



DUNDEE
PRECIOUS METALS INC.



A N N U A L
R E P O R T
2 0 0 1



TABLE OF CONTENTS

Corporate Profile	2
Report of the Board of Directors	3
Report on Precious Metals and Precious Metals Equities	4
Management's Discussion and Analysis	8
Auditors' Report	11
Statement of Investment Portfolio	12
Financial Statements	14
Notes to the Financial Statements	18
Statement of Corporate Governance Practices	24
Corporate Directory	31



C O R P O R A T E P R O F I L E

Dundee Precious Metals Inc. is a closed-end investment company which provides investors with an opportunity to invest in a managed portfolio of primarily precious metals related investments. The Company's objective is to provide capital appreciation and a hedge against inflation. Dundee Precious Metals invests in North American and overseas equities and precious metals using a flexible asset mix policy model.

The Board of Directors of the Company is responsible for determining general investment policies. Dynamic Mutual Funds Ltd. is the Manager of the Company and Goodman & Company, Investment Counsel, a division of Dynamic Mutual Funds Ltd., a wholly-owned subsidiary of Dundee Wealth Management Inc., Toronto, Canada, manages the portfolio.

Dundee Precious Metals Common and Class A shares each carry full and equal voting privileges. The Class A shares are listed on The Toronto Stock Exchange and are qualified investments for registered retirement savings plans, registered retirement income funds and deferred profit sharing plans.

The net asset value per share is calculated at the close of business every Thursday and is published in the Saturday edition of The Globe and Mail, Report on Business and the weekend edition of The National Post. This information also appears in the closed-end fund tables in the Monday editions of the Wall Street Journal, New York Times and Barron's.

REPORT OF THE BOARD OF DIRECTORS



We present herewith the annual report of Dundee Precious Metals Inc. for the year ended January 31, 2001.

The net asset value of the Company at year end was \$11.69 per share compared to \$13.43 at the end of the previous year. This represents a 13.0% decrease in net assets for the year. During this period, the gold indices in Toronto, Australia and South Africa declined by 16%, 15% and 28%, respectively. The price of gold bullion continued its decline from US\$283 at January 31, 2000 to US\$266 at January 31, 2001. The market price of the Company's shares on January 31, 2001 was \$6.75, compared to \$8.05 at January 31, 2000.

The total net assets of the Company were \$82.7 million at January 31, 2001, down from \$96.5 million at January 31, 2000. The decrease in total net assets of \$13.8 million during the year was the result of a net loss of \$12.0 million, unrealized market depreciation of \$1.1 million (net of future income taxes) and the expenditure of \$0.7 million to purchase and cancel 113,000 Class A shares.

The net loss for the year was \$12.0 million compared to a net loss of \$10.7 million for the same period in the previous year. The loss was comprised of net realized losses on the sale of investments of \$17.2 million, expenses of \$2.7 million, an income tax recovery of \$5.2 million and interest and dividend income of \$2.7 million.

On November 1, 2000, the shareholders of Dundee Precious Metals Inc. agreed to amend the Company's articles of incorporation to change the investment parameters. This amendment allows the Company the opportunity to invest more than 10% of its total assets in securities of a single issuer. The Company believes that this change will allow the flexibility to take full advantage of attractive investment opportunities by taking significant positions in investments, thereby providing the opportunity to seek higher returns. At year end, the Company's investment in Hope Bay Gold Corporation Inc. represented 13.6% of the total assets of the Company and an approximate 24% interest in Hope Bay Gold Corporation Inc.

The comments of our Manager, Dynamic Mutual Funds Ltd., indicate that they remain positive on the long-term outlook for gold equities as bullion prices recover. At year end, the Company's portfolio mix was 74.0% Canadian, 10.7% Australian, 11.2% Latin American and 4.1% U.S. equities. The portfolio is invested in precious metals related companies and mineral companies with the largest portion of the portfolio invested in precious metals related companies.

On behalf of the Board,

Garth A.C. MacRae, *Chairman*
April 12, 2001



REPORT ON PRECIOUS METALS AND PRECIOUS METALS EQUITIES

REVIEW OF GOLD MARKET

Although the year 2000 was not the most exciting year for the bullion price, we believe that we are reaching a turning point spurred by early indications of a weakening U.S. dollar. Going forward, we believe that investors will be looking strongly at gold's defensive attributes in an increasingly uncertain investment climate.

In 2000, bullion seemed to have found its support level. The average bullion price did not change dramatically through the year, averaging \$279 per ounce, reaching a high of \$313 per ounce and a low of \$264 per ounce. The main event was in February 2000 when the gold price jumped \$30 over two days in reaction to announcements from AngloGold, Placer Dome and Normandy that they would not be adding to their hedge positions during the calendar year. This marked the year's high price for bullion.

Fundamentally, gold was on par with 1999. Producer supply of 2,573 tonnes, official sector sales of 464 tonnes, scrap supply of 611 tonnes and gold fabrication of 3,739 tonnes were all relatively constant. However, overall supply declined 12% due to the fact that net producer hedging made no contribution to supply in 2000, but instead added around 10 tonnes to physical demand. In the overall supply/ demand picture, this implies a net disinvestment of 291 tonnes. The net disinvestment is believed to be principally from physical sales of bars and coins accumulated by private investors in 1999 in fear of a millennium computer crisis. The sharp drop in coin demand in nearly every major coin-producing country further evidenced this: the United States alone witnessed a 91% drop in coin fabrication in 2000. Jewelry fabrication rose by 26 tonnes as strong growth in the Middle East offset weakness elsewhere. Official sector sales were up less than 2% last year and there was no net selling outside of the Washington Agreement signatories. Lending rose by only 80 tonnes year-on-year.

Going forward, we are more positive on the short-term outlook for gold. A weakening economy in the United States is being evidenced by lower trending real interest rates. Coupled with higher trending gold lease rates, the contango is being reduced significantly, and hedging and speculative short selling are becoming unattractive. The S&P 500 to gold ratio reached an all time high in 2000 along with the buoyant U.S. dollar. However, the U.S. current account deficit has ballooned to over \$400 billion, the largest recorded deficit ever. As the old saying goes: "What goes up, must come down." The U.S. dollar looks poised for a fall on the back of the deficit. While the U.S. dollar is not the only driver of the gold price, the correlation between the gold price and the trade-weighted U.S. dollar is minus 0.77, which does indeed suggest a strong relationship between the U.S. dollar and the gold price. The correlation, however, would be somewhat mitigated by reduced fabrication demand in the event of a weakening world economy. Nonetheless, a weaker U.S. dollar will make the gold cheaper in rupees in India – the world's single largest jewelry consumer, accounting for 25% of total demand.

Over the long term, the outlook for gold seems to be extremely positive. Eventually, central bank selling will become less substantial and a significant supply/demand deficit will be likely. As central banks sell off their gold, the gold lending market will tighten. With new, world-class gold projects becoming increasingly difficult to discover, the times ahead should be most interesting. Positive signs for gold in the short term include early indications of a weakening U.S. economy and a resurgence of inflation.

TOP TEN HOLDINGS

Hope Bay Gold Corporation Inc.

Hope Bay Gold Corporation Inc., owns 50% of the Hope Bay greenstone belt in Nunavut hosting a known resource of 4.2 million ounces on three deposits, as well as numerous other exploration targets and showings. The 80-kilometre long (1,200 square kilometres) Hope Bay greenstone belt is still largely unexplored. As of November 24, 2000, total measured and indicated resources at Boston, Doris and Madrid were 1.4 million ounces, contained in 2.8 million tonnes, and total inferred resources were another 1.8 million ounces, contained in 4.6 million tonnes. Recent drilling indicates potential to extend the Boston deposit to the north and south. Three new potential lenses have been outlined. Significant intersections include 13.1 grams per tonne over 3.5 metres, and 43.9 grams per tonne over 3.0 metres. The two zones to the south of Boston have been named Miksa and Domani. The Miksa target is located one to two kilometres south of Boston and covers an area where the shear structures at Boston and Domani are thought to converge. To date, 48 shallow reverse circulation holes have been completed and two areas of anomalous gold have been delineated over an area 800 metres by 500 metres. These anomalies are coincident with iron carbonate alteration, quartz veining and sulphides. Ten reverse-circulation holes have been completed at Domani four to six kilometres south of Boston. Assays are pending. Reverse-circulation drilling is now underway at Chicago where surface sampling last year yielded gold values of up to 45 grams per tonne and silver values up to 6,000 grams per tonne. Results at the newly discovered Naartok target, immediately west of the Madrid resource, include 6.9 grams per tonne over 8.5 metres, 12.9 grams per tonne over 12.4 metres, 12.1 grams per tonne over 10.0 metres and 20.6 grams per tonne over 10.5 metres. All grades have been capped at 100 grams per tonne. The 2001 exploration budget planned for 12 holes at this target but, based on the early success, it has been expanded to 30 holes. So far, 18 holes are complete, outlining a zone of 350 metre strike length, with a depth of 200 metres. Mineralization is open along strike in both directions.

Agnico-Eagle Mines Limited

Agnico-Eagle Mines Limited is a Toronto-based gold producer that owns and operates the La Ronde mine in northwestern Québec. The La Ronde mine has been expanded in order to mine a large, deep, gold/zinc-rich sulphide zone that was discovered on the property in 1993. Mine and mill expansion (to 5,000 tonnes per day) was completed on schedule in early October 2000, with the mill already operating at peak tonnages of 5,500 tonnes per day. Penna Shaft (Shaft #3) is operating at 5,000 tonnes of ore per day, with peak tonnages of over 7,000 tonnes of ore per day. Definition drilling continues to identify higher than average gold grades in zones 20 North and 20 South. Deep drilling is continuing.

Buenaventura Ciap de Minas S.A.

Buenaventura is a Peruvian-based mining company. It owns 43.65% of one of the world's largest and lowest-cost gold mines, Yanacocha, in partnership with Newmont, producing 1.65 million ounces per year at a cash cost of US\$111 per ounce. Buenaventura also operates five majority-owned underground mines in Peru: Uchucchacua (silver, zinc, lead), Orcopampa (gold, silver), Huachocolpa (zinc), Ishihuinca (gold), and Shila (gold). Over the next four years, Buenaventura plans to invest US\$976 million to start the following projects: Minas Conga (40%) 12.8 million ounces of gold, 3 billion pounds of copper, San Gregorio (zinc), La Zanja, Tantahuatay and Antapite (76%). These projects should add an additional 800,000 ounces of gold production and 500,000 tonnes of zinc to Buenaventura's production profile. Yanacocha is expected to expand from 1.8 million ounces to 2.5 million ounces by 2005. Minera Yanacocha has reached a settlement in a long-standing dispute with the Bureau de Recherches Geologiques et Minieres (BRGM), a geologic and exploration agency of the French government, and Normandy Mining Ltd. of Australia, over ownership of Yanacocha and a separate Peruvian mining concern, Cedimin. In addition to sums previously received, BRGM and Normandy together will receive \$80 million, half from Newmont in the form of common shares and half from Buenaventura in cash. In return, Newmont and Buenaventura will receive undisputed title to BRGM's former 24.7% interest in Yanacocha and Buenaventura will receive undisputed title to BRGM's 65% interest in Cedimin, which originally owned 40% of Minas Conga and other Peruvian assets.

Goldcorp Inc.

Goldcorp Inc. is an emerging mid-tier producer, currently producing 105,000 ounces of gold per year from its Wharf Mine in North Dakota. The company is currently mining its new, phenomenal, high-grade orebody at its Red Lake Mine in Ontario with commercial production starting in January 2001. With the high-grade Red Lake Mine, Goldcorp is expected to produce over 400,000 ounces per year at cash costs of about US\$100 per ounce. Goldcorp is debt free. The new Red Lake mine is exceeding feasibility study targets. Goldcorp announced an increase in both reserve tonnes and reserve grade. The High Grade Zone reserve grade increased by 23% to 1.68 ounces per tonne from 1.37 ounces per tonne, mainly from the adoption of an alternative methodology for cutting the assays from the antiquated "10-5-2" method, which had been used in the Red Lake camp for over 60 years. The cutoff is now calculated based on the mean grade plus one standard deviation.

Gabriel Resources Ltd.

Gabriel Resources Ltd. has an 80% interest in the Rosia Montana and Certej properties in Romania. Rosia Montana has a total resource base of 14.3 million ounces of gold and 66 million ounces of silver. The definitive feasibility is nearly complete and results are expected in mid 2001. We expect that the feasibility will size an operation between 0.5 million ounces and 1.0 million ounces per year at a cash cost below US\$125 per ounce. We believe that Rosia Montana is one of the best, undeveloped gold properties in the world.

East African Gold Mines Limited (Private)

East African Gold Mines Limited is a private company based in Australia that owns the Nyabirama and Nyabigena gold deposits in Tanzania. At June 30, 2000, the resources stood at 49.6 million tonnes grading 2.55 grams per tonnes (4.06 million ounces) and mineable reserves of 19.1 million tonnes grading 3.3 grams per tonne (2.1 million ounces). Based on current reserves, a 175,000-ounce per year production rate over a mine life of nearly 12 years is planned. Cash operating costs are forecast to be US\$187 per ounce and total cost of US\$236 per ounce. The shareholdings of the company are concentrated among 13 private shareholders, including: East African Investments Pty. which holds 20%, Goodman and Company, Investment Counsel which holds, in its managed accounts, 16%, and Macquarie Bank, the company's banker, which holds 13%.

Meridian Gold Inc.

Meridian Gold Inc. is an emerging mid-tier gold producer, currently producing over 420,000 ounces of gold per year from its El Peñón Mine in Chile, Beartrack Mine in Idaho, and from its 30% share of the Jerritt Canyon Mine in Nevada which is operated by AngloGold Limited. The company also has a joint venture with Barrick Gold Corporation (60%) on the highly prospective Rossi project north of the Goldstrike property in the Carlin trend in Nevada.

Homestake Mining Company

Homestake Mining Company is one of North America's oldest and largest gold producers producing 2.3 million ounces of gold per year with declining cash costs. The majority of Homestake's production is associated with its Eskay Creek, Kalgoorlie, Round Mountain and Ruby Hill operations.

Tahera Corporation

Tahera Corporation began trading on The Toronto Stock Exchange on March 2, 1999, formed out of the amalgamation of Lytton Minerals Limited and New Indigo Resources Inc. The amalgamation consolidated the ownership of the Jericho Diamond Project under one corporate entity. The Jericho Diamond Project, located in Nunavut, encompasses three main properties: the Jericho Group, the Contwoyto Group and the Burnside Group. The company also has a strategic joint venture agreement with Kennecott Canada Exploration Inc. on the Ice Claims, Rocking Horse Properties and Hood River Properties in Nunavut. Tahera's exploration team is currently preparing for a ground geophysics and drilling program in the Jericho area that is scheduled to commence in early 2001. Any future economic kimberlite discoveries on Tahera's land holdings in the vicinity of the Jericho diamond pipe may potentially enhance the scale of Tahera's planned diamond mining operation. The feasibility study completed in June 2000 indicates that the Jericho Diamond Project is technically and economically robust with potential production in excess of 3.0 million carats over eight years.

Major Drilling Group International Inc.

Major Drilling Group International Inc. is one of the world's largest metals and minerals contract drilling service companies, with operations in the Americas, Europe, Indonesia, Turkey and Tanzania.



DUNDEE PRECIOUS METALS INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

Dundee Precious Metals Inc. (the “Company”), is a closed-end investment company, managed by Dynamic Mutual Funds Ltd. (the “Manager”), which provides investors with an opportunity to invest in a managed portfolio of primarily precious metals related investments with the principal objectives of capital appreciation and a hedge against inflation, while providing a portfolio diversified among issuers and the countries in which the issuers operate.

Investments consist primarily of equity securities of issuers engaged in the exploration, development, production or marketing of precious metals. Issuers in which the Company invests may be engaged in activities relating to one or more precious metals and may derive a substantial portion of their revenue from sources other than precious metals. The current investments of the Company are primarily in precious metals related companies and mineral companies with the largest portion of the portfolio invested in precious metals related companies.

In making equity investments, the Company diversifies its portfolio among junior, intermediate and senior issuers, and between producing and exploration companies. The Company also seeks out those companies which require financing to further develop or explore potential deposits. Currently, the Company's portfolio is comprised of investments based in Canada, the United States, Australia and Latin America.

The mix of the Company's portfolio among various issuers, countries, precious metals, equity securities, bullion and cash can vary from time to time in response to fluctuations in metal prices and market conditions. Generally, when the Manager believes that the price of precious metals or equity securities will fall, the Company's portfolio will be more heavily weighted in favour of bullion and cash. When the Manager believes that the price of precious metals or equity securities will increase, the Company's portfolio will be weighted more heavily in favour of equity investments. Bullion is a mechanism to permit the Company to maintain liquidity while continuing to have exposure to precious metals.

As a closed-end investment company, the Company is subject to the investment restrictions set out in its articles and by-laws but is not subject to the restrictions established by Canadian securities administrators for mutual funds. Unlike open-end mutual funds, the Company has no obligation to meet redemption requests and therefore need not maintain the same liquidity. Accordingly, the Company is afforded greater flexibility in its investments and is able to more effectively manage its portfolio of holdings than it would as an open-end fund. In particular, subject to the investment restrictions applicable to it, the Company is able to make investments which are intended to be held for the longer term, including securities which may be considered illiquid.

On November 1, 2000, the shareholders of Dundee Precious Metals Inc. agreed to amend the Company's articles of incorporation for a change of its investment parameters. This amendment allows the Company to invest more than 10% of its total assets in securities of a single issuer. The Company believes that this change will allow the flexibility to take full advantage of attractive investment opportunities by taking significant positions in investments, thereby providing the opportunity to seek higher returns. At year end, the Company's investment in Hope Bay Gold Corporation Inc. represented 13.6% of the Company's total assets and an approximate 24% interest in Hope Bay Gold Corporation Inc.

As set out in the investment restrictions, the Company has the ability to borrow an amount of up to 25% of its total assets. This provides shareholders with the benefit of professionally managed leverage; additional opportunities to increase returns; and the ability to better manage its cash flows. The Company has negotiated a \$25 million credit facility with a Canadian chartered bank to provide this leverage. During the year, the Company used this facility to take advantage of certain market conditions and as at January 31, 2001, the Company had borrowed \$15.6 million under this facility. Although the Company appears to be fully leveraged, this debt is partially offset by income taxes recoverable of \$13.6 million from both the Ontario Ministry of Finance and the Canada Customs and Revenue Agency ("CCRA").

The Company reached a settlement with the CCRA and the Ontario Ministry of Finance for the taxation years up to and including January 31, 1995, relating to the tax treatment of investment gains. The Company has accounted for income taxes based on the criteria used in the settlement. The CCRA audited the taxation years January 31, 1996 to January 31, 1999 and has proposed modifying the previously agreed upon criteria for this period. The Company is in discussions with the CCRA.

Reported earnings reflect only interest and dividend income, and realized gains and losses on the disposition of investments. As they do not include unrealized gains and losses of the portfolio, earnings are only a partial measure of the Company's performance. Accordingly, the performance of the Company is best measured by the change in the net asset value per share.

The total net asset value of the Company at January 31, 2001 was \$82,677,000 (\$11.69 per share), down from \$96,488,000 (\$13.43 per share) at January 31, 2000. The decrease in total net assets of \$13,811,000 was the result of a net loss of \$11,959,000 during the year, an expenditure of \$754,000 to purchase and cancel 113,000 Class A shares, and unrealized market depreciation (net of future income taxes) of \$1,098,000. The net loss of \$11,959,000 was primarily the result of net realized losses on the sales of investments of \$17,156,000, net of an income tax recovery of \$5,233,000.

Dividend income for the year was \$548,000 compared to \$991,000 in the previous year. The decrease resulted from the sale of several dividend paying investments. The Company realized net losses of \$17,156,000 during the year and had unrealized market depreciation (net of future income taxes) of \$1,098,000 during the year. The largest realized losses were Cambior Inc. \$5,557,000, Normandy Mining Ltd. \$4,173,000 and Delta Gold NL \$2,640,000. The Company also fully provided for the loss in Armada Gold Corporation by recording a \$3,066,000 provision. This amount is included in net realized losses on sales of investments.

Total expenses before income taxes increased by \$112,000 to \$2,728,000. The increase in expenses was primarily the result of increased professional fees. Management fees decreased from \$1,045,000 for the previous year to \$960,000 in the current year. In addition to management fees, the Manager may be entitled to a performance fee of up to 2% of the Company's average total assets for the year dependent upon the Company outperforming gold bullion. There was no performance fee paid or payable for each of the years ended January 31, 2001 and 2000.

During the fiscal year ended January 31, 2001, the Company received \$3,086,000 from the Ontario Ministry of Finance which represented interest relating to the settlement of previous years' tax reassessments. This amount was in excess of the \$1,700,000 recorded as interest receivable in previous years. The difference of \$1,386,000 was recorded as income in the current year.

DUNDEE PRECIOUS METALS INC.
AUDITORS' REPORT



To the Shareholders of
Dundee Precious Metals Inc.

We have audited the statements of financial position of Dundee Precious Metals Inc., (the "Company") as at January 31, 2001 and 2000, and the statements of operations and retained earnings, changes in net assets and changes in investments for the years then ended and the statement of investment portfolio as at January 31, 2001. These financial statements are the responsibility of Dynamic Mutual Funds Ltd., the manager of the Company. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2001 and 2000 and its results of operations and changes in net assets and investments for the years then ended and its investments held as at January 31, 2001 in accordance with Canadian generally accepted accounting principles.

Arthur Anderson LLP

March 28, 2001
Toronto, Canada



DUNDEE PRECIOUS METALS INC.
STATEMENT OF INVESTMENT PORTFOLIO

As at January 31, 2001

(expressed in thousands of Canadian dollars except par value/share or unit amounts)

PAR VALUE/ SHARES OR UNITS		COST	MARKET VALUE	% OF PORTFOLIO
Canadian Equities and Convertibles				
235,500	Aber Diamond Corporation	\$ 3,506	\$ 3,026	
980,495	Agnico-Eagle Mines Limited	7,871	8,923	
479,040	Argosy Minerals Inc.	2,002	65	
180,529	Banro Resource Corporation	2,502	119	
513,000	Caldera Resources Inc.	305	62	
2,869,000	Cambior Inc.	1,258	1,521	
266,100	Corner Bay Minerals Inc.	165	493	
4,447,306	Dayton Mining Corporation	7,859	1,601	
2,727,273	Eldorado Gold Corporation, Special Warrants, Feb.21 01	1,500	1,200	
5,000,000	Emerging Africa Gold (EAG) Inc.	325	1,150	
690,000	Etruscan Enterprises Ltd.	4,580	283	
283,030	European Goldfields Ltd.	62	750	
2,830,300	Gabriel Resources Ltd.	2,424	7,557	
520,000	Glamis Gold Ltd.	2,589	1,045	
877,060	Goldcorp Inc., Class "A", Subordinated Voting	6,881	8,069	
5,306,200	Golden Queen Mining Co. Ltd.	3,694	1,327	
32,085,725	Hope Bay Gold Corporation Inc.*	14,310	11,390	
24,142,862	Hope Bay Gold Corporation Inc., Warrants**-		358	
625,690	Kinross Gold Corporation	3,872	450	
1,000,000	Major Drilling Group International Inc.	6,000	3,250	
727,200	Meridian Gold Inc.	3,638	6,872	
10,042,614	Tahera Corporation	1,268	1,506	
3,800,000	Tahera Corporation, Warrants, Aug.29 04	-	190	
2,817,000	Tahera Corporation, 8.00%, Convertible, Aug.04 04	2,817	3,380	

PAR VALUE/ SHARES OR UNITS		COST	MARKET VALUE	% OF PORTFOLIO
Canadian Equities and Convertibles (cont'd)				
3,319,329	Twin Mining Corporation	\$ 1,786	\$ 1,427	
1,058,133	Ventures Resource Corporation	1,087	85	
1,663,333	Verena Minerals Corporation*	1,219	541	
400,000	Verena Minerals Corporation, Warrants, Jan.31 03	–	20	
		83,520	66,660	74.0%
Australian Equities				
6,438,460	East African Gold Mines Limited	6,979	6,950	
2,517,854	Ranger Minerals NL	5,138	2,339	
2,560,143	Red Back Mining NL	866	316	
		12,983	9,605	10.7%
Latin American Equities				
432,530	Buenaventura Ciap de Minas S.A., Sponsored ADR, Series "B"	2,460	10,123	
		2,460	10,123	11.2%
U.S. Equities				
501,800	Homestake Mining Company	8,204	3,724	
		8,204	3,724	4.1%
		\$ 107,167	\$ 90,112	100.0%

* 22,000,000 and 800,000 shares of Hope Bay Gold Corporation and Verena Minerals Corporation, respectively, are not freely traded.

** These warrants are exercisable during the period from March 2001 to August 2003 at prices ranging from \$0.43 to \$0.65.

The accompanying notes are an integral part of these financial statements.



DUNDEE PRECIOUS METALS INC.
STATEMENTS OF FINANCIAL POSITION

As at January 31

(expressed in thousands of Canadian dollars except per share amounts)

	2001	2000
Assets		
Investments at market value		
(cost 2001 – \$107,167; 2000 – \$118,465)	\$ 90,112	\$ 100,143
Cash and short-term deposits	1,701	305
Interest, dividends and other receivables	89	1,908
Income taxes recoverable (Note 6)	13,639	25,008
	\$ 105,541	\$ 127,364
Liabilities		
Accounts payable and accrued liabilities	\$ 275	\$ 316
Bank loan (Note 3)	15,600	19,500
Future income taxes (Note 6)	6,989	11,060
	22,864	30,876
Shareholders' Equity		
Capital stock, warrants and contributed surplus (Note 4)	85,086	85,840
Retained earnings	9,857	21,816
Unrealized depreciation in market value of investments, net of future income taxes (2001 – \$4,789; 2000 – \$7,154)	(12,266)	(11,168)
Net Assets Represented By Shareholders' Equity	82,677	96,488
	\$ 105,541	\$ 127,364
Net Asset Value Per Share	\$ 11.69	\$ 13.43

The accompanying notes are an integral part of these financial statements.

On Behalf of the Board:

Jonathan Goodman, *Director*

Garth A.C. MacRae, *Director*

DUNDEE PRECIOUS METALS INC.
STATEMENTS OF OPERATIONS AND RETAINED EARNINGS



For the years ended January 31

(expressed in thousands of Canadian dollars except per share amounts)

	2001	2000
Investment Income		
Dividends	\$ 548	\$ 991
Interest	758	75
	1,306	1,066
Net realized losses on sales of investments	(17,156)	(17,179)
	(15,850)	(16,113)
Expenses		
Management fees (Note 5)	960	1,045
Interest on bank loan (Note 3)	949	924
Administrative and other expenses	621	481
Goods and services and other taxes	198	166
	2,728	2,616
Other Income		
Interest income received on income tax reassessments (Note 6)	1,386	–
Loss Before Taxes	(17,192)	(18,729)
Provision For (Recovery Of) Income Taxes (Note 6)		
Current	1,203	(5,604)
Future	(6,436)	(2,461)
	(5,233)	(8,065)
Net Loss	\$ (11,959)	\$ (10,664)
Net Loss Per Share	\$ (1.67)	\$ (1.48)
Retained Earnings		
Balance, beginning of year	\$ 21,816	\$ 32,480
Net loss	(11,959)	(10,664)
Balance, end of year	\$ 9,857	\$ 21,816

The accompanying notes are an integral part of these financial statements.



DUNDEE PRECIOUS METALS INC.
STATEMENTS OF CHANGES IN NET ASSETS

For the years ended January 31

(expressed in thousands of Canadian dollars except per share amounts)

	2001	2000
Net loss	\$ (11,959)	\$ (10,664)
Change in unrealized (depreciation) appreciation in market value of investments, net of future income taxes	(1,098)	8,801
Purchase of Class A shares (Note 4)	(754)	(2,319)
Changes in net assets during the year	(13,811)	(4,182)
Net assets, beginning of year	96,488	100,670
Net assets, end of year	\$ 82,677	\$ 96,488
Net asset value per share	\$ 11.69	\$ 13.43

The accompanying notes are an integral part of these financial statements.

DUNDEE PRECIOUS METALS INC.
STATEMENTS OF CHANGES IN INVESTMENTS



For the years ended January 31

(expressed in thousands of Canadian dollars)

	2001	2000
Investments at market value, beginning of year	\$ 100,143	\$ 92,957
Unrealized depreciation in the market value of investments, beginning of year	18,322	32,758
Investments at cost, beginning of year	118,465	125,715
Cost of investments purchased during the year	22,723	35,459
Cost of investments sold during the year		
Proceeds from sales	(16,865)	(25,530)
Net realized losses on sales	(17,156)	(17,179)
	(34,021)	(42,709)
Investments at cost, end of year	107,167	118,465
Unrealized depreciation in the market value of investments, end of year	(17,055)	(18,322)
Investments at market value, end of year	\$ 90,112	\$ 100,143

The accompanying notes are an integral part of these financial statements.



DUNDEE PRECIOUS METALS INC.

NOTES TO THE FINANCIAL STATEMENTS

January 31, 2001 and 2000

(tabular amounts in thousands of Canadian dollars)

1. SIGNIFICANT CORPORATE INFORMATION

Dundee Precious Metals Inc. (the “Company”) is a closed-end investment company incorporated under the Canada Business Corporations Act in 1983, which invests primarily in precious metals, precious metals related companies and mineral companies. The objective of the Company is to provide capital appreciation and a hedge against inflation, while providing a portfolio diversified among issuers and among the countries in which the issuers operate.

The Company is managed by Dynamic Mutual Funds Ltd. (the “Manager”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Valuation of Investments

Investments are recorded at their market value, determined as follows:

- Investment securities, having quoted market values and which are publicly traded on a stock exchange, and not otherwise restricted, are valued at the last reported sales price on that day. Listed securities in which no sale is reported, are valued at the average of the closing bid and ask price on that day.
- Investments in securities not having quoted market values or in restricted securities are valued at estimated fair value as determined by the Manager and may differ from realizable values.
- Gold and silver bullion are valued at the London morning Gold Fix price. Platinum and palladium are valued at the average closing bid price of at least two New York precious metals dealers.
- Options are recorded at their market value as reported on recognized exchanges.

b) Recognition of Investment Appreciation, Depreciation and Income

The difference between the market value and cost of investments held, net of future income tax asset or liability, is shown as unrealized appreciation (depreciation) in the market value of investments and is recorded in shareholders’ equity in the statements of financial position. The average cost basis is used to determine the gain or loss on disposal of investments.

Transactions are recorded at trade date. Gains and losses realized on sales are recorded in the statements of operations and retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Forward contracts are revalued with unrealized gains and losses being included in unrealized appreciation (depreciation) in the market value of investments and recognized in the statements of operations and retained earnings when positions mature or are closed out. There were no forward contracts outstanding as at January 31, 2001 and 2000.

Option fees paid or received are deferred and are recognized in the statements of operations and retained earnings when options expire or are closed out. Unrealized gains and losses on options are recognized with investments and as a component of unrealized appreciation (depreciation) in the market value of investments in shareholders' equity. There were no options outstanding as at January 31, 2001 and 2000.

Dividend income is recognized on the ex-dividend date. Interest income and expenses are recognized daily on an accrual basis.

c) Income Taxes

The Company uses the asset and liability method of accounting for income taxes under which future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using tax rates in effect for the period in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized as part of the provision for income taxes in the period of the change.

Future tax benefits attributable to these differences, if any, are recognized to the extent that realization of such benefits is more likely than not.

d) Foreign Currency Translation

The market values of foreign investments are translated into Canadian dollars at the closing rate of exchange on each valuation date. Translation gains and losses are reflected in shareholders' equity as a component of the net unrealized appreciation (depreciation) in the market value of investments.

Other assets and liabilities in foreign currencies are also translated at closing rates. Translation gains and losses are reflected in the statements of operations and retained earnings.

Purchases and sales of foreign investments, and foreign income and expenses, are translated at the rates of exchange prevailing on the dates of the respective transactions. Any exchange gains or losses on the settlement of the transactions are reflected in the statements of operations and retained earnings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. BANK LOAN

The Company has a revolving term credit facility for an amount no greater than the lesser of \$25,000,000; 25% of the value of the net assets of the Company; or 100% of the net asset value of cash, cash equivalents and securities traded on a recognized stock exchange that have a trading value of greater than \$2.00 held by the Company. This facility matures on March 12, 2003 but, if requested in writing, may be extended each year for a further year with the approval of the bank. Currently, the Company pays interest on this facility at a Corporate Bankers' Acceptance rate plus 0.90%. However, the Company has the option of borrowing at a Canadian chartered bank's prime lending rate plus 1/4 of 1%. The Company has provided the bank with a security interest in all of the assets of the Company.

4. CAPITAL STOCK, WARRANTS AND CONTRIBUTED SURPLUS

	2001		2000	
	NUMBER	AMOUNT	NUMBER	AMOUNT
Class A Shares				
Balance, beginning of year	7,183,972	\$ 82,977	7,411,672	\$ 85,607
Shares purchased and cancelled	(113,000)	(1,305)	(227,700)	(2,630)
Balance, end of year	<u>7,070,972</u>	<u>81,672</u>	<u>7,183,972</u>	<u>82,977</u>
Class A Share Purchase Warrants	<u>2,520,000</u>	2,520	<u>2,520,000</u>	2,520
Common Shares	<u>3,000</u>	1	<u>3,000</u>	1
Contributed Surplus		<u>893</u>		<u>342</u>
		<u>\$ 85,086</u>		<u>\$ 85,840</u>

4. CAPITAL STOCK, WARRANTS AND CONTRIBUTED SURPLUS (CONT'D)

a) Share Capital

The authorized share capital is comprised of an unlimited number of Class A shares and 3,000 common shares.

Each holder of the Class A and common shares rank equally as to voting and dividend rights. The holders of Class A shares are entitled, on a wind up of the Company, to receive \$9.425 per Class A share before any distribution to common shareholders. Thereafter, the holders of both the Class A shares and common shares will rank equally.

The Manager owns all of the common shares.

The number of shares used to calculate net loss per share during 2001 was 7,167,447 (2000 – 7,186,972).

b) Warrants

Each warrant entitles the holder to purchase one Class A share at any time up to February 20, 2004 at \$25.00 per share.

c) Shares Purchased

During 2001, the Company purchased and cancelled 94,100 Class A shares under its normal course issuer bid. The difference between the stated capital of \$1,086,855 of these shares and the cash consideration paid of \$621,127 (\$6.60 per share) was allocated to contributed surplus. The Company also purchased and cancelled 18,900 Class A shares for \$133,245 from shareholders who dissented to the changes made in 2000 to the Company's investment parameters. The purchase price was calculated based on the formula prescribed in the information circular. The difference between the stated capital of \$218,295 of these shares and the cash consideration paid of \$133,245 (\$7.05 per share) was allocated to contributed surplus.

During 2000, the Company purchased and cancelled 166,000 Class A shares under its normal course issuer bid. The difference between the stated capital of \$1,917,300 of these shares and the cash consideration paid of \$1,445,439 (\$8.71 per share) was allocated to contributed surplus. The Company also purchased and cancelled 61,700 Class A shares for \$872,438 which were subject to a dispute as to valuation arising at the time of a 1997 amendment to the articles of incorporation. The difference between the stated capital of \$712,635 of these shares and the cash consideration paid of \$872,438 (\$14.14 per share) was allocated to contributed surplus.

5. MANAGEMENT AND PERFORMANCE FEES

The Manager provides management and advisory services to the Company under an investment management agreement. In return for these services the Manager is paid an annual fee and may receive a performance fee. The Manager is paid an annual management fee of 1% per annum payable at the rate of 1/12 of 1% of the Company's total asset value determined on the last business day of each month. Additionally, the Manager may be entitled to a performance fee of up to 2% of the Company's average total assets for the year dependent upon the Company outperforming gold bullion. There were no performance fees paid or payable for the years ended January 31, 2001 and 2000.

6. INCOME TAXES

The reconciliation of the expected combined federal and provincial statutory income tax rate of 43.80% (2000 – 44.62%) to the effective tax rate on earnings is as follows:

Combined Federal and Provincial Statutory income tax rates	43.80%	44.62%
	2001	2000
Income tax at statutory tax rates	\$ (7,530)	\$ (8,357)
Adjusted for the effect of:		
Non-taxable portion of capital loss	2,869	306
Effect of expected income tax rate reductions on future income tax assets and liabilities	(1,784)	–
Other items	1,212	(14)
Provision For (Recovery) Of Income Taxes	\$ (5,233)	\$ (8,065)

Significant components of the Company's future income tax liabilities at January 31 are as follows:

	2001	2000
Future Income Tax Assets		
Tax loss carryforward	\$ 4,131	\$ –
Future tax on unrealized depreciation in the market value of investments	4,789	7,154
Write-down of investments	649	–
	\$ 9,569	\$ 7,154
Future Income Tax Liabilities		
Lower of cost or market inventory adjustment	\$ 16,558	\$ 18,214
	\$ 6,989	\$ 11,060

6. INCOME TAXES (CONT'D)

The Company reached a settlement with the Canada Customs and Revenue Agency (“CCRA”) and the Ontario Ministry of Finance for the taxation years up to and including January 31, 1995, relating to the tax treatment of investment gains. The Company has accounted for income taxes based on the criteria used in the settlement. The CCRA audited the taxation years January 31, 1996 to January 31, 1999 and has proposed modifying the previously agreed upon criteria for this period. The Company is in discussions with the CCRA.

Income taxes recoverable is comprised of tax losses applied to reduce previous taxes paid.

During the year ended January 31, 2001, the Company received \$3,086,000 from the Ontario Ministry of Finance representing interest related to the settlement of previous years’ tax reassessments. This amount was in excess of the \$1,700,000 recorded as interest receivable in previous years. The difference of \$1,386,000 was recorded as income in the current year.

7. RELATED PARTY TRANSACTIONS

The Company may from time to time use Dundee Securities Corporation (“Dundee”), an affiliate of the Manager, as an agent in the purchase and sale of securities. All transactions are conducted at normal commercial rates. During 2001, commissions paid to Dundee amounted to \$7,000 (2000 – \$11,000).

8. COMPARATIVE FIGURES

Certain of the prior years’ comparative figures have been restated to conform to the current year’s financial statement presentation.



DUNDEE PRECIOUS METALS INC.
STATEMENT OF CORPORATE GOVERNANCE PRACTICES

In May 1995, The Toronto Stock Exchange adopted a by-law (the “TSE By-law”) with respect to the corporate governance of listed companies. The TSE By-law was passed in response to the Report of The Toronto Stock Exchange Committee on Corporate Governance in Canada dated December 1994 (the “1994 TSE Report”). The TSE By-law contains a set of guidelines which are intended to assist listed companies in their approach to corporate governance but does not require listed companies to comply with these guidelines. However, pursuant to the TSE By-law, listed companies must annually disclose their approach to corporate governance. In November 1999, the TSE By-law was amended to require listed companies to specifically refer to each of the guidelines in their disclosure of their approach to corporate governance. In March 2001, a new Joint Committee on Corporate Governance released its Interim Report “Beyond Compliance: Building a Governance Culture” (the “2001 Interim Report”) which builds on the 1994 TSE Report.

The 1994 TSE Report and the 2001 Interim Report paid a considerable amount of attention to the make-up and independence of the board of directors of a company. The TSE By-law defines an unrelated director to be a director who is independent of management and is free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with the director’s ability to act with a view to the best interests of a company, other than interests and relationships arising from shareholding. Significant shareholders are not considered to be related directors. A significant shareholder is defined to be a shareholder who has the ability to exercise a majority of the votes for the election of directors.

The following disclosure sets out the Company’s approach to corporate governance for the year ended January 31, 2001:

1. *The Board should explicitly assume responsibility for stewardship of the Company and, as part of the overall stewardship responsibility, should assume responsibility for the following matters:*

The board of directors of the Company (the “Board”), directly and through its committees, carries out its functions as proxy for the shareholders and stakeholders of the Company with the objective of enhancing shareholder value consistent with its social responsibilities. The Board operates pursuant to the mandate set out in the Canada Business Corporations Act, which is to supervise the management of the business and affairs of the Company by instituting and monitoring the policies and procedures by which the Company operates its business, and acts with a view to the best interests of the Company. The Board together with management of the Company establish these policies and procedures and the Board assesses the execution by management of its objectives and the results obtained. The Board does not believe that it is appropriate for it to be involved in the daily management and functioning of the Company. The Board expects that management of the Company will be responsible for the effective, efficient and prudent management of the Company subject to the Board’s stewardship responsibilities.

To facilitate the fulfilment of some responsibilities and to assist its decision making, the Board has formed the Audit Committee to review in greater depth specific areas of its mandate. This committee is appointed annually and functions in accordance with a written mandate. In addition, the Board may appoint from time to time other committees as may be necessary.

1. (a) Adoption of a strategic planning process;

As a closed-end investment holding company, the Board is responsible for the general investment policies of the Company. Management of the Company presents to the Board its strategic plan for the Company. The management of the investment portfolio is carried out by the Manager, Dynamic Mutual Funds Ltd., pursuant to an investment management agreement. The articles of the Company provide the specific investment restrictions which are applicable to the investments which can be made by the Company. The Board reviews the strategic direction of the Company on a continuing basis and receives an update on the status of the business and affairs of the Company and a review of the investment portfolio and investment activities of the Company from management of the Company and the Manager at each meeting of the Board. Any material deviations from the strategic plan are reported to and considered by the Board.

1. (b) The identification of the principal risks of the Company's business and ensuring the implementation of appropriate systems to manage these risks;

Inherent in the Board's supervision of the strategic direction and operating performance of the Company is the identification, understanding and monitoring of the principal risks of the Company's business, the integrity of corporate internal control procedures and the overview of management's implementation of systems to manage and minimize those risks.

1. (c) Succession planning, including appointing, training and monitoring senior management;

The Board regularly reviews and assesses the Company and the Manager and will take the appropriate steps to respond to succession planning issues including appointing senior management when necessary.

1. (d) *A communications policy for the Company; and*

The Company endeavours to keep its shareholders informed of its progress through a comprehensive annual report and quarterly interim reports. Although, the Company does not have an investor relations department, all shareholder or investment community inquiries are directed to the Corporate Secretary or the Chief Financial Officer of the Company. Shareholder inquiries are responded to promptly by the appropriate individual within the Company. During 2001, the Company will be establishing and maintaining a website that will provide summary information on the Company and ready access to press releases and regulatory filings.

1. (e) *The integrity of the Company's internal control and management information systems.*

The Board, through the Audit Committee, assesses the integrity of the Company's internal controls and management information systems. Management of the Company, together with the Manager, is responsible for the design, implementation and maintenance of the internal controls and information systems of the Company and the Audit Committee is responsible for ensuring that management of the Company has fulfilled this responsibility.

2. *The Board should be constituted with a majority of individuals who qualify as unrelated directors.*

At January 31, 2001, the Board was composed of eleven members. The Board has concluded that eight of the eleven members were unrelated. The proportion of the Board comprised of unrelated directors exceeds a majority of the Board.

3. *The Board will also be required to disclose on an annual basis the analysis of the application of the principles supporting the conclusion in item 2 above.*

Only two officers of the Company are members of the Board, being Jonathan Goodman, the President and Chief Executive Officer of the Company and the Manager and Garth MacRae, the Chairman. In addition, Mr. Ned Goodman, the Chairman of the Manager, is also a member of the Board. The Board believes that it is important for these senior executives of the Company and the Manager to be on the Board and be involved in Board deliberations and to have the same obligations, responsibilities and liabilities as the rest of the directors of the Company. All other directors of the Company are considered to be independent of management and free from any interest or other business relationship that may interfere with the director's ability to act with a view to the best interests of the Company.

-
4. *The Board should appoint a committee of directors composed exclusively of outside, i.e. non-management directors, a majority of whom are unrelated directors with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis.*

The Board has not delegated the responsibility for proposing new nominees to the Board to a committee of the Board. The non-management members of the Board have the responsibility for proposing to the full Board new nominees to the Board as appropriate and for assessing directors on an ongoing basis. During the fiscal year ended January 31, 2001, the Board did not consider it necessary to formally assess the effectiveness of the Board. The Board regularly assesses the performance of the Manager and the Company.

5. *The Board should implement a process to be carried out by the nominating committee or other appropriate committee for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.*

Although the Board has not delegated the responsibility for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors of the Company to a committee of the Board, the Board reviews these matters as appropriate. The Board regularly assesses the performance of the Manager and the Company.

6. *The Company, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the Board.*

While no formal orientation and education program is in place for new recruits to the Board, new directors of the Company meet with management and other directors of the Company to familiarize themselves with the business of the Company and their responsibilities as directors. In addition, management distributes certain written information to new directors including, among other things, information about the Company and its affiliates and the reporting requirements of the directors of the Company.

7. *The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, undertake where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision-making.*

The Board examines its size annually with a view to determining the impact of the number of directors of the Company upon the effectiveness of the Board. The Board is currently made up of eleven individuals who have a diverse background bringing great functional experience to the Board for the assistance of management and the Manager. It is the view of the Board and management of the Company that the current size and representation of the Board is appropriate in order for the Board to perform its duties and responsibilities effectively.

-
8. *The Board should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being an effective director.*

During the fiscal year ended January 31, 2001, the Board reviewed the adequacy and form of the compensation of the directors of the Company to ensure that the compensation realistically reflects the responsibilities and risks involved in being an effective director.

9. *Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated directors, although some Board committees, such as the Executive Committee, may include one or more inside directors.*

The Company does not have an Executive Committee. The Audit Committee is composed of outside and unrelated directors. The Audit Committee is the only standing committee of the Board. From time to time ad hoc committees of the Board may be appointed as necessary or as may be required by law, which would include any requirements with respect to any related party transactions which might be considered.

10. *The Board should expressly assume responsibility for, or assign to a committee of directors the general responsibility for, developing the Company's approach to governance issues.*

The Board has assumed responsibility for, among other things, developing the approach of the Company to corporate governance issues. The Board is also responsible for formulating the response of the Company to the corporate governance guidelines and disclosure requirements adopted by The Toronto Stock Exchange on issues of corporate governance, which is then reviewed and approved by the Board.

11. (a) *The Board, together with the CEO, should develop position descriptions for the Board and for the CEO, involving the definition of limits to management's responsibilities.*

(i) *The Board;*

The Board operates pursuant to the mandate set out in the Canada Business Corporations Act, which is to supervise the management of the business and affairs of the Company. The Board also seeks to act with a view to the best interests of the Company. Although the Board has no formal policy nor grant of authority setting out what specific matters must be brought by management to the Board for approval, there is a clear understanding between management and the Board through historical Board practice and accepted legal practice that all transactions or matters of material nature or with respect to dealings between the Company and the Manager must be presented by management for approval by the Board. It has been the experience to date of the Board that they have been kept well informed as to the business and affairs of the Company and that the matters which have been brought forward to the Board for approval have been appropriate.

(ii) *The CEO;*

While the Chief Executive Officer of the Company does not have a specific written position description, the objectives of the Chief Executive Officer are reviewed and discussed annually with the Board and include the general mandate to manage the Company and to maximize shareholder value.

11. (b) *The Board should approve or develop the corporate objectives that the CEO is responsible for meeting.*

The general corporate objectives of the Chief Executive Officer of the Company are reviewed by the Board.

12. *The Board should have in place appropriate structures and procedures to ensure that the Board can function independently of management. The Company should appoint a Chairman who is independent of management or assign responsibilities to a "Lead Director".*

The position of Chairman and Chief Executive Officer of the Company are separate. Garth MacRae, the Chairman of the Board, is independent of management. Jonathan Goodman is the President and Chief Executive Officer of the Company and the Manager. In the view of the Board, the Board has and continues to act independently of management notwithstanding the fact that Mr. Jonathan Goodman occupies both offices of President and Chief Executive Officer of the Company and the Manager. When necessary or desirable, the Board will establish committees composed of directors who are considered to be independent with respect to the issues to be reviewed and determined.

13. (a) *The roles and responsibilities of the Audit Committee should be specifically defined so as to provide appropriate guidance to Audit Committee members as to their duties.*

The Audit Committee is responsible for reviewing the Company's financial reporting procedures and internal controls. The Audit Committee also reviews and reports to the Board with respect to the design and implementation by management and the Manager, where appropriate, of effective internal control systems and on all financial statements of the Company prepared by the Company. The Audit Committee also discusses with management the Company's policies and procedures for risk management, reviews audit plans and meets independently with the external auditors on an annual basis and reviews the performance of and communication with the external auditors of the Company. The roles and responsibilities of the Audit Committee are set forth in the written mandate of the Audit Committee.

13. (b) *The Audit Committee of the Board should be composed only of outside directors.*

The Audit Committee is made up of three directors, all of whom are outside and unrelated directors.

14. *The Board should implement a system that enables an individual director to engage an outside advisor at the expense of the Company in appropriate circumstances. The engagement of the outside advisor should be subject to the approval of an appropriate committee of the Board.*

The Company has a practice permitting the Board, any committee thereof and any individual director to engage independent external advisors at the expense of the Company when necessary. The non-management members of the Board have the responsibility of determining if the Board, any committee thereof or an individual director of the Company should retain, at the expense of the Company, an independent external adviser and the terms and conditions of such retainer.



DIRECTORS

Derek H.L. Buntain
Paget, Bermuda

Peter C. Cavelti
Toronto, Ontario

Jonathan Goodman
Toronto, Ontario

Ned Goodman
Innisfil, Ontario

Alfred T. Holland
Toronto, Ontario

Howard L. Kelly
Saint Anicet, Québec

Garth A.C. MacRae
Toronto, Ontario

Donn L. Morgan
West Vancouver, British Columbia

Ronald Singer
Montréal, Québec

Peter Steen
Vancouver, British Columbia

William G. Wilson
Dublin, Ireland

OFFICERS

Garth A.C. MacRae
Director and Chairman

Jonathan Goodman
Director, President and
Chief Executive Officer

Ray Benzinger
Vice President, Finance
and Chief Financial Officer

Carole Colbert
Secretary

Rosanna Gatti
Controller

Copies of the Company's Quarterly and
Annual Reports are available on written
request from our registrar:

Computershare Trust Company of Canada
100 University Avenue, 11th Floor
Toronto, Ontario, Canada M5J 2Y1
Tel: 416-981-9633
Toll Free: 1-800-663-9097
Fax: 416-981-9800

