Publicly traded securities (a)	Fair value through other comprehensive income	5,961	40,554
Commodity swap contracts (b)	Derivatives for fair value hedges	752	149
Foreign exchange option contracts (c)	Derivatives for cash flow hedges	131	-
Foreign exchange forward contracts	Fair value through profit or loss	-	531
Financial liabilities			
Accounts payable and accrued liabilities	Amortized cost	72,005	81,165
Commodity swap contracts (b)	Derivatives for fair value hedges	-	3,259
Foreign exchange option contracts (c)	Derivatives for cash flow hedges	3,576	1,787
Foreign exchange forward contracts	Fair value through profit or loss	-	318

The carrying values of all the financial assets and liabilities measured at amortized cost approximate their fair values as at June 30, 2023 and December 31, 2022.

(a) Publicly traded securities

Publicly traded securities include a portfolio of equity investments in publicly traded mining and exploration companies.

For the three and six months ended June 30, 2023, the Company recognized unrealized gains on these publicly traded securities of \$1.7 million (2022 – unrealized losses of \$12.8 million) and \$21.8 million (2022 – unrealized losses of \$10.5 million), respectively, in other comprehensive income (loss) that will not be reclassified subsequently to profit or loss.

On April 19, 2023, B2Gold Corp. ("B2Gold") successfully completed its previously announced acquisition of Sabina Gold and Silver Corp. ("Sabina") through the issuance of 0.3867 of a common share of B2Gold for each Sabina common share, representing a consideration of Cdn\$2.11 per Sabina share on a fully-diluted basis based on the closing price of B2Gold on the TSX as at the closing date. As a result, DPM exchanged its ownership interest in Sabina for 13,940,753 common shares of B2Gold, valued at \$56.8 million (Cdn\$76.1 million) at the date of the transaction. The Company subsequently disposed of all B2Gold common shares held for cash proceeds of \$56.5 million and transferred the accumulated fair value gains of \$17.7 million on the derecognition of Sabina common shares from accumulated other comprehensive income (loss) to retained earnings during the three and six months ended June 30, 2023.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2023 and 2022

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

(b) 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, 2023, the Company’s outstanding QP Hedges, all of which mature within two months from the reporting date, are summarized in the table below:

Commodity hedged	Volume hedged	Weighted average fixed price of QP Hedges
Payable gold	13,820 ounces	\$1,975.13 /ounce
Payable copper	3,306,930 pounds	\$3.78 /pound

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

The fair value gain or loss on commodity swap contracts is calculated based on the corresponding London Metal Exchange forward copper prices and New York Commodity Exchange forward gold prices, as applicable. As at June 30, 2023, the net fair value gain on all outstanding QP Hedges was \$0.8 million (December 31, 2022 – a net fair value loss of \$3.2 million), of which \$0.8 million (December 31, 2022 – \$0.1 million) was included in other current assets and \$nil (December 31, 2022 – \$3.3 million) in accounts payable and accrued liabilities.

For the three and six months ended June 30, 2023, the Company recognized, in revenue, net gains of \$0.8 million (2022 – \$14.7 million) and net losses of \$7.0 million (2022 – net gains of \$7.9 million), respectively, on QP Hedges.

(c) 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 into to provide price protection below a specified “floor” rate and participation up to a specified “ceiling” rate. The option contracts entered into are comprised of a series of call options and put options (which when combined create a price “collar”) that are structured so as to provide for a zero upfront cash cost.

As at June 30, 2023, the Company had outstanding foreign exchange option contracts in respect of a portion of its projected Namibian dollar operating expenses which are linked to the South African Rand (“ZAR”) 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 2023	679,086,000	17.71	15.72
2024	642,729,756	20.14	17.68

(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.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2023 and 2022

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

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, 2023, the net fair value loss on all outstanding foreign exchange option contracts was \$3.4 million (December 31, 2022 – \$1.8 million), of which \$3.6 million (December 31, 2022 – \$1.8 million) was included in accounts payable and accrued liabilities and \$0.2 million (December 31, 2022 – \$nil) in other current asset.

For the three and six months ended June 30, 2023, the Company recognized unrealized losses of \$1.2 million (2022 – \$0.6 million) and \$3.4 million (2022 – unrealized gains of \$0.3 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 \$0.7 million (2022 – \$4.5 million) and unrealized gains of \$0.2 million (2022 – unrealized losses of \$1.0 million), respectively, for the three and six months ended June 30, 2023 on the time value component of the outstanding foreign exchange option contracts in other comprehensive income (loss) as a deferred cost of hedging.

The Company recognized realized losses of \$1.2 million (2022 – realized gains of \$0.1 million) and \$1.6 million (2022 – realized gains of \$0.2 million), respectively, for the three and six months ended June 30, 2023 in cost of sales on the spot component of settled contracts.

Fair value hierarchy

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

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

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2023 and 2022

(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, 2023 and December 31, 2022:

	As at June 30, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Accounts receivable on provisionally priced sales	-	89,091	-	89,091
Warrants	-	-	29	29
Publicly traded securities	5,961	-	-	5,961
Commodity swap contracts	-	752	-	752
Foreign exchange option contracts	-	131	-	131
Financial liabilities				
Foreign exchange option contracts	-	3,576	-	3,576
			As at December 31, 2022	
	Level 1	Level 2	Level 3	Total
Financial assets				
Accounts receivable on provisionally priced sales	-	75,707	-	75,707
Warrants	-	-	219	219
Publicly traded securities	40,554	-	-	40,554
Commodity swap contracts	-	149	-	149
Foreign exchange forward contracts	-	531	-	531
Financial liabilities				
Commodity swap contracts	-	3,259	-	3,259
Foreign exchange option contracts	-	1,787	-	1,787
Foreign exchange forward contracts	-	318	-	318

During the six months ended June 30, 2023 and the year ended December 31, 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2023 and 2022

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

4. DEBT

(a) DPM Revolving Credit Facility

DPM has a committed revolving credit facility (the “RCF”) with a consortium of four banks that matures in July 2026, and is secured by pledges of DPM’s investments in Ada Tepe, Chelopech and the Loma Larga gold project and by guarantees from each of the subsidiaries that hold these assets. 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”), plus a spread, which is currently 2.25%, and can range between 2.25% and 3.50% depending upon DPM’s leverage. The 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 March 31, 2022, and as defined under the RCF.

As at June 30, 2023 and December 31, 2022, 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 (\$5.3 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, 2023 and December 31, 2022, \$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, 2023 and is guaranteed by DPM. As at June 30, 2023, \$14.6 million (December 31, 2022 – \$17.3 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 (\$22.9 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, 2023 and is guaranteed by DPM. As at June 30, 2023, \$22.8 million (December 31, 2022 – \$22.5 million) had been utilized in the form of letters of guarantee.

Ada Tepe also has a \$10.3 million multi-purpose credit facility that matures on November 30, 2023 and is guaranteed by DPM. As at June 30, 2023, \$0.1 million (December 31, 2022 – \$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 SOFR plus 2.5%. The letters of credit and guarantee bear a fee of 0.6% based on the amounts issued.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2023 and 2022

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

5. SHARED-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, 2023:

	Number of units	Fair value granted
Restricted Share Units	691,046	5,074
Performance Share Units	301,470	2,211
Deferred Share Units	91,462	622
DPM Stock Options	264,250	715
Total	1,348,228	8,622

As at June 30, 2023, the Company had a total of share-based compensation liabilities of \$13.4 million (December 31, 2022 – \$16.0 million), of which the current portion of \$3.4 million (December 31, 2022 – \$7.9 million) was included in accounts payable and accrued liabilities on the condensed interim consolidated statements of financial position.

The following table summarizes the impact of the mark-to-market adjustments related to the change in DPM's share price on the Company's share-based compensation expenses for the three and six months ended June 30, 2023:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Mark-to-market adjustments to share-based compensation expenses	(940)	(2,301)	7,672	(811)

The following table summarizes total share-based compensation expenses recognized by the Company for the three and six months ended June 30, 2023:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Share-based compensation expenses recognized in:				
Cost of sales	232	75	2,159	954
General and administrative expenses	189	(229)	8,561	2,194
Total	421	(154)	10,720	3,148

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2023 and 2022

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

6. OTHER INCOME AND EXPENSE

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Net losses on foreign exchange forward contracts	1,553	-	4,729	-
Net foreign exchange (gains) losses	1,323	(2,975)	(1,922)	(301)
Net losses on Sabina special warrants	-	1,797	-	2,185
Tsumeb restructuring costs (a)	-	(2,023)	-	7,806
Interest income	(6,021)	(716)	(10,118)	(965)
Other, net (b)	(1,093)	(200)	(1,058)	9
	(4,238)	(4,117)	(8,369)	8,734

(a) Tsumeb restructuring costs were related to severance payments and other employee benefits related to a comprehensive cost saving initiative at Tsumeb in 2022.

(b) For the three and six months ended June 30, 2022, the Bulgarian government subsidy for electricity of \$3.4 million and \$7.5 million, respectively, was reclassified from other income and expense to cost of sales to conform with current year presentation.

7. RELATED PARTY TRANSACTIONS

Key management remuneration

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

The remuneration of the key management of the Company recognized in the condensed interim consolidated statements of earnings for the three and six months ended June 30, 2023 and 2022 was as follows:

	Three months ended		Six months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
Salaries, management bonuses and director fees	966	775	1,939	1,630
Other benefits	65	62	132	145
Share-based compensation	29	(405)	7,109	1,023
Total remuneration	1,060	432	9,180	2,798

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2023 and 2022

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

8. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Changes in working capital

	Three months ended		Six months ended	
	June 30, 2023	2022	June 30, 2023	2022
(Increase) decrease in accounts receivable and other assets	(14,637)	35,731	(10,655)	46,691
(Increase) decrease in inventories	1,008	(4,359)	889	(1,033)
Increase (decrease) in accounts payable and accrued liabilities	2,947	(5,808)	(11,888)	(4,024)
Decrease in other liabilities	(11,823)	(10,109)	(5,377)	(8,257)
	(22,505)	15,455	(27,031)	33,377

(b) Other items not affecting cash

	Three months ended		Six months ended	
	June 30, 2023	2022	June 30, 2023	2022
Net finance (income) cost	(4,305)	760	(6,774)	1,873
Share-based compensation expense	190	274	477	581
Net losses on Sabina special warrants	-	1,797	-	2,185
Realized (gains) losses on commodity swap contracts	1,554	(2,635)	10,855	470
Realized (gains) losses on foreign exchange option contracts	1,154	(69)	1,575	(200)
Realized (gains) losses on foreign exchange forward contracts	3,728	(2,656)	4,516	(2,147)
Other, net	(184)	(840)	(28)	(957)
	2,137	(3,369)	10,621	1,805

9. SUPPLEMENTARY SHAREHOLDERS' EQUITY INFORMATION

(a) Dividend

During the six months ended June 30, 2023, the Company declared a quarterly dividend of \$0.04 (2022 – \$0.04) per common share to its shareholders of record resulting in dividend distributions of \$15.0 million (2022 – \$15.3 million) recognized against its retained earnings in the condensed interim consolidated statements of changes in shareholders' equity. The Company paid an aggregate of \$15.2 million (2022 – \$13.4 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, 2023 and recognized a dividend payable of \$7.4 million (December 31, 2022 – \$7.6 million) in accounts payable and accrued liabilities in the condensed interim consolidated statements of financial position as at June 30, 2023.

On August 1, 2023, the Company declared a dividend of \$0.04 per common share payable on October 16, 2023 to shareholders of record on September 30, 2023.

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

The Company renewed the NCIB on March 1, 2023 extending to February 28, 2024. The maximum number of shares that can be repurchased during this period is 16,500,000 shares. The NCIB also allows the Company to implement an automatic share repurchase plan with its designated broker in order to facilitate the purchase of its shares.

During the six months ended June 30, 2023, the Company purchased a total of 4,798,095 (2022 – 1,598,800) shares, all of which were cancelled as at June 30, 2023. The total cost of these purchases was \$33.7 million (2022 – \$9.5 million) at an average price per share of \$7.05 (Cdn\$9.50) (2022 – \$5.92 (Cdn\$7.55)), of which \$14.5 million (2022 – \$4.9 million) was recognized as a reduction in share capital, \$nil (2022 – \$4.6 million) as a reduction in contributed surplus, and \$19.2 million (2022 – \$nil) as a reduction in retained earnings in the condensed interim consolidated statements of changes in shareholders’ equity. Payments for these share repurchases were included in cash used in financing activities in the condensed interim consolidated statements of cash flows for the six months ended June 30, 2023 and 2022.

As at June 30, 2023, the Company had an active automatic share repurchase plan in place under the NCIB with its designated broker which terminated on July 26, 2023, pursuant to which the Company repurchased an additional 1,169,923 shares in July 2023, all of which were cancelled as at August 1, 2023. As at June 30, 2023, the Company recognized a liability of \$8.1 million for the amount repurchased under the plan, of which \$3.7 million was recognized as a reduction in share capital and \$4.4 million as a reduction in retained earnings in the condensed interim consolidated statements of changes in shareholders’ equity for the six months ended June 30, 2023.

10. COMMITMENTS AND OTHER CONTINGENCIES

(a) Commitments

The Company had the following minimum contractual commitments as at June 30, 2023:

	up to 1 year	1 - 5 years	Total
Capital commitments	20,552	-	20,552
Purchase commitments	17,100	4	17,104
Total commitments	37,652	4	37,656

Tsumeb secondary materials

As at June 30, 2023, Tsumeb had approximately \$55.8 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.

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 April 30, 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, 2023, the value of excess secondary materials, as defined in the tolling agreement, was approximately \$27.4 million. The Company also had a receivable from IXM of \$16.5 million related to estimated metal exposure at Tsumeb. IXM has agreed to waive the requirement to purchase secondary material above the agreed normal levels as at June 30, 2023.

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For the three and six months ended June 30, 2023 and 2022

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(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.

The following table summarizes the relevant information by segment for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30, 2023				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Revenue (a)	72,178	60,340	35,005	-	167,523
Earnings (loss) before income taxes	34,034	33,354	12,071	(10,215)	69,244
Other disclosures					
Depreciation and amortization (b)	6,655	13,648	846	567	21,716
Share-based compensation expenses (c)	101	15	116	189	421
Capital expenditures (d)	3,974	2,507	2,778	6,478	15,737
	Three months ended June 30, 2022				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
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
Other disclosures					
Depreciation and amortization (b)	6,119	14,139	6,440	550	27,248
Share-based compensation expenses (c)	83	45	(53)	(229)	(154)
Capital expenditures (d)	5,189	2,195	11,590	9,757	28,731

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	Six months ended June 30, 2023				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Revenue (a)	136,750	122,136	64,470	-	323,356
Earnings (loss) before income taxes	59,959	67,975	15,092	(24,784)	118,242
Other disclosures					
Depreciation and amortization (b)	13,268	27,540	1,699	1,104	43,611
Share-based compensation expenses (c)	783	353	1,023	8,561	10,720
Capital expenditures (d)	9,525	4,655	3,225	12,548	29,953

	Six months ended June 30, 2022				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
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
Other disclosures					
Depreciation and amortization (b)	12,055	27,719	10,725	1,003	51,502
Share-based compensation expenses (c)	437	200	317	2,194	3,148
Capital expenditures (d)	8,344	5,395	13,899	16,073	43,711

- (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.
- (b) Depreciation and amortization relating to operating segments were included in cost of sales. Depreciation and amortization relating to Corporate and Other were included in general and administrative expenses, as well as exploration and evaluation expenses.
- (c) Share-based compensation expenses relating to operating segments were included in cost of sales and those relating to Corporate and Other were included in general and administrative expenses.
- (d) Capital expenditures for the three and six months ended June 30, 2023 for Corporate and Other included \$5.4 million (2022 – \$3.4 million) and \$10.7 million (2022 – \$5.6 million), respectively related to the Loma Larga gold project in Ecuador.

The following table summarizes the Company's revenue recognized for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Revenue recognized at a point in time from:				
Sale of concentrate	132,702	109,019	259,139	231,660
Processing concentrate	30,357	22,869	54,565	46,905
Acid sales	4,648	3,097	9,905	10,154
Revenue from contracts with customers	167,707	134,985	323,609	288,719
Mark-to-market price adjustments on provisionally priced sales	(985)	(15,133)	6,741	(8,307)
Net mark-to-market gains (losses) on QP Hedges	801	14,631	(6,994)	7,872
Total revenue	167,523	134,483	323,356	288,284

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For the three and six months ended June 30, 2023 and 2022

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The following table summarizes the total assets and total liabilities by segment as at June 30, 2023 and December 31, 2022:

	As at June 30, 2023				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Total current assets	149,751	177,351	47,730	349,594	724,426
Total non-current assets	165,847	151,654	25,286	157,396	500,183
Total assets	315,598	329,005	73,016	506,990	1,224,609
Total liabilities	48,172	29,314	36,927	41,953	156,366

	As at December 31, 2022				
	Chelopech	Ada Tepe	Tsumeb	Corporate & Other	Total
Total current assets	103,463	97,589	45,356	364,513	610,921
Total non-current assets	169,655	169,244	26,564	180,870	546,333
Total assets	273,118	266,833	71,920	545,383	1,157,254
Total liabilities	57,196	24,379	42,038	40,547	164,160